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HARYANA VIDHAN SABHA

COMMITTEE ON PUBLIC UNDERTAKINGS

(1981-82)

(FIFTH VIDHAN SABHA)

FIFTH REPORT

ON THE

REPORTS

OF THE

Comptroller & Auditor General of India

for the years 1974-75 to 1978-79

Presented to the House on-30-3-82

HARYANA VIDHAN SABHA SECRETARIAT
CHANDIGARH
MARCH 1982

TABLE OF CONTENTS

COMPOSITION

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1981 82)

CHAIRMAN

1 Shri Sumer Chand Bhatt

MEMBERS

2 Shri Bhalle Ram

3 Shri Kanwal Singh

4 Shri Peer Chand

5 Shri Rajinder Singh

6 Shri Sant Kanwar

7 Shri Shiv Parshad

8 Shri Sukh Dev Singh

9 Shri Surender Singh (Tosham)

SECRETARIAT

1 Shri Raj Krishan, Secretary

2 Shri Satvir Singh Ahlawat Deputy Secretary

3 Shri Janardhan Singh, Research Officer

INTRODUCTION

I the Chairman of the Committee on Public Undertakings, having been authorised by the Committee in this behalf present this Report as their Fifth Report on the Reports of the Comptroller and Auditor General of India for the years 1974-75, 1975 76 1976 77 (excluding H S E B and Haryana State Minor Irrigation (Tubewells) Corporation Ltd) 1977 78 (excluding H S E B and Matches Haryana Ltd) and 1978 79 (excluding H S E B)

2 The Committee for the year 1981 82 undertook the unfinished work of the previous Committees and also examined the representatives of the Departments/Corporations/Boards, where considered necessary

3 A brief record of the proceedings of each meeting of the Committee has been kept in the Haryana Vidhan Sabha Secretariat

4 The Committee place on record their appreciation of the valuable assistance given to them by the Accountant General, Haryana and his staff and are thankful to the Secretary to Government Haryana Finance Department and his representatives and the representatives of various Departments/Corporations/Boards who appeared before them from time to time The Committee are also thankful to the Secretary, Haryana Vidhan Sabha and his officers and staff for the whole hearted co operation and assistance given by them

Chandigarh
The 9th March, 1982

SUMER CHAND BHATT,
Chairman

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1974-75

Haryana Harijan Kalyan Nigam Limited

Para 7 12 (3) Grant of loans

(a) The Nigam gives financial assistance in the form of loans to harijans in the various fields of agricultural dairy and poultry farming cattle and pig breeding business activities trades professions higher education and industries Loans are generally given against personal surety except in the case of loans for purchase of land where the land is mortgaged in favour of the Nigam Tractors, taxies tempos, etc are supplied to them on hire purchase basis

The following table indicates the details of loan applications received, sanctioned rejected and those pending at the end of each of the four years upto 1974 75 —

Particulars of loan applications	*1971 72*	*1972 73*	*1973 74*	*1974 75*	*Since inception to end of 1974 75*
Received	12,228	5,127	2,902	2,616	22,873
Sanctioned	1,044	449	597	531	2,621
Rejected	11,184	4,678	644	1,130	17,636
Pending at the end of year	—	—	1,661	2,616	2,616

Loans were sanctioned in 2 621 cases upto 1974 75 representing 11 5 per cent of the number of applications received Reasons for rejection of applications were not on record in individual cases The Management stated (June 1975) that applications had been rejected either because these were incomplete or there was paucity of funds The Nigam had, however surplus funds in all these years which stood invested in fixed deposits

The Department in its written reply stated that numerous applications were received for advance of loans out of which those incorporating only legitimate and genuine demands could be met keeping in view the availability of funds It was further stated that no application had been rejected for paucity of funds

During oral examination the Committee desired that the position regarding rejection of applications for want of funds may again be examined but the Department stated that this fact could not be verified now as the rejected applications had since been destroyed

The Committee recommend that guidelines for the grant of loans may be prescribed by the Nigam and necessary information in this regard furnished to the Committee at the earliest

Para 7 12 (3 2) Defaults in repayment of loans

(a) The table below indicates the total amount of equated instalments which fell due during the year and the default at the end of each year upto 1974-75 —

Year		*Amount of instalment which fell due*	*Amount recovered*	*Amount in default at the end of the year*	*Percentage of default*
				(in lakhs of rupees)	
1971 72	Principal	0 83	0 50	0 33	
	Interest	0 64	0 12	0 52	
	Total	1 47	0 62	0 85	58
1972 73	Principal	4 39	1 46	2 93	
	Interest	2 14	1 48	0 66	
	Total	6 53	2 94	3 59	55
1973 74	Principal	9 91	4 47	5 44	
	Interest	3 84	2 88	0 96	
	Total	13 75	7 35	6 40	47
1974 75	Principal	16 98	8 67	8 31	
	Interest	5 65	4 85	0 80	
	Total	22 63	13 52	9 11	40

The Department in its written reply stated as under —

'There are various reasons for the default in the repayment of loans In some cases the loanees are not in a position to establish the trades for which the loans are granted to them and in others the poultry milch cattle pigs etc purchased with the amount of loan die and consequently the loanees disband the trade and thus there is default in the repayment of loans In many other cases the loanees do not make payments of the outstanding instalments even if they are capable to repay According to the terms of agreement the cases of default can be referred to the Collectors for effecting the recovery as arrears of land revenue But keeping in view the general weak financial position of the loanees this course is not adopted immediately when there is a default However notices are issued to the loanees and sureties in cases of default and in the event of these becoming ineffective the cases are referred to the Collectors for making recovery s arrears of land revenue

(b) In 174 cases where loans aggregating Rs 7 43 lakhs were advanced the entire recovery of instalments and interest was in default The Nigam referred these cases to the District Collectors (in 1973 74 and 1974 75) for effecting recoveries as arrears of land revenue Out of Rs 8 40 lahks (principal Rs 7 43 lakhs and interest Rs 0 97 lakh) due for recovery upto January 1974 Rs 1 04 lakhs had been recovered upto December 1975

The Department stated in its written reply that recovery had been completed in 17 cases (amount recovered Rs 58 600) In the remaining 157 cases Rs 2 22 lakhs had been recovered up to May 1980

(c) Three parties were advanced loans aggregating Rs 0 44 lakh during 1971 72 without executing deed of hypothecation of goods/assets purchased or in stock although the loan agreements provided for execution of such a hypothecation deed An amount of Rs 0 44 lakh (principal Rs 0 41 lakh and interest Rs 0 03 lakh) was still (January 1976) recoverable from them The Management stated (February 1976) that the provision about execution of hypothecation deed in the loan agreements was only discretionary It did not however, indicate the action to be taken for recovery in these cases

The Department stated in its written reply th t out of Rs 0 44 lakh only Rs 0 12 lakh had been recovered up to June 1980 leaving a balance of Rs 0 32 lakh plus interest

(d) Loans aggregating Rs 3 96 lakhs for purchase of tractors were advanced to 44 parties between Ap il 1971 and January 1972 on the security of a single guarantor The loans were repayable in equated quarterly/monthly instalments inclusive of interest The amount due for recovery as on the 30th June 1975 was Rs 5 08 lakhs (including interest) against which Rs 2 72 lakhs had been recovered (March 1976) The Management stated (April 1976) that two parties had paid the amount in full and effective steps had been taken to recover the amount from the remaining parties

In its written reply the Department stated that out of Rs 3 96 lakhs an amount of Rs 3 12 lakhs had been recovered up to June 1980 leaving a balance of Rs 0 84 lakh plus interest amounting to Rs 1 01 lakhs

(e) With a view to helping in production of shoes against export orders obtained by the Haryana State Small Industries and Export Corporation Limited the Nigam sanctioned short term loans aggregating Rs 77 500 to six parties during October 1971 to January 1972 repayable with interest by June 1972 (period of loan 5 months in each case) One of these parties was also sanctioned a long term loan of Rs 10 000 The agreements stipulated that the parties would execute deeds hypothecating the goods/assets purchased or in stock if so required by the Nigam The parties were not called upon to execute any such deed The Management stated (February 1976) that 'the loans are granted to the harijans on the personal guarantee mostly of the harijans They being poor people do not own any property In view of their poor economic position the terms of agreement are not rigidly enforced

All the parties faild to repay the principal and interest thereon within the stipulated period Five of these parties represented that since they were investing money on export items again and again it was not possible to repay the short term loans in lumpsum and requested for repayment in instalments The Nigam decided in February 1973 that short term loans sanctioned to four parties (amount Rs 0 40 lakh) would be *ab initio* treated as long term loans on the condition that the instalments which would have fallen due were repaid immediately This facility was not extended to the remaining two firms (Rs 37 500) In one case the party (a co-operative society which had in addition been sanctioned a long term loan of Rs 10 000) was reported to have misutilised the loan and in the other case the president and the members of the loanee society were stated to have shifted to some other place Out of the four parties which were given the concession of conversion of the short term loans into long term loans, only two availed of the accommodation From the remaining four parties (including the two who were not offered the accommodation) Rs 83 676 (inclusive of interest) were due upto January 1974 Their cases were referred (January-February 1974) to District Collectors for recovery as arrears of land revenue

The Management stated (April 1976) that Rs 0 10 lakh had been received through the Collectors from three parties and that no recovery had been made from the fourth party

In its written reply the Department stated that out of Rs 0 88 lakh, an amount of Rs 0 31 lakh had been recovered upto June 1980 leaving a balance of Rs 0 57 lakh plus interest amounting to Rs 0 64 lakh

(f) Loans aggregating Rs 1 08 lakhs were advanced at Rs 10 000 ecch to nine parties for purchase of tempos and at Rs 9 000 each to two parties for purchase of taxies on hire purchase basis between October 1971 and September 1972, on the security of a guarantor, the loans were recoverable in 20 equated quarterly instalments commencing after one year/six months from the date of drawal During the first year/half year only interest was payable in quarterly instalments Against Rs 0 82 lakh due for recovery upto June 1975, Rs 0 17 lakh were actually recovered The Management stated in April 1975 that though there was adequate income from plying of the tempos/taxies the loanees were deliberatety not repaying the amounts due It was also stated that the cases had been referred to the Collector for lump sum recovery Notices for seizure of the vehicles under the hire purchase agreement were also stated to have been issued (March 1975)

The Department stated that out of Rs 1 08 lakhs Rs 0 30 lakh had been recovered upto June 1980 leaving a balance of Rs 0 78 lakh plus interest amounting to Rs 0 83 lakh

During oral examination the Department stated that vigorous efforts were being made by the department to recover these amounts and that all these cases had been referred to the various Collectors for recovery of the loans and interest thereon including penal interest as arrear of land revenue

The Department further stated that certain cases of grant of loans for the purchase of tractors were with the Police as one trader had obtained signatures of loanees as a token of receipt of tractors and disposed of tractors to other persons in Rajasthan and Punjab

The Committee are pained to note that the management did not secure compliance of the terms and conditions for the recovery of the loans and interest with the result that the pace of default in the recovery of loans and interest increased from year to year

The Committee, therefore, recommend that the Nigam should ensure that the terms and conditions for the grant/recovery of loans are scrupulously followed both in letter and spirit

The Committee also desire that the progress towards the recovery of the loans in all cases should also be intimated to the Committee from time to time

Para 7 12 (3 3) Non utilization of loan by loanees

In accordance with the provisions of the agreements a loanee is required to utilise the loan within one month from the date of disbursement A test check however disclosed that Rs 0 97 lakh disbursed in 34 cases during 1972 73 and 1973 74 had not been utilised by the loanees upto June 1975 In February 1976 the Management stated that the Nigam s field officers had been asked to verify whether the loanees were carrying on the trade or profession for which loans had been given The Management further stated that in certain cases where loanees had ceased to carry on the respective trade, they had been reminded to utilise the loan properly failing which steps would be taken to recover the loan in lumpsum

The Department in its written reply has stated as under —

18 loanees out of 34 have utilised the loans and furnished necessary utilisation certificate In the remaining 16 cases notices have been issued to the loanees and the Field Officers have also been directed to see that the loans are utilised for the purpose for which these were granted In case these efforts fail, cases of defaulters will be referred

to the Collectors for realising the total amount of loan & interest in lump sum

Although it is ensured that the loans are utilised within the prescribed period but the period of one month prescribed in the agreements for the utilisation of loans cannot be strictly adhered to In most of the cases it is practically not possible to adhere to this time limit

During the course of oral examination, the Department stated that field officers of the Corporation are always deputed to verify the utilization of loans and also ensure that the loanees are carrying out the profession/trades for which the loans had been granted

The Committee are pained to note that even after a lapse of 5 6 years, only in 18 cases the loanees had utilised the loans for the purpose for which they were given This shows that the Company was not pursuing the cases properly after the grant of loans to verify if the loanees had utilized the loans for the purpose for which these were given

The Committee would like to know if in the remaining 16 cases loanees have also utilized the loans for the purpose for which these were granted If not, the steps taken to recover the amount of loans from the loanees may be intimated

The Committee recommend that in future the Company should pursue such cases more vigorously as also to ensure that the loans are utilized for the purpose for which these were granted

Para 7 12 (4 2) Setting up of small scale industrial units

On receipt of a directive from the State Government in April 1973 for setting up small scale industrial units for manufacture of spun pipes straw board coarse cloth *niwar* and spindle tapes P V C pipes etc it was decided in July 1973 that in addition to the Karnal Centre the Nigam should set up the following units —

Name of unit	*Location*	*Estimated expenditure (in lakhs of rupees)*	*Number of persons to be employed*
Coarse (handloom) cloth unit	Bhiwani	3 96	108
Niwar tape and spindle tape unit	Gohana	2 69	19
Reinforced cement concrete pipe unit	Tohana	3 79	26
Straw board unit	Kaithal	4 93	42
Card board unit	Gohana	1 00	

The present posıtıon ıs ındıcated below —

(*ı*) *Coarse (handloom) cloth unıt Bhıwanı*

Rupees 2 11 lakhs have been ıncurred upto March 1976 representıng cost of land (Rs 0 61 lakh ın June 1973) and Rs 1 50 lakhs deposıted wıth the Publıc Works Department ın February June 1975 for constructıon of a buıldıng A rough cost estımate for Rs 16 76 lakhs prepared by the Publıc Works Department was approved by the Nıgam ın May 1975

(*ıı*) *Nıwar tape and spındle tape unıt at Gohana*

The unıt has not been set up as the land has not been allotted by the Dırector of Industrıes (March 1976)

(*ııı*) *Pıpe unıt Tohana*

Rupees 1 07 lakhs were spent upto June 1975 on land acquıred ın July 1974 The scheme was however dropped ın Aprıl 1975 due to shortage of cement Thereafter the Nıgam has been consıderıng a proposal to set up a foundry unıt or a handloom unıt No project report has been prepared (March 1976)

(*ıv*) *Straw unıt Kaıthal*

Rupees 0 83 lakh were ıncurred upto March 1976 towards cost of land In November 1974 the Nıgam had decıded to defer the scheme ın vıew of the hıgh cost ınvolved and absence of easy market for straw board

(*v*) *Card board unıt*

The unıt, whıch was earlıer proposed to be set up at Gohana at an estımated cost of Rs 1 lakh ıs now beıng set up at Murthal The Company has applıed for a plot ın the ındustrıal estate at Murthal In the meantıme prıvate accommodatıon has been taken on hıre upto January 1976 and Rs 11 74 lakhs have been ınvested ın the project

The Management stated (February 1976) The settıng up of an ındusty needs proper examınatıon ın regard to the feasıbılıty of the project plannıng and subsequent executıon Although the Board has fixed a target of settıng up of 5 or 6 ındustrıes ıt was felt desırable to set up these ındustrıes ın phased programmee '

In a wrıtten reply, the Department stated that out of five unıts the Company had dropped the ıdea of settıng up four unıts vız, (ı) Coarse Handloom Cloth Unıt (ıı) Nıwar Tape and Spındle Tape Unıt (ııı) Pıpe Unıt and (ıv) Straw Board Unıt The Commıttee feel that decısıon to set up varıous unıts had not been taken after due thought and proper plannıng and thus the Company had to drop the ıdea of settıng up of these unıts at a later date

The Committee would like to know if the Company was setting up certain other units as per directive of the State Government and, if so, the progress made on the setting up of these units may be intimated to the Committee

HARYANA STATE SMALL INDUSTRIES AND EXPORT CORPORATION LIMITED

Para 7 13 Shortages/Excesses in stock

In paragraph 7 13 (8) (i) of the Report of the Comptroller and Auditor General for the year 1973 74 mention was made of shortages worth Rs 12,592 in the tores relating to the products of Haryana Dairy Development Corporation Limited being m rketed by the Haryana State Small Industries and Export Corporation Limited through its emporium at Delhi Suspecting some malpractice in the sale of these products at the emporium internal audit of of accounts and stock registers was got conducted by the Company in March 1975 and thereafter by a firm of Chartered Accountants during April August 1975 which revealed shortages of value Rs 71 600 exces es valued Rs 16 491 and embezzle ment of cash of Rs 3,926 during the period from Ist July 1974 to 21st March 1975 Shortages included two cases of fictious credit sales for Rs 28 502 and Rs 2 814 thereby decreasing the stock while actually no sales had been effected

The shortages/misappropriation were facilitated by the following—

(1) No control was being exercised on receipt sale and storage of products received from the Haryana Dairy Development Corporation Limited

It was noticed by the Manager Haryana Emporium in October 1975 that the stock register for the period from July 1974 to October 1974 had been lost and the same had been reconstructed The reconstructed stock register was stated to have been lost in March 1975 and it was again constructed found that some pages of cash sales register (Ist January Further it was 1975 to 22nd January 1975 were torn out some pages of counter sales cash book were substituted and certain cash memos had been tampered with

(2) Proper handing over/taking over reports by Storekeepers were not prepared or were not reviewed by the General Manager

(3) Post of Storekeeper and Cashier were held by the same person for quite sometime

(4) Confirmation of credit balances in respect of credit sales was not obtained periodically

The case was registered with the Police in April 1975 Results of police investigation are awaited (March 1976)

The Department in its written reply stated as under—

"The shortages/excesses occurred on account of laxity of control by supervisory staff and paucity of staff

Since the original stock register is not available the fact whether or not the stock register was daily clo d reconciled and approved by the Supervisory Staff cannot be verified

The responsibility has been fixed on the dealing staff viz Cashier, Store Keeper Sales staff and the case has been filed with the Police for investigation (FIR No 202, dt 18 4 1975) The excesses have been taken on stock

The shortages after accountal of excesses and adjustments of the same on purchase rates have been shown as losses in the final accounts of the Corporation for the year 1974 75 pending investigation by Police and recovery through Civil court

The circumstances leading to the embezzlement of Rs 3 926/ have been investigated by an internal audit party as well as by a firm of Chartered Accountant As a result of investigation it transpired that the sum of Rs 3926/ represented the cash sale effected which were not accounted for in the cash books Out of Rs 3926/ a sum of Rs 738/ has already been recovered from the defaulters Apparently the non accountal of cash sale in cash books can be attributed to the collusion between the store keeper with the cashier

The credit sales cases have been investigated and responsibility fixed on the defaulting officials The case is with Delhi Police (Crime Branch) for further investigations

It seems inspite of repeared reminders by G M Emporia Proper staff could not be provided as such the lower working became one man show i e the same man working as Cashier Store-Keeper & Sales man with the result that the things got mixed up

No embezzlement/serious shortages have come to notice in respect of other articles The sale of HDDC Products certainly required supervision control by the General Manager Delhi Emporium and he did exercise the control but due to paucity of staff the control was not effective

Even after full investigations it has not so far been established, whether or not any register was lost and reconstructed for the period 7/74 to 10/74

The register was lost in 2/75 Since the case of first loss is not established no comments can be given about the same The responsibility for loss of stock register in 2/75 was fixed on the officials concerned and the officials were suspended The case is still under investigation with the Police

Instructions have been issued to keep important records in lock and keys in future

According to the practice in the Emporia the taking over and handing over was done on the stock register where both the relieving as well as relieved officials signed the closing balances Proper check is now being exercised and no serious discrepancies have been noticed so far

There were two separate posts of Store keepers and Cashier but separate officials could not be provided immediately and one or the other post remained vacant for short intervals till alternative arrange ments were made These posts are being held by separate individuals since 30 10 74

The credit balances are checked periodically In this particular case it was not entered in books at appropriate time hence it could not be pursued The responsibility has been fixed on the defaulters and the case is under investigation with the Police

All the irregularities have been handed over to the Police for in vestigation No final results have so far been received as the police investigation is still in progsess The Police authorities are being cons tantly reminded to expedite finalisation of the case

No such other cases of shortages/excesses/embezzlement have come to notice so far '

During the course of oral examination the representative of the Corporation stated that six officials were involved in the embezzlement of Rs 72 000/ out of whom two had already left service and the services of the remaining four officials were terminated A criminal case against the defaulting officials has been lodged with the Delhi Police who in turn have put up the challan to the Court It was also stated that a civil suit has also been filed in the Delhi High Court for the recovery of the shortages/embezzlement from the defaulting officials

The Committee recommend that the final outcome of both the criminal and civil suits be intimated as and when the matter is adjudi cated by the concerned courts

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1975 76

Haryana State Electricity Board

Para 6 7 Faridabad Thermal Power Station Extension Project

(3) Cost estimates

According to a project report prepared in 1970 the project was estimated to cost Rs 27 25 crores (Rs 15 75 crores for Unit I and Rs 11 50 crores for Unit II) The table given below indicates the estimates as per the project report *vis a vis* the actual expenditure incurred thereagainst up to January 1977 —

Item of work	*Provision as per the project report*			*Actual expenditure*
	Unit I	*Unit II*	*Total*	
	(in lakhs of rupees)			
Generation	13 19 94	10,08 91	23,28 85	22,66 13
Transmission plant	28 75	19 90	48 65	1,37 29
General equipment	1 33 25	45 50	1 78 75	2 00 43
Miscellaneous (including establishment)	97 50	72 50	1,70 00	2,09 96
Total	15,79 44	11 46 81	27,26 25	28 13 81
Say	15 75 00	11,50 00	27 25 00	28 14 00

Apart from the aforesaid expenditure of Rs 28 14 00 lakhs adjustments relating to additional expenditure of Rs 4 07 88 lakhs in respect of stocks and advances to suppliers have not been carried out (January 1977) After taking into account these the total cost of the project works out to Rs 32 22 lakhs approximately as compared to the estimated cost of Rs 27,25 lakhs

The excess of expenditure over the estimates was attributed by the Management to increase in the cost of equipment as the cost indicated in the project report was based on the prevailing rates in 1969 70 and ever since the cost of equipment had risen due to increasing price trend

When asked as to whether the accounts of the project had been closed and what were the precise reasons for increase in the cost and also whether the increase in cost had any adverse impact on the return expected the Department in its written reply stated that—

the accounts of the Project have not been closed so far as supplies of spares for some of the items of equipments have not been completed by M/S BHEL B S T etc and balance payments to some of the suppliers/Contractors are still pending for want of completion of contractual obligations as detailed hereunder —

(a) Due to non submission of documentary evidence in support of price escalations

(b) Performance tests in certain cases have not yet been completed by the firms

(c) The goods lift supplied by M/S OTIS has not yet been erected tested and commissioned as there has been a change in site due to installation of Unit No III at Faridabad

(d) Certain payments have been held up due to non rectification of some defects pointed out to them during the warranty period

The excess over the estimated costs was mainly due to the reason that the Project Report had been framed in the year 1970 The costs of the various items in the project were provided on the rates of equip ments and wages available with consultants (Government of India Central Electricity Authority) for the year 1969 70 Since then there has been a steep rise in the prices of all the items The increase in cost did not have any adverse impact on the return because after taking into account the increased outlays the financial forecast had been revised applying the same parameters as laid down by the CEA for preparing such financial forecast The percentage return as per Pro ject Estimate and as per enhanced Capital outlay was as under —

Year	*Percentage return as per project report*	*Percentage return now worked out on actual capital outlay basis*
1974 75	10 90	6 93
1975 76	9 2	6 35
1976 77	21 33	14 15
1977 78	21 33	15 37

From the above table it would be seen that though there was a decrease in percentage return then worked out on actual capital outlay basis as compared with the return anticipated at the time of commence-ment of the Project yet the revised return was sufficient to make the project justified It would also be not out of place to mention here that the Board revised its tariffs upward in Oct 1974 July 1976 & June 1978 These revisions have also resulted in off setting the adverse impact on the expected return

During the course of oral examination, the Department stated that there had been an improvement in the working of the Plant as the production was 50% as against the all India average production of 44 45 per cent When pointed out that the percentage of return achieved was much less as compared with the return anticipated at the time of commencement of the project, the department stated that this was due to low generation on account of supply of coal of a lower grade than that required for which the matter had been taken up at the highest level with the Government of India

The Committee are pained to observe that it has taken so long for the Board to complete the necessary formalities and close the accounts of the project finally The Committee therefore recommend that effective steps be taken so as to ensure that the accounts of the project are closed at the earliest after obtaining the remaining supplies of the spares from the concerned suppliers and expediting the process of finalisation of residual payment cases of the suppliers/contractors

The Committee while appreciating the steps taken by the department to obtain required quantity of coal of the proper grade, recommend that vigorous steps may continue to be taken in this direction so that the percentage of return could be brought up to the percentage provided in the project report

Para 6 7 (4) (a) Erection, testing and commissioning of boilers

The work of erecting testing and commissioning of boilers of both the units was allotted to a firm of Gujarat in September 1972 at its quoted rates of Rs 36 20 lakhs with a stipulation that the Board should advance Rs 3 50 lakhs free of interest The boilers of Unit I and Unit II were required to be ready for commissioning by 5th May 1974 and 5th May, 1975 respectively

Over and above the advance contemplated in the agreement, the Board advanced Rs 2 00 lakhs in September 1974 to help the firm out of financial difficulties without deciding the rate of interest applicable on it The interest chargeable on the advance has not been determined (February 1977)

Despite grant of the financial accommodation the firm was not able to accelerate the progress of work By December 1974 the firm had erected total weight of 2697 tonnes for the 1st boiler and 1023 tonnes for the 2nd boiler against the required erection of 2750 tonnes (approximately) on each boiler The remaining work was completed departmentally and through sub contractors The total cost up to commissioning of the two boilers (including payments made to the Gujarat firm) worked out to Rs 65 89 lakhs as against cost of Rs 39 23 lakhs assessed at the firm s rates

The Board s claim for recovery of extra cost damages etc amounting to Rs 85 76 lakhs from the firm was under arbitration (February 1977)

On being asked as to why no terms for paying an advance of Rs 2 lakhs were decided, what was the present position of the arbitration pro ceedings with regard to the claim of the Board for Rs 85 76 lakhs and had the firm made any counter claim, the Department in its written reply stated as under —

The position with regard to granting of advance of Rs 2 lacs to the firm is as under —

The erection was started by M/s Unique Erectors in December 1972 and it was found to be quite satisfactory although the firm was having financial trouble during erection After some time it was observed that the firm was landing itself in more financial difficulties and was not discharging fully its financial obligations to the workers as appeared from strikes by their workers After the firm had erected Unit No I which was to be subsequently tested before commissioning their workers struck work for non payment of wages When the firm failed to do any work for two months a risk purchase notice was issued to the firm on 5 9 74 The firm in reply to letter dated 5 9 74 informed vide their letter dated 12 9 74 that the question of stopping the work does not arise and it is the labour unrest/strike due to which the work had got hampered They further indicated that the question of risk purchase should not arise because the Unit I is completed while the time limit for Unit No II is upto May 1975 They also indicated that the 1st Boiler was completed within 20 months which is a record by itself and stressed that their credential for executing and completing the Unit II are established They further informed that financial crisis had come to them because of the following —

a) Slow tactics of labour

b) Bank squeezes

c) Astronomical rise in price

d) Extra ordinary blockage of funds due to stringent tender conditions

The firm in their letter requested to extend co operation by giving them Rs 2 lacs in the best interest of work Thereafter the project authorities were left with the following three alternatives out of which one could be adopted to gear up things to restart and get the unfinished work completed

1) To go ahead with the risk purchase and invite tenders for completion of balance work, or

2) To give the firm an advance to enable them to tide over the crisis, or

3) To take up the balance work departmentally

The case alongwith the letter of the firm dated 12-9 74 was considered by Thermal Standing Committee of the Board and keeping in view the good work done by them for the Ist Unit it was decided that payment of Rs 2 lacs be made to the firm as it was felt that departmentally work may take more time to organise and completion may be delayed

The Managing Director of the firm was asked to stick to the following —

a) The payment to the labour be made first by M/s Unique Erectors to settle their old bills/wages and also every monthly bills henceforth

b) The work of the 2nd Unit be completed by the firm by 31st January 1975

However soon after, as per record the firm abandoned the work and as such afterwards the case had to be taken to the arbitration While preparing the Board s claims for the arbitration case necessary interest was charged on these Rs 2 lacs and submitted to the arbitrators with full case Since arbitrators could not reach any decision with the intervention of the court, Justice H R Khanna was got appointed as Umpire After long deliberations and hearings the Umpire, keeping in view the claims of the Board as well as the claims of the firm, gave a speaking award for Rs 5 60 lakhs Award has since been filed by the Umpire in Ahmedabad Court and is yet to be made rule of the Court by the said Court

The firm made the counter claim for Rs 59 80 lakhs

Before awarding the contract to M/s Unique Erectors for the erection testing and commissioning of 2x60 MW Boilers the works of the firm was visited by Chief Engineer (Thermal) as per the directions of Thermal Standing Committee After the report of the Chief Engineer (Thermal) the case was discussed in Store Purchase Committee s meeting and a dicision to allot the lead work to the above firm was taken by Store Purchase Committee & Thermal Standing Committee '

During oral examination, the Department stated that though the financial condition of the company (M/s Unique Erectors) was not so good, still the work had to be allotted to it as its tender was the lowest If the work had been allotted to some other company the total expenditure would have been much more in view of the higher rates quoted by them

The Committee enquired as to why tenders of all the firms were considered when the tenders of only those firms should have been taken into account which were capable of undertaking the work ? In reply the Department stated that the Thermal Standing Committee, which is the competent authority had decided against such a selective approach The Department also stated that an award of Rs 5 60 lakhs had since been made the rule of the court but the company has gone in appeal against this award before Ahmedabad High Court The decision of that court is still awaited

The Committee are constrained to note that a financial aid of Rs 2 lakhs was given by the company without deciding the rate of interest chargeable from the firm, which was something quite serious

The Committee, therefore recommend that in future such financial aid to contractors should invariably be avoided as they contravene the provisions of the financial rule on the subject

The Committee also recommend that the department should exa mine if in such cases the tenders of only tho e companies which are technically capable of undertaking the work should be taken into consideration so that such losses caused by delays in the execution/completion of the work are avoided The result of such an examination may also be intimated to the Committee

Para 6 7 (5) (b) Outages

The outages during 1975 76 were mainly due to the following reasons —

	Off steam hours due to lack of demand in rainy season (hours)	*Off steam hours due to unsched uled break downs defects other causes (hours)*	*Loss of gen eration due to forced out ages (Mkwh)*
15 M W Plant	3366	1121	16 815
Unit I of 60 M W	1239	2029	121 740

In the monthly progress reports submitted by the Project Officer to the Board the forced outages were attributed mainly to —

(i) leakage in plate in super heater tube

(ii) steam washing of turbine due to rise in curtis wheel pressure

(iii) rise in axial shift,

(iv) operation trouble due to system troubles like low voltage and

(v) electric faults

On a question of the Committee to that effect asking the Board to enumerate the steps taken by it to reduce forced outages to the minimum the Department in its written reply stated inter alia that all problems which were contributing towards excessive forced outages of the Units had been taken up with the Central Electricity Authority (Government of India) and BHEL

During oral examination the Department stated that a team includ ing engineers of the Central Electricity Authority and BHEL had visited Faridabad on 24th/25th March 1981 and hoped that all the defects in the Thermal Plant would be removed

The reading of the report given by the team, however reveals that there were 33 cases in which trouble/problem was being faced in the smooth running of the plant and the team had made some specific suggestions for setting right or solving those troubles/problems

The Committee, therefore recommend that complete details of the action taken on the report of the Engineers referred to above be supplied to the Committee

Para 6 7 (5) (*c*) *Station auxiliaries consumption*

The table below shows the power consumed in the station auxiliaries during the three years ending 1975-76 —

Plant	*Year*	*Units generated (Mkwh)*	*Consumption by auxiliaries (Mkwh)*	*Percentage of consumption to units generated*
15 M W	1973 74	67 346	8 161	12 1
	1974 75	68 405	8 964	13 1
	1975 76	44 188	5 367	12 1
60 M W Unit I	1975 76	269 445	23 510	8 7

The consumption of power by station auxiliaries was estimated by the Board at 8 per cent of the total units generated Excess consumption in Unit I during 1975 76 works out to 1 954 Mkwh and on 15 M W plant to 2 773 3 492 and 1 832 Mkwh during 1973 74 1974-75 and 1975 76 respectively Reasons for the excessive consumption in 15 M W plant had not been intimated (February 1977)

In reply to the question of the Committee as to what were the precise reasons for excess consumption of power by the station auxiliaries the Department in its written reply stated as under —

"The 8% consumption of auxiliaries is reckoned on the basis of maximum generation which works out 324 million units in a year The auxiliary consumption does not reduce proportionately if the generation is less and as such the auxiliary consumption cannot be reckoned in percentage on the basis of actual generation Even when the generation is less all the auxiliaries of the equipment have to work and there can only be marginal reduction when the generation is less which is already there and which can be seen from the fact that against the estimated generation of 324 million units the auxiliary consumption at 8% works out to 25 92 million units whereas against the actual generation of 269 445 million units the auxiliary consumption is 23 51 million units

As regards 15 MW Thermal Plant we have not been able to lay hand on any prescrib d limit for auxiliary consumption This unit is not similar to 60 M W unit As such the auxiliary consumption in the year 73 74, 74 75 and 75 76 cannot be compared with the standard fixed for 60 MW unit However it will be seen that auxiliary consumption in 15 MW plant for the year 73 74 74 75 and 75 76 are almost comensurate with the total generation during these years As already pointed out above we can not take auxiliary consumption on percentage basis which will be misleading

During the course of oral examination, the Committee enquired from the Department as to whether the percentage of consumption by auxiliaries in this State has been compared with those in other States and, if so the result of such comparison be intimated to the Committee The Department later submitted a comparative statement of figures of auxiliary consumption in other States during the years 1975 76 to 1977 78

The Committee after going through the said statement observed that in certian States the percentage of auxiliary consumption was normal or even below normal and therefore, there was still scope for reducing this percentage to a still lower figure than at present

The Committee, therefore recommend that suitable steps be taken to bring the percentage of auxiliary consumption to as close a figure as that of normal consumption

Para 6 7 (5) (d) (ii)—Shortage of furnace oil

Audit has pointed out that shortage of 110 KL of furnace oil costing Rs 80 000 (approximately) was also noticed in October, 1974 at the time of change in incumbency of different officials The matter was reported to the Police in December 1974 The case was pending in the court (Feb 1977)

To a question of the Committee whether responsibility for the shortage of 110 KL of furnace oil had been fixed the Department in its written reply started that the case regarding shortage of the furnace oil is still pending in the court at Ballabgarh and the responsibility or otherwise can be fixed only after the outcome of the decision of the court

During oral examination the Department stated that in view of the criminal proceedings going on in the matter, departmental proceedings had not been initiated

The Committee are surprised to note that the Department has so far only banked upon the criminal proceedings going on in this case and have not taken care to init ate departmental proceedings simulta neously The Committee are not satisfied with the plea of the depart ment and feel that the department should not have awaited the outcome of criminal proceedings and must have initiated the depart mental proceedings simultaneously as processes of criminal proceedings take, their own time

The Committee, therefore, recommend that the departmental proceedings in this case should be initiated forthwith and the outcome of these proceedings be intimated to the Committee

The result of the criminal proceedings going on in this case be also intimated to the Committee when concluded

6 7 (7) Under utilisation of machinery

A wagon tippler costing Rs 13 27 lakhs (including the cost of tippler weighbridge Rs 2 76 lakhs) was installed and put into operation in March 1975 During the period from 15th March, 1975 to 31st March 1976 the total quantity of slack coal received by the project was 2 29 220 tonnes Out of this about 1 99,229 tonnes of coal was received in open wagons while the remaining quantity was received in closed wagons Out of 1,99,229 tonnes of coal received in open wagon about 1,49 912 tonnes were unloaded through the wagon tippler and the remaining quantity was unloaded manually at a cost of about Rs 0 72 lakh The project authorities had also to pay Rs 1 34 lakhs during July 1975 to March 1976 as demurrage charges to the Railway authorities for delayed release of wagons The Board attributed (December 1975) manual unloading of coal and payment of demurrage charges to wet and oversized coal and also to mechanical defects in the tippler

On an enquiry as to why the mechanical defects in the tippler could not be removed in time so as to avoid payment of demurrage charges etc, the Department stated in its written reply as under—

No doubt that mechanical defect in the Tippler is one of the reasons for payment of demurrage/manual unloading, but payment on this account is insignificant The mechanical break down of the Tippler has been very less

Moreover the breakdowns in the running machinery are inevitable and can not be foreseen inspite of best efforts and timely preventive maintenance of the Tippler As such the question of fixing responsibility for delay in removing mechanical defects does not arise

The other main reasons for incurring the demurrage and manual unloading has been due to —

(i) Oversize coal received from collieries

(ii) Overlapping of wagons because of paucity of space in the Coal Yard with only one wagon tippler all the rake can not be cleared within the free period allowed by the Railways

(iii) Due to excessive quantity of moisture in the coal especially during the rainy season the chutes in the wagon tippler system sometimes get badly choked and render its operation time consuming

Due to paucity of space it is not possible to place more than 6 wagons at a time out of the full rake consisting of about 40 wagons or so for manual unloading in the reclamation yard As such the demurrage by resorting to manual unloading can not be fully eli minated

The issue of payment of demurrage charges is still under dispute and is being takan up with the Railway Authorities

The Tippler has always been in order except for a very few occa ssions which are inevitable and cannot be foreseen'

During oral examination the department stated that the Railway authorities had agreed and subsequently waived off 80% of the demu rrage charges for which necessary account adjustment had also been carried out

The Committee recommend that adequate steps be taken to avoid payment of demurrage charges in such like situations in future

Para 6 7 (8) (iii) Missing consignments

Between December 1973 and December 1975, 150 coal wagons despatched from collieries did not reach destination Sixteen claims of amounts totalling Rs 7 11 lakhs were lodged by the project authorities with the Railways upto March 1976, but these had not been settled (Feburary 1977)

In reply to a question as to whether the railways had settled the claim in respect of all the missing consignments, the Department in their written reply stated that claims in respect of all except 23 wagons had been settled with the Railways

During the course of oral examination the Departmental represen tative referred to a note of the Chief Engineer, which read as under—

The claims regarding the remaining 23 Nos missing wagons was discussed in the meeting between HSEB and Central Railway Bombay V T held in the office of Executive Engineer (Fuel) Thermal Plant Fridabad on 9 10 1980 They have adjusted our missing wagons claims against the pending payments which are to be made by the HSEB But the final reply of the adjustment of our claims from the Chief Claim Officer Central Railway Bombay V T is still awaited The Asstt Claim Inspector Sh T P Dadani (Coal) has visited this office and informed that it is under settlement and it will be informed very soon "

The Committee recommend that the department should vigorously pursue the early settlement of the remaining missing wagons as the matter has already been inordinately delayed

Para 6 10 Purchase of material below specifications

Audit has pointed out that three suppuly orders for 47 600 mild steel bolts with nuts of three different sizes at a total cost of Rs 0 48 lakh were placed by a Suprintending Engineer on two firms in January 1973, although samples required to be furnished with their offers had not been received A condition stipulating that samples be got approved before commencement of the supply was incorporated in the supply orders The two firms, however, made the supplies and obtained 90 per cent payment amounting to Rs 0 29 lakh and Rs 0 15 lakh in February 1973 and April 1973 respectively, without obtaining prior approval of samples

The material was inspected in September 1973 and rejected as it was not in accordance with the specifications The firms which were called upon in September 1973 to refund the amount received by them within a fortnight, had not refunded the amount (February 1977) The management stated in October 1976 that the firms had agreed to refund the amount through adjustment of their pending bills with the Board Further developments were awaited (February 1977)

In reply to a question by the Committee as to why was the supply of samples not insisted upon before placing order the Department in its written reply stated as under —

'The Purchase Orders under reference pertained to Rag Screw bolts 8 ×5/8" (P O No HC—277), Rag eye bolts 9"×5/8 (P O No HC—278) and eye screw bolts 9"X5 8" (P O No HC—279) where M S round of particular dia/length is used Since there was nothing mechanical or other quality of material to be checked, the insisting of sample was not considered necessary before placing the orders'

During the course of oral examination the departmental representatives informed the Committee that for nuts and bolts there is no fixed standard but these are purchased on the basis of particular specifications Therefore the samples of the material were not insisted upon However, to safeguard the interest of the department 10% payment was withheld so that any discrep ncy in the supply of material could be adjusted It was further stated that the amount due from the three firms had also been recovered

The Committee do not share with the contention of the department that there are no fixed standards of nuts and bolts and the purchase is effected only in accordance with the specifications There may not be any fixed standard but in this case the required specifications were the sole criteria for accepting the material for which samples were necessary to be obtained from the firms concerned before placing the orders The department cannot absolve itself from the responsibility of taking the samples before placing orders The Committee, therefore, recommend that in future the purchase of such type of material should be made strictly in accordanee with the required specifications and the payment released only after satisfying that it conforms to the prescribed specifications

Para 6 11 Extra expenditure

Tender enquiry for purchase of 15 indoor type transformers of 1000 K V A was floated and the tenders were opened on 15th May 1973 The lowest offer of Rs 42 000 per transformer (equivalent price Rs 67 780) was received from firm A The offer was valid up to 15th August 1973 The firm was asked to extend the validity of ne offer up to 25th August 1973 and to state if it was willing to withdraw its claims against an earlier order placed in January 1970 which was cancelled by the Board on the ground that the material was no longer required. The firm while extending the period of validity made the price subject to variation as per the Indian Electrical Manufacturers Association price variation clause with a ceiling of 10 per cent On 11th September 1973, firm 'A had withdrawn its earlier claims in order to enable the Board to place orders on it against the pending as well as future requirements, but no order was placed Even after taking into account this modification the offer of firm A was the lowest The second lowest tenderer (Firm B) had quoted a rate of Rs 46,500 (equivalent price Rs 75 200) per transformer less 2 per cent discount This was also valid up to 15th August 1973 Firm 'B by its letter of 29th August 1973 extended the validity period of its offer by one month on the condition that 2 per cent discount would not be allowed The two offers were considered on 29th August 1973 and it was decided that order be placed on firm 'B at its quoted rates and tenders be re invited if firm 'B refused to accept the order

Accordingly a telegraphic letter of intent was issued to firm B on 31st August 1973 at its quoted rates with a delivery schedule of 6—8 weeks The firm did not accept as the same was not in accordance with its revised terms, and imposed certain other conditions which were not accepted by the Board In June 1975 the Legal Adviser of the Board advised that on the facts and circumstances of the case no legal agreement had come into force and that the purchase order could not be legally enforced

Finally, the Board placed a purchase order on firm C' for supply of 25 transformers of 1000 K V A in November 1974 at its quoted rate of Rs 81,000 (equivalent price Rs 1,14 085) each against a fresh tender enquiry opened in May 1974 Failure to avail of the offer of firm A resulted in extra expenditure of Rs 6 31 lakhs on the purchase of 15 transformers of 1000 K V A

In December 1975 the Board stated that it had suffered no loss since there was no valid contract with firm 'B' and the offer of firm A could not have been accepted under threats

In its written reply to a question by the Committee as to why the offer of M/s Electric Construction and equipment Ltd Sonepat (Firm A) could not be accepted even after the firm had withdrawn its earlier claim and it was known that M/s East India Electricals Calcutta (Firm B) had declined to take the order the Department stated as under

(1) 'M/s E C E C Sonepat had introdued the price variation clause with maximum ceiling of 10% vide telegram dated 16 8 73 while extending the validity period They had not however 'withdrawn the claim of Rs 5,79 463/ lodged by them against an earlier P O No HH 306 which was cancelled by the Board in respect of part supplies They withdrew the claim on 11 9 73 The Whole Time Members had already taken a decision on 29 8 73 to ignore the offer of M/S E C E C due to non withdrawal of the above claim which amount was much

higher than the price difference between the first 2 lowest offers viz Rs 1 11,418/

On 11 9-73 the firm M/S E C E C no doubt withdrew their claim against P O No HH 306 and at that time M/s East India Electricals had also not accepted the order placed on them on their original quoted rates As it was not considered ethical to consider the post tender modifications made by the above 2 firms without giving an opportunity to other tenderers especially when their prices had also become known the decision taken earlier by the Whole Time Members that tenders should be reinvited in case M/s East India Electricals did not accept the order on their original quoted rates was allowed to stand No change in this decision was considered necessary as it would have meant giving premium to unethical practices i e of considering the modifications to the tendered prices of the above two firms without giving a similar opportunity to others Had M/S E C E C withdrawn the claim lodged on the Board before the expiry of the validity period the order could have been placed on M/s E C E C, Sonepat on their originally firm quoted rates instead of their variable rates as per their telegram dated 16 8 73

To a further question of the Committee as to why did the Board not take cognizance of the revised offer made by the calcutta firm on 29th August, 1973 for placing the order on it, the Department stated, in its written reply as under —

"M/s East India Elecricals Calcutta had introduced a post tender change i e withdrawal of 20% discount which could not be entertained Accordingly Whole Time Members decided in their meeting on 12 11 1973 that the conditions stipulated by the supplier subsequent to the opening of the tender were not acceptable It was directed by them that the firm should be advised to make supply on their originally tendered rates"

When enquired as to whether responsibility for the loss caused to the Board as a result of non materialisation of the orders against the Tender Enquiry floated in 1973 had been fixed, the department replied that both the firms introduced post tender changes which were not acceptable to the Board The P O was placed on firm B i e M/s East India Electricals Calcutta as per their original tender Since all the stipulations of the firm s tender and subsequent amendments as asked for by the firm could not be accepted the firm managed to wriggle out As no legally binding contract had been formed between the parties, the firm did not execute the order placed on them so, none of the Board's officers can be held responsible for non materialisation of the order However, it may be mentioned here that even if the firm's request for withdrawal of 2% discount had been accepted the firm would have backed out on other grounds such as release of 20% payment & extensions in delivery period against other purchase order No HH 568 earlier placed on them

The Committee thoroughly examined the departmental representatives in this respect but no facts other than the ones stated in their written reply were furnished to the Committee.

The Committee have studied this whole deal in depth and come to the conclusion that the matter was not handled with due prudence and far sightedness The Committee cannot over rule the possibility of element of malafide in this deal The Committee therefore strongly recommend that a sifting enquiry be ordered in this case immediately fixing responsibility for the loss caused to the Board as a result of non materialisation of the orders against the Tender Enquiry floated in 1973 The results of the enquiry be intimated to the Committee at the earliest

Para 6 12 Non handing over charge of material

A Sectional Officer, after serving 24 hours notice of resignation and depositing one month s pay left the service of the Board on 9th June 1971 without handing over the charge of materials/documents assigned to him In June—July 1971 instructions were issued by the Executive Engineer to the Sub divisional officer to arrange for taking over charge of the material In September 1971 another Sectional Officer was deputed to take over charge but charge was not handed over by the former Sectional Officer Ultimately the materials were got physically verified in January 1972 by two Sub divisional Officers who pointed out shortages valued at Rs 19 487 It was decided in April 1973 to register a case against the former Sectional Officer for misappropriation of materials/documents

The challan was put up by the Police in April 1976 and the case was pending in Court (February 1977)

With regard to the long time taken by the Board for registering a case against the Sectional Officer for misappropriation of materials the Department in its written reply stated as under—

Shri Sat Narain S O tendered resignation on (2 6 71) with 24 hours notice and submitted his departure report on 9 6 71 (Afternoon) One month s pay was got deposited by the official vide receipt No 81/11 dated 8 6 71 The official left the station without handing over the charge After protracted correspondence by the S D O C/W Karnal with the official which included a registered letter sent by S D O C/W Karnal vide Memo No 761 dated 20 9 71 regarding handing over the charge it was felt that the official was deliberately avoiding the issue and that there was no other alternative but to get the stores verified by the existing staff Two S D Os made the physical verification of material lying at site at Indri Pole Centre and submitted a report on 27 1 72 A shortage of material valuing Rs 19 595 23 was detected by the said officers during verification of Stores against Shri Sat Narain A letter under registered cover was also issued by the Xen C/W (T) Division, Ambala Cantt on 15 2 72 vide his Memo No 927 dated 15 2 72 vide which the official was asked for making good the shortages or to deposit the amount of shortages with the Board A meeting was convened by the S E T C C II Chandigarh on 3 5 72 in his office to decide the case of shortages as well as representations made by the Ex official in this behalf The official produced 2 Nos S T Ws in the meeting for adjustments which reduced the shortage of material to Rs 19487 23 from Rs 19595 23 After going through the various aspects of the case it was decided to register the case for these shortages with the Police Accordingly the matter was reported to Police on 9 8 73 vide F I R No 88 The S H O Indri who conducted investigations of the case, took a long time in giving his report and presenting the Challan in court of law since he interrogated many officials/Officers (who had either left the services of the Board or were transferred) The case was instituted on 2 6 75 i e after about 2 years time since the date of F I R lodged with the police The leg l p oceeding took their own time It is pertinent to mention here that no payment of any amount in the shape of s lary/Bonus was made to the official after he left the Board s service The position explained above makes clear the police circums tances of delay in registering the case with the police against the official

The Department further stated as under

"The Judicial Magistrate Karnal Class I pronounced his judgment in the open court on 23 11 77 accusing Sh Sat Nara n Ex—S O (Civil) to undergo rigorous imprisonment for 3 years and to pay a fine of Rs 3000/ and in default of payment of fine to undergo further rigorous imprisonment for 6 months under Section 409 of Indian Penal Code

Shri Sat Narain S O made an appeal against the above judgement in the Court of Additional Session Judge, Karnal who set aside the conviction and sentence of the accused and acquitted him of the charge framed against him The fine, if any paid was ordered to be refunded to him vide his judgement pronounced in the Court on 27 3 78

The Committee observe that the Sectional Officer alleged to be at fault in this case has been let off by the court of law

The Committee therefore, recommend that departmental action in the light of the court judgement be initiated and the outcome be intimated to them

HARYANA AGRO INDUSTRIES CORPORATION

Paragraph 6 18(5)(1)—Custom hiring of tractors

Audit has pointed out that a loss of Rs 13 88 lakhs has been suffered during 1975 76 as against a loss of Rs 6 93 lakhs during 1973 74 on custom hiring of tractors

In reply to a question by the Committee as to what steps had been taken by the Corporation to reduce losses on custom hiring of tractors the Department in its written reply stated that in order to reduce these losses the number of tractors had been reduced from 127 to 26

During oral evidence the departmental representative stated that when the Corporation started the work of custom hiring of tractors the work at that time was at its peak but in the year 1974-75, the number of private tractors increased to a great extent and the Corporation decided to dispose off the old tractors either by auction or by sale because it would adversely affect the purpose for which the Corporation had purchased the tractors as the custom hiring work was slightly less The Corporation disposed off the old tractors to decrease the loss which the Corporation had been suffering due to these old tractors There was no corresponding loss with the present strength of tractors with the Corporation Moreover this was a marginal loss

The Committee have noticed that due to loss on custom hiring all the tractors were grounded except 24 tractors and the loss was to the tune of Rs 3 95 lakhs in the year 1975 76 which was more or less 1½ times than the loss suffered on this account during the year 1974-75 when the number of tractors was 127 It was also noticed by the Committee that in the succeeding years the loss had continued and during the year 1979 80 it was to the tune of 1 45 lakhs

The Committee fail to understand that despite the fact that the number of tractors was reduced and major repairs undertaken the loss is still subsisting The Committee therefore recommend that the department should go in depth of the reasons of this recurring loss and to take remedial measures in this behalf If the department feels that there is no scope to reduce the loss then the Committee cannot resist to recammend that the remaining tractors with the Corporation meant for custom hiring be disposed off and the scheme be abondoned The Committee also feel th t the abondonment of this scheme will not adversely affect the agriculture community as the private population of tractors has also increased during these years

Paragraph 6 18(5)(v)—Purchase of hay baler

Audit h s pointed out that an old hay baler of GDR make purchased in April 1973 from Punjab Agro Industries Corporation Limited at a cost of Rs 0 23 lakh was used for four to five hours only for demonstration purposes in May 1973 Thereafter it has been lying idle Though the management had stated (July 1976) that the baler was being disposed of, it has not been sold (Feburary 1977)

In reply to a question by the Committee as to why was the old baler purchased whether it w s used and has it been sold the Department in its written reply stated as under—

'An old hay baler was purchased from Punjab Agro Industries Corporation in April 1973 at a cost of Rs 23 000/ on experimental basis and its demonstration was carried out at various places to fetch its demand It was a new item as the machinery attached with it had the facility of collecting the straw immediately after harvesting and clear the fields for sowing It could thus save both time and labour of the farmer but unfortunately its utility could not be judged by the farmers and they did not show much interest in it Owing to less demand from the farmers it could not be utilised commercially Subsequently efforts were made to dispose it off and the hay baler was included in the list of disposal dt 27 6 76 but it could not fetch the minimum selling price and so it could not be sold out Now the negotiation is going on with M/s ESPI (New Delhi) Trading Company who wanted to purchase the same from us

The Committee would like to know whether the negotiations to dispose off the machinery have since been completed and the machinery disposed off together with the amount realised

Paragraph 6 18(6)(i)—Cattle cum Poultry Feed Plant, Jind

(i) Mention was made in paragraph 46(b) of the Report of the Comptroller and Auditor General of India for the year 1971 72 about delay in commissioning of a cattle cum poultry feed plant at Jind The plant which was scheduled to be completed by February 1972 was actually completed in June 1974 at a cost of Rs 45 35 lakhs with indigenous machinery Imported machinery costing Rs 8 59 lakhs was received in November 1974 The machinery have been kept in for reserve for setting up another plant at Bhiwani of which work has been taken up (February 1977)

In reply to a question by the Committee as to why was the machinery costing Rs 8 59 lakhs imported when indigenously produced machine was available, whether it has been used in some other plant and if not what does the Corporation propose to do with it the Department in its written reply stated as under—

'In the meeting held in April 1968 the Board of Directors approved the setting up of one cattle cum poultry feed plant at Jind, prior to the setting up of the Plant the cattle and poutry feed was being manufactured with grinders and mixtures for which feed processing units were functioning at various places Tenders were invited in June 1969 for the setting up of the Plant at Jind and the rates offered by the National Dairy Development Board Anand who was given the job on turn key basis The NDDB which was also the consultancy agency for this purpose suggested for the import of the machinery from Switzerland as the indigenous machinery had not developed fully in India at that time

The import was delayed due to circumstances beyond our control The matter was referred to the Board of Directors in the 31st meeting in June 1973 to set up the plant with the indigneous machinery which had been developed in India by that time

It may however be stated that the machinery imported was worth Rs 8 59 lacs Only two sections viz Pellet Mill section and automatic bagging and weighing section was imported and the rest was to be arranged through the indigenous sources The whole machine constitutes of the following sections —

1	Pellet Mill section	5	Boiler section
2	Hammer Mill section	6	Automatic bagging and weighting section
3	Intake section	7	Automatic batch weigher section
4	Molassca Mixing section	8	Control Panel

The indigenous machinery too was accepted on trial basis and at the risk of owner as it was a new introduction in India

The imported machinery arrived in November 1974 whereas the Plant started functioning in July 1974 This machine was kept reserve for the additional Plant to be set up at Bhiwani under DPAP Scheme The decision for the setting of which was taken in the 40th meeting held on 25 9 75 As more funds for the plant were not made available by the Agency the plant could not be installed and the imported machinery is lying safely at Jind

The Committee are pained to observe that machinery worth Rs 8 59 lakhs has been kept idle for the last more than 7 years From the perusal of the reply of the Department it transpires that no efforts have been made after 25 9 75 to make use of this machinery so far

The Committee therefore recommend that immediate steps be taken to make use of this machinery so that the heavy amount involved should not remain locked up

Para 6 18 (7) Cattle Feed Plant, Bhiwani

In September 1974 the Company decided to set up another cattle feed plant at Bhiwani at a total cost of Rs 50 lakhs It received a subsidy of Rs 10 lakhs from the State Government in 1974 75 for purchase of machinery A sum of Rs 10 25 lakhs (including Rs 8 59 lakhs being the cost of machinery imported in November 1974 for the Jind plant but kept in reserve for Bhiwani plant) was spent on setting up of this plant up to the end of October 1976 Construction of the building and erection of the plant has been deferred for reasons not on record The Management stated (February 1977) that it was deferred on the verbal orders of the then Managing Director

In reply to a question of the Committee as to what were the reasons for deferring construction of the building and erection of the plant at Bhiwani and whether the plan has been set up now at Bhiwani and imported machinery costing Rs 8 59 lakhs used, the Department in its written reply stated as under—

"As already stated decision to construct the building and erect the Cattle Feed Plant at Bhiwani was taken by the management in its 40th meeting held on 25 9 75 This plant was to be installed under DPAP scheme of the State Government whereby the whole financing was to be done by the State Government The Government has so far given share capital subsidy of Rs 10 lakhs only against which the part of the machinery has been purchased As no further amount has been advanced by the Government the scheme of erecting the plant has been held in abeyance The imported machinery costing Rs 8 59 lakhs is lying at our Jind Plant

In reply to a further question as to whether the Corporation has acquired any land for setting up the plant at Bhiwani and has the land been utilised the Department stated that land measuring two acres has been acquired for setting up the plant at Industrial Estate, Bhiwani but could not be utilised for the reasons stated earlier

The Committee would like to know with great concern the impediments which are standing in the way of setting up the cattle feed plant at Bhiwani especially keeping in view the fact that a sum of Rs 10 25 lakhs has already been incurred on the purchase of land and machinery etc The matter requires immediate attention so that the expenditure already incurred may not go waste

Para 6 18 (9) (v)—Purchase of mangoes, storage of pulp etc

(v) The Company puchased 82 tonnes of mangoes at a cost of Rs 2 69 lakhs in the 1974 mango season i e July August 1974 Mango pulp weighing 28 tonnes was extracted by the Company and stored (24th August 1974) in the cold storage of the Horticultural Research Institute, Saharanpur On 26th April 1975 three samples of the pulp were taken and sent to Central Food Technological Institute, Mysore for test The test reports received in June 1975 showed that pulp had been contaminated and was not fit for use in manufacture of beverage The Company was also advised that where fermentation had not started pulp could be used to some extent by removing mould layer The entire pulp was divided into three lots The first lot (4 8 tonnes) was visibly free from yeast, mould and fungus odour This lot was treated at Saharupur transferred to the plant at Murthal for manufacture of beverage (May 1975) The second lot which had developed mould grow th and some fermentation was left in the cold storage and the third lot which had become useless was kept in an unrefrigerated room Out of 4 841 kg of pulp transferred to Murthal plant, 3 109 kg were again found unfit for use which was drained out The loss of of Rs 2 58 lakhs (being the cost of mango pulp which could not be used) was written off on 28th January 1976

It was also noticed that —

(a) according to the norms fixed by the Central Food and Tech nological Research Institute, Mysore the quantity of pulp from mango es ought to have been 37 41 tonnes against the actual yield of 28 tonnes,

(b) the maximum capacity of container was 23 890 tonnes as against 28 tonnes claimed to have been stored, and

(c) the aggregate quantity of pulp used and pulp drained out both at Murthal and Saharanpur was estimated to be 10 688 tonnes as against 28 tonnes stored

The loss suffered by the Company on this account works out to Rs 3 54 lakhs as detailed below —

	Rs
Rent of cold storage up to 30th June 1975	15 430
Charges for extraction of pulp	5 279
Cost of aluminium containers (these have scrap value only)	75,410
Loss mango pulp	2 57,608
	3 53 727

The matter was reported to be under Police investigation (August 1976) Further developments are awaited (February 1977)

On an enquiry by the Committee whether the Police had completed invetigation in the matter of purchase of mangoes storage of pulp and the allied matters and whether responsibility has been fixed for the loss of Rs 3 54 lakhs suffered by the Corporation in this field of activity the Department in its written reply stated as under—

The whole case is with the State Vigilance Department who is probing in the matter in respect of purchage of mangoes storage of pulp and other allied matters The Committee will be apprised of the findings of the Vigilance Department as and when they are received and further action for fixing responsibility or taking any action would be taken only when the Police investigations are completed

In reply to a further question by the Committee as to what were the reasons for the extraction of less pulp how does the Corporation account for the storage of 28 tonnes against the containers capacity of 23 8 tonnes and the storage of 10 688 tonnes as against 28 tonnes claimed to have been stored the Department stated that the concerned record is with the Vigilance Department and as such no information can be supplied to the Committee at this stage

The Committee are constrained to note that although a period of more than 5 years has elapsed yet the investigation by the Vigilance Department has not been completed so for The Committee take a serious view of this inordinate delay in the finalisation of the case

However the Committee recommend that the Department should pursue the matter vigorously with Vigilance Department and apprise the Committee of the findings of the Vigilance Department and the follow up action taken thereon

HARYANA DAIRY DEVELOPMENT CORPORATION LIMITED

Para 6 19 Recovery of dues

In December, 1974 the Company agreed to supply 20 000 liters of milk per day to a private dairy of Saharanpur on credit without entering into a formal agreement incorporating the various terms and conditions of supplies A letter of understanding dated 7th January, 1975 between the dairy and the Company provided that the former would try to make payment on every alternate day except on bank holidays and that there might be further delay of one or two days on account of certain unavoidable circumstances Between 31st December, 1974 and 21st March 1975 the Company supplied 11 30,168 litres of milk, valued Rs 22 62 lakhs to the dairy against which Rs 16 85 lakhs were paid up to 11th April 1975 leaving a balance of Rs 5 77 lakhs Though the Board of the Directors of the Company decided (March 1976) to institute legal proceedings against the dairy no suit has been filed in a Court of law (July 1976) Government stated (October 1976) that legal notice had been served on the private dairy for recovery of the amount and interest thereon

In reply to a question by the Committee as to why a final agreement incorporating the various terms and conditions of supplies of milk to a private dairy of Saharanpur not entered into and why were the supplies not stopped when defaults in payment by the Private Company came to the knowledge of the Corporation, the department in its written reply stated as under—

> 'Those days about 28,000 litres of milk was being procured daily against which the disposal in the form of bottled milk was 7,500 kgs The surplus milk normally used to be disposed of the Jind plant for further coversion into powder and Ghee and during that period milk procurement in Jind had also increased substantially and they were not able to accept milk from Milk Plant Ambala, Milk Factory at Nabha Moga and Bahadurgarh were contacted for accepting the surplus but they flatly refused The only factory which could accept milk from us were M/s Foremost Dairies Saharanpur At that time two alternatives were possible either to stop the milk procurement from the Cooperative Societies or to supply the milk to M/s Foremost Dairies It was not thought advisiable to stop the milk procurement from the Cooperative Societies as it would adversely affect their viability Therefore, the surplus milk was supplied to M/s Foremost Dairies Saharan pur Miik being a highly perishable commodity, it was not possible first to enter into a formal agreement with M/s Foremost Daires Ltd (consuming 5 to 6 days in completing formalities) and then to supply them milk Therefore on a letter of understanding received from them the milk was supplied to the party As there was no other wayout for the disposal of milk the supply of milk (which lasted only three and a half months) could not be stopped to Saharanpur even when there was default in payments to us This action was taken in view of the overall interest of the organisation in order to avoid the loss that may have entailed due to sourage of milk

To a further question whether legal proceedings had been institu ted and what was the present position in the matter of recovery of dues and interest thereon the department stated that the outstanding cost of milk had already been fully realised However action had been initiated for the recovery of the interest

The departmental representative during the course of oral examination admitted in action on the part of the department in not entering into a formal agreement incorporating therein the various terms and conditions of supply of milk to the firm It was further stated that it was during discussions that the firm had agreed to pay an interest of 16% instead of 18%

The Committee do not feel satisfied with the arguments advanced for the non entering into a formal agreement with the firm However, the Committee recommed that the department should vigorously pursue the matter with the firm to realise the amount of about Rs 2 lakhs as interest due and apprise the Committee of the results of its efforts

Para 6 20 Free Supyly of Semen

A Model Exotic Animal Farm was set up by the Company in October 1973 A sum of Rs 2 80 lakhs was received as loan and Rs 11 09 lakhs as grant from the Indian Dairy Corporation

One of the functions of the farm is to maintain bulls for production of doses of diluted semen for use in artificial insemination According to the model scheme 40 per cent 50 per sent and 60 per cent of the production of semen was to be sold during the first second and the third year respectively, at Rs 2 per does (each dose consisting of 2 c c) The Company however supplied doses of diluted semen free of cost to Haryana Agriculture University Government Livestock Farm and for Intensive Cattle Development Programme On an objection being taken by the representative of the Indian Dairy Corporation in August 1975 the Board of Directors of the Company decided on 20th August 1975 to stop the free supply and to charge Rs 2 per dose for subsequent supplies Upto 21st September 1975, 1,38 263 doses worth Rs 2 77 lakhs were supplied free Between 22nd September 1975 and 30th June 1976 22,916 doses were supplied at the aforesaid rate but payment had not been received up to July 1976 No justification for free supply of diluted semen worth Rs 2 77 lakhs up to 21st September 1975 has been furnished (January 1977)

In reply to a question by the Committee as to why were the doses of diluted semen worth Rs 2 77 lakhs supplied free and whether the payment for supplies made after 21 9 1975 had been recovered, the Department in its written reply stated as under—

> 'The bulls were received from the United States of America on 28 3 1973 and no semen was collected from the bulls up to September 1973 as the bulls were very young and there was no demand of semen from any part of Haryana Sexual rests for long period are always injurious and affect badly on the breeding efficiency of the stud bulls Keeping this view into consideration, the semen was collected to bring them in a proper semen collection circulatives As there was no demand for semen there were only two alternatives either to collect semen and throw it away regularly or to distribute the same free of cost The later arrangement was selected Morever all the agencies in the State maintaining bulls are supplying semen free of cost Hence the semen was supplied free of cost upto 20th September 1975 From 21-9 75 it was possible to sell the semen at Rs 2/- per CC dose The payment for the supplies made after 21 9 75 has been recovered

During the course of oral examination, when asked as to what were the reasons for sudden change in the policy of non supply the semen free of cost from 21 9 1975 when upto 20 9 1975 the semen was supplied free of cost the departmental representatives stated that artificial insemination scheme was not very much popular in the initial stage and they were forced to distribute the semen free of cost Later on this scheme became popular and some private agencies maintaining bulls started selling semen at the rate of Rs 2/ per CC dose Therefore the department also felt that instead of supplying semen free of cost it should also sell it at Rs 2/ per CC dose The department had supplied semen to I C D P which is the only agency doing this work on behalf of the Government

The Committee feel that the department did not make any strenuous efforts to popularies the scheme of artificial insemination since its inception Had the department taken some tangible steps to popularise it since its inception, the loss of revenue would not have been to the magnitude of Rs 2 77 lakhs The plea of the department that the semen was being supplied free of cost by all the agencies in the State maintaining bulls does not hold good because this scheme was a distinct one as compared to the other schemes under which free distribution of semen was made

The Committee was also informed during oral examination that strenuous efforts were being made to recover the outstanding dues amounting to about Rs 29 thousand from the various institutions to which semen had been supplied

The Committee would like to be informed of the latest position about the recovery of the outstanding dues

The Committee are pained to observe that there has been constant loss in the Model Farm Scheme The Committee find no other reasons except that the basic and fundamental facts were completely ignored while starting to implement the scheme

The Committee therefore strongly recommend that in furture proper technical and financial appraisal of the Model Schemes sponsored by the National Dairy Development Corporation should be made before these are taken up for implementation so that loss of revenue is avoided

HARYANA STATE MINOR IRRIGATION (TUBEWELLS) CORPORATION LIMITED

Para 6 21 Shortage of stores

A Sectional Officer working in a Sub division was transferred to another sub division in September 1973 but he did not hand over the charge of stores in his custody Accordingly Sub divisional Officer was asked in January 1974 to conduct physical verification and prepare a list of shortages/excesses against the Sectional Officer Physical verification conducted in January 1974 disclosed shortage of stores and tools of value Rs 1 15 lakhs and Rs 0 10 lakhs respectively A show cause notice was served upon the Sectional Officer in May 1974 to which he replied in January 1975

In April 1975, a committee of two Executive Engineers was formed to look into the case After considering the report of the committee submitted in August 1975 shortages valued Rs 1 62 lakhs against Sectional Officers was reported in February 1976 to the higher management by the Superintending Engineer Shortage of tools valued Rs 0 10 lakh was not investigated by the committee

One of the Spectional Officers against whom shortage of Rs 1 53 lakhs was alleged was suspended in December 1975 In May 1976 the case was reported to the Police who did not register the case but sought clarification for the delay in reporting Further developments are awaited (February 1977)

The Department in its witten reply stated as under —

'Investigations in the matter of shortagss against the concerned Junior Engineer have not yet been completed and are under progress As the investigations have not yet been completed no shortages have been made good from the concerned Junior Engineer so far The case regareding shortages of stores against the Junior Engineer was registered with the police under Sec ion 409 IPC vide F I R No 488 dated 2 12 77 in Police station Ambala City The matter is still being investigated by the police authorities and so far no report from the police has been received However in the interest of justice the Corporation initiated departmental proceedings against the Junior Engineer and a show cause notice under rule 8 of the Punishment & Appeal Rules was served on the Junior Engineer on 14 8 1978 Reply to the show cause notice from the Junior Engineer has been received but no final decision thereon has been taken by the Corpora tion for want of police report It is however added that our field officers are in touch with the police authorities at Ambala for expediting their investigations and report

During the course of oral examination the departmental representa tives informed the Committee that the Police had returned the case as untraceable However, on a reference made to the Police Department, the case had been reopened

The Committee are pained to observe that although a period of more than 8 years has elapsed since the shortage of stores was detected yet during all these years no detailed departmental enquiry had been conducted The Committee strongly deplore the inaction on the part of the Govt Corporation and recommend that the matter be finalised without any further delay by instituting a detailed depart mental enquiry in the matter without waiting for the Police investiga- tion and the appropriate departmental action taken against the delinq uent official Besides reparate punitive action may also be taken against the delinquent offical if results of Police investigation under the provision of the I P C so warant

Report of Comptroller & Auditor General of India for the year 1979 77

HARYANA STATE INDUSTRIAL DEVELOPMENT COR- PORATION

Para 6 18 (5) (ii)—Haryana Television Limited

This unit was set up in the joint sector in December 1973 (with the Company s participation at 26 per cent collaborator s at 25 per cent, and public at 49 per cent) The concern suffered heavy losses and the accumulated loss upto 31st December 1975 was Rs 8 47 lakhs against the paid up capital of Rs 16 75 lakhs The Company took over this concern in March 1977 in terms of an agreement with the collaborator The collaborator s share of value Rs 7 19 lakhs was transferred to the Company for a token consideration of Rs 100 Based on a special audit got conducted by the Company in June September 1977 through a firm of Chartered Accountants it filed a criminal case (September 1977) against the collaborator for shortage of picture tubes and cabinets (Rs 1 20 lakhs), short accountal of 17 T V sets (Rs 0 35 lakh approximately) payment of Rs 5 20 lakhs as advertisement expenses without indicating the sites of advertisements misuse of the Company s funds (Rs 0 50 lakh) and properties (two cars and one moter cycle) payments without supplies having been received, etc Further development is awaited (January 1978)

In reply to a question of the Committee as to why was the Com pany not taken over earlier i e immediately after December, 1975, when it suffered heavy losses the Department in its written reply stated as under—

> "The company has suffered losses during the first year of its opera tion i e 1975 The matter was examined A consultant was also appointed to suggest measures to improve the working of the company As per their report, the consultants held that the company could not sustain on one product namely Television sets alone Accordingly diversification plans were considered and the Government of India was approached for allowing implementation of the Walkie Talkie Project under Haryana Television Limited It was only after the Central Government conveyed its decision that the collaboration agreement was cancelled and the company taken over by the HSIDC"

To a further question by the Committee whether the reasons for heavy losses suffered by the Company were looked into and got inves tigated and any responsibility fixed, the Department in its written reply stated that special audit was got done by M/s Thakur Vaidyanath Aiyer and Co and on the basis of their report Civil/Criminal procee dings were instituted against the former collaborator Shri S S Beriwala

When the Committee further enquired about the latest position of the criminal suit field against the collaborator in September 1977 the Department in its written reply stated that the criminal/civil proceedings was still pending

The Committee recommend that the matter be pursued vigorously, as already more than four years have elapsed since the criminal suit was filed against the collaborator and the decision of the court, when announced together with the follow up action taken in the matter in the light of the decision of the court, be intimated to the Committee

HARYANA MINERALS LIMITED

Para 6 19—Purchase of Hydration Plant

The Company placed an order on a New Delhi firm on 19th March, 1975 for supply of one complete unit of hydration plant capable of manufacturing three to five tonnes of hydrated lime per hour from quick lime at a cost of Rs 4 50 lakhs Erection of the plant was to be done by the firm on additional payment of Rs 0 45 lakh The plant was to be delivered within 6 to 12 weeks from the date of the order and it was to be erected thereafter

The firm indicated on 5th May, 1975 the break up of the cost of the plant between the various items for purposes of running payments which was accepted by the Company

Out of twelve items constituting the plant seven items were offered by the firm These items were visually inspected at random on 24th June 1975 by the representatives of the Company and were cleared for despatch Payments amounting to Rs 2 29 lakhs (including Rs 0 22 lakh as sales tax) representing 95 per cent of the cost of the items were re leased in July 1975 through bank against railway receipts On opening the consignments some of the items were found short while some other items were not as per the description in the bills Short supplies and descripancies in respect of equipement costing Rs 0 89 lakh (including sales tax) were reported to the firm on 31st July 1975 and 21st January 1976 respectively but supplies thereagainst had not been received

The remaining items of the plant valued Rs 2 32 lakhs have not been supplied (November 1977) In the absence of the plant the Com pany has not started manufacture of hydrated lime (November 1977)

While the Company was holding the firm responsible for non supply of the complete unit, the firm stated in a letter to the Company in January 1976 that though supply of the remaining items had been offered a number of times the Company had not taken any action to inspect and to take delivery thereof The Company has reported (July 1977) to Government that the whereabouts of the supplier were not known

The Company has instituted (July 1977) a civil suit in a court at Narnaul for recovery of Rs 0 89 lakh

In reply to the following specific questions by the Committee—

'On what basis was the order placed by the Company on the New Delhi firm for supply of one complete unit of Hydration plant ? Was it done after inviting quotations ? What was the technical date obtained from the firm ? Was its fianancial and technical capabilities verified before placing the order ?

The Department in its written reply stated as under—

The order was placed on M/s Hitachi Electronics Pvt Limited, Delhi after inviting quotations through press The specifications for the Hydration plant were obtained from the Central building Research Institution Roorki The quotations were received from six parties which were examined by a technical Committee consisting of Secretary Project Office (Lime) Mining Engineer and Sectional Officer Haryana Minerals Limited and Development Officer Khadhi and Village Industries Corporation

The recommendations of the technical committee were placed before the purchase committee consisting of Managing Director Haryana State Industrial Development Corporation, Director of Industries Haryana and Managing Director, Haryana Minerals Limited, wherein it was decided to place order on M/s Hitachi Electronics Pvt Limited Delhi Accordingly, an order was placed on the party for supply of one complete unit of Hydrated lime plant at a total cost of Rs 4 5 lacs plus erection charges @ 10% of the value of Rs 4 5 lacs The order was placed subject to the condition that the plant shall give a satisfactory trial running for a minimum period of 15 days and atleast 5 persons shall be imparted training for operation of the plant 95% payment was to be made against R R duly supported with the inspection report

To a further question, namely—

When the order had been placad for supply of one complete unit of hydration plant why did the company agree to the break up of the cost of the plant between various items subsequently and agree to the payments in parts ?

the Department in its written reply, stated—

The order was placed on the party for one complete unit of Hydration plant The party, however, requested vide its letter in May, 1975 that the plant is a huge structure and consists of various items and equipments As such it was not practicable to send it in one lot Moreover to facilitate early supply and commissioning it was very essential that part delivery is made This request was followed by a personal visit of the firm's representative Since the total cost after adding the break up of parts given by the party came to same amount of Rs 4 5 lacs and the erection shall be carried out by the same firm the supply in break up was accepted by Haryana Mineral Limited The acceptance was conveyed to M/s Hitachi Electronics Pvt Limited in the month of May, 1975 without affecting the other terms and conditions of supply order placed in the month of March, 1975

The Commitee also desired to know—

'Why did the company not insist on the firm to supply all the twelve items together instead of the seven items offered by it ? By whom were the seven items visually inspected at random at the premises of the firm ? Did these items form part of the consignment despatched by the firm ?

The Department in its written reply stated—

"The order was placed for complete unit and not for 12 items However the break up given by the party was for 12 items which was accepted by the Company The first inspection was carried out by the Project Officer and Plant Manager (Lime), Haryana Minerals Limited in June, 1975 at Delhi at the works of the party The supply of these items was affected by the party in June and July, 1975"

The Committee further desired to know—

' Have the remaining items since been supplied by the firm ? How far is the argument of the firm correct that the supply of the remaining items had been offered a number of times but the company did not take any action to inspect and to take delivery thereof ? Are the whereabouts of the supplier still not known ? if not, was the matter reported to the Police at any stage ?'

The Department, in its written reply, stated as under—

"No supply of the remaining items was received from the party The short fall in the supply made by the party earlier was reported to the party The party in Aug , 1975 informed that the main reason for delay in supply of plant and its commissioning was quality of burnt lime The design of the plant depended on the quality while analysis showed that 40% to 60% underburnt lime were coming through lime kilns At the same time the party had been writing to Haryana Minerals Limited for conducting inspection to the second lot of various items of the plant without giving any reply to the correspondence exchanged with the party by the Company for deputing their representative to inspect the short supply and satisfy Haryana Minerals Limited about the supplies effected by the party

In Oct 1975 the party was asked to give the specification of the plant alongwith flow sheets diagrams and drawings etc of the plant so that the Company may known as to how many parts have been received and how many are yet to be received In Dec 1975 the Company was informed that since there was considerable delay in the supply of complete Hydration plant the facility given for supply of plant in parts stood withdrawn and the party was requested to supply the items immediately and to instal complete Hydration plant at site without further delay On the failure of the party to depute any representative the supplies received from the party were opened by a Committee consisting of Plant Manager (Lime) Haryana Minerals Limited Principle I T I Narnaul and Sectional Officer, Haryana Minerals Limited Efforts were also made to contact the party personally but whereabouts of the party could not be known However, the matter was not reported to the police

When enquired as to what was the latest position about civil suit filed in the court at Narnaul for recovery of Rs 0 89 lakh the Department in its written reply stated as under—

'The civil suit was filed against the party in July 1977 The suit has been decreed ex parte in favour of Haryana Minerals Limited The whereabouts of M/s Hitachi Electronics Pvt

Limited are not known so far As such the decre could not be affected '

During the course of oral examination, neither the departmental representative nor the Managing Director of the Corporation could give satisfactory replies to various points raised by the committee It appeared from the evidence tendered by the witnesses that neither the Department nor the Corporation had ever been very serious about this matter

The Committee observe that the matter regarding purchase of machinery for Hydration Plant was taken in a most haphazard manner and without caring for the normal procedure of purchase

The committee therefore, disapprove the whole action of the Corporation in the matter of purchase of this machinery and recommend that a detailed enquiry from an independent agency such like Vigilance Department may be got conducted at the earliest

The committee are also pained to note that the Corporation did not lodge a criminal case against the firm Had timely action been taken to lodge a criminal case the loss to the Corporation could have avoided and the amount involved recovered

HARYANA BREWERIES LTD

Para 6 20 Purchase of a malt mill

A mill to crush malt without breaking husk was designed (July 1971) for the brewery by its consultant Engineers The trial run of the mill fabricated by a Bombay firm at a cost of Rs 0 80 lakh was done at the firm's premises in September 1973 (the extended date of delivery of the mill was 15th December, 1972) and it was cleared for despatch to the beer plant site at Murthal The mill was installed in January-February 1974 Payment of Rs 74 400 representing 90 per cent value of the equipment (15 percent advance payment 75 per cent against despatch documents) was made, as per the terms of the order Testing of the mill at the plant in February 1974 showed that it was faulty both in design and manufacture Accordingly the remaining 10 per cent payment was withheld in lieu of a performance guarantee to be given by the firm The mill has not been put to any use (January 1978) The defects were pointed out to the firm in Feduary 1974 In the meantime re designing of the faulty parts of the mill was entrusted in Feb 1974 to a New Delhi firm of consulting engineers at a cost of Rs 30,000 and fabrication/supply of certain components as per the new drawings was entrusted to its sister concern at a total cost of Rs 41,000 The entire work was expected to be completed by 3rd April 1974 In addition ancillary machines of the approximate value of Rs 31 000 were required for running the mill The drawings were supplied in July 1974 and the supply of components was offered in September 1974 The company has neither accepted the supply of the componets nor procured the ancillary machines

Meanwhile, another four roller dry malt mill was purchased in April 1974 at a cost of Rs 44,000 for the purpose

The Management stated (September 1977) that decision to modify the mill had been taken and that further action to procure the machines was in progress

In reply to various questions of the Committee, the Department in its written reply, stated as under —

The consultant engineers had to do the detailed engineering and the fabricator was to give the fabrication drawing of the mill and fabricate the mill As the financial arrangements were not fully tied up the dilivery schedule was changed After public issue in August 73 the supplies were pursued whole heartealy and trial runs testing etc was expedited

The engineers from Engineers India Limited supervised the trial runs the machine was installed by Bharat Steel Tubes (erection contractors) under the overall supervision of EIL

There was heavy internal & external leakage of water and thus the steaping of malt was not possible The grain was not properly fed to the crushing rollers The speed of rollers was also high The firm was informed where upon the firm agre d and pleaded the defects were as they had no knowledge of the process The malt mill needed basic changes as per the requirement of the process

Mr Cluott of Alfred Jorgenson Ltd who had come to commission the project was of the view that such modification can only be done by M/s D Kumar Consulting Engineers who were already handling such project instead of trying to modify the mill through the Bombay firm which had offered to modify at an additional co t of about Rs 20 000 The consulting engineers (EIL) were to redesign at no extra cost

The company was not sure if the wet milling system would be successful The Hindustan Breweries & Bottling Ltd Thana intitially designed for wet milling process and had failed and switched over to dry milling process

In order to commission the project with dry milling system four roller dry mill was purchased from Saharanpur

The consultants were working on modification which is likely to improve the efficiency The installation of modified mill is being done and may take some more time before it is commissioned

The 10/ payment of Bombay firm is still held up

At present only dry mill is working The modification work is in progress

During the course of oral examination the departmental representatives stated that this was the first project of its kind which was proposed to be started by the State Government in the public sector It was further stated that the officers of the Department/Corporation had no comprehencive knowledge about such a project The Govern ment had to depend upon the advice of Engineers India Limited who are very well established in the large public undert-kings in the country They advised that there should be wet mill and it would be advantageous It was also stated that this project was about one per cent of the whole project, which was good The departmental representative also stated that the matter was throughout processed in good faith on the basis of the advice of the consultants but the efforts did not prove successful

In reply to a question whether any penalty clause was incorpo rated in the agreement the departmental representative stated that no such clause was incorporated in the agreement and admitted that it was a lapse The committee was however assured that the project will start functioning from October 1981 after necessary modifications etc

After thorough scrutiny of the whole affair the Committee came to the conclusion that the whole deal had been executed with out proper planning and due consideration Had all the aspects been kept in view while placing the order with the firm, the loss in curred would have been avoided ?

The Committee, therefore, recommend that in future a penalty clause should invariably be incorporated in the agreements so as to safeguard the interest of the State in such like cases

The Committee further desire that the date of commission ing of the plant may be intimated to them as and when it starts functioning

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1978 79

HARYANA BREWERIES LIMITED

Para 6 18(9) *Cost Control*

The Comp ny produces three different types of beer but has not introduced proper system of costing to arrive at the cost price of each brand It has however, started compiling cost data from the financial accounts from the year 1976 77 showing the cost of production of beer irrespective of the type of beer manufactured

The following shortcomings were also noticed in July 1978 in the existing cost technique —

(i) reconciliation of cost data with actuals as per the financial books was not being done

(ii) process wise wastage of beer was not being ascertained , and

(iii) norms for consumption of raw material for different brands of beer had not been fixed

On a query made by the Committee, the Company stated —

' We have tried to bring down the process wastage and for this, we have approached certain consultants to look into this matter, as also to advise us on other matters as bottle bre^kage etc

The Committee recommend that all efforts should be made to bring down process wastage to the minimum possible and the utility of obtain ing consult any service should also be intimated to the Committee in due course It may also be ensured that breakage of bottles is brought to the minimum

Para 6 18 (ii) Extra expenditure on purchase of malt—Rs 2 39 lakhs

In October 1976 the Company on the basis of tentative production programme for the period from November 1976 to June 1977 assessed the requirement of malt from 600 to 650 tonnes Limited tender en quires were floated (October 1976) and offers from eight firms were received

The case was processed by the Purchase Committee and orders for the purchase of malt were placed (November 1976) on three firms as under —

Name of supplier	*Quantity of malt to be supplied*	*Rate per tonne (Rs)*
Firm A	350 tonnes	1,500 00
Firm B	200 tonnes	1,500 00
Firm C	100 tonnes (Special grade)	1,525 00

According to the purchase order the entire supply was to be completed by June 1977 The supply orders did not stipulate levy of penalty for non/part supply of material nor any risk purchase clause was inclu ded therein The firms A B and C supplied 250 tonnes 64 750 tonnes and 50 tonnes respectively upto April May 1977 when they approached the Company to reconsider the issue in view of hike in prices of barley Although the supply orders were not subject to any price escalation clause the Company after negotiations with the firms decided (June 1977) to accept the remaining supplies as under —

Name of supplier	*Balance quantity*	*Rate per tonne (Rs)*
Firm A	100 000 tonnes	2 250 00
Firm B	135 250 tonnes	2 350 00
Firm C	50 000 tonnes	2 500 00

The entire supplies were executed by the firms during June July 1977 The defective purchase order for the supply of malt resulted in an extra expenditure of Rs 2 39 lakhs

On a question asked by the Committee during the course of oral examination as to why did the Company accept the enhanced rates when the supply order did not stipulate any escalation clause, the Department stated that there was spurt in the price of barley and availability from other sources was doubtful and as such it could not close the plant for want of raw material

The Committee are not satisfied with the Department s reply and feel that the Company should not have enhanced the rates when the supply order was not subject to escalation clause The Committee are constrained to observe that even if the rates had to be increased in view of the spurt in price of barley yet the supply order could have been placed on firm 'A @ Rs 2250/ per tonne, instead of an another firm at higher rates of Rs 2350/ and 2500/ per tonne

The Committee obresved that it is a very unusual case of its own type which had come to their notice in which while a supply order contained certain terms and conditions and no escalation clause, even then the supplier firm was given enhanced rates

The Committee therefore recommend that in future supply order should be executed strictly in accordance with the stipulated terms and conditions

HARYANA-MINERALS LIMITED

Para 6 19 Review

The Review on Haryana Minerals Limited has brought out mainly the following points—

(i) the accumulated losses as on 31st March 1977 (Rs 31 34 lakhs) were more than the paid up capital (Rs 24 03 lakhs) plus reserves (Rs 2 11 lakhs) on that date, losses were due mainly to (a) uneconomic running of marble project and lime project and (b) heavy payment of interest on the loans raised by the Company

(ii) the lime project (capital investment Rs 15 89 lakhs) has not proved economically viable and the tile project (capital investment Rs 2 50 lakhs) had made little progress and

(iii) the marble project (capital investment Rs 10 82 lakhs) was running much below its rated capacity

In reply to a question of the Committee as to what step had been taken by the Company to reduce accumulated losses (Rs 31 34 lakhs) which had wiped out the paid up capital plus reserves, the department stated as under —

"In order to wipe of the accumulated losses and streamline the functioning of the Company the following steps were taken —

(a) Surplus staff was retrenched

(b) The production and export were increased

(c) The proper co ordination between production and sales was maintained

(d) Management control systems regarding preparation of daily reports, monthly reports etc were introduced

(e) Proper filing and record system was introduced

(f) The Co made efforts to recover bad debts and advances and surplus fixed assets were disposed of to improve liquidity position of the Company

(g) Technical staff wherever necessary was recruited

(h) Optimum man power utilisation was ensured

The position of loss/profit after 1976 77 is as under —

1977 78	Rs	4 66 844 05	Loss
1978 79	Rs	2 05,848 41	Profit
1979 80	Rs	3 98 637 53 (+)	

The Committee are not satisfied with the Department s reply and strongly feel that unless some concrete steps are taken by the Management it would not be possible to check the accumulated losses The Committee are also constrained to observe that although one of the main objects of the Company was exploration mining etc , yet the Company has not undertaken any exploration activities so far, but was still utilising the report prepared by the Geological Wing of the Directorate of Industries inspite of the fact that the Company was incorporated about a decade back in 1972

The Committee therefore recommend that the Company should establish contacts with their counterparts in other States particularly Rajasthan where the State Minerals Company has been showing quite a good progress in the field of exploration and consider the desirability of adopting its system of working so as to show good results The result of the efforts may be intimated to the Committee at a very early date

In order to get an idea of the progress made by the Geological Survey Co ordinating Board in the field of exploration the Committee desired to have the copy of the minutes of the Board s Committee meeting held at Narnaul

The required information was not received till the writing of the report

The Committee strongly disapprove the negligence on the part of the Department in this respect and desire that the required information be supplied without any further delay

Para 6 19(5) Tiles project

(a) The Company decided (September 1974) to set up two tiles projects at Narnaul and Faridabad at a total cost of Rs 4 56 lakh Each plant was to manfacture 6 lakhs tiles annually The plant at Narnaul was set up at a cost of Rs 2 50 lakhs and was commissioned in June 1975 The unit at Faridabad had not been taken up (November 1978) as the one set up at Narnaul proved uneconomical The actual production vis a-vis, the capacity was as under —

Year	*Capacity*	*Production*	*Capacity utilised*
		(number in lakhs)	*(per cent)*
1975 76	4 50	0 42	9 3
1976 77	6 00	0 29	4 8
1977 78	6 00	0 04	0 6

The Company reported to Government (November 1977) that the unit was running below the capacity as it had not been possible to develop market for these tiles It was however, seen that no steps had been taken to develop the market

In reply to a question the Company intimated that the tiles unit was not working since 1977 78 as the unit was un economical and the unit at Faridabad had not been set up **The Committee note with regret that the tile unit was set up without proper planning and market survey and the production during brief period of its operation was much below the rated capacity The Committee recommend that the matter regarding its installation without proper market survey may be investigated and responsibility fixed for the same as capital invested therein stands blocked**

(b) Cement, marble chips and powder are used in the manufacture of tiles According to Project Report two bags of cement and 70 kg of marble chips and powder were to be consumed in manufacture of 100 tiles The material was not consumed in the correct proportion as would be evident from the following table —

Year	*Tiles produced (in lakhs)*	*Consumption*			
		Cement		*Chips and powder*	
		According to formula	*Actual*	*According to farmula*	*Actual*
		(in bags)		*(in bags of 50 kg each)*	
1975 76	0 42	842	558	585	1,108
1976 77	0 29	589	395	414	697
1977 78	0 04	70	80	49	102

(c) It was also noticed that

(i) The Company purchased 198 moulds in 1974 75 at a cost of Rs 0 92 lakh against its requirement of 33 moulds In July 1975, 165 moulds costing Rs 0 76 lakh were reported to be surplus The Management stated (February 1977) that the requirement of mould could not be assessed properly

In reply to a questionnaire of the Committee as to why could the material in the manufacture of tiles not be used in accordance with the proprotion set out in the Project Report the Department stated as under —

'There does not seem to be any reasons on the file for not using the correct proportion of cement chips and powder Evidently it seems there was no expert available for manufacture of tiles

The Committee are not satisfied with the reply given by the Department They feel that the job should not have been taken up in haphazard manner without expert advice The Committee, therefore, recommend that the matter should again be looked into and the exact reasons for not using the material in accordance with the proportion set out in the Project Report intimated to the Committee

With regard to the purchase of moulds in excess of requirements, their proposed utilisation and fixing responsibility for wrong assessment of the requirement of the moulds the Department stated as under —

' There was no expert for production of tiles and as such the requirement of moulds could not be assessed properly Since the tiles unit is lying closed, the moulds are also not in use As per record no responsibility seems to have been fixed for improper assessment of requirement of moulds

The Committee are not satisfied with the stock reply given by the Department and desire to know the circumstances under which excess moulds were purchased and the reasons for taking up of the job in hand when no expert was available for production of tiles as the case has now been made out

Para 6(19) (6) *Lime Project*

In the production of lime dust lime under burnt lime and slaked lime are obtained as residue The two kilns produced dust lime, under burnt lime and slaked lime during these years to the extent given below —

Year	*Dust lime*	*Under burnt lime*	*Slaked lime*
		(*in tonnes*)	
1975 76	2 157	1 417	449
1976 77	1,306	366	267

The more output of dust under burnt and slaked lime was due to defective construction of lime kilns faulty operation and poor quality of raw materials and resulted in less yield of quick lime The Company stopped operating these kilns in December 1976

The working of the lime project was assessed by the Management in December 1977 and it was noticed that

(i) lime stone raised from the mines was mostly coarse grained to medium grained thereby reducing the recovery of quick lime

(ii) lime stone at some places was marble instead of lime which increased the consumption of coal ,

(iii) the design of the kilns was first of its kind in India and was done on an experimental basis,

(iv) the kilns were circular in shape but the bricks of circular design were not used and thus cracks developed when heated, and

(v) there was no system to regulate air through the kilns for proper burning of the coal and effective calcination of lime stone

The matter was brought to the notice of the Board of Directors who decided (December 1977) that the extraction of lime stone and work on the lime project be stopped The Board also desired that a detailed note giving circumstances under which the decision to set up the lime project was undertaken and whether the difficulties faced in the operation of lime project were envisaged at the time of planning might be put up The detailed note had not been put up so far (November 1978)

The Company reported to Government (January 1978) that the running of lime project was unprofitable (accumulated losses upto March 1977 on this project were estimated by the Company to be Rs 16 50 lakhs) and it was considering desirability of closing down the project

It was also noticed that

(i) owing to improper storage of quick lime 604 tonnes of quick lime was damaged by rains and moisture and 377 tonnes became slaked during 1975 76 which had to be sold at reduced rates This resulted in a loss of Rs 0 72 lakh and

(ii) according to the Project Report the ratio of consumption of lime stone and coal in the manufacture of lime was to be 6 1 Based on the consumption of lime stone (13,472 tonnes) during 1975 76 and 1976 77 consumption of coal should have been 2,245 tonnes The actual consumption was, however, 2,800 tonnes The value of excess coal consumed works out to Rs 0 79 lakh

The Committee raised the following questions on the working of lime project—

What steps were taken by the Company following the assessment made by the Management in December 1977 about the unsatisfactory working of the lime project ? Has the detailed note (giving circumstances under which the decision to set up the lime project was under taken and whether the difficulties faced in the operation of the lime project were envisaged at the time of planning) since been put up to the Board of Directors ? If so what action was taken on it ? Has responsibility been assessed and fixed?

Who was responsible for defective construction of lime kiln faulty operation and poor quality of raw material which resulted in less yield of quick lime? Has the responsibility been fixed ?

In reply, the Department stated as under —

'The matter was reported to the Board of Directors in December 1977 Now a Committee has been constituted by the Board of Directors and final decision regarding working/failure of the kilns is yet to be taken

The Committee observe with regret that although the matter regarding unsatisfactory working of the Lime Project was reported to the Board in December 1977 final decision regarding working/failure of the kilns was not intimated to the Committee till the writing of this report

The Committee recommend that the decision of the Committee constituted by the Board of Directors regarding working/failure of the kilns be expedited and intimated to the Committee at the earliest, without any further loss of time

Para 6 19 (10) (b) Incomplete supply of machinery

The Company advanced (May 1974) a sum of Rs 0 10 lakh to the Irrigation Department for supply of the hanging Jhulla for slate mining operations The Department supplied the machinery on 8th May 1975 The machinery could not be erected (November 1978) as certain parts of the machinery and certain drawings were awaited from the Department

The Committee raised the following questions with respect to incomplete supply of hanging Jhulla for Slate Mining Operations—

(i) When was the Irrigation Department required to supply the requisite machinery ?

(ii) Why did it not supply the machinery complete in all respects in May, 1975 ?

(iii) What is the present position ? Has the hanging Jhulla since been erected ?

In reply, the Department stated as under —

(i) The record regarding placing of order with the Irrigation Department in respect of supply of one hanging Jhulla is not available However, an amount of Rs 10,000/ was advanced in 1974

(ii) No information as to why the supply was not made by the Irrigation Department is available in the record

(iii) The parts of the Jhulla are still lying and the same has not been erected so far

The Committee are not at all satisfied with the reply given by the Department and are constrained to observe that although the machinery was supplied to the Company in May 1975 it could not be erected so far Obviously the Company did not pursue the matter with the Irrigation Department with any sense of urgency The reply of the Department is far from satisfactory when they state that no information as to why the supply was not made by the Irrigation Department was available in the record

The Committee observe this lapse seriously and recommend that the whole matter regarding the supply of hanging Jhulla should be thoroughly re investigated and the results of re investigation intimated to the Committee

The Committee would also desire to know the progress about the erection of the hanging Jhulla

HARYANA SEEDS DEVELOPMENT CORPORATION LIMITED

Para 6 20 Shortage in stores

The store keeper incharge of the stores in the processing unit of the Corporation at Karnal made over charge (20th December 1977) of the stores to another store keeper on the eve of his relief following acceptance of his resignation During physical verification conducted at the time of transfer of charge stores valuing Rs 0 46 lakh were found short when compared with the quantities shown in the ledger The store keeper absented himself thereafter without completion of handing over of the charge According to the rule of the Corporation fidelity bond worth Rs 10 000 was required to be obtained from the store keeper but no such security was obtained from him

In reply to a question as to why the fidelity bond for Rs 10 000/ as required under the rules was not obtained from the Store Keeper at the time of assumption of charge of the Stores and who was responsible for this lapse the Department both in their written reply and during the course of oral examination admitted that it was a lapse on the part of the Regional Manager, Karnal who had not obtained the fidelity bond in spite of clear instructions from the headquarters

The Committee strongly disapprove the negligence on the part of the Regional Manager *and recommend that the circumstances under which the requisite bond was not obtained be investigated and results of investigation intimated to the Committee at the earliest*

The Committee are also constrained to observe that while initiating Police investigations the departmental action should also have been taken simultaneously against the delinquent Store keeper An enquiry regarding shortage of stores may please be instituted now After results of final enquiry, fixation of responsibility be done under intimation to the Committee

The Committee further recommend that suitable instructions may be reiterated to all concerned to the effect that action regarding Police investigation and departmental equiry should go simultaneously

REPORT OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA FOR THE YEAR 1978 79

HARYANA LAND RECLAMATION AND DEVELOPMENT CORPORATION LIMITED

Para 6 15 (6) Reclamation

(i) The State Government estimated (August 1973) that about 4 5 lakh hectares (14 lakh acres) of land was affected by salinity and alkalinity, of which 2 6 lakh hectares (8 lakh acres) needed immediate attention

The work of reclamation of land was earlier being done by the Agriculture Department under the re financing scheme of the Agricultural Refinance and Development Corporation (ARDC) The Department had reclaimed (up to 1973 74) 500 acres of land against a target of 1000 acres Thereafter the work of reclamation of land was transferred to the Company

In 1975 76 the Government of India sponsored a pilot project (to be executed through the State Government) for amendment of alkaline soil by application of gypsum in the districts of Jind Karnal, Kurukshetra and Sonepat The pilot project covered an area of 18 000 hectares (45 000 acres) The State Government in turn entrusted the project to the Company The scheme envisaged 50 per cent subsidy towards the cost of gypsum by Government of India in the case of small and marginal farmers (up to 3 acres) and 25 per cent in case of others An additional 33 33 per cent subsidy to small and marginal farmers and 25 per cent to others was allowed by the State Government Remaining cost of gypsum i e 16 67 per cent to 50 per cent was to be met by the farmers from their own resources and/or from the institutional finances to be covered under the re financing scheme of the ARDC

According to the terms for grant of subsidy by the Government of India the subsidy was to be utilised towards cost of gypsum used in reclamation of saline and alkaline lands The Company arranged the purchase and distribution of gypsum to the farmers

The table given below indicates the quantity of gypsum ordered, received sold and its closing stock t the close of four years ending

31st March 1979 —

Year	*Opening stock*	*Quantity ordered*	*Quantity received*	*Sales*	*Closing stock*	*Percentage of closing stock to sales*
			(in tonnes)			
1975 76	12,300	40,000	15 320	14,972	12,657	85
1976 77	12,657	40,000	12 609	8,019	17,247	215
1977 78	17 247	38 500	48,900	34,651	31,496	91
1978 79	31,496	60 000	19,819	31,858	19 457	61

It would be seen from the above table that though the receipts during the four years amounted to only 54 per cent of the orders placed the distribution of gypsum did not keep pace with the suppl es and the Company had to carry heavy stocks

The State Government had during this period placed funds aggre gating Rs 1,16 lakhs at the disposal of the Company (for the purchase of gypsum) out of which only Rs 54 35 lakhs were utilised leaving a balance of Rs 61 65 lakhs

Year	*Amount received*	*Amount utilised*	*Balance (cumulative)*
		(Rupees in lakhs)	
1975 76	40 00		40 00
1976 77		0 92	39 08
1977 78	30 00	24 90	44 18
1978 79	46 00	28 53	61 65

While the subsidy of Rs 40 lakhs received in 1975 76 had been diverted by the Company to meet its working capital requirements the State Government informed the Government of India in March 1976 that the amount had been expended on the purchase of gypsum Again while the Government of India had been pressing the State Government for details of actual expenditure against the funds released the Company is yet to furnish these details [November 1979]

The pilot project initially covered 4 districts but the Company however, fixed its targets tor 6 districts including Gurgaon and Rohtak

The targets for reclamation fixed/achieved by the Company were as under —

Year	Targets fixed by the Company			Achievement	Percentage of achievement to target after second revision
	Project	1st revision	2nd revision		
			(in acres)		
1975 76	60 000	60 000	13,000	4 600	35
1976 77	1 20 000	80 000	27,000	11,004	41
1977 78	40 000			13,400	33
1978 79	40 000			12 361	31

As the programme of reclamation of saline and alkaline land had not yielded the desired results the Government decided in 1976 to carry out an opinion survey with a view to ascertain the reasons for non achievement of targets in Kurukshetra district The Statistical Section of the Directorate of Agriculture in their report after studying the results of survey made the following recommendations

(i) Dissemination of knowledge regarding the benefits emerging from the reclamation of land needs to be intensified

(ii) The entire procedure of loan system needs to be explained in detail to the cultivators

(iii) Procedure for processing of applications for obtaining loans may be simplified

(iv) The suggestion for increasing the existing extent of subsidy for land reclamation work needs to be considered

The Management however, attributed the shortfall in the achievement of targets (February 1979) to difficulties in reclaiming *Kallar* land belonging to the panchayats and weaker sections of society joint ownership of lands absentee landlords and mortgages besides non availability of the assumed supply of water to the fields

In its written reply the Company stated as under —

"The Corporation took over the purchase and sale of gypsum on its inception in March 1974 The reasons for not receiving the ordered quantity are mainly due to —

(a) Non availability of railway wagons for the delivery of gypsum to our destinations from the mines of Fertilizer Corporation of India in Rajasthan

(b) Non fulfilment of contract for grinding and the supply of gypsum by the contractors

(c) Stoppage of further supplies due to early on set of rainy season during which reclamation work cannot be undertaken

(d) Short quantity accepted due to the left over stocks of previous year (s) '

During oral examination the Department stated that they were progressively improving upon the targets for reclamation of land

The Committee however, observed that shortfalls in the achievements of targets for reclamation of land during 1975 76 to 1978-79 were not properly investigated The plea of the Department that they were progressively improving upon the targets for reclamation was also not tenable in as much as there was decline both in the targets and achievements

The Committee therefore, recommend that in future both the targets and achievements should be fixed on realistic basis as fixing of targets on the high side is tantamount to depriving some other developmental activities

The Committee also observed that the distribution of Gypsum did not keep pace with the supplies and the Company had to carry heavy stock of it The Company even could not utilise an amount of Rs 61 65 lakhs out of the total amount of Rs 1 16 crores placed at their disposal for payment of subsidy to the farmers for the purchase of Gypsum

The Committee are constrained to observe that while the subsidy of Rs 40 00 lakhs received in 1975 76 had been diverted by the Corporation to its working capital requirements the State Government informed the Government of India in March 1976 that the amount had been expended on the purchase of Gypsum

The Committee recommend that suitable steps should be taken to dispose of or utilise the huge quantity of Gypsum lying with the Company and the progress made in this regard intimated to the Committee in due course

Para 6 15 (7) Land Development

Extension of irrigation to new areas through lift irrigation and minor irrigation schemes involves the levelling and grading of undulated areas of land The Company prepared a scheme in 1975 for the levelling of 46 000 acres of land in the districts of Bhiwani and Rohtak (35 000 acres), and Ambala (11 000 acres) The scheme envisaged a capital outlay of Rs 1 43 75 lakhs The A R D C approved re financing (February April 1977) for 21 000 acres 10 000 acres in Bhiwani and Rohtak and 11 000 acres in Ambala The actual achievement upto 31st March 1979 amounted to 8,969 acres

The table below indicates the achievements against the year wise targets for the three years ending 1978 79—

Year	Bhiwani		Ambala		Total	
	Target	Actual	Target	Actual	Target	Actual
			(in acres)			
1976 77	3 000	214	2,000	1,203	5 000	1 417
1977-78	7 000	2 452	3 000	1 314	10 000	3 766
1978 79	7 000	2 802	3 000	984	10 000	3,786

The shortfalls were mainly attributable to non availability of tractors for levelling and insufficient response from the farmers

During the course of oral examination it was noticed that in their reply relating to achievements of land development in Ambala and Bhiwani Districts the targets given were of the A R D C schemes only whereas the actuals given were overall under the scheme of land development The Department admitted that the reply was misleading to show better progress in the matter of achievements relating to these two districts

The Committee strongly disapprove this attitude of the Department in misleading the Committee and recommend that necessary responsibility on the officers/officials responsible for furnishing this wrong information to the Committee should be fixed and action taken against them intimated to the Committee

The Committee may also be apprised of the results under this scheme for the later years and efforts made to achieve the targets

Para 6 15(8) Horticulture

(a) In September 1975 the Company prepared a scheme for the development of mango and chikku orchards in Ambala district as the area was considered agro climatically suitable for their cultivation The scheme envisaged plantation of mango and chikku orchards in an area of 5 500 acres over a four year period with a total financial outlay of Rs 83 28 lakhs and was approved by the ARDC for re financing assistance (February 1977)

The table below indicates the achievements against the targets —

Year	*Target*	*Actual*	*Percentage of shortfall*
		(in acres)	
1977 78	1 500	866 0	42
1978 79	1 500	887·2	41

The Company stated (December 1979) that the shortfalls were due to unprecedented floods and complete drought in the project area and that the farmers were reluctant to undertake the work A review in audit however revealed the following as the main contributory factors —

—inadequate procurement of saplings/grafts by the Company (from Uttar Pradesh) actual procurement amounted to 43 827 saplings/ grafts as against 76 500 required to achieve the target , and

—delivery of saplings/grafts was not synchronised with the prepara tion of pits by the farmers

The Committee was informed that the achievement for the year 1979 80 was only 421 acres

During oral examination the Department stated as under —

'Actually this scheme was taken up on the consideration that Ambala district was agro climately suitable for cultivation

The first reason why our programme of horticulture is not picking up in Ambala district is natural calamity like unprecedented floods and subsequent drought Further shallow tubewells do not work in this area and deep tubewells can only succeed Therefore, we have not assured irrigation in Ambala district

Secondly in these areas we have small farmers Horticulture programme can generally be taken up only by big farmers The small farmers think that at least for 5 6 years they will not have any income Therefore, only those farmers come in for horticulture who have surplus land, with the idea that it will give them return in the long run

The Committee are not satisfied with the reply given by the Department and feel that the scheme of horticulture has not worked with success The Company also did not even assess the working results of this scheme The Committee therefore, recommend that the question whether the scheme be continued or disbanded should be examined at length by the Government and final decision taken in the matter intimated to the Committee

Para 6 15(9) Custom Hiring Services

The Company maintains a fleet of tractors and harvestor combines for land reclamation levelling etc These are provided to the farmers on custom hiring basis through various Company outlets

The Audit has pointed out that the utilisation of tractors during the years 1975 76 to 1978 79 was between 52 per cent and 59 per cent and that of combines was 18 and 58 per cent during the years 1976 77 and 1978 79 It has also been pointed out that the Company has incurred a loss of Rs 9 19 lakhs on this activity during the above period

In a written reply the department stated that most of the tractors in our fleet were old and not in good working condition the tyres of a number of tractors had to be replaced and from October 1978 there was an acute shortage of diesel which brought down the utilization of tractors

The Committee are not satisfied with the utilisation of tractors The utilisation of tractors ranged between 52 per cent and 59 per cent during the year 1975 76 to 1978 79

The Committee therefore recommend that the Company may take suitable measures to fully utilise the tractors so that the losses which are mainly due to under utilisation of tractors are liquidated as far as possible

Para 6 15 (12) (i) Defective purchase of trollies

(a) The Company with a view to facilitate transportation of gypsum decided (June 1974) to purchase 69 four-wheeler (8 tonne) trollies for use as tractor trailors On the basis of open tenders (October 1974) and the recommendations of the Technical Committee constituted for the purpose the Company placed an order (December 1974) for 69 trollies at Rs 13 580 per trolly (value Rs 9 37 lakhs) on a firm of Yamunanagar without ensuring their suitability for use with the Company s tractors According to the terms of the order these trollies were to be inspected at the supplier s premises and if the trollies failed within one year from the date of supply due to defective manufacture/workmanship the supplier was to replace these free of cost

The first consignment (6 trollies) was accepted by the Company after due inspection in December 1974, but these were found to be defective when put to use Although the defects were reported by the Regional Manager Karnal unit in December 1974 two further consignments of 14 and 12 trollies were inspected and accepted by the Company in January and February 1975 respectively making a total of 32 trollies (Rs 4 35 lakhs) The Regional Manager Karnal unit and the Company s Service Engineer again reported (January 1975) that these trollies could not be relied upon because of inherent manufacturing defects In October 1975 the Company deferred further supplies of trollies and in January 1976 asked the firm to rectify the defects in the trollies already received The firm repaired/modified one trolly (March 1976) on a trial basis but this modified trolly too did not give satisfactory service and the Managing

Director constituted a Committee to evaluate the modified trolly The Committee suggested certain modifications (March 1976) which the firm did not agree to on the ground that these involved a change in the Company's earlier specifications The matter was finally referred to arbitration in June 1978

The following deficiencies/irregularities were noticed in the purchase of these trollies —

(i) the specifications provided by the Company to the tenderers did not contain any designs/drawings for the trollies

(ii) the trollies had been ordered before the tractors were procured in June July 1975,

(iii) the specifications did not take into account the capacity and specifications of the tractors

(iv) the Company did not retain the approved sample of the trolly

(v) the officers deputed for inspection were not adequately equipped for the task and

(vi) although no sales tax was leviable (being agricultural implements) the Company paid Rs 0 27 lakh as sales tax on these trollies On investigation it was later found that the supplier had not deposited the sales tax with the sales tax authorities

(b) Out of 32 trollies 24 trollies have not been put to any use at all The following is the year wise utilisation of the remaining 8 trollies since there purchase —

Year	*Utilisation* Total (8 trollies)	Average per trolly
	(in hours)	
1974-75	722 6	90 32
1975 76	409 5	51 18
1976 77	432 7	54 08
1977 78	163 6	20 45

It will be evident from the above that no useful purpose has been served by the purchase of these trollies at a cost of Rs 4 35 lakhs

In a written reply the Company stated that the case was still under arbitration The Company also stated that the basic decision for the purchase of 8 tonne capacity trailors was not appropriate as it was not possible for the trailors to carry 8 M T unless several safety measures had been adopted and that the Board of Directors of the Corporation was examining the purchase deal and proper usage/disposal of the trailors

The Committee observe that the decision for the purchase of trollies was not at all appropriate The Committee desire that the matter when decided by the arbitration may be intimated to the Committee

The Committee further urge that the Board of Directors may finalise their examination of the purchase deal and proper usage/disposal of these trollies expeditiously and inform the Committee of the final decision/action taken in the matter

HARYANA AGRO INDUSTRIES CORPORATION LIMITED

Para 6 16 Import of Tifone Sprayers

In August 1974 the Company entered into an agreement with an Italian firm for the import of 100 Tifone sprayers (self propelled tractor drawn/mounted) of the value of Rs 38 22 lakhs C&F (including spares and accessories)—under Italian suppliers credit In addition 10 per cent of the C&F value was payable to the Indian agent of the Italian firm The agreement came into force from 26th February 1975 The Company was to place indents within 6 months and the firm was to get the supplies ready for despatch (ex factory) within 46 60 days of the receipt of the indent(s) The sprayers were intended for sale or hire for spraying pesticides on plants and standing crops

The Company was to make a down payment of 5 per cent of the value of the contract Further 5 per cent of the contract price was payable on receipt of shipping documents The balance 90 per cent (with interest at 6 per cent) was payable in 20 half yearly instalments

If the total quantity indented was less than 100 sprayers, the firm was to refund on demand the proportionate amount of 5 per cent down payment

The down payment of Rs 1 91 lakhs was made in February 1975 The Company placed a single indent for 5 sprayers (with spares and accessories) of the value of Rs 3 44 lakhs C&F in February 1975 These were received in July/August 1975 The total cost (including custom duty commission etc) amounted to Rs 6 23 lakhs

The sprayers being tractor driven did not find favour with the farmers Besides there were complaints of standing crops having been damaged by the sprayers The total realisation of hire charges (May 1976 February 1979) amounted to Rs 0 10 lakh

The Company had neither placed any further indents nor had it demanded refund of the balance of advance payment amounting to Rs 1 74 lakhs

In the written reply to a question whether any demand survey for sale or hire of the sprayers was carried out by the Company before entering into agreement with the firm for the supply of the tractor driven sprayers, the department stated as under —

"M/S Gadgets Pvt Ltd New Delhi a local representative of the foreign suppliers carried out demonstrations of tiffone Sprayers at various places in Haryana and Punjab The response from public appeared to be encouraging The Board of Directors also saw the demonstration of the sprayer at Chandigarh in December 1973 Thereafter, the Board in its meeting held on 27 12 73 decided in principle to import 100 Nos of sprayers and their subsequent manufacture in Haryana on collaboration basis While entering into the agreement, with the suppliers a clause was inserted that against the import licence of 100 Nos of sprayers only 25 Nos will be imported at the initial stage and the Board was accordingly informed about this clause through a circulatory memorandum In a subsequent meeting of the Board of Directors held on 26 6 74 it was decided that —

'The Corporation should import 5 sprayers for the present and see its demonstration popularity and usefulness and also explore the possibility of demand of sprayers with the farmers of Haryana Only after that steps be taken to import more sprayers

The said 5 Nos of sprayers were received in July/August 1975'

During the course of oral examination, the Department stated that there was nothing on record to show as to which type of machine was demonstrated by the firm and whether the same type was imported by the Company

The Committee also noticed that the Corporation had not only been over enthusiastic in placing the order of machines but were also very keen to manufacture the machines on receipt of report of the Technical Committee who had recommended that the farmers were interested in buying these machines as they were of great utility

In order, therefore to have a fair idea of the progress made by the manufacturing Project the Committee had desired to have a detailed note indicating date-wise position in this regard

The required information has, however, not been furnished till the writing of this report

The requisite information may be furnished to the Committee without delay

The Committee observe with dis satisfaction that neither did the Company place any further indents nor did it demand the refund of the balance advance payment of Rs 1 74 Lakhs from the firm, although the machine were reported to have damaged the standing crops The Committee were surprised to observe this strange phenomenon that while the Technical Committee's report indicated that the machines were of great utility and the farmers were interested for them, the sprayers did not, however find favour with the farmers who had been complaining that the machines were damaging the crops

The Committee therefore recommend that the whole matter may be investigated de-novo thoroughly and an exhaustive report based on facts and record submitted to the Committee at the earliest together with the action taken or proposed to be taken against delinquent officials

Para 6 17 Infructuous expenditure

The Board in their meeting held on 25th September, 1975 approved the Management s proposal to set up five 3 000 tonne capacity cold storage Plants at Shahabad Karnal Murthal, Gurgaon and Rai for storage of potatoes, fruit and vegetables The Board was informed that the company had its own land available at Shahabad and Gurgaon

On Ist October 1975 the Company entrusted the work of providing consultancy services for the designing and setting up of the cold storage plant at Shahabad to a New Delhi firm The consultants were to be paid 2 5 percent of the actual cost of the project (excluding the cost of land and working capital) On the basis of tenders received on 30th September 1975 the construction work (value Rs 3 lakhs) was awarded to a Dehradun firm on 31st October 1975 The work was to be completed within four months After consultants had furnished the drawings estimates tender papers for the plant and machinery etc and the construction firm had executed some work the company decided on 29th November 1975 not to go ahead with the project An amount of Rs 0 47 lakhs had been spent by then on payment to the consultant (Rs 0 351 lakhs) and on construction work (Rs 0 12 lakhs) A proposal mooted in December 1975 to pass on the project to the Hafed an institution in the cooperative sector did not materialise as they were setting up their own cold storage plant at Shahabad

The Company stated in May 1979 that "due to changes in the policy of the management and in order to invest the amount of other priority projects' the Corporation decided not to go ahead with the construction of the cold storage at Shahabad

The Committee raised the following questions —

(1) What were the considerations behind the Company s decision dated 29 12 1975 for abondonment of the project when an amount of Rs 0 47 lakh had already been spent on it ?

(2) Why could other priority projects not be kept in view by the Board in their meeting held on 25 9 1975 at the time of approving the project for setting up cold storage plants ?

(3) What were the other priority projects and what was the total amount invested in each of them after the abondonment of the construction of the cold storage at Shahbad ?

(4) What were the justifications given by the Management in their proposal for setting up of the Cold Storage plants at various places (including Shahbad) ?

In reply Department stated as under —

"(1) The Central and State Governments were extremely worried about the slump in the marketing prices of potatoes following a bumper crop in 1974 A series of meetings were convened by the Food Secretary Govt of India which were attended by the Managing Director of this Corporation to find out the ways and means to stablise the potato marketing prices and to help the potato growers keeping in view the inadequacy of cold storage capacity In a meeting held on 28 8 75 under the Chairmanship of the Food Secretary Govt of India it was decided that the Haryana Agro Industries Corporation should set up cold storage A study revealed that if the cold storages are utilized for potatoes only they may not be economically viable In deference however to the wishes of the Central and State Governmets a techno economic feasibility report was got prepared from a Consultancy firm for setting up of cold storage of 3000 tonnes capacity This report was considered by the Board of Directors in a meeting held on 25 9 1975 and the setting up of cold storages at Shahabad Karnal Murthal Gurgaon and Rai was approved Civil works in the first instance were taken up at Shahabad because the Corporation had its own land available there The position was reviewed in December 75 when it was learnt that Hafed was also planning to construct one cold storage at Shahabad A request was made to Hafed to take over our Shahabad Cold Storage Project on no profit-no loss basis Repeated efforts in this direction however, did not fructify It had become obvious that if both the Government agencies viz Hafed and the H A I C set up cold storages at Shahabad the economic viability of both of them will not be satisfactory It was therefore decided to drop the project

(2 & 3) The other priority projects were also kept in view by the Board of Directors in their meeting held on 25 9 1975 The other priority projects in hand at that time were Solvex Extraction Plant, Kaithal and Pesticides Plant at Shahabad The total amount invested in these plants after abondonment of the construction of cold storage plant at Shahabad is Rs 55 16 lacs on Solvex Extraction Plant, Kaithal and Rs 16 81 lacs on Pesticides Plant Shahabad"

The Committee are not convinced with the plea of the Department that the construction of the Cold Storage at Shahabad had to be abondoned due to changes in the policy of the management and in order to invest the amount in other priority projects The Committee feel that the Board of Directors should have been circumspective in keeping in mind other priority projects at the time of taking the decision for setting up of Cold Storage plants

The Committee are equally surprised to know that the fact of Hafed planning to construct cold storage at Shahabad came to the notice of the management only after the Company had started construction at Shahabad The Committee strongly feel that the Hafed could have been contacted at the time of setting up the Cold Storage plant at Shahabad

The Committee therefore, disapprove this sudden change in the policy of the m nagement which resulted in infructuous expenditure of Rs 0'47 lakh and recommend that in future all pros and cons of the project should invariably be kept in mind before embarking upon the actual execution of the projects

Para 6 18 Idle Machinery

A Crank Shaft Grinding machine acquired by the Co in February 1976 (value Rs 2 60 lacs) has not been installed The Company stated (May 1979) that the machine was acquired for setting up a model tractor repair workshop at Nilokheri but the Management decided during 1976 77 not to install any heavy machine The Company further stated (December, 1979) that the said machine was being disposed off

The Committee raised the following questions with respect to this paragraph —

1 Has the machine since been disposed off ? If so, what price did it fetch ?

2 Did the management decision during 1976 77 not to install any heavy machines apply to the installation of the machines already acquired/purchased ?

3 What were the specific reasons behind the managements decision not to install any heavy machinery ?

In reply the Management stated as under —

1 The crank shaft grinding machine has not yet been disposed off due to the low offers received from the parties Efforts are however being continued to dispose off the machine

2 No other heavy machine except the crank shaft grinding machine was purchased for this workshop hence the question of applying this decision to the installation of other heavy machinery does not arise

3 The reason behind the management s decision not to instal heavy machines was to limit the scope of the tractor repair workshop to provide normal repair facilities/maintenance/servicing job which is regularly/commonly required for tractors and not to go in for special repair jobs which are required only occassionally and would therefore, not be viable

The Committee are constrained to observe that this Corporation was primarily established to give fillip to agriculture economy and incentives to the farmers community and the basic idea of its functioning was to set up agro based industries in the State to give boost to agricultural economy The Corporation, however lost sight of its primary objectives and instead preferred to for stretched activities like that of opening a tractor repair workshop etc

The Committee, therefore recommend that the Corporation should undert ke these activities for which it was primary establised and continue to concentrate on these activities alone

The Committee also desire that the efforts to dispose of the Idle Machinery should continue vigorously and the final outcome be intimated to the Committee

HARYANA SMALL STATE INDUSTRIES AND EXPORT CORPORATION LIMITED

Para 6 19 Export Performance

One of the activities of the Company is to encourage the export-oriented small scale units within the State by exporting their products The following are the highlights of the exports channelled through the company during the five years upto 1978 79 —

	1974-75	1975 76	1976 77	1977 78	1978 79
1 Exports			(Rupees in Lakhs)		
Shoes (through State Trading Corporation)	6 30	5 74	8 70	0 54	—
Handloom and Handicrafts	3 69	0 81	2 53	2 58	2 59
Scientific Instruments & Sports Goods	—	0 10	0 15	0 01	0 24
Diesel Engines and Machinery	2 56	—	—	—	11 49
Leather Belting, Gloves and Garments	4 05	0 78	—	—	—
Miscellaneous	—	—	0 75	0 90	1 06
TOTAL	16 60	7 43	12 13	4 03	15 38
2 Expenditure on Export Promotion	4 80	2 89	4 73	3 15	6 77
Percentage of Expenditure	29	39	39	78	44

It would be seen that the administrative expenses on the total turn over of Rs 55 57 lakhs (during the five years period) amounted to Rs 22 34 lakhs or 40 02 percent

The Committee observed that exports made by the Corporation are very negligible as compared to the total exports made by the State of Haryana It was only 0 1 per cent which shows that contribution towards this end was negligible and not worth mentioning The Committee further observed that although the Corporation had negotiated export orders worth Rs 7 77 lakhs during foreign tours of its officers, but the actual execution was only for Rs 1 77 lakhs which shows a very dismal picture In fact whatever the deal the Corporation Officers had on their foreign trips that was actually unauthorised and beyond the scope of its functions The deal for export of rice for Rs 2 5 crores was also not within the scope of Corporation s Memorandum of Association -

The Committee, therefore, recommend that the Corporation should make concerted efforts to increase its exports and for this purpose it should confine its activities to those items which fall within the purview of Company s Memorandum of Association

(ii) In May, 1974 the Company received an order from a foreign buyer for 10,500 metres of handloom fabrics valued at Rs 2 37 lakhs At the instance of the foreign agent (and without the confirmation of the foreign buyer), the Company supplied (August October 1974) 12 400 metres of handloom fabrics valuing Rs 2 80 lakhs On the arrival of the goods the foreign buyer informed the Company (November 1974) that 2,395 metres of the fabrics (value Rs 0 37 lakh) were not acceptable since these were not covered by the order In February 1976 the Company sold the goods to another foreign buyer at 50 per cent of the invoice value (Rs 0 18 lakh) The Company incurred an infructuous expenditure of Rs 0 57 lakh on this transaction including an expenditure of Rs 0 38 lakh on freight, warehousing/demurrage and interest charge

During the course of oral examination, when asked whether the circumstances for excess supply have been investigated and any responsibility fixed for the infructuous expenditure of Rs 0 57 lakh incurred on this account, the Department admitted that the circumstances for the loss of Rs 0 57 lakh were not investigated and further conceded that the Corporation has learnt lessons from such experiences and has now decided that hence forward goods would be supplied only on the basis of letter of credit

The Committee strongly disapprove the procedure followed by the Corporation in supplying the goods which were not covered by the order that resulted in an infructuous expenditure of Rs 0 57 lakh and also place on record their disappreciation for not investigating the circumstances for excess supply

The Committee recommend that in future the prescribed procedure should be scrupulously followed while striking such deals

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