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HARYANA VIDHAN SABHA

COMMITTEE

ON

PUBLIC UNDERTAKINGS

(1986-87)

(SIXTH VIDHAN SABHA)

TWENTY FOURTH REPORT

ON THE

REPORT

OF THE

COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR 1982-83

RELATING TO

HARYANA STATE HANDLOOM & HANDICRAFTS CORPORATION LIMITED

Presented to the House on 5 MAR 1987

HARYANA VIDHAN SABHA SECRETARIAT
CHANDIGARH
1987

Errata

to

Twenty Fourth Report of the Committee on Public Undertakings.

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COMPOSITION
of
THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1986 87)

CHAIRMAN

*1 Shri A C Chaudhry

2 Shri Kanwal Singh

MEMBERS

3 Shri Bhalle Ram

***4 Shri Brij Mohan

5 Shri Dharam Bir Gauba

****6 Shri Jagdish Nehra

7 Shri Nihal Singh

**8 Shri Phool Chand Mullana

9 Shri Sahab Singh Saini

10 Shri Shiv Parshad

11 Shri Sube Singh Punia

SECRETARIAT

1 Shri G L Batra Secretary

2 Shri Surinder Kumar,
Deputy Secretary/Under Secretary

and

Shri Shanti Sarup
Accounts Officer/Under Secretary

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* Shri A C Chaudhry M L A, resigned from Chairmanship of the Committee w e f 5 6 1986 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 8 6 1986

** Shri Phool Chand Mullana, M L A, resigned from the Committee w e f 5 6 1986 on his appointment as Minister

*** Shri Brij Mohan, M L A was elected member of the Committee w e f 28 11 1986

**** Shri Jagdish Nehra M L A was elected member of the Committee w e f 28 11 1986 and resigned from the Committee w e f 6 12 1986 on his appointment as Minister of State

INTRODUCTION

1 the Chairman of the Committee on Public Undertakings, having been authorised by the Committee in this behalf present this Twenty Fourth Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1982 83, relating to the Haryana State Hand loom and Handicrafts Corporation Limited

2 The previous Committee framed questionnaire took up the scrutiny of the audit paragraph/notes contained in the said Report and also orally examined the representatives of the Department/Corporation However that Committee could not present their report in this respect for want of further required information and time

3 This Committee therefore, took up the unfinished work of the previous Committee and after having thoroughly gone through the material received and the oral evidence etc already conducted have framed their recommendations/observations contained in this Report

4 A brief record of the proceedings of each meeting of the previous/ this Committee in this behalf has been kept in the Haryana Vidhan Sabha Secretariat

5 The Committee are thankful to the representatives of the Finance Department Haryana, and the representatives of the Industries Department/ said Corporation who appeared before the previous Committee from time to time

6 The Committee place on record their appreciation of the valuable assistance and guidance given to them by the Accountant General Haryana, and his staff

7 The Committee are also thankful to the Secretary Haryana Vidhan Sabha, and his officers/staff for their whole hearted cooperation and assistance given to them

Chandigarh

The 15th December 1986

KANWAL SINGH,

CHAIRMAN

REPORT

7 28 Haryana State Handloom and Handicrafts Corporation Limited

Paragraph 7 28 2 Intensive Development Project

7 28 2 1 Scope

1 In June 1976 Government of India sanctioned a project for development of handloom industry under the 20 Point Economic Programme The scope of the Intensive Development Project was to be as under —

(a) modernisation of handloom industry with conversion of pit looms into frame looms and frame looms into jacquard looms

(b) training of weavers

(c) providing pre loom and post loom facilities

(d) marketing and

(e) to supply latest designs and inputs, *viz* yarn chemicals, *etc*, to handloom weavers

The implementation of the project in the State was entrusted to the Company in June 1976 to be completed within 5 years *i e* up to 1980 81 The project was actually taken up for implementation with effect from December 1976 The scheme was transferred from the Central Plan to State Plan from April 1979

In its written reply the Management of the Company stated that the basic objective of the project was to provide the infrastructure to increase the handloom production within the State for local market and for exports Some difficulties were faced in implementing the project on account of which the progress was hampered Within these constraints the objectives were achieved

The Committee observed that the implementation of the project was to be completed upto 1980 81 but it was still incomplete

The Committee recommend that earnest steps be taken by the Management to complete the project early and the reasons for the delay in implementation of the project be looked into and responsibility fixed for the lapses at various levels in the implementation of the project

Paragraph 7 28 2 2 1 Financing of the project

2 The pattern of financial assistance (Rs 1 85 04 lakhs) sanctioned for this project by the Central Government was to be as follows —

	Central			State
	Loan	*Grant*	*Total*	*Grant*
	(Percentage of assistance)			
(a) First three years	50	25	75	25
(b) Fourth and Fifth year	25	25	50	50

The Company had from February 1977 up to March 1983 received an aggregate amount of Rs 1 28 07 lakhs (from Central Government Rs 41 41 lakhs as loan and Rs 18 83 lakhs as grants in aid from State Government Rs 67 83 lakhs as grants in aid) for implementation of the project Out of the loan of Rs 41 41 lakhs an amount of Rs 20 31 lakhs became due for repayment as on 30th April 1983 against which only Rs 2 25 lakhs were paid The Company has become liable to penal interest on the overdue amount to the extent of Rs 4 97 lakhs

The matter regarding deferment of repayment of loan and interest was taken up with Government of India (February 1978) but it was declined (July 1979) The State Government was requested (February 1983) to convert the outstanding loan into share capital and to waive off the interest accrued till the time of its conversion on the ground that the financial position of the Company was not sound and the Company wanted to utilise the amount on the developmental activities However this was not agreed to by the State Government

In its written reply the Management of the Company stated that "Rs 28,59 600 were repayable as loan out of which Rs 3 75 000/ have been paid leaving a balance of overdue loan of Rs 28,84 600

The interest payable is as under —

(i) At ordinary rate	Rs 15,11 781 14
(ii) At penal rate	Rs 21 98,954 38

During oral examination in September 1985 the representative of the Company stated that loan could not be re paid due to shortage of funds as the Company was not able to establish full infrastructure and generate enough profits It was further stated that matter regarding deferment of repayment of loan and to waive off the penal interest was again under consideration with the State Government/Government of India

The Committee feel that on account of failure of the Management of the Company to implement the project within the prescribed time sufficient profits could not be generated with the result that the company was unable to repay the loan and also the interest

The Committee recommend that matter regarding deferment of repayment of loan and waiving off the penal interest may be pursued with the State Government/Central Government The Committee also recommend that immediate steps be taken for the early implementation of the project

Paragraph 7 28 2 2 Financing of the project

7 28 2 2 2

3 According to the project report various items under the project were to be completed at a cost of Rs 1 85 04 lakhs Out of the aggregate amount of Rs 1 28 07 lakhs received from Central/State Governments Rs 1 03 33 lakhs were spent up to March 1983 on various items provided

under the project as detailed below —

		Estimate as per project report	Actual expenditure incurred up to 31st March 1983
		(Rupees in lakhs)	
(1)	Construction of buildings for 20 collective weaving centres	28 00*	20 18**
(2)	Machinery (looms and other allied Machinery) for the collective centres	7 28*	1 85
(3)	Other capital cost (for 20 centres)	3 47*	10 13
(4)	Salaries of staff for 20 centres	13 92	27 86
(5)	Stipend to trainees	4 86*	4 23
(6)	Other expenses (viz rent, exhibition expenses etc)	2 68*	39 06
(7)	Margin money for raw material/ finished goods	83 33	—
(8)	Modernisation of looms	41 50	0 02
	Total	1,85 04	1,03 33

The net balance of Rs 24 74 lakhs out of the funds received for implementation of the project had been temporarily used for other activities

In its written reply the Management of the Company stated that the expenditure exceeded because of enhancement in salaries of the staff due to pay revision and payment of instalments of Additional Dearness Allowances and many other allowances No provision was made in the scheme for marketing However the project envisaged opening of sale Depots in all the State capitals of the Country besides other important towns for sale of goods to be produced by weavers covered under the scheme Therefore the Corporation had to incur expenditure for marketing activities The outlay was only for five years whereas the expenditure incurred upto 1982 83 covers a period of 7 years About 70% of the total outlay has been released

Upto 31-3 85 against the projected cost of Rs 185 04 lacs, an amount of Rs 135 07 lacs was received and an amount of approximately Rs 122 02 lacs has been spent for this scheme

The balance sheet of the Corporation for the year 1982 83 reveals a cash balance of Rs 32 09 571 as on 31 3 83 in view of which it cannot be said that Rs 24 74 lacs of the project funds were utilised for other activities

*Planned for 20 centres

**Actuals for one centre (Bhiwani—refer paragraph 7 28 2 3 1)

During the course of oral examination the representative of the Company stated that estimates exceeded due to increase in wages and incurring of unforeseen expenditure

The Committee were not convinced with the reply of the Management of the Company that the funds meant for the project were not utilized for other activities as the Company was having cash balance of Rs 32 09 571 as on 31st March 1983 The Committee felt that since the Company was not keeping the funds meant for the project separately, having a cash balance on particular date was not relevant in the matter

The Committee observe that estimates made originally were not correct and the increase in the expenditure was due to non implementation of the project in time

The Committee recommend that estimates may be revised after obtaining approval from the Government of India and a strict watch be exercised in incurring of expenditure and timely implementation of the project

Paragraph 7 28 2 3 Execution of the project

7 28 2 3 1 Construction of building

4 The Company had not constructed any buildings for collective weaving in 20 centres as planned Instead one handloom complex was constructed at Bhiwani (Total cost Rs 20 18 lakhs against Rs 28 00 lakhs estimated for 20 centres) Out of 21 acres (170 *kanal*) of land acquired at a cost of Rs 4 48 lakhs 103 *kanal* of the land was meant for setting up a weavers colony The Company had not yet drawn up any plan for constructing such a colony Thirteen other centres were set up in rented premises during the period of 5 years up to 1981 82 (rent Rs 67 022 per annum) Reasons for bringing up one handloom complex on which major portion of the funds was spent instead of constructing premises at 20 places for setting up centres and for setting up centres in hired premises in '3 places were not on record The handloom complex had also not been put to the intended use as would be seen from the following

— a modern canteen fitted (August 1978) with glazed tiles *etc* was being used as residence of a *choukidar*

— 70 *per cent* of the Administrative block was being used as store since August 1978

— the woollen finishing shed was being partially used as a 'Dye House and Yarns Store although space for it was otherwise available

— Showroom had been converted into a production shed and Dye House as parking place and

— one of the stores was still under use by the contractor who constructed the complex

In its written reply the Management of the Company stated that one large Complex was constructed at Bhiwani to act as a nucleus and a growth centre for providing infrastructure facilities for intensive

Development of handlooms in the surrounding region For this purpose adequate building accommodation wa required at the H Q s for its requirements and for future expansion A Dye House a Yarn Bank a Large Production Centre a frame loom and Jacquard training Centre a Wraping Facility centre and a wholesale Depot was required to be set up at the H Q s and these were set up Apart from the above facilities another training centre for providing training on semi automatic looms for the production of Viscose/Polyester cloth has since been set up Production of Janata cloth has also been taken up under this project in 1985 86

During 1976 77 when the land was acquired at Bhiwani for the construction of the Weavers Colony the Handloom weaving activities in the area were negligible on account of paucity of trained weavers The corpn therefore first took up the programme for training weavers through its 13 Collective Weaving Centres and for creating infrastructure facilities to promote the development of handloom With the setting up of a Handloom Complex at Bhiwani the handloom industries have registered appreciable growth Although at present there are a number of weavers available at Bhiwani but due to financial constrains the Corporation is not in a position to undertake the construction work on its own The matter was taken up with the Haryana Housing Board but the schemes offered by them were also not found suitable due to paucity of funds

Govt of India has proposed to undertake a scheme of providing House cum Work sheds for weavers for implementation in the 7th Plan The matter is under consideration in consultation with Govt of India

The Handloom Complex at Bhiwani has been put to use and the entire accommodation is being utilised for handloom activities under the project The construction was done as per the requirement envisaged under the project

The contractor has vacated the store With regard to the rent, the position is as under —

The contractor filed a claim of Rs 4 24 lacs of pend ng bills in the civil court at Bhiwani against the Corporation On 31 3 84 the BOD of the Corporation in their 33rd meeting constituted a committee for negotiating the claim with the contractor On the basis of these negotiations the claim and counter claims vis a vis the Corpn were finally settled at an amount of Rs 1 97,960/ in the Court of Bhiwani and the case was decreed accordingly

The Committee observe that instead of incurring expenditure on modernisation of looms heavy expenditure was incurred on the construction of one complex at Bhiwani and land purchased for Rs 4 48 lakhs for weavers colony was lying unutilized because no proper planning was made before its acquisition

The Committee recommend that the reasons for spending huge sums on the construction of a complex at Bhiwani by diverting funds meant for modernisation of looms should be investigated and responsibility be fixed for the lapses and a report submitted to the Committee

The Committee further recommed that complex constructed at Bhiwani be put to intended use and a scheme be formulated for proper utilisation of this land at the earliest

Paragraph 7 28 2 3 Execution of the Project

7 28 2,3 2

5 According to the project report the Company was to invest Rs 3 47 lakhs on purchase of 2 diesel jeeps, furniture and fixture *etc* but the Company purchased 3 cars 3 Metador vans furniture and fixtures, *etc*, at a cost of 10 13 lakhs

In its written reply the management of the company stated that 'while sanctioning the scheme Govt of India had authorised modification of the project during implementation if necessary The diesel jeeps were not considered practicable for the purpose and therefore two Matador Utility Vans were purchased in lieu of the jeeps The actual cost of the Vans was higher than that provided for the Vehicles under the scheme The Vans were purchased at a cost of Rs 1 52,646/ as against the provision of Rs 60 000/ in the scheme Three cars were purchased by the Company for staff use for supervision control and inspections of the field units which were very necessary There is a provision of Rs 0 lacs of margin money under head production finished goods, quality control and the cost of the purchase of vehicles has been met from this head The provision for the furniture and fixtures exists in the scheme

During the course of oral examination the representative of the Company stated that original scheme was perhaps framed hurriedly and in fact the Company needed vans

The Committee observe that against the provision of Rs 3 47 lakhs for the purchase of 2 diesel jeeps in the project the management spent Rs 10 13 lakhs on the purchase of 3 cars 3 Metador vans and furniture and fixtures The Committee feel that the diversion of funds from the project for the purchase of these items was not in the best interest of the Company as due to paucity of funds the project could not be fully and propely implemented

The Committee recommend that the reasons for slow implementation of the project be examined by the Management and justification of spending huge sums on unproductive items i e cars furnitures etc should be looked into and responsibility for the lapse, if any be fixed and report submitted to the Committee

Paragraph 7 28 2 4 Modernisation of Looms

6 Under the Project 10 000 looms were to be covered during the period of 5 years *i e* 8 750 looms under the modernisation scheme and 1,250 looms to be set up in the collective weaving centres Under the modernisation scheme 50 *per cent* of the cost of the loom was to be paid to weavers as subsidy (reimbursible by Government) and the remaining 50 *per cent* was to be arranged from banks as loans at an interest rate of 4 *per cent* The progress achieved in this regard was as under

(a) Although 5 000 applications were received during August 1976 to March 1983 subsidy to the extent of Rs 0 02 lakh at Rs 296 42 per loom (average cost Rs 593 per loom) had been given for 6 looms only against the provision of Rs 41 50 lakhs in the scheme The Management stated (March 1981) that as prices of looms had gone up, Government had been asked to enhance the subsidy and their reply was awaited Further, during 1982 83, the Company obtained a sum of Rs 6 lakhs from the Government for grant of subsidy to weavers for the purchase of 200 jacquard and 100 frame looms for modernisation of existing looms but no additional loom was provided and the entire amount had been utilised for marketing

(b) As against 1 250 looms to be provided in the collective weaving centres proposed to be set up the Company had so far (March 1983) established one handloom complex at Bhiwani with 78 looms and 13 centres in rented premises with 123 looms The Company has attributed the slow progress in the establishment of looms to lack of interest by weavers non availability of skilled weavers and insufficient number of trainees The above contention of the management is not tenable as neither effective steps were taken to establish looms as planned nor to attract weavers/trainees

In its written reply the Management of the Company stated that 'under the project only 6,450 looms were to be modernised and 1250 looms were to be set up in the Collective Weaving Centres Under the modernisation programmes it was proposed to grant 50% subsidy to the weavers for conversion of pit looms into frame looms and frame looms into jacquard looms The scheme was publicised through the Press and through Field staff of the Corporation and the Industries Department The scheme was reviewed in the Meeting of the Project Advisory Board held in June 1977 wherein it was observed that the response to the scheme was not encouraging Only about 500 applications were received but none of the applicant was found eligible for the grant of subsidy The main reasons for this poor response were as under

(i) Weavers did not want to switch over to big looms/jacquards for lack of marketing facilities

(ii) Weavers in the rural area did not want to take equipment on loan despite the 50% subsidy offered by the Corporation

45 looms have been modernised under the scheme by the end of 1984 85 The State Govt has allowed the enhancement in the amount of subsidy

The Deputy Development Commissioner for Handlooms Govt of India who attended the meeting of the Project Advisory Board in June 1977 had also observed that the scheme did not have much scope and the Board recommended that while it may remain open to the persons desirous of availing the facility, as the Corporation could not utilise the funds there under these may be diverted for providing other infrastructural facilities like marketing etc, in line with the broad objective of the Project for creating infrastructure facilities for the development of handlooms in the State The Govt of India vide their letter No 53033/1/76 Tex IV dated 17 4 76 had empowered modification of the scheme if necessary during implementation The Govt of India was informed of the decision of the BOD of the Corporation for the diversification of funds from the scheme of modernisation for utilising the same for provision of other infrastructural facilities

The details of the funds received against the I D P scheme and their utilisation are as under —

Year		Funds Received		Funds utilised
		Loan	Grant	
1976 77	to	11 25 000)	37 66 000	43,72 238 06
1978 79		15 00 000)		
1979 80		15 16,000	20 00 000	16 99 055 03
1980 81		—	2 00 000	35 57,562 83
1981 82		—	9 00 000	3 50 418 62
1982 83		—	18 00 000	3,53 558 82
1983 84		—	—	9 19 535 79
1984 85		—	7 00 000 (Tentative)	9 49 466 43
		41 41 000	93 66,000	1 22 01 835 58

Under the scheme there was provision for only 50% of the cost of the 1250 looms The Corporation had no other resources to meet the corresponding 50% of the cost of the looms The actual cost of the looms has increased by over 100% than that estimated in the Project Report This revised cost was accepted by the State Govt but there was no corresponding enhancement in the original provisions to meet the enhanced cost As against the proposed outlay for the scheme of Rs 185 04 lacs only Rs 128 07 lacs was received upto 1984 85 Thus only 70% of the funds of the projected outlay was released to the Corporation and correspondingly only 70% of the provisions under the scheme were available under the sub head of Collective Weaving Centres

On the basis of the above the actual target of the setting up of looms under Collective Weaving Centres comes to about 218 looms against which 185 looms have been set up The weavers were first to be trained Production was also phased out to avoid accumulation of large stocks keeping in view the prevailing market situation

The Committee observe that no efforts were made by the Management for the modernisation of looms which was the main objective of the project As per sanctioned project 10 000 looms were to be covered in 5 years i e 8750 looms under modernisations and 1 250 looms to be set up in the centres Out of 5 000 applications received during the period from August 1976 to March, 1983 for modernisation only 45 cases were finalised upto 1982 83

The Management while stating in its reply that 500 applications were received have not taken into account all the applications received during the period August 1976 to March 1983

The Committee feel that the implementation of the project was mismanaged and funds were spent on non priority and non productive items instead of on creating infrastructure for the development of handloom industry in the State

The Committee recommend that the implementation of the entire project should be investigated and responsibility fixed for the delays and the various lapses committed in the execution of the project and a report submitted to the Committee

The Committee further recommend that earnest steps should be taken to achieve the objective of modernisation and setting up of looms as provided in the sanctioned scheme

Paragraph 7 28 2 5 Design Cell

7 The Company s major production centre of handloom cloth established at Bhiwani had no designer Under the scheme the Company was required to provide designs to weavers but no scheme to provide designs to weavers had been drawn up The Company had however employed (March 1977) two designers on a monthly salary of Rs 1 600 each who were posted at the Headquarter office The designers had not prepared any design during the years 1981 82 and 1982 83 (total salary paid Rs 0 38 lakh) as they were put on supervision jobs for which they were not meant

In its written reply the Management of the Company stated that the two designers employed by the Company were not appointed under the I D P Scheme Of these designers one was working under TOM & D scheme located at Panipat and he was posted there The other is of the rank of Assistant Director (Design) and was working under the Institute of Design for Handicrafts scheme The Institute of Design of the Corporation is located at the H Q s at Chandigarh and the Asstt Director (Design) was posted there to look after the activities of the scheme

During the course of oral examination the representative of the Company stated that no record was maintained regarding designs prepared by the designers When questioned further the representative stated that the designers were transferred by the Industries Department alongwith the design centres which were closed by the Company

The Committee desire that as the designers have not been engaged on the specified jobs, the matter regarding their repatriation/utilisation may be decided at the earliest

The Committee observe that under the scheme the Company was to provide design to the Weavers but no scheme to provide this facility to weavers was devised by the Management with the result that the objective of the scheme could not be achieved

The Committee recommend that the reasons for not implementing the scheme to provide designs to the Weavers and not fruitfully utilising the services of the two designers by keeping them away from the major handloom production centre Bhiwani be investigated and responsibility for the lapse fixed and a report submitted to the Committee

Paragraph 7 28 2 6 Modern Dye Houses

8 According to the project report one dye house was to be set up at Bhiwani with modern facilities *viz* hydro extractor baby boiler *etc* so as to provide preweaving facilities relating to dyeing washing *etc* to weavers Though the dye house has been set up at Bhiwani the facility of dyeing and washing *etc* is not being provided to the outside weavers The Management stated (December 1983) that the facility was not being provided as there were no sufficient handloom units in the area

In its written reply the Management of the Company stated that the facility was available to the weavers in respect of dyeing and washing *etc*, publicity was given to the scheme through Press and through the District Industries Centres

The Committee feel that the Company could not achieve the objective to provide the facility of modern dye house to the weavers, which might be due to inadequate publicity and huge service charges

The Committee recommend that adequate publicity of the facility be given to attract more weavers to avail the modern dyeing techniques and charges should be moderate and competitive

Paragraph 7 28 2 7 Raw material bank

9 A scheme for the supply of yarn to weavers belonging to the weaker section of soci ty at cost price *plus* nominal handling charges of *2 per cent* as envisaged in the scheme was also transferred (June 1976) by the Director Industries to the Company for implementation To start with a separate revolving fund amounting to Rs 1 90 lakhs was placed by the State Government at the disposal of the Company The Company set up (March 1977) a yarn bank at Panipat to supply good quality yarn to the weavers in the State Subsequently during the year 1980 81 the facility was further extended by making yarn available through Company s various collective weaving centres in the State The table below indicates the particulars of yarn supplied by the Company to the weavers under this scheme during the seven years up to 1982 83

Year	*Quantity (Kgs)*	*Value (Rupees in lakhs)*
1976 77	1 716	0 21
1977 78	14 923	2 04
1978 79	726	0 10
1979 80	816	0 12
1980 81	6 666	1 20
1981 82	3 357	0 55
1982 83	2 204	0 45

It may be seen from the above that since 1978 79 the Company had failed to supply adequate quantity of yarn to the weavers in spite of the fact that the funds for the purpose were made available by the Government The Company stated (December 1983) that decline in sale was due to the fact that Company sold the yarn on cash basis whereas private dealers sold on credit

In its written reply the Management of the Company stated that the figures of yarn sale for the year 1983 84 and 1984 85 are as under

Year	*Value of Yarn Sold*	*Qty*
1983 84	Rs 56,030	2335 Kg (Approx)
1984 85	Rs 45 000 (Tentative)	1500 Kg („)

The weavers prefer to buy yarn from open market where credit facilities are availab e and they only approach the Corporation when the market rates go higher At places with large concentration of weavers mills have opened their own sale depots and weavers prefer to by directly as the yarn is cheaper here On account of rapid fluctuation in yarn prices it was not possible for the Corporation to maintain stability in the rates The Corporation took up the matter with the Government of India for setting up a yarn sale depot in the State and also for bringing stability in the yarn prices The Central Government has since initiated action for formulating a scheme for supply of yarn on stable rates and to ensure uninterrupted supply and proper distribution of yarn through the organised sector in the 7th Plan Period

During the course of oral examination, the representative of Company stated that weavers were purchasing the yarn from the market as it was cheaper

The Committee observe that one of the objectives of the Company was to provide yarn at cheaper rates to the weavers and in its achievement the Management completely failed

The Committee recommend that the Management should formulate suitable plans and devise effective methods to get regular supply of good quality yarn at competitive rates in order to enable it to make available the yarn to weavers at no profit no loss basis in required quality and quantity

Paragraph 7 28 2 8 Training of Weavers

10 Under the project each of the 20 Collective Weaving Centres (10 large with 100 looms and 10 small with 25 looms) to be set up was to train 15 persons per quarter These centres were to be training cum production centres and the admission was confined to persons belonging to weaker sections of the society with special preference to traditional weavers/*harijans* and backward classes The period of training which was fixed at 3 months was extended to 6 months from 1979 80 The table below indicates the

particulars or number of persons trained vis a vis that planned as per project report on the basis of number of centres set up —

Year	*Number of centres in operation*	*Number of persons to be trained on the basis of centres set up*	*Persons actually trained during the year*
1976 77	10	150	*
1977 78	13	780	343
1978 79	13	780	307
1979 80	13	390	128
1980 81	13	390	117
1981 82	13	390	59
1982 83	9	270	88
Total		3 150	1 042

The following observations are made

(a) It will be seen from the above table that the number of persons trained had been far below the number of persons required to be trained under the scheme It was observed that the cost per trainee (including stipend) which was Rs 735 per trainee in 1978 79 had gone up to Rs 3,199 per trainee in 1981 82 which was mainly due to the less number of persons trained No records/reports of trainees who left before completing prescribed period of training were available

(b) According to the project report each trainee was to produce 375 sq metre of cloth per year but the Company had not maintained separate record to assess the actual quantity of cloth produced by them However in test check of the records of Bhiwani Centre it was observed that the production per trainee per annum was 61 15 sq metre during 1982 83

(c) There was no system to monitor the progress achieved by the trainees and their placement within the Handloom industry after completion of training period

(d) Under the scheme the Company had planned that the persons trained would be provided with looms under subsidy scheme and they would be given job work by the Company to establish themselves The Company has not been able to implement the said plan as no infrastructure had been created for the purpose However as on 31st March 1983 151 trainees after completing the training with the Company were working at its production centres

* Training not completed during the year

In its written reply the Management of the Company stated that since adequate number of trainees was not available and because of difficulty regarding availability of suitable accommodation the centre trainee ratio came down and more centres than envisaged had to be set up to meet the targetted number of trainees As against 10 the Corporation had to set up 13 centres This led to increased overhead expenditure on training than envisaged The period of training was doubled and on account of inavailability of the trainees, expenditure per trainee increased No action has been initiated against trainees who left without completing the training for the recovery of amount of stipend paid as it was felt that the litigation expenditure for the recovery will be much more as compared to the outstanding amounts Records are being kept of the production by the trainees in the centre The scheme envisaged production of 3 meters of cloth per day from the first day of training which was not found practicable Further the trainees do not work for full 25 days in a month and there is seasonal/casual absenteeism As per Government of India norms a target of production @ 5 5 meters of cloth per day per loom for the organised sector and 4 5 meters per loom in the residuary sector for 300 days in a year has been projected for experienced weavers under the 7th plan

There is no special specific provisions for a supervisory/Monitoring cell for such infrastructure under the scheme Within the constrains of limited staff and funds available the training programme and the schemes was being monitored and such infrastructure created After the first year of training the scheme was reviewed and the training period was increased from 3 months to 6 months It was not found practicable to maintain records of those trainees who broke off the contacts with the Corporation The records of the trainees who have obtained training are being kept in the centres Employment was provided to the trained weavers through direct production on the looms in the production units of the Corporation through job work and through Marketing assistance by way of supply of inputs and purchase of their goods

The Committee observe that the number of persons trained were far below the prescribed targets the cost per trainee increased due to less number of persons trained and no record of the trainees who left before the completion of training were available with the management with the result that no action could be taken to recover the amount spent on them The Committee further observe that adequate control was not exercised by the Management over the trainees to ensure production of prescribed quantity of cloth from them and no system was devised to monitor the progress achieved by the trainees and their placement in the handloom industry The Committee also observe that none of the persons trained were provided with looms under the subsidy scheme and job work by the Company to establish them in the handloom industry

The Committee feel that the management not only failed in training adequate number of persons in handloom trade but also could not establish the small number of persons trained in the handloom industry by providing them looms job work raw material and marketing facility for their manufactured goods

The Committee recommend that the reasons for not training adequate number of persons, increase in cost per trainee non production of prescribed

quantity of cloth by the trainees lack of monitoring system, failure to provide the trained persons looms under subsidy scheme and not providing facility of job work raw material marketing of manufactured goods etc to them be investigated and responsibility fixed for the lapses and a report submitted to the Committee

Paragraph 7 28 2 9 Production performance

11 The weaving centres set up produce various handloom products such as bed sheets bed covers towles curtain cloth *etc* The table below indicates the production contemplated in collective weaving centres as per project report *vis a vis* actual production in respect of the looms installed for the four years up to 1982 83

Year	*Number of looms installed*			*Production as per* norms*	*Actual production*	*Shortfall in production*	*Percentage of actual production to norms*
	Jacquard looms	*Frame looms*	*Training looms*				
				(Quantity in meters)			
1979 80	—	100	64	3,38,400	1 17,222	2,21 178	52 4
1980 81	4	139	58	4 68 400	1,83 694	2 84 706	39 2
1981 82	4	166	31	5 33 400	1 62,323	3,71 077	30 4
1982 83	4	166	31	5,33 400	2 15 000	3 18 400	40 3

It will be seen from the above table that the percentage of utilisation of capacity had been decreasing year after year except in 1982 83 when there was some improvement The Company had neither been able to achieve the target of installation of looms nor of production as per the project report Non availability of trained personal was one of the contributory factors for low production

To monitor the production of the manufacturing units and also to watch the optimum utilisation of the loom capacity the Management in April 1981 introduced a system under which a separate card was to be kept for each loom indicating particulars of production idle looms *etc* No such record was maintained in the absence of which the idle capacity of the each loom could not be worked out

In its written reply the Management of the Company stated that ' the scheme does not lay down the norms of production of the units @ 4 meters for Jacquard looms and 10 meters for Frame looms per day The maximum production indicated under the scheme after initial training is 6 meters per day for 25 days per month '

The National target of production of handlooms projected in the 7th Plan to be achieved by 1990 is 5 5 meters and 4 5 meters for 300 days in

* 4 meters per Jacquard loom and 10 meters per frame loom per day for 300 days in a year

a year in the organised and the residuary sectors respectively per day Moreover, the scheme also envisaged covering of looms by way of Marketing assistance It is necessary also to keep a wide range of varieties in the sales outlets to attract customers The Corporation s production capacity was limited It was not able to raise working capital from the banks on account of great difference in the rate of interest between the loans advanced by the banks to the Coop Sector and to the Corporation Had the Corporation raised the bank loan it would not have been able to maintain the competitive rates in the market *vis a vis* the Coop Sector The Corporation has to purchase some varieties of handloom products to meet the market demand

During the course of oral examination the representative of the Company admitted that the norm of 4 meters for Jacquard loom and 10 meters frame loom per day was prescribed by the Management to achieve more production and improve administration

The Committee recommend that concerted efforts be made by the Management to improve the production and to achieve the norms fixed by the Company to reduce the burden of overhead expenses on the cloth produced and reduce dependence on cloth purchased from Market

Paragraph 7 28 2 10 Pricing of handloom products

12 The Board of Directors in August 1977 authorised the Managing Director to fix the sale price (to be reviewed quartely) of the handloom products produced in the collective centres subject to the condition that the Company did not suffer any loss It was however noticed that the prices fixed in February 1980 were not reviewed every quarter and were revised in September 1981 when it was decided that the sale price of items produced under each job be fixed by adding 10 *per cent* towards overhead charges on the prime cost On account of non review of the prices during February 1980 to September 1981 the Company suffered a loss of Rs 0 93 lakh as it could not even realise the prime cost consequent on the increase in the cost of yarn during the said period

Further it was observed that the actual overhead expenditure in respect of the goods manufactured in the collective centres had been ranging from 50 *per cent* to 60 *per cent* up to the manufacturing stage while recovery on the basis of price fixed in February 1980 was to the extent of 10 3 *per cent* to 18 *per cent* (against 10 *per cent* decided by the Board)

In its written reply the Management of the company stated that the cost price of the products was reviewed from time to time However the sale price of the items was not always increased correspondingly The Corporation revises the sale price of the finished goods keeping in view the prevailing market rates to ensure that its rates remain competitive

On account of the facts that the production units were smaller and widely scattered all over the State yarn is to be distributed to the individual weavers and finished goods collected and transported to the Whole Sale Depots and then from there to the showrooms which results in incresed over heads on staff, rent and transportation etc The Corporation has also statutory obligations to pay minimum wages bonus P F Contributions etc and to extend leave benefits, medcial reimbursement etc to weavers benefits not available to the workers in the un organised sector The weavers are first trained and then taken over on production by the Corporation They re not experienced hand Initially therefore production is slow and of inferior quality A major component of the financial assistance for running those schemes is in the shape of loans on which interest is charged and here is no moratorium on repayment of loan The payment of loan instalments started from the year following the release of the first instalment It was not possible to arrange immediate payment till full production capacity utilisation has been reached This eroded the operational capacity of the Corporation The Corporation was not able to make timely repayment of loan instalments and as a result interest and then penal interest on the same started acruing imposing in creasingly heavier financial burden, effecting its fun tioning This in turn led to higher overhead

During the course of oral examination on 9th Sept 1985 the rep resentative of the company admitted that there were no recorded reasons for not revising the prices quarterly **The Committee desire that the reasons for not revising the prices quarterly should be enquired into and responsi bility fixed for the lapse**

The representative of the Company submitted that the increase in over heads was due to unpaid loan liability over which the Company could not pay interest and became liable to pay penal interest The representative further submitted that the matter regarding conversion of loan into equity had been taken up with the Government which if accepted will reduce inter est liability and enhance grant entitlement from the Government of India

The Committee feel that the situation has arisen where the Company not only failed to discharge its loan liability but was even unable to pay interest on the loans taken which was due to inordinate delay in the imple mentation of the project which has even now not been implemented fully

The Committee recommend that the Management should evolve a sys tem under which the prices are reviewed periodically to have the benefit of competitive prices and all efforts should be made to reduce the burden of overhead expenses by increasing production by implementing the project fully as early as possible

Paragraph 7 28 2 11 Production of jute patties

13 In March 1981 the Company took up with the Director of Edu cation (Schools) of the State Government a proposal for the production and supply of *tat patties* (5m x 61 cm) for the Education Department Even without receiving an order from the Education Department the Company got 3,803 jute *patties* manufactured during January 1982 to March 1982 from Textile Development Centre Bhiwani at an estimated cost of Rs 1 02 lakhs and sent a sample to the department which was however, rejected (May 1982) as the material was not found to be inconformity with the spe cification Only 337 *patties* had so for (March 1983) been transferred to other units or sold and 3 466 *patties* costing Rs 0 93 lakh were lying in stock No responsibility for production of *patties* not in accordance with specification had been fixed and the Company is incurring loss of interest on the blocked up funds

Similarly 1 274 *durry patties* (4 6 m X 46 cm) costing Rs 0 42 lakh manufactured without receipt of any order during 1981 82 for Education Department had not been accepted (May 1982) being below standard The Management stated (December 1983) that the matter was under correspondence with the authorities

In its written reply the Management of the Company stated that the production of tat patties was taken in hand only after the receipt of confirmed order from the Department of Education The confirmed order was received vide letter No 19/32 80/Acctt (2) dated 23 12 81 The specifications as stated in the order were changed by the Indenting Department subsequently The major portion of the stocks of *Tat patties* has since been disposed of at a higher rate then agreed upon with the Education Department

The production of *Durry patties* was done under I D P project scheme for providing employment to the trained weavers as envisaged under the scheme as a part of the production programme of the Corporation alongwith other varieties of handloom products Marketing facilities are provided through the Corporation s sale outlets for the handloom products of the units Sp cial efforts are also made to procure bulk orders as in this case The majority of the stocks of *durry patties* have been disposed off The durries patties have been sold above the production costs

During the course of oral examination the representative of the Comp ny stated that the *tat patties* were not accepted by the Education Department on the ground that these were not manufactured as per their specification When questioned by the Committee the representative admitted that the funds of the Company were blocked due to rejection thereof by the Education Department and that the Company was selling these through its showrooms When further questioned by the Committee the representative admitted that some *tat patties* and *durry patties* manufactured without any order in 1981 82 were still lying unsold in various showrooms of the Company for which details were not available with them

The Committee recommend that the reasons for manufacturing tat patties which were not in conformity with the specification should be investigated and responsibility for the lapse fixed and a report submitted to the Committee The Committee desire that the details of tat patties and durry patties lying unsold with various showrooms of the Company be intimated to them The Committee further desire that the details of loss suffered by the Company in the sale of these items be worked out and intimated to them

Paragraph 7 28 3 Export production project

7 28 3 1

14 A project for the organisation/expansion and development of 1 000 looms (600 fitted with Jacquard and 400 frame looms with improved appliances) by the Company at Panipat for export oriented development of haddloom industry at a total outlay of Rs 40 lakhs was sanctioned (June 1977) by the Government of India As per the pattern of assistance approved by the Government of India the outlay was to be met as loan/grant from the Central Government in the ratio of 75 25 over a period of five years There against the Company received Rs 15 lakhs as loan and Rs 5 lakhs as grant between July 1977 and March 1983 The loan carried interest at the rate of 5 *per cent* per annum/penal interest

at the rate of 8 *per cent* per annum The loan was repayable in 10 equal instalments The Company defaulted in the repayment of Rs 6 lakhs towards principal and Rs 4 71 lakhs towards interest (including penal interest of Rs 2 03 lakhs) up to March 1983

The Company took up the matter with the Government of India for the deferment of payment of loan and interest thereon which was rejected (July 1979) The Company had referred the case to the State Government (February 1983) requesting permission for conversion of out standing loan into share capital and waiving off interest thereon However, this was not agreed to (April 1983) by the State Government

In its written reply the Management of the Company stated that "the repayment of an amount of Rs 2 25 lacs has been made against principal The position of outstanding loan alongwith interest is as under

(1) **Principal**

Loan due	11,25 000
Loan repaid	2 25 000
Loan overdue	9 00,000

(2) **Payment of interest due**

Ordinary interest	5,79 8 19 74
Penal interest	8 43,374 17

The payment of the loan instalments starts from the 1st year of the release of the funds and there is no moratorium period It is difficult to arrange for immediate repayments before full capacity of production is reached It erodes the operational capacity of the Corporation The matter is under consideration of the Government for conversion of loan into share Capital and waiving off the interest

During the course of oral examination the representative of the Department stated that position regarding repayment of loan by the Company was under consideration with the State Government

The Committee desire an immediate review of the position as the burden of penal interest is increasing because the loan to be repaid is overdue

The Committee recommend that the final decision on the repayment of loan and interest by the Company should be taken by the State Government at the earliest as the interest liability of the Company is increasing

Paragraph 7 28 3 2 Project Performance

15 According to the project report the scheme was to run on commercial lines and expenditure of Rs 40 lakhs was to be incurred within three years from June 1976 The project was intended to develop and promote production of handloom cloth for export and the exports were expected to be increased by Rs 4 to 5 crores per annum

The table below indicates the utilisation of loans and grants up to March 1983 under various sub heads as envisaged in project report *vis a vis* actuals there against —

Serial Number	*Item*	*Provision as per project report*	*Actual expenditure up to 31st March 1983*
(1)	Land	—	9 32
(2)	Building (Office and dye house godown)	1 00	0 29*
(3)	Furniture and fixture	0 50	0 30
(4)	Modern dye house	3 00	0 06
(5)	Modernisation of looms	9 50	0 55
(6)	Establishment and margin money	22 00	10 02
(7)	Interest	1 50	4 41**
(8)	Weaver training	2 50	—
	Total	40 00	24 95

According to the project the production of handloom cloth for export was to be developed within three years from June 1976 *i e* up to May 1979 but it will be seen from the above table that though Rs 24 95 lakhs had been spent up to 1982 83 against the provision of Rs 40 lakhs virtually no production activity has been started and bulk of the expenditure has been incurred on land and establishment charges The land purchased in May 1977 at a cost of Rs 9 32 lakhs is lying unutilised

In its written reply the Management of the Company stated that there was provision for building for office Godown Dye House in the Project report for an amount of Rs 1 lac Land measuring over 5 acres was acquired in Panipat in early 1977 for the building envisaged under the project as soon as the funds were received at a cost of Rs 3 23 lacs However due to enhancement in compensation decreed by the Civil Courts a sum of Rs over six lacs more had to be paid resulting in the higher cost of land A plan was drawn up for the utilisation of the land for the building as envisaged in the project report The building on the acquired land could not be constructed on account of a ban imposed by the Government in May 1977 which was not lifted till December 1980 After the lifting of the ban there was a proposal to get the building constructed through Haryana Ware housing Corporation and a sum of Rs 1 lac was paid in advance In September 1982 H W C regretted its inability to undertake this work and the amount of Rs 1 lac was refunded By the end of 1982 83 the funds received

*Represents expenditure on advertisement of tenders legal charges etc

**Actual expenditure is more than that provided in the project report because the Company failed to repay the loan on time due to financial difficulties under the schemes which were only 50% of those envisaged under the project had been utilised and no funds were available for construction of the building

So far no building for this project has been got constructed '

During the course of oral examination the representative on the Company admitted that the land was purchased though there was no provision there of in the scheme and that due to non repayment of loan the amount of interest was mounting and the land was still lying un utilised The representative further stated that under a different scheme now the Company proposes to set up a composite processing house on this land at a cost of Rs 2 crores for which the first instalment of Rs 65 lakhs has been received from Government of India

The Committee feel that it was irregular and illconceived on the part of the Management to have spent Rs 9 32 lakhs on the purchase of land out of Rs 20 lakhs received for the project when there was no provision for purchase of land in the project, which was still lying un utilised

The Committee recommend that the reasons for spending nearly 50 per cent of the funds received under the project on purchase of land despite the fact that there was no provision for purchase of land in the project be investigated and responsibility fixed for the lapse The Committee further recommend that the setting up of composite processing house on the land be expedited and the Committee be kept informed about the progress in the matter

Paragraph 7 28 3 3 Performance of looms

16 Against 1 000 looms planned to be set up only 49 looms had been set up by the Company up to 31st March 1983 The total production to be achieved as per norms fixed by the Management from 39 looms in 1979 80 and 1980 81 and 49 looms in 1981 82 worked out to 1 89 lakh metres Actual production there against was only 0 67 lakh metres representing shortfall of 65 *per cent* Reasons for low utilisation of handlooms were not analysed by the Management The object of the scheme had not all been achieved as the Company had not entered into the export market directly or indirectly In June 1978 the Company appointed two firms of Bombay as its selling agents for export of handloom and handicraft products but no exports had been made so far (May 1983) Reasons for lack of interest by its selling agents in export of handloom products of the Company are not on record

In its written reply, the Management of the Company stated that the Corporation received only 20 lacs out of Rs 40 lacs envisaged under the project upto 1984 85 i e only 50 *per cent* of the outlay While implementing the scheme the Corporation decided to set up only 100 looms under its direct control and cover the rest indirectly by through job work and provision of infrastructure facilities like Marketing support etc and the Govt of India was informed accordingly Since only 50 *per cent* of the funds were received upto 1984 85 out of the 100 looms proposed to be set up directly 49 looms have been set up Against the target of coverage of balance 900 looms indirectly since only 50 *per cent* of funds were received under the project upto 1984 85 450 looms i e, 50 *per cent* of the target were covered

No production norms have been fixed under the project The Govt of India has fixed Handloom production norms of 4 5 metres per day in the residuary sector, for 300 days in a year, for the 7th Plan to be achieved by 1990 Over 90 *per cent* of the production under this project has been done through indirect coverge and the rest on the direct looms of the Corporation The production on direct looms was higher than the production on indirect looms In 1983 84 there was production of Rs 13 99 852 with an average of approximately 6 meters per day per loom, for 300 days in a year which is higher than the National target fixed for the 7th Plan The total production during 1982 83 to 1984 85 has been of the value of Rs 36,93,084 So far handloom production of the value of over 50 lacs has been achieved

During the course of oral examination the representatives of the Company/Department stated that though under the scheme 1000 looms were to be set up yet the Company could set up 49 looms and covered 449 looms as only 50 *per cent* of the funds under the project were received from Government

When questioned by the Committee the representative of the Company admitted that no exports either directly or indirectly were made by the Company under the scheme

The Committee feel that the Management of the Company completely failed to implement the export production project which was mainly due to the fact that nearly 50 *per cent* of the funds were blocked in the purchase of land, with the result that the Company was left with very little funds to spend on setting up of looms The Committee was convinced that under the project 1000 looms were to be set up to boost exports of handloom goods but due to misutilisation of available funds only 49 looms could be set up Moreover, the management failed to impress upon the Government the necessity of releasing the balance 50 *per cent* funds under the project The Committee observe with concern that despite so much expenditure and setting up of some looms the Management was not able to make any export either directly or indirectly of handloom goods

The Committee recommend that the implementation and functioning of the Export Production Project be investigated thorougly and responsibility be fixed for the omissions and commissions committed in the implementation and functioning of the project and a report submitted to the Committee

The Committee further recommend that concerted efforts should be made by the Management to implement the project and achieve export objective of the scheme by increasing not only production of handloom goods but also by directly or indirectly exporting them

Paragraph 7 28 3 4 Weavers training

17 Under the scheme the Company was to impart training to 580 persons in three years from 1976 77 to 1978 79 (period of training of each trainee 1 year) in weaving of handlooms for export purposes on payment of Rs 100 per trainee per month No training has been imparted so far (May 1983)

The Management stated (September 1983) that on jacquard looms costly cloth was to be produced, and therefore, no trainee was engaged The reply of the Management is not tenable as 19 frame looms were functioning under this project at Panipat where training could have been imparted

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

The Corporation had advertised for inviting applications for training on handlooms under its schemes Response from Panipat was poor The lack of demand for training was mainly due to the fact that there is a large concent ration of traditional weavers at Panipat The demand was for employment and for maketing facilities Accordingly the Corporation s efforts were directed to meet this demand and for creating marketing facilities keeping in view the overall objective of the handloom development envisaged in the project report

Besides the Weavers service centre at Panipat already had well established facilities for meeting the requirements of training

During ihe course of oral examination when enquired by the Committee whether the scheme of imparting training to weavers had been dropped, the representative of tne Company stated that the scheme had not been dropped and the Company would impart training to those who come to it for training

The Committee feel that adequate publicity to the training scheme was not given by the Management with the result that persons from the sur rounding areas could not be attracted for training The Committee also feel that one of the impediments which deterred people from coming forward for training was the inadequacy of amount of stipend offered

The Committee recommend that wide publicity of the training scheme bringing out the kind of training given prospects and stipend offered should be given and efforts should be made to attract people from non traditional strata of society for the training The Committee further recommend that the amount of stipend should be suitably increased and the Management should help the trainees to establish them in handloom industry after training

Paragraph 7 28 3 5 Model dye house

18 A scheme for setting up of model dye house at Panipat (estimated cost Rs 22 61 lakhs) under the Export Promotion Project for improving the quality of fast colours of products was approved by the Board of Directors in March 1976 According to the feasibility report approved in November 1981 a profit of Rs 2 lakhs per annum was expected from the dye house

The Company received a separate loan of Rs 20 lakhs from the State Government in March 1982 for implementation of the project repayable in ten instalments at $5\frac{1}{2}$ *per cent* interest per annum

As decided by the Board of Directors, the work of construction of the dye house was entrusted to the Haryana Warehousing Corporation (HWC) in January 1982 subject to payment of consultancy charges at 10 *per cent* of cost incurred and Rs 1 00 lakh were also advanced as agreed In September 1982 the HWC expressed its inability to execute the work on the plea that undertaking of deposit work did not fall under the purview of Warehousing Corporations Act 1962 The advance was received back in December 1982 after a lapse of one year

The Management considered in February 1983 that the setting up of the said project was not an economical proposition and it decided to set up a dye house on conventional lines on the land/sheds to be purchased from Industries Department and lying surplus at Panipat For acquiring these, the Company took up the matter (September 1983) with the Industries Department and the matter was still under correspondence (December 1983) The amount received from the Government has in the meantime, been utilised as working capital

In its written reply the Management of the Company stated that 'the overdue loan and interest ordinary and penal against this scheme is as under —

Loan overdue	Rs 6 lacs
Ordinary interest	Rs 3 30 lacs
Penal interest	Rs 4 80 lacs

There was no condition of interest being charged when the funds of Rs 1 lac was advanced to the Haryana Ware Housing Corporation

The matter regarding the transfer of property of the defunct Woollen Development Centre to this Corporation is under consideration of the Govt The conventional dye house has been set up

The scheme for the setting up a Modern dye house was submitted to the Govt of India in 1980 81 on the basis of then existing requirements of dyeing and processing facilities However the funds were received in 1982 83 By that time a number of dyeing units had already been set up in the private sector and it was observed that the project of Modern dye house with a outlay of 20 lacs would not be economically viable The Board of Directors of the Corporation in March 1983 decided to set up a conventional dye house which would be economically viable Since the Corporation was not able to obtain the working capital from the banks at competitive rates of interest balance funds of this scheme were utilised for working capital

The Committee observe that the Company obtained loan of Rs 20 lakhs from the State Government for setting up a model dye house which was not constructed and instead of returning the amount the Management utilised the same as working capital which in fact was misutilisation of the amount of loan

The Committee desire that the amount of loan should be repaid in order to avoid burden of interest and penal interest and the Committee be informed whether approval of Government was obtained before using the amount as working capital The Committee further desire that final decision taken in regard to the transfer of property of the defunct Woollen Development Centre by the Industries Department be intimated to them

Paragraph 7 28 4 1 1 Development of handicrafts

19 The Director of Industries on the formation of the Company entrusted to it (June 1976) five schemes for promotion of handicrafts industry in the state with the stipulation that the grants in aid for the first three

years would be given to the extent of actual expenditure and to the extent of 50 *per cent* during fouth year while no grant would be allowed from the fifth year onwards

The Company incurred an expenditure of Rs 16 49 lakhs during the period from 1977 78 to 1980 81 on th implementation of the schemes entrusted and it was entitled to a grant of Rs 14 50 lakhs against which it received Rs 12 94 lakhs from the State Government up to March 1983 for balance amount of Rs 1 56 lakhs the claims had been lodged by the Company and the matter is under correspondence with the Industries Department (November 1983)

Textile Development Centres (TDC) set up under one of the schemes at Bhiwani Hansi and Sonipat were meant for giving job work to weavers and get goods prepared on job rate basis In the Carpet Training Centres (CTC) at Morni and Panipat and Girls Durries Training Centers (GDTC) Tohana set up under the schemes 15 to 20 girls were required to be trained at each centre The performance of these centres in regard to production sales and inventory for the three years ending March 1982 are given below —

Units	*Opening balance as on 1st April 1979*	*Production* 1979 80	1980 81	1981 82	*Sale & Transfer* 1979 80	1980 81	1981 82	*Closing balance* 1979 80	1980 81	1981 82
				(*Rupees in lakhs*)						
TDC	0 45	0 97	1 00	2 34	0 90	1 64	1 39	0 61	0 18	1 09
CTC	0 11	0 32	0 22	0 29	0 34	0 19	0 36	0 18	0 15	0 05
GDTC	0 04	0 07	0 13	0 49	0 07	0 17	0 46	0 04	0 02	0 10

During test check of records at Bhiwani, it was noticed that the yarn issued to weavers (Value Rs 0 36 lakh) during the period April 1977 to March 1982 had neither been returned nor the job was completed (April 1983) the Management has not initiated any action to enforce recovery of the value of yarn

In its written reply, the Management of the Company stated that the claim has not been recovered and the matter is under consideration of the Govt

There are a large number of parties against whom the recoveries are pending but the amounts of recoveries are small in individual cases The cases are very old Some relate to the period before the transfer of the scheme to the Corporation On account of the No of parties involved being scattered all over the State recovery efforts have been hampered An amount of about Rs 4800/ has been recovered and vigorous efforts are being made to recover the balance amount through legal measures and with the assistance of the District administration

During the course of oral examination the Committee noticed that only Rs 12 94 lakhs were received from the State Government as against the entitled grant of Rs 14 50 lakhs and the balance amount of Rs 1 56 lakhs was yet to be received and that no proper action had been taken by the

Department to recover Rs 0 36 lakh from weavers

The Committee recommend that matter in regard to claim of Rs 1 56 lakhs should be expedited with State Government and effective steps should be taken to recover the amount of Rs 0 36 lakh from the weavers under intimation to the Committee

Paragraph 7 28 4 1 2 Training

20 The table below indicates the number of looms available for training the number of persons to be trained *vis a vis*, actually trained during the five years from 1977 78 to 1982 83

Serial number	*Centre*	*Number of looms*	*Persons to be trained per year*	*Total capacity for training (1977 78 to 1982 83)*	*Persons actually trained*	*Percentage of shortfall*
1	CTC Panipat	6	20	120	83	30
2	CTC Morni Hills	5	15	90	31	67
3	GDTC Tohana	13	20	120	68	43

Reasons for shortfall in training were not on record

The Board while reviewing the performance of all the above cited training cum production schemes observed (March 1983) that all these schemes were purely of developmental nature and moreover such type of schemes on parallel lines were also being run by the Company the schemes (except carpet training centre at Morni and Panipat) were wound up during April 1983

In its written reply the Management of the Company stated that these were old centres running for a number of years when they were transferred to the Corporation in 1977 78 The training potential in the area was gradually exhausted The stipend under these schemes was very low, being only Rs 45/ whereas under other training schemes of the Corpn the stipend was Rs 100/ per month Village Morni hills is sparsely populated and it was difficult to get the requisite number of trainees After review the centres were wound up in April 1983

During the course of oral examination when asked by the Committee about the reasons for shortfall in training the departmental representative stated that this was a very old scheme and it was very difficult for them to get the requisite number of trainees The stipend under this scheme was only Rs 45/ whereas stipend under other training schemes of the Corporation was Rs 100/ per month The training potential in the area was also exhausted Therefore, after review, these centres were closed

It was further stated that matter was also taken up with the State Government to enhance the amount of stipend to Rs 100/ to attract more trainees to make the scheme successful

The Committee reccommend that the matter should be pursued with the State Government for enhancement of stipend and the decision taken in this regard by the State Government, be intimated to the Committee

Paragraph 7 28 4 2 Brass artware training centre at Rewari

21 A scheme to train 12 artisans per year in the technique of making fancy designs in sheet metal and moulding at Rewari was framed by the Director of Industries and entrusted to the Company (1980 81) for execution with a capital expenditure of Rs 0 08 lakh and revenue expenditure of Rs 0 57 lakh per annum The Company received grants in aid of Rs 1 90 lakh from the State Government during the years 1980 81 to 1982 83 against which an expenditure of Rs 0 63 lakh only had been incurred upto 1982 83 During the year 1980 81 and 1981 82 no training was imparted due to non availability of technical staff and 9 trainees were trained during 1982 83

In its written reply the Management of the Company stated that ' the funds were received by the Corporation in March 1981 i e at the close of the financial year The training centre was set up after ascertaining the training potential Thereafter suitable accommodation was to be located and orders for machinery and equipments etc placed The centre was set up during 1981 82 There were difficulties in recruiting technical staff Then a technician from I D H was posted to run the centre who could not continue the centre due to ill health A technical person was appointed in the centre in Sept 82 In the first batch 12 trainees were recruited as per the scheme out of which 3 left mid session and 9 were trained The full strength of trainees was enrolled in the current batch and the centre is functioning

During the course of oral examination, the Committee desired to know the reasons for fall in number of trainees and about the latest position of the centre The representative of the Department stated that in first batch 12 trainees were recruited as per the scheme out of which 3 left in the mid session and 9 were trained and full strength of trainees was enrolled in the current batch and the centre is functioning smoothly

The Committee recommend that Department should try to increase the strength of trainees in next batch by giving adequate publicity to the scheme The Committee desire to know the reasons for withdrawing the money of grant in aid when there was no facility available for imparting training during 1980 81 and 1981 82

Paragraph 7 28 4 4 Woollen finishing development centre at Bhiwani

22 The Board approved (March 1976) a proposal to set up a Woollen Finishing Centre at Bhiwani involving a cost of Rs 6 69 lakhs subject to the condition that the State Government would meet the entire capital cost of the project as well as sanction the requisite grants in aid to the Company to meet the running expenditure for a period of 5 years The State Government placed grant of Rs 9 50 lakhs (Rs 7 50 lakhs in 1976 77 and Rs 2 00 lakhs in 1980 81) at the disposal of the Company for the project The Company in spite of receipt of grant of Rs 9 50 lakhs from the State Government dropped (December 1982) the proposal to set up the centre on the ground that similar type of centre opened by the Industries Department at Panipat was lying closed since 1974 the amount (Rs 9 50 lakhs) received from the Government had in the meantime been utilised for other purposes

The grounds on which the scheme has not been taken up are not tenable as this fact was already in the knowledge of the Company when the scheme was approved by the Board in March 1976

In order to utilise the funds the Company suggested in December 1982 to the Industries Department for taking up the Knit Wear Scheme at 5 places (estimated cost Rs 9 50 lakhs) The Industry Department referred (February 1983) the case to the Finance Department for approval but they did not agree (July 1983) to the suggestion of the Company and asked for the refund of the amount The Company paid back (August 1983) Rs 1 50 lakhs The balance amount is yet (November 1983) to be refunded

In its written reply the Management of the Company stated that "the Woollen Development & Finishing Centre set up by the Govt at Panipat was closed down There was a proposal to set up a centre under the Corporation at Bhiwani and utilise the equipment of the former centre However, after survey the scheme was not found practicable as there was no potential for woollen processing in the area Moreover the machinery of the erstwhile centre at Panipat was also found to be redundant and obsolete Accordingly the propo al was dropped and no expenditure was incurred on this scheme

An amount of Rs 1 50 lacs has been refunded

The Committee observed that scheme framed initially was not found viable as the similar type of centre opened at Panipat was lying closed and this factor should have been taken into account while funding the scheme

The Committee recommend that when a scheme is framed, all pros and cons should be considered alongwith its economic viability The Committee be informed whether the State Government has agreed not to seek the refund of balance amount of Rs 0 7 lakh utilised by the Management on other purposes

Paragraph 7 28 4 5 Schemes not implemented

23 For the development of handicrafts industries the Director of Industries entrusted to the Company the following schemes and grants in aid amounting to Rs 3 47 lakhs were also placed at the disposal of the Company up to March 1982

1	Dolls and Toys making Centre Hissar for 15 trainees	Rs	1 08 lakhs
2	Paper Machine Crafts Centre Jind for 15 trainees	Rs	0 89 lakh
3	Hereditory Handicrafts (detailed scheme not prepared)	Rs	1 50 lakhs

For scheme of setting up of Dolls and Toys making Centre at Hissar a building was taken on hire in February 1982 at monthly rent of Rs 700, but due to non availability of technical personnel the building was vacated in September 1982 after paying unfruitful rent of Rs 0 06 lakh

The other two schemes have also not been taken up by the Company (November 1983)

In its written reply, the Management of Company stated that ' the Dolls & Soft Toys Making Training Centre has been set up at Panipat Efforts made to set up the paper machine centre have not been successful so far on account of non availability of technical staff The Corporation approached the J &K Govt the Rajasthan Govt concerned Corporations Employment Exchange etc but so far no suitable technical staff has been found for setting up the centre

Requisitions for recruiting the staff for Dolls & Soft Toys Making Centre at Hissar were sent to the Employment Exchange and the building was hired simultaneously so that the centre could be set up without delay However, no suitable technical person was available When all efforts to engage the technical personnel were exhausted the matter was reconsidered and it was decided to vacate the building

During the course of oral examination the representative of the Company stated that Paper Machine Craft Centre and hereditory Handicraffs schemes were yet to be implemented The Committee observe that feasibility is not properly assessed before a scheme is taken up

The Committee recommend that responsibility be fixed for paying unfruitful rent at Hissar without opening the centre there and that the other two schemes be also implemented under intimation to the Committee The Committee further recommend that before opening a Centre the feasibility studies about its success should be conducted and wide publicity should be given to attract adequate number of trainees and the amount of stipend should be suitably increased

Paragraph 7 28 5 Agency Stock

7 28 5 3

24 A sum of Rs 12 57 lakhs had been received from Mewat Development Board in May 1982 for the development of Mewat Area by opening training cum production centres The Company had not set up any unit so far (December, 1983)

Pending implementation of the above cited schemes, the unspent funds (Rs 18 14 lakhs) had been diverted to the Marketing Wing

In its written reply the Management of Company stated that the Corporation has set up 3 Handloom Training Centres with the funds of the Mewat Development Board and a sum of Rs 4 03 lacs (approx) has been incurred upto 31 3 85 A survey of the Mewat Area has been taken up through the All India Marketing Cooperative Fabrics Society Bombay on the basis of which a plan for Intensive Handloom Development Activity in the area will be formulated

Most of the schemes have come into operation and the funds utilised for marketing are being diverted for the implementation of the schemes for which these were sanctioned The Corporation has reduced its inventory by approximately Rs 21 lacs in 1984 85 over the previous year It has an inventory of Rs 80 lacs approximately Concentrated efforts are being made to reduce the inventory further

The Committee observe that the funds from Mewat Development Board were received for the specific purpose of starting schemes for development of that area but the Management instead of spending the funds on those schemes used the funds for marketing activities The Committee feel that this was clear misutilisation of agency funds by the Management which were received by them for specific schemes and should not have been used in Company s own business and the Management should investigate the matter and fix responsibility for the lapse

The Committee recommend that being backward area specific at ention should be given for the development of Mewat area and the Management should expedite the completion and implementation of the schemes earmarked for that area in close cooperation with Mewat Development Board

Paragraph **7 28 6** *Wood Carving training cum production centre at Pinjore*

25 The Management decided in September 1981 to start a Wood Carving Training cum Production Centre in a rented building at Pinjore (rent Rs 650 per month) comprising an area of 1 332 sq ft to manufacture partition screen small tables jewellery boxes trays cigarette boxes bowls etc and to train 5 workers in a period of six months by paying stipend of Rs 50 per month As per feasibility report prepared by the Company the anticipated capital expenditure was to the extent of Rs 0 27 lakh and the sale was expected to the tune of Rs 1 08 000 against the expenditure of Rs 1 08,600 annualy Resultantly a loss of Rs 600 was anticipated in the initial stages and the centre was expected to show profit in due course of time The production capacity was 180 screens and 3 600 wooden bowls per annum The centre which was set up in October 1981 incurred capital expenditure of Rs 0 25 lakh during 1981 82 on the purchase of machinery electrical goods tools etc and incurred a loss of Rs 0 20 lakh and Rs 0 25 lakh during the years 1981 82 and 1982 83 respectively against the anticipated loss of Rs 600 per annum The main reasons for the losses as analysed in audit were (i) poor sales due to abnormally high (400 per cent) overhead charges and (ii) low production (4 and 13 partition screens and 309 and 902 bowls were produced during 1981 82 and 1982 83 respectively as against the projected capacity of 180 screens and 3 600 bowls) The Board after reviewing the performance of the scheme decided (March 1983) to wind up the centre and directed the Managing Director to look into the matter to fix responsibility for the poor performance and loss to the Company No such investigation had been made so far (May 1983)

The centre was wound up in April 1983 The Company suffered a loss of Rs 0 45 lakh upto the date of closure of the scheme and was left with capital assets of Rs 0 19 lakh (depreciated value) and accumulated stock of Rs 0 41 lakh

In its writren reply the Management of the Company stated that ' this was a developmental scheme and the feasibility report anticipated profit However during implementation the centre incurred losses and the matter was reviewed by the BOD of the Corpn The matter was analysed and it was found that on account of stiff competition for the similar products of the neighbouring areas of Seharanpur it was difficult to market the products of the Centre

The matter was examined in detail and was placed in the 33rd meeting of the BOD of the Corpn It was found that although the expenditure has been within the projections the production was comparatively low causing losses Accordingly it was decided to wind up the centre

The capital assets are still with the Corpn and part of the stocks have been sold off No loss has been suffered on the stock sold

The matter was examined and a detailed report was submitted to BOD wherein it was decided that the centre may be closed down

During the course of oral examination when asked by the Committee about the reasons for the loss and whether they have fixed the responsibility, the representative of the Company stated that inspite of the fact that the centre had got a draftsman from South India and their was a supervisor also but they could not get the expected production The Company representative further stated that their was stiff competition for the similar products of neighbouring areas of Saharanpur so it was difficult for them to market the products and also the cost of production was more/expensive and in that situation it was not possible for them to fix the responsibility

When the Committee desired to know whether the Management had conducted an enquiry in this regard the representative stated that no enquiry had been conducted by them so far

The Committee noticed that a decision was taken for winding up the centre in 1983 and a decision was also taken by the Board in 1983 to hold an enquiry and to fix the responsibility but no action has been taken so far

The Committee was also surprised to know that there is no record as to why the investigation was not done

The Committee, therefore recommend that the matter should be thoroughly looked into and an enquiry be conducted immediatly and a report furnished to the Committee within three months The Committee further re commend that responsibility be fixed for not carrying out the orders of the Board for fixing responsibility for the poor performance of the centre and loss to the Company

Paragraph —7 28 7 Marketing

7 28 7 1 1

26 The handloom and handicrafts items purchased from weavers and also produced by the Company are sold during fairs and exhibitions or through its showrooms (wholesale/retail) and collective weav ing centres The Company has set up four showrooms at Delhi Chandigarh, Madras and Bangalore Besides these there are six retail shops at Bhiwani, Jind Rohtak Hisar Sirsa and Panipat one sale counter at Shimla and wholesale depot in Panipat and seven collective weaving centres Sale price is fixed by adding 15 *per cent* to 40 *per cent* of the cost to cover over heads and profits irrespective of actual overheads which worked out to 48 *per cent* and 51 *per cent* in 1981 82 and 1982 83 respectively

In the written reply, the Management of the Company stated that All the activities of the Corporation are developmental in nature It has been entrusted by the State/Central Government with the developmental schemes, which do not generate any profits A major component of the financial assistance for running these schemes was in the shape of loans on which interest was charged and there was no moratorium on repayment of loan The repayment of loan instalments started from the year following the release of the first instalment It was not possible to arrange immediate payment till full production capacity utilisation has been reached This eroded the operational capacity of the Corporation The Corporation was not able to make timely repayment of loan instalments and as a result interest and then penal interest on the same started acuring imposing increasingly heavier financial burden effecting its functioning This in turn led to higher overheads The overheads during 1983 84 have bean 56 85% The balance sheet for the year 1984 85 is under audit and yet to be finalised The Corpn has recently taken the following steps to reduce losses and overhead percentage

(a) The cash liquidity position of the Corpn has been improved from Rs 6,08 150 as on 31 10 84 to Rs 1 45 44 952 12 as on 18 6 85 at H Q

(b) The sales turnover of the Corporation for the year 1984 85 has been increased from Rs 1 06 crore in 1983 84 to 1 22 crore Further concentrated efforts are being made to expand the marketing base of the Corporation Accumulated stocks of the Corporation have been reduced from Rs 100 86 lacs (as on 31 3 84) to Rs 79 00 lacs (as on 31 3 85)

(c) The Corporation is introducing new schemes which are financially more viable A scheme for production of Janta cloth sent to Central Govt in 1985 has been approved and production has already commenced under the I D P unit Under this scheme the Central Govt subsidises upto Rs 2 00 per meter on the sale of Janta cloth Cheap handloom Janta cloth at the rate of Rs 4 60 shall now be made available in Haryana for the poor sections of the society through the Corporation s sales outlets This is expected to increase the turnover of the Corpn , and at the same time increase employment opportunities for weavers & those in related trades

(d) The matter is under consideration of the Govt for conversion of the outstanding loan balance into share capital and waiving off of the accumulated interest and to close down certain schemes entrusted to the Corpn which are cau ing mojor losses and in which there is no scope for generating funds The Corpn , is also negotiating with National Handloom Devep Corpn for marketing tie ups on long term basis

During the course of oral examination the Committee observed that the main reason for higher overheads was low production

The Committee recommend that effective steps should be taken by the Management to increase production and to reduce the heavy burden of over heads The Committee be also intimated about the results of various measures taken by the Company to reduce losses and overhead percentage

Paragraph 7 28 7 *Marketing*

7 28 7 1 2

27 Target of sales was fixed for all the selling outlets only for the year 1982 83, and these were fixed for 1981 82 only for own showrooms and

retail shops No targets were fixed for the year 1979 80 and 1980 81 for any of the selling outlets The table below indicates the unit wise sale value of handloom and handicrafts items for four years ended 31st March 1983

Serial number	Sale points	1979 80		1980 81		1981 82	1982 83
		Sales		Sales		Target Sales	Target Sales
		(Rupees in lakhs)					
1	Own showrooms	7 32	27 70	65 00	49 53	1 86 00	68 47
2	Retail shops	3 80	6 02	10 25	8 23	27 00	10 01
3	Exhibitions and fairs	12 39	23 53	Not fixed	29 22	50 00	29 14
4	Wholesale depot	2 00	2 93	do	4 75	12 00	10 80
5	Others	1 89	2 63	do	3 10	10 00	5 14
	Total	27 40	62 81		94 83	2 85 00	1,23 56

Targets were fixed in the sales meeting held under the chairmanship of Managing Director but there was no scientific basis for fixing the targets Performance was being reviewed by the Board of Directors Sales in respect of the sale points for which targets were fixed for the years 1981 82 and 1982 83 were much less than the targets

A committee consisting of Manager (Finance) and the Manager (Marketing) which was appointed (June 1982) to review the economic viabi lity of the showrooms, retail shops etc , considered the working results of these show rooms/retail shops based on annual accounts for the year 1981 82 which indicates the following position

Serial number	Units	Sales	Net profit(+)/ Loss (—)
		(Rupees in lakhs)	
(1)	Delhi	5 21	(—)0 87
(2)	Bhiwani	2 15	(+)0 16
(3)	Sirsa	1 07	(—)0 09
(4)	Hissar	0 49	(—)0 05
(5)	Panipat	2 79	(—)0 11
(6)	Rohtak	0 86	(—)0 11
(7)	Jind	0 87	(—)0 02
(8)	Madras	24 48	(+)0 60
(9)	Chandigarh	19 84	(+)1 01

The Committee observed (June 1982) that performance of the show-rooms except at Bhiwani Madras and Chandigarh was poor The Board on the recommendations of the Committee decided (June 1982) as under —

(i) The location of the Rohtak showroom was not suitable and it should be shifted to some attractive place

(ii) The shop at Panipat be wound up and retail sales may be made from wholesale depot located at that place

(iii) Good publicity was required to improve sales in Delhi showroom

(iv) A new site for Hissar showroom was to be seen by the Chairman, as the existing site was very small and not suitable

(v) Targets for sale for each showroom be fixed

In view of this decision, the Panipat shop was closed in March 1983 after incurring an expenditur of Rs 0 26 lakh (on rent and salaries of staff) from July 1982 to March 1983 which would have been avoided had the shop been closed in June 1982 Regarding shifting of showroom at Rohtak and Hissar no action had been taken so far (December 1983)

In its written reply the Management of the Company stated that the targets were intentionally kept high with inbuilt schemes of incentives to boost up sales to the maximum possible The handloom industry is characterised by seasonal demand in fabrics In other words there is only a seasonal demand on festive occasions i e marriage occasions and occasions of other social functions Stocks remain piled up during the remaining part of the year There are also frequent changes in customers preferences These problems of marketing have been aggravated in the past few years on account of pre vailing general slump in the textile industry It is necessary to keep a wide range of handloom products in the showrooms for marketing with latest designs to be able to meet the consumer s demand for all types of fabrics This requires maintaining of large stocks and also the financial cushion for adopting to the changing consumer references The Corporation was not in a position to raise working capital to meet the financial requirement due to higher rate of interest Working capital is available to the cooperative at 7½% rate of interest as against 12½% charged from the Corporations

The sale figures for the year 83 84 & 84 85 and the targets fixed are as under —

Year	*Target*	*Sale*
1983 84	285 lacs	106 66 lacs
1984 85	200 lacs	122 36 lacs (Tentative)

The targets fixed for 82 83 were maintained during the year 1983 84

The following actions were taken on the suggestions of the Committee —

(i) Offers were invited for a more suitable site at Rohtak through the advertisements and the BOD constituted a committee to finalise hiring of the building Efforts were made to locate a more suitable site Meanwhile the existing showroom came into profit

(ii) The shop at Panipat has been wound up & retail sales are made through the wholesale Depot, Panipat

(iii) Publicity was made & the sale figures have improved

(iv) The Hissar showroom has been opened at the new site

(v) Targets for sale are being fixed for each showroom

The decision to close down the Panipat showroom was reconsidered in view of the revised marketing strategy and the showroom was continued for some more time with renewed efforts to boost sales Sales of Rs 71 297/ was achieved during July 82 to March 83 The position was again reviewed and it was decided to close the showroom

Four Shops were in profit in 1983 84 The sales turnover in 1983 84 was Rs 106 lakhs There was a loss of Rs 1472131 in 83 84 The accounts of 1984 85 are under finalisation

During the course of oral examination the representative of the Company stated that rates during 1983 84 and 1984 85 were also much below the targets the decision regarding suitable site at Rohtak was still in the way of process and during 1983 84 only 4 shops were in profit

On further questioning the Managing Director of the Company admitted that though the Board of Directors of the Company had decided in June 1982 to wind up the shop at Panipat due to losses but the shop was not closed till March 83 under the orders of the then Managing Director resulting in additional expenditure of Rs 0 26 lakh (on rent and salaries of staff) but the Board was not informed of this fact even though 5 meetings of the Board were held during this period The Managing Director further admitted that though the Board of Directors had decided in June 1982 to shift the Rohtak showroom to some attractive place the Management has not shifted the show room so far

The Committee was surprised and shocked to know that the decisions of the Board of Directors were flouted with impunity by the then Managing Director of the Company without even bothering to inform the Board about it The Committee viewe seriously the erosion of the authority of the Board of Directors by its officers and strongly recommend that the entire matter should be investigated by the Government and responsibility fixed and the Committee be informed about the action taken against the erring officers including the then Managing Director who put the Company in loss by flouting the orders of the Board

The Committee further recommend that efforts should be made to increase the sales as it will reduce the percentage of overhead expenses and the new site for Rohtak shop be finalised quickly

The Committee also recommend that the targets for each showroom be fixed and position of sales reviewed constantly and steps taken to improve the sales where it was below target after analysing the reasons

Paragraph 7 28 7 Marketing
7 28 7 1 3

28 For marketing no funds have been generated by the Company and the funds received against various schemes of production/training activities have been unauthorisedly diverted In marketing wing an amount of Rs 69 49 lakhs had been blocked in the inventory of finished goods (March 1983) To improve the financial position, the management proposed (February 1983) to improve the existing system of sales and also to introduce new marketing strategy by purchasing fast selling goods such as silk *Khaddar* and readymade garments This was implemented with effect from March 1983

In its written reply the Management of the Company stated that "the Company has not generated funds for marketing and at present an amount of approximately Rs 41 19 741 stands diverted from other schemes in the inventory as on 31 3 85 The sales turn over of the Corporation has increased by approximately Rs 16 lacs in 1984 85 over the previous year The stock inventory of finished goods has been brought down by approximately Rs 21 lacs over the previous year stock position

The Committee observed that instead of keeping unutilised funds of other agencies/schemes/projects separately these were blocked in inventory by the Management

The Committee recommend that the stock inventory be reduced to the minimum by increasing sales so that the funds obtained for specific schemes/projects are utilised on their implementation The Committee further recommend that by increasing production and sales and by exercising strict control on overhead expenditure the Management should generate internal resources to meet its requirement of funds for marketing to the extent possible

The following points were noticed in respect of the working of various showrooms

Paragraph 7 28 7 2 Madras showroom
7 28 7 2 1

29 An agreement for lease of a building was entered into on 18th October 1979 for the opening of Company s showroom in Madras from 15th December 1979 on a rent of Rs 8 655 50 per month The Company took possession of the building on 18th April 1980 after paying rent from 15th December 1979 The showroom started functioning in the end of May 1980 and as such the rent of Rs 0 43 lakh paid for 5 month was unfruitful No reasons are on record for delay in taking the possession of the building by 5 months

In its written reply, the Management of the Company stated that an agreement was signed with the lessor on 18 10 79 for lease of the building on a monthly rent of Rs 9 273 75 calculated @ Rs 3 75 per sq ft As per the terms and conditions the lessee was required to pay Rs 4 lacs in advance out of which Rs 50 000/ was to remain interest free advance repayable at the time of vacation of the premises The balance of Rs 3 5 lacs was to be adjusted in 60 months against the rent payable The Corporation paid a sum of Rs 1 lac as advance in terms of the agreement at the time of signing the agreement Subsequently the party offered the possession of the building w e f 15 12 79 and demanded the agreed sum of balance of Rs 3 lacs At this stage, the matter was reconsidered and renegotiated with the owner and another agreement dated 10 4 80 was signed wherein the rent was reduced to Rs 8655 50 per month calculated @ Rs 3 50 per sq ft and the advance deposit was also reduced from Rs 4 lacs to Rs 3 lacs out of which Rs 50 000/ was to remain as permanent advance without interest repayable at the time of vacating the premises and the balance of Rs 2 50 lacs was adjustable against the rent payable in 60 months Further it was agreed that the rent shall be payable w e f 15 12 79 The possession of the showroom was taken after the signing of the revised agreement and its started functioning from the following month i e May, 1980

The Committee feel that there was no justification in not taking possession of the showroom even when the Management had been paying its rent for five months and further negotiations could have been held even after taking possession of the showroom

The Committee recommend that the reasons for paying rent of Rs 0 43 lakh without taking possession of the showroom should be investigated and responsibility for the loss fixed and a report submitted to the Committee

Paragraph 7 28 7 2 2 Interior decoration

30 The work of interior decoration of Madras showroom (taken on rent from April 1980) was allotted to a firm of Madras (3rd January 1981) for Rs 3 63 lakhs with the stipulation that the work should be completed within two months The agreement *inter alia*, provided for payment of Rs 1 lakh as advance and deduction of 10 *per cent* towards security from the running bills It provided that for any delay in completion of the work, penalty at the rate of Rs 300 per day would be imposed After payment of initial advance of Rs 1 lakh in January 1981 the firm was further paid Rs 1 lakh each in February 1981 and December 1981 The firm left the work incomplete in December 1981 without proper handing over but even then it was paid a further amount of Rs 0 40 lakh in January 1982 The firm served legal notice (August 1982) to the Company demanding the release of further payment of Rs 0 41 lakh (Rs 0 36 lakh for work done and Rs 0 05 lakh earnest money) The Company replied (November 1982) to the legal notice that the marble tiles fitting and electrical work were still incomplete Penalty for the delay in the execution of the work which worked out to Rs 0 81 lakh had not been claimed so far (March 1983) No action had been taken to get the remaining work completed at the cost of the firm (November 1983) Reasons for not imposing the penalty on the firm for delay in execution of work were not on record

In its written reply the Management of the Company stated that the case was pending in the civil courts

During the course of oral examination the representative of the Company stated that the records of the case were with the Company's Lawyer at Madras

In further written reply the Management stated that the interior decoration of Madras showroom was given to M/s Vee Jay Enterprises on 3 1 1981 The contractor had left some work incomplete and had also used some defective material The party has filed a suit in the Madras Court claiming

Rs 48,610 00 (Rs 35 600 plus 5 000 earnest money plus Rs 8010 as interest charges) The Company has filed reply and the matter is still subjudice

The Committee desire that the reasons for not getting the remaining work completed at the cost of the firm and for not imposing the penalty on the firm for delay in execution of the work be intimated to the Committee The Committee further desire that the decision of the Court when received be intimated to them

Paragraph 7 28 7 3 Shimla showroom

31 The Company opened a sales counter at the premises of Shimla Cooperative Consumers Stores Limited Shimla in November 1982 The agreement entered into with the society *inter alia* provided for payment of 4 *per cent* commission to the society on cash sales and remittances of sale proceeds by the society by the first week of subsequent month The Company has deputed its own staff for management and sale at the counter

The feasibility report prepared by the Company anticipated profit of 65 *per cent* on the investment on a turnover of Rs 5 lakhs per annum

A test check of records in audit (June 1983) revealed as under —

(i) Total sales during the seven months, *i e* November 1982 to May 1983 amounted to Rs 1 46 lakhs (including sales of Rs 1 23 lakhs during discount period *i e* January March 1983) giving a marginal profit of 2 7 *per cent* against anticipated profit of 55 *per cent* The normal sales which were Rs 11 756 in December 1982 came down to Rs 2,178 in May 1983, as against Rs 14,500 per month being the breakeven point of sales indicated to meet the running cost

(ii) Out of the total stock of Rs 0 57 lakh as on 1st June 1983 the stock amounting to Rs 0 31 lakh was either dead or non moving

(iii) Remittances of sale proceeds were not made regularly by the Society as per terms of agreement The delay in remittances ranged from 15 to 60 days

In its written reply the Management of the Company stated that the Corporation anticipated sales keeping in view of the city s potential and the sales were projected for the whole year The sale figure fluctuate depending upon the tourists season and the period referred to from November to May is a lean period for sales Even in this period the counter was in profit

The dead stock/slow moving items have been disposed of

The matter was taken up with M/s Shimla Cooperative Consumer Stores for timely remittance of money and the position has now improved

The accounts for the year 84 85 are yet to be finalised The position regarding sales and profit for the year 83 84 was as under '

Year	Sales	Profit
1983 84	1,41,493 31	4356 19
1984 85 (tentative)	2 09 180 76	Accounts under finalisation'

During the course of oral examination the representative of the Company stated that the counter was running in profit

The Committee recommend that effective steps be taken by the Management to clear off the dead and slow moving stock and society should be impressed upon to remit the sale proceeds regularly without delay

Paragraph 7 28 7 5 Heavy discount sales

32 The Company sells the finished goods on 20 *per cent* discount for a period of one month on two to four occasions in a year and in exhibitions The discount is reimbursible by the Estate/Central Government (10 *per cent* each) As on 31st March 1983 an amount of Rs 31 01 lakhs was recoverable

The statement below indicates the sales during discount period, *vis a vis* total sales for the 4 years ending March 1983

Year	*Total sales*	*Disconnt sales*	*Percentage of discount sales to total sales*
		(Rupees in lakhs)	
1979 80	27 30	15 13	55
1980 81	62 80	37 95	60
1981 82	94 83	38 71	41
1982 83	1 23 56	77 25	63

The table above indicates that major portion of the sales are being made during the one month discount period and for remaining period of 11 months the sales are disproportionately low

In its written reply the Mangement of the Company stated that "the following measures were taken to improve the sales

(i) Wide publicity through advertisements in the Press and Radio and through drum beating in rural areas distribution of pamphlets and brochures etc and through exhibitions and expos

(ii) The marketing base of the Corporation is being steadily expaneded

(iii) Action has also been initiated for marketing tie ups on long term basis with major organisations

The sales and rebate sales figures for the year 1983 84 & 1984 85 are as under

		Rebate sales	Percentage
1983 84	Rs 106 66 Lacs	76 75 Lacs	72 40%
1984 85	Rs 122 36 , (Tentative)	73 05	59 88%

During the course of oral examination the representative of the Company stated that major sales are during rebate period and during this period temporary staff is recruited

The Committee desire that details of regular staff in shops and emporia alongwith temporary staff recruited and how the services of the regular staff are utilised during non rebate period be intimated to the Committee

The Committee recommend that concerted efforts should be made by the Management to improve the sales during non rebate period also for which cost of production be reduced quality of the goods produced be improved wide publicity be given to the goods of the Company and new markets should be explored

Paragraph 7 28 8 *Inventory*

7 28 8 1

33 The table below gives the particulars of sales and closing stock of finished goods at the sales outlets for the 3 years ending March 1983

Year	Sales	Inventory of finished goods	Stock in terms of month s sale
	(Rupees in lakhs)		
1980 81	62 80	33 48	6
1981 82	94 83	54 66	7
1982 83	1,23 56	69 49	7

To clear the old stock the Company allowed (February 1983) a special discount at the rate of 10 *per cent* for more than 6 months old stocks and 15 *per cent* for more than one year old stocks A test check in audit of records of 4 sale units (Bhiwani Panipat Delhi and Chandigarh) of the Company (out of 10 units) revealed that these units had held damaged/defective material valued Rs 0 58 lakh Besides, materials lying for more than one year (value Rs 5 18 lakhs) were also held as at the close of the 31st march 1983

The Management had not investigated the reasons for accumulation of old/defective/damaged material

In its written reply the Management of the Company stated that the latest position of the value of the stock as on 31 3 85 is approximately Rs 80 lakhs and the matter was under investigation

The figures of old stocks, defective-damaged and slow moving stock as on February, 1985 are as under —

	Rs P
Delhi	26191 55
Chandigarh	21836 32
Hissar	3159 50
WSD Panipat	59885 88
Rohtak	2778 91
Bhiwani	6590 55
Jind	872 31
Gurgaon	5997 87
Sirsa	1665 36
	1 28 778 25

The Committee recommend that the details of old/defective/damaged material lying with other shops/show rooms be also collected and responsibility be fixed for the defective material The Committee further recommend that effective steps be taken by the Management to bring down the inventory by boosting sales and the old/damaged/defective goods be disposed of early

Paragraph 7 28 8 Inventory

7 28 8 2

34 Old and damaged materials valuing Rs 0 91 lakh had been lying in the Madras showroom for more than two years No action for their disposal had been taken (July 1983)

In its written reply the Management of the Company stated that a part of the old/damaged material lying in Madras had already been disposed of

During the course of oral examination when asked by the Committee about the loss suffered by the Comany in disposing of the old/damaged material at Madras the representative of the Company stated that they have asked their Madras Branch to send the latest position

The Committee desire that desired information in regard to the loss alongwith reasons for such loss should be furnished to the Committee at the earliest

The Committee recommend that the Management should investigate as to how the old and damaged material valuing Rs 0 91 lakh was allowed to accumulate there and why no steps were taken in time to dispose of the material

Paragraph 7 28 9 Participation in IXth Asian Games

35 The Board of Directors approved a proposal (September 1982) to participate in IXth Asian Games by establishing sale units of handloom and handicrafts goods The Games authorities allotted 2 kiosks and 1 shop (at Indraprastha Stadium) to the Company at a consolidated rent of Rs 0 30 lakh for the duration of the games The Company deposited Rs 0 50 lakh with the authorities for using logo and mascot of Appu on the various handloom and handicrafts items meant to be sold Furth-r a sum of Rs 1 25 lakhs was spent on the interior decoration of the kiosks/shop and conveyance and other expenses and the units functioned between November and Decemb r 1982

According to feasibility report (September 1982) the Company anticipated sales and net profit of Rs 25 lakhs and Rs 15 38 lakhs respectively The Company purchased (October 1982) various handlooms and handicraft items valued Rs 5 62 lakhs (Rs 4 66 lakhs purchased and Rs 0 96 lakh manufactured internally) for sales during the games The Company could sell items amounting to Rs 0 81 lakh only and suffered a loss of Rs 1 80 lakhs Besides this handicraft items valued Rs 5 06 lakhs remained unsold at the conclusion of the games

The matter regarding the performance of sales during the duration of Asiad was brought to the notice of Board of Directors in February 1983 which took a serious view regarding sales and loss The Board desired an enquiry in the matter to fix responsibility and authorised Managing Director to dispose of the goods either at cost price or even below the cost price to minimise the loss

The committee constituted by the Board after going through the purchases which had been made without inviting tenders opined (September 1983) that the prices paid on various products purchased appeared to be on the high side The Committee was also constrained to note that the entire planning and execution of the project which had put the Corporation to a heavy loss (Rs 5 00 lakhs to Rs 6 00 lakhs) had been unfortunate The Committee recommended that immediate steps should be taken for disposal of the dead stocks held The unsold items of Rs 4 65 lakhs were transferred subsequently to different showrooms The sale of these items had not been possible even at the discount of 40 *per cent* as the material with logo and mascot of 'Appu had no attraction

The loss of Rs 1 80 lakhs would further increase when the handicraft items in stock would be disposed of

In its written reply the Management of the Company stated that there was less public attendance than anticipated during the Asiad which in turn affected the sales

A large part of the stock has been disposed of The exact loss in the deal can be worked out only after the disposal of the entire stock

During the course of oral examination the representative of the Company stated that three outlets in the stadium/complexes were allotted to the Company by the Asian Games authorities during the IXth Asian Games and the

Company could make sales of Rs 0 81 lakh and a large number of itmes (valued Rs 5 06 lakhs) remained unsold at the conclusion of the games due to less public attendance than anticipated during the Asiad The representative further stated that goods costing Rs 2 50 lakhs which were out dated were still lying unsold and the remaining goods we e sold at discount

The Committee desire that exact loss in the deal should be worked out at earliest and the Committee be informed accordingly The Committee further desire that the remaining goods should also be sold early to save the company from further loss due to the goods becoming old and obsolete The Committee recommend that the Management should enquire whether the loss suffered by the Company due to less sales was not on account of purchase of old and out dated goods by the officer responsible for the purchases

Paragraph 7 28 10 Survey in the filed of handloom and handicrafts

36 The State Government sanctioned a grant of Rs 0 80 lakh to the Company for conducting a sectoral profile of handloom and handicrafts based on a survey of the industry in the State The Company engaged (April 1982) the Administrative Staff College of India (ASI) Hyderabad for conducting the survey at a cost of Rs 0 70 lakh

The ASI submitted its report in November 1982 dealing with matters relating to assistance to weavers supply of yarn marketing of goods produced by the weavers modernisation of looms preparation of budget improvement in co ordination between marketing of wholesale trade monitoring of financial transactions functioning of yarn banks *etc* No action had however been taken by the Management on the above report (May 1983)

In its written reply the Management of the Company stated that ' The recommendations of ASI are comprehensive and action on the recommenda tions is being taken up in phases

During the course of oral examination, when asked by the Committee about the action taken by the Company on the report submitted by the admi nistrative staff college of India in November 1982 the Managing Director of the Company stated that the Report has become old and they are considering to get the survey conducted again

The Committee observe with concern that though the Survey Report was got prepared at a cost of Rs 0 70 lakh in 1982 no action was taken by the Management to implement the recommendations in the Report with the result that the whole expenditure became infructuous

The Committee strongly recommend that the reasons for not implementing the recommendations of the report be investigated and responsibility fixed for the lapse and a Report submitted to he Committee The Committee should also be kept informed about the progress of new survey being planned to be got conducted by the Managenemt

Paragraph 7 28 11 Accounting manual and internal audit

37 The Company had not drawn up a manual laying down the account- ing procedure so far (May 1983)

The Company appointed a firm of Chartered Accountants in June 1976 to work as Internal Auditors for the year 1976 77 at a consolidated fee of Rs 2 400 per annum (*plus* other out of pocket expenses) The services of the same firm were extended from time to time up to 1982 83

Simultaneously the Company constituted (August, 1982) its own internal audit wing headed by the Company s Senior Auditor taken on deputation from State Government The firm of Chartered Accountants mainly assisted the Company in the finalisation of annual accounts and the work of internal audit both by the firm of Chartered Accountant and Internal audit wing was confined to routine check of Company s transactions and the scope and extent did not include operational aspects of performance and also costing and marketing Their reports were also not placed before Board of Directors

In its written reply the Management of the Company stated that ' no manual of the Accounting procedure has been drawn

The system for placing the reports of internal auditors before the B O D has been introduced

During the course of oral examination when asked by the Committee about the procedure adopted by the Company in regard to accounting Manual and Internal Audit the representative of the Company stated that no Manual of Accounting Procedure has been drawn and the Company has adopted the general commercial procedure and delegated all financial powers to the Managing Director

The representative further stated that they have also introduced the system of placing the reports of Internal Auditors before the Board of Directors

The Committee feel that it would be very difficult for the Management to exercise control at various levels without preparing an accounting manual

The Committee, therefore, recommend that manual should be drawn up laying down the accounting procedure at the earliest

Paragraph 7 28 12 Working results

38 The working results of the Company showed profits Rs 3 43 lakhs and Rs 0 10 lakh during 1979 80 and 1980 81 respectively and a loss of Rs 6 49 lakhs and Rs 17 51 lakhs during the years 1981 82 and 1982 83

The Management attributed (February 1983) the loss in 1981 82 to

—reduction in the income by way of interest on fixed deposit and fall in the amount of the subsidy from the state Government As subsidy was only towards reimbursement of expenditure incurred fall in the amount of subsidy cannot be a factor contributing to losses an analysis in audit revealed that the losses were mainly due to increase in expenditure non-utilisation of production capacity

In its written reply the Management of the Company stated that ' the accounts for the year 84 85 are under finalisation During the year 83 84 the Corporation has suffered a loss of Rs 14 72,131 and accumulated losses up to 83 84 were Rs 51,27,160

Regarding the steps taken to reduce the losses and make the units viable The Corpn has recently taken the following steps to reduce losses and overhead percentage

(a) The cash liquidity position of the Corpn has been improved from Rs 6 08 150 as on 31 10 84 to Rs 1,45 44,952 12 as on 18 6 85 at H Q

(b) The sales turnover of the Corporation for the year 1984 85 has been increased from Rs 1 06 crore in 1983 84 to Rs 1 22 crore, Further concentrated efforts are being made to expand the marketing base of the Corporation Accumulated stocks of the Corporation have been reduced from Rs 100 86 lacs (as on 31 3 84) to Rs 79 00 lacs (as on 31 3 85)

(c) The Corporation is introducing new schemes which are financially more viable a scheme for production of Janta cloth sent to Central Govt in 1985 has been approved & production has already commenced under the I D P unit Under this scheme the Central Govt subsidises up to Rs 2 00 per meter on the sale of Janta cloth Cheap Handloom Janta cloth at the rate of Rs 4 60 shall now be made available in Haryana for the poor sections of the society through the Corporation s sales outlets This is expected to increase the turnover of the Corpn and of the same time increase employment opportunities for weavers and those in related trades

(d) The matter is under consideration of the Govt for conversion of the outstanding loan balance into share capital and waiving off of the accumulated interest and to close down certain schemes entrusted to the Corpn which are causing major losses and in which there is no scope for generating funds The Corpn, is also negotiating with National Handloom Devp Corpn for marketing tie ups on long term basis '

When asked by the Committee about the loss of 15 lakhs suffered by the Company during the year 1983 84 and the steps taken by it to reduce the loss, the Company representative stated that they have recently taken the following steps to reduce the losses —

(a) The matter is under consideration of the Govt for conversion of the outstanding loan balance into share capital and waiving off of the accumulated interest

(b) Close down of schemes which are not viable

(c) Introduction of scheme for production of Janta cloth

The Committee feel that the steps taken by Management to reduce the losses are not sufficient

The Committee observe that upto 1980 81 the Company was earning profits but suddenly from 1981 82 it started incurring losses The Committee therefore, recommed that the working of the Company should be investigated and responsibility should be fixed for the losses The Committee further recommend that concrete steps should be taken by the Department to reduce the loss and the Management should improve production and sales of goods by better market strategy control over expenditure reduce overhead expenses by close supervision and effective cost control and by introducing monitoring system at every stage of production and sales

Paragraph 7 28 13 Sundry debtors and sales strategy

7 28 13 1

39 The sundry debtors *vis a vis*, sales for the four years ended 31st March 1983 are detailed below —

Year	*Debtors*		*Total*	*Sales during the year*	*Percentage of debtors to sales*
	Less than 6 months	*More than 6 months*			
		(Rupees in lakhs)			
1979 80	1 85	2 07	3 92	27 47	14
1980 81	2 20	3 49	5 69	64 17	9
1981 82	8 72	2 77	11 49	94 93	12
1982 83	8 11	11 49	19 60	1,23 56	16

The percentages of sundry debtors to sales decreased form 14 *per cent* to 9 *per cent* in 1980 81 as compared to 1979 80 but it increased to 12 *per cent* in 1981 82 and 16 *per cent* in 1982 83

According to the approved credit sales policy private parties were entitled to credit sales for a period of 30 to 90 days against accepted *hundies* For credit sales beyond Rs 0 10 lakh to one party prior approval of the Managing Director was required The units did not follow the procedure and credit was allowed to private parties without any accepted *hundies* and without prior approval of the head office Goods were also supplied to Government Departments on credit The particulars of amounts outstanding as on 31st March 1983 from private parties, Corporations and Government Departments are given below —

	Corporations and Government Departments		*Private parties*	
	Number	*Amount*	*Number*	*Amount (Rupees in lakhs)*
		(Rupees in lakhs)		
1 Debtors for less than six months	65	8 04	5	0 07
2 Debtors for more than six months	47	9 84	22	1 65

Out of 22 private parties the Company had initiated legal proceedings against four for recovering Rs 1 19 lakhs and the cases were *sub judice* The Management intimated (December 1983) that efforts were being made to recover the amount by correspondence personal visit and through court cases

In its written reply, the Management of the Company stated that the percentage of debtors to sales has increased in 82 83 on account of increase in credit sales to boost the turn over The latest position of Sundry debtors viz agewise break up is as under

(i)	Less than 6 months	3 70 945
(ii)	Above six months	4 05 148
		7 76 093

The percentage of debtors to sales has been reduced to 7 30 during 83 84 The approved credit sales policy was being followed while making credit sales However the debtors defaulted The amount outstanding by the end of 1983 84 is as under

a)	Corporations	2 40,893
b)	Govt Departments	3 79 908
c)	Private parties	1 55 292
		7,76,093

The legal proceedings have not been finalised

During the course of oral examination the representative of the Company stated that as on 31st March 1985 the outstanding recoveries were amounting to Rs 4 73 337 12

The Committee recommend that the effective steps should be taken by the Management to recover the outstanding amounts at the earliest possible and the Committee be informed about the progress achieved in the matter The Committee also desire to know as to why and under what circumstances so much amount was allowed to remain un recovered for such a long time and who was responsible therefor

Paragraph 7 28 13 Sundry debtors and sales strategy

7 28 13 2

40 In July 1981, the Madras showroom arranged to supply products to Co optex Madras on reciprocal basis with a stipulation to settle the dues by payment of bills Under the arrangements goods valued Rs 16 84 lakhs were supplied during September 1981 to July 1983 out of which a sum of Rs 10 09 lakhs was paid and material valued Rs 0 80 lakh were received The balance amount of Rs 5 95 lakhs was still (July, 1983) to be recovered

Co optex Madras had offered (December 1982) to supply goods to the Company equivalent to the value of the amount outstanding on the ground that no payment was contemplated under reciprocal system but this was rejected (February 1983) by the Company The delay in recovery of the dues from Co optex resulted in loss of interest amounting to Rs 0 48 lakh to the Company (up to July 1983) on the goods supplied during September 1981 to March 1983

In its written reply the Management of the Company stated that the amount had be n adjusted This was a barter deal and no interest was charged on either side

When asked by the Committee about the latest position of the recovery against the private parties the Company representative stated that out of the four cases in three cases court decre s were granted in favour of the company involving an amount of Rs 1 55 lakhs The representative further stated that they are pursuing the matter to execute the decrees

The Committee recommend that the reasons for allowing credits and accumulation of dues against the private parties should be investigated and responsibility be fixed for the lapse

The Committee futher recommend that the matter should be vigorously pursued by the Management and Committee be informed about the latest position of the outstanding recoveries against the private parties from time to time

Paragraph 7 28 14 Outstanding recoveries

41 An amount of Rs 5 66 lakhs was recoverable from members of the staff of the Company as on 31st March 1983 The recoveries pertain to advances given to employees but not reeovered shortage in cash shortage of material in centres and exhibitions excess consumption of raw material beyond specified norm excess running of vehicles *etc*

A test check of the records relating to these advances revealed the following points

(1) Recovery of Rs 1 73 lakhs (including Rs 40 463 from one person was outstanding against certain employees since 1978 79 but no effective steps had been taken to enforce recovery In some cases the employees had left the services

(2) Recovery of Rs 0 30 lakh was due from a former Chairman of the Company for journeys performed beyond permissible limits in Company s car

(3) In respect of shortages of material recovery was advised/made at the cost price instead of at selling price *plus* loss of interest to the Company

(4) Recoveries amounting to Rs 0 64 lakh were yet (March 1983) to be investigated

In its written reply the Management of the Company stated that

"The outstanding amount recoverable as on 31 3 84 was Rs 5 55 308/ and on 31 3 85 Rs 5 07 685 (tentative) Of the above amounts Rs 91 753/ is outstanding against ex employees against whom action has been initiated The amount outstanding against the employees of the Corporation is being recovered @ 1/3rd of their salaries

The case for recovery from ex chairman is under consideration of the Government The recovery of shortage is now debited at the selling price There is no practice of recovery of interest charges in this or any of the sister Corporations under the State Government

As against amount of Rs 0 64 lacs of outstanding recoveries in March 83 only Rs 20 337/ were recoverable under the head of shortages on 31 3 84

During the course of oral examination the representative of the Company stated that the outstanding amount recoverable as on 31 3 1984 and 31 3 1985 was Rs 5 55 308 and Rs 5 70 685 (Tentative) respectively and Rs 91,753 was outstanding against ex employees of the Company

The Committee observe that the Mangament has failed to recover the outstanding amount and no proper action has been taken by the Management against the employees against whom substantial amounts are outstanding since long

The Committee recommend that the reasons for allowing the recoveries outstanding for such long periods should be investigated in each case and responsibility be fixed for the lapses and a report submitted to the Committee

The Committee further recommend that the Management should take effective steps to accelerate the recoveries of the outstanding amounts and action be taken against the defaulting officers/officials of the Company for not paying the amounts outstanding against them

The Committee also recommend that the final decision regarding recovery due from the ex Chairman should be taken by Government and the recovery be expedited The Committee desire that recoveries of Rs 0 64 lakh be investigated and a Report submitted to the Committee

The Committee also desire that the rationale behind effecting recovery at cost price instead of selling price be re examined as the Company is incurring interest charges on the blocked funds towards recoveries

GEENRAL

42 While examining the various State Government Undertakings in Haryana the Committee have come across cases where advances of large amounts granted to employees remained unrecovered for years

The Committee observed that these advances were granted for various official and personal purposes and at times amount of shortages losses attributable to the employees were also placed under advances recoverable from them The Committee further observed that the advances were not covered by adequate security/surety and their recoveries were not being constantly watched

The Committee feel that the system of granting advances was defective as in many cases the advances remained unrecovered in the event of employees retirement, resignation leaving the employment demise etc and ultimately leading to prolonged litigations and the amounts have to be written off

The Committee recommend that the Finance Department should examine the matter and frame uniform guidelines regarding grant of advances to employees of all undertakings so that the advances granted are covered with adequate security and recoveries are effected promptly and the undertakings are not put to loss on sudden exit of the employee or have to enter in prolonged litigations The Committee further recommend that the Finance Department should also consider laying down guide lines for the number of advances and the monetary limits upto which these could be granted to various categories of employees and the nature and extent of security required to be obtained The Committee desire that a report regarding action taken be submitted to them in three months

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