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HARYANA VIDHAN SABHA

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2002-2003)**

(TENTH VIDHAN SABHA)

FIFTIETH REPORT

**ON THE
REPORTS**

**OF THE
COMPTROLLER & AUDITOR GENERAL OF INDIA
FOR THE YEARS 1998-99 & 1999-2000
(COMMERCIAL)**



(Presented to the House on 14th March, 2003)

**HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
MARCH 2003**

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**COMPOSITION
OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS
(2002-2003)**

CHAIRPERSON

1. Sh. Krishan Lal Panwar

MEMBERS

2. Sh. Chander Bhatia
3. Sh. Mange Ram Gupta
4. Sh. Puran Singh Dabra
5. Sh. Abhay Singh Chautala
6. Sh. Aml Vij
7. Sh. Rajinder Singh Bisla
8. Sh. Dev Raj Diwan
9. Sh. Sher Singh

SECRETARIAT

1. Shri Sumit Kumar, Secretary
2. Shri Balbir Singh Chauhan, Under Secretary

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings, having been authorized by the Committee in this behalf present this Fiftieth Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1998-99 (Haryana Power Generation Corporation Limited, Haryana Financial Corporation and Haryana Vidyut Prasaran Nigam Limited) and 1999-2000 (Haryana Warehousing Corporation Limited, Haryana Forest Development Corporation Limited, Haryana State Industrial Development Corporation and Haryana Financial Corporation).

2. The Committee for the year 2002-2003 undertook the unfinished work of the previous Committee(s) and also orally examined the representatives of the Government/ Public Sector Undertakings/Boards where necessary. A brief record of the proceedings of the various meetings and of its inspection of the various workshops/Stores/Power Stations/ Thermal Plants of Uttar Haryana Bijli Vitran Nigam, Dakshin Haryana Bijli Vitran Nigam, Haryana Power Generation Corporation Limited, various Tourist Complexes of Haryana Tourism Corporation and workshop of Haryana Roadways Engineering Corporation, Gurgaon, has been kept in the Haryana Vidhan Sabha Secretariat.

3. The Committee are thankful to the Accountant General (Audit), Haryana and his staff for his valuable assistance and guidance in completing this report. The Committee are also thankful to the Secretary to Government, Haryana, Finance Department including his representatives and representatives of Departments/Corporations/Boards concerned who appeared before the Committee from time to time. The Committee are also thankful to the Secretary, Under Secretary, the dealing officer and the staff of the Haryana Vidhan Sabha for the whole hearted co-operation and unstinted assistance given in preparing this report

Chandigarh
The 5th March, 2003.

KRISHAN LAL PANWAR,
CHAIRPERSON

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1998-99

2B. HARYANA POWER GENERATION CORPORATION LIMITED FARIDABAD THERMAL POWER STATION (REVIEW)

2B. 4.2. Plant outages

1 The table below indicates the hours available, actual hours operated and outages during the five years up to 1998-99 :

Sl. No	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
(i)	Total hours available	26280	26352	26280	26280	26280
(ii)	Actual hours operated	18630	18678	17243	15968	18910
(iii)	Availability rate in percent (ii ÷ i)	70.9	70.9	65.6	60.8	71.95
(iv)	Shutdown (Hours)					
(a)	Reserve shutdown	141	410	58	657	139
(b)	Planned shutdown	4343	2891	2809	2905	2667
(c)	Forced shutdown	3166	4373	6170	6750	4564
(v)	Percentage of :					
(a)	Reserve shutdown to available hours	0.5	1.6	0.2	2.5	0.53
(b)	Planned shutdown to available hours	16.5	10.9	10.7	11.00	10.15
(c)	Forced shutdown to available hours	12.1	16.6	23.5	25.7	17.37

It would be observed from the above that :

(i) The availability of hours decreased from 70.9 per cent in 1994-95 to 60.8 per cent in 1997-98 and thereafter increased to 71.95 per cent in 1998-99.

(ii) Forced shutdown increased from 12.1 per cent in 1994-95 to 25.7 per cent in 1997-98 and thereafter decreased to 17.37 per cent in 1998-99.

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

“The details of hours available actual hours operated and outages during the period 1999-2000 to 2001-2002 are given below :—

	1999-2000	2000-2001	2001-2002
(i) Total hours available	26352	26280	26280
(ii) Actual hours operated	21144.02	19017.54	17810.32

(iii) Availability rate in percentage (ii ÷ i)	80.24	72.36	67.77
(iv) Shutdown (Hours)			
(a) Reserve shutdown	54	60	1038
(b) Planned shutdown	981	2232	3067
(c) Forced shutdown	4173	4970	4369
(v) Percentage of :			
(d) Reserve shutdown to available hours	0.20	0.23	3.95
(e) Planned shutdown to available hours	3.72	8.49	11.67
(f) Forced shutdown to available hours	15.84	18.91	16.62

The availability factor depends on forced and planned outages {100-(forced shut down+planned shut down+reserve shut down)} considering the constraints such as poor water, coal quality, grid disturbance, age of the equipments etc. The reason for low availability during 1997-98 have already been explained under para 2B 4.1.

- (ii) As per the audit para forced shutdown to available hours have been as under :

1994-95	1995-96	1996-97	1997-98	1998-99
12.1	16.6	23.5	25.7	17.37

The national performance indices for forced outages given in CEA booklet of June, 2002 at page No. 7, for the period from 1997-98 to 2001-02 are as under :

1997-98	1998-99	1999-2000	2000-2001	2001-2002
12.10	14.50	13.10	12.60	13.00

As such on an average there has been forced outages of 13% (for all size units) which also includes latest designed thermal plants of 210 MW, 500 MW capacity installed recently. In comparison to all India figures, the 55 MW units of FTPS are more than 20 years old of outdated technology which have almost lived life of 25 years. As such forced outages as 12.1% for 1994-95, 16.6% for 1995-96 & 17.37% for 1998-99 are very much reasonable.

As regards abnormal forced outage of 23.5% during the year 1996-97 and 25.7% during 1997-98 are concerned, the same was due to —

1996-1997	Hrs.	1997-1998	Hrs.
Condenser tube leakages	285	Damage to Generator	1600
Unit-III		stator Unit-II	

Problem in coal feedings & coal shortage	942	Backing down of units due to surplus power	650
Forced outage due to CW pumps problems in Unit-II	409	Coal & Oil shortage due to resource crunch	572
Problem in exciters of Unit-I & II	223	Closure of Unit-I due to simultaneous outage of T-3 (10 MVA) T/F at A-2 Sub Stn. & UAT of Unit	615
Hydrogen Embrittlement tube failure in Unit-II	694		
Total	2553		3437

If the abnormal outages which were beyond the control of project of 2553 hrs. for 1996-97 and 3437 hrs. for 1997-98 are excluded from the forced outages hours, the normal forced shut down comes to be 3617 hrs. for 1996-97 and 3313 hrs. for 1997-98 which are 13.76% & 12.6% respectively and as such come out to be near to national average of 13%”

The Committee considered the written reply of the State Government. The Committee observed that effective steps needs to be taken to bring the forced outages to the level of national average.

A. Planned outages

Kulkarni Committee appointed by the Government of India recommended (April 1975) 28/30 days in a year for regular overhauling of boiler. During 1994-95 to 1998-99, the actual time taken by the firms ranged from 66 to 100 days which resulted in loss of 134 640 MUs valued at Rs. 25 22 crore.

Similarly, against the recommended period of 42 to 56 days for overhauling of turbo generator, three overhauls were got done from Bharat Heavy Electricals Limited (BHEL) at an aggregate cost of Rs. 97.16 lakh and the actual time taken ranged between 102 and 151 days resulting in loss of 249 480 MUs of power valued at Rs. 31.69 crore.

Reasons for excess time in overhauling of boilers as observed in audit were delay in release of boiler and procurement of spares by the Company. Further, in some cases, it was seen that non-deployment of sufficient manpower by the firms, poor workmanship, etc., also contributed to delay in overhauling. However, no action was taken against the defaulting firms for delays. Reasons for excess time taken in overhauling though called for (January 1999) were awaited (December 1999).

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

“While preparing the scope of the work for capital/annual overhauling of the Units, the problems being faced for operation and maintenance which affect the performance of units are included in the scope of work and time taken for overhauling of units is scheduled considering above factors only.

Since the units are very old, the exact quantum of work such as for boilers damage in pent houses/refractories, thinning of boiler tubes and in case of Turbine blade failure, bearing damage etc., can only be assessed after shutdown

of unit, as such the time of completion of overhauling depends on the extent of damage.

So the exact time taken in overhauling of units is generally more than the anticipated time stipulated in the work-order due to increased scope of work as explained above.

Whenever there was delay in overhauling of boiler on the reasons for which the executing firm is responsible, the penalty for delay is imposed on the firm. No penalty can be imposed if the delay is due to factors for which the firm is not responsible. The reasons for excess time taken during overhaulings are given below.

Reasons for excess time taken in regular overhauling.

The excess time regular overhauling than the scheduled time was due to various factors mentioned below in each case

UNIT-I

15-9-1996 to 28-12-1996 capital overhauling 105 days.

Turbine W/O No. 223/MPP-210 = 45 days

Boiler W/O No. 226/MPP-213 = 65 days

- (a) Hook up of R.H.S. path of E.S.P's (New installation)
- (b) Life extension programme study of Turbine and Boiler
- (c) Diagnostic study of condensor tubes.
- (d) Extra work in spider tubes (102 joints extra). Extra work of spider tubes and ser trough not envisaged in the work order took extra time of 6 days. All the units tripped on 14-12-96 due to supply failure, from A-2 sub station. Large quantity of DM water got consumed in retaking the units and due to bad quality of raw water adequate quantity of DM water could not be produced during 14-12-96 to 22-12-96. Large quantity of water was required for testing & commissioning of Unit-I.
- (e) Diversion of high pressure team for urgent work of Unit-II. Economizer tube material supply received late from BHEL work remained suspended from 7-10-96 to 12-10-96 (6 days)
- (f) For 5 days delay penalty was imposed on the firm.
- (g) After availability of DM water unit lighted up on 22-12-96 for safety valve floating. Then after normal activities of turbine soaking generator dry out, conducting over speed test of turbine unit synchronized on 28-12-96.

Turbine

- (h) 7 No. blades of stage 1A replaced.
- (i) Cracks in H.P. casing at different location and its repair
- (j) The Bearing No. 1 & 2 were found defective and got rebabbitted up to 21-11-96.

Turbine was put on barring gear on 12-12-96.

Extension up to 24-12-96 for overhauling have been approved by TSC.

UNIT-II

1-8-95 to 13-11-95 = 105 days capital overhauling :

Boiler W/O No. 205/MPP-206 = 64 days

Turbine W/O No. 206/MPP-204 = 45 days

Bearing No 3, 4 of turbine required rebabbiting and repairs during overhauling.

From 22-8-95 to 8-9-95 the bearing were got rebabbitted and bearing No. 4 was available on 8-9-95

Turbine was put on barring gear on 10-10-95 but 7 No. generator coils damaged during over voltage testing resulting in delay in overhauling.

Generator stator bars 7 Nos. failed during testing on high voltage which were got replaced at site and after repair, turbine again put on barring gear on 4-11-95. The delay was due to damage to the generator stator coils observed during high voltage test

Boilder

The boilder was released for overhauling on 5-8-95 after completion of alkali Boil out which was part of acid cleaning process for boiler.

The safety valve floating was due on 3-10-95 but boilder could be lighted up on 7-10-95 after completion passivation. Safety valves floating was completed on 18-10-95 as safety valve No. 5 in main steam line and safety value No. 3 of drum gave problems.

Due to very heavy rains the firm lost six days as HP welding work could not be carried out during the period from 7-8-95 to 10-8-95 and 27-8-95 to 29-8-95.

No delay on account of firm occurred for completion of overhauling works.

UNIT - II

17-5-98 to 28-8-98 Annual Boilder Overhauling 104 days

Boilder W/O No 261/MPP - 260 = 40 days

Extensive damage to the water walls and super heater area Hydrogen Embrittlement test of water wall tubes and replacement of water wall tubes.

The BHEL Trichy team conducted N.D.T. survey of water walls from 25-5-98 to 10-6-98 = 17 days

205 Nos tubes and goose neck bends were declared defective by BHEL. This work was not envisaged in original work order.

The front water wall tubes in the burner zones from 8 to 18 meter level were found having inward bow 18" and 18 metre high refractory wall of the front water wall in burner zone had to be knocked down and rebuilt which increased the scope of work.

Hydrogen embrittlement in boiler tubes

The hydrogen embrittlement takes place as a result of Boiler operation under acute condition of low pH value of boiler feed water. The pH of boiler water can go low due to the ingress of acidic salt through condenser tube leakage, contaminations from chemical cleaning or due to non maintaining the proper alkalinity in boiler i.e. improper water chemistry

With operation of boiler at low pH value carbon is extracted from the boiler tube material due to reaction of hydrogen with carbon forming methane gas which causes increase in internal pressure at effected area. The result is the separation of carbon grain from steel & eventual cracking of tube metal.

Hydrogen embrittlement usually produces a blow out of a rectangular section described as window opening.

Turbine Unit - III 16-5-94 to 14-10-94

16-5-94 to 14-10-94 = 152 days capital overhauling.

Boiler W/O No. 186/MPP- 179 = 50 days

TG W/O No. 187/MPP - 177 = 45 days

Bearing No. 1 and 2 had to be got rebabbitted since these failed in ultrasonic test.

Bearing No. 3, 4 and 5 replaced with new bearings.

Re-blading of 12th stage (32 No blades) had to be carried out at site with pins and shrouds.

Ovality observed in HP front gland of turbine which required its replacement. New HP front gland received from BHEL on 6-7-94 (HP boxed up on 9-7-94) and turbine put on barring gear on 19-7-94. On 30-7-94 turbine rolled & bearing No. 5 failed.

Turbine was rolled on 19-8-94 but differential expansion pick up became faulty. Machine after generator dry out was synchronized on 29-8-94 but failure of bearing No. 6 was observed after about 20 minutes operation of unit.

Thus actual overhauling period is up to 19-7-94 i.e. barring gear operation and the actual overhauling period comes to 64 days and not 152 days as given by audit.

Annual Boiler overhauling.

03-10-97 to 8-12-97 = 67 days

Boiler W/O No. 244/MPP - 250 = 35 days

Reasons for delay :

The delay of 22 days {67 (-) 45 days} was on account of following reasons :

- (i) 7 days on account of contractor fault for which penalty was imposed.
- (ii) 15 days on account of Hydrazine Embrittlement Test conducted by M/s BHEL not provided in the contract and subsequent replacement of tubes"

The Committee observed/considered the verbal justification and written reply given by the State Government and was of the opinion that planned outages should be done as per the norms fixed by the Kulkarni Committee.

(ii) Tube leakages

In the boiler and its auxiliaries, leakage of water wall tubes, super heater tubes and economiser tubes was a continuous problem. Due to this, the power house remained shutdown for 8682 hours during 1994-95 to 1998-99 resulting in power loss of 477.51 MUs valued at Rs. 79.09 crore. The thermal authorities did not investigate reasons for tubes' leakages to take remedial measures.

Test check of records, however, revealed that these leakages persisted even immediately after overhauling of boilers which indicated lack of proper checking/supervision of overhauling work entailing loss to the Company.

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

"The fair life of the boiler as per Govt. of India notification dated 29-3-1995 is 25 years. The deterioration of boiler high pressure parts starts with ageing of the boiler. The frequent leakage of water wall Super Heater, Economiser mostly pertain to Unit-I & II which were commissioned in 1974 & 1976 respectively and as such boiler of these units have outlived their lives. For arresting frequent tube leakage in various sections of the boiler, the whole of the pressure parts viz-a-viz tubes, bends, stubs & header pipes in water walls, Super Heaters, Economisers etc. require complete replacement which is not possible due to constraints of power shortage & funds availability. The funds were released for emergent use and to the minimum possible extent to run the power houses. The replacement work could not be planned & completed in a single stroke due to paucity of funds as HSEB has been facing acute shortage of funds. However, the replacement of critically eroded pipes have been done in phases, generally during overhauling or other wise when the time permits and supply of the

spares and tubes etc. by M/S BHEL is made, who have very long schedule of delivery. During overhauling supervisory services of original manufacturer i.e BHEL are availed and work is done to their satisfaction. Thus there is no question of lack of proper checking/supervision of overhauling work. Regarding tube failure of the complete equipment during overhauling is not replaced but only critical parts are replaced. Also revamping & replacement of the critical eroded pressure parts is being taken up simultaneously under various Renovation & Modernisation schemes.

In view of above, the generation loss pointed out could not be averted "

The Committee considered the reply of the Department and recommends that strenuous efforts needs to be taken to replace the tubes systematically so as the shutdown period is reduced.

(iv) Faulty repairs of exciter armatures

(a) An exciter armature, repaired by BHEL, Hyderabad at a cost of Rs. 15.62 lakh was installed at Unit-I in April 1996. The exciter armature was found damaged (September 1996) at the time of overhauling of the unit and subsequently failed thrice in November, 1997, May 1998 and August 1998 within warranty period causing shutdown of its Units (I, II and III) for 156 hours resulting in generation loss of 8.58 MUs valued at Rs. 1.61 crore. The armature sent to BHEL in September 1998 was lying un-repaired at firm's workshop (April 1999)

(b) Another exciter armature, repaired by BHEL, Bombay at a cost of Rs. 6.99 lakh and despatched to thermal power station in September 1996, also failed four times in December 1996, March 1997, May 1997 and November 1997. Frequent failure of exciter armatures within warranty period caused shutdown of its Units (I and II) for 200 hours resulting in loss of 11 MUs of power valued at Rs. 1.71 crore. The armature was still (August 1999) giving sparking trouble. However, no action could be taken against BHEL for premature failure of armature as there was no provision in the agreement regarding compensation for consequential loss.

In their written reply, the state Government/Corporation stated as under —

"Generator is considered most vital equipment of the power station as it generates the electricity when excited with the help of exciter mounted and coupled directly with the generator. At FTPS generator was supplied by M/S BHEL Hyderabad who are an authority and pioneer in the field of manufacture of power station equipments. The exciter armature supplied by M/S BHEL alongwith generator is indigenously manufactured. Since exciter armature is a part of generator, it was imperative for the authorities of the power station to get the same repaired whenever required through the original supplier having all the design and

manufacturing details. Therefore, the project authorities entrusted the job of repair of exciter armature to M/S BHEL, Hyderabad. It was a matter of chance and also the ageing of the equipment that the same after repair failed repeatedly within the warranty period despite getting it repaired from different units of M/S BHEL (BHEL Hyderabad and Bombay). The project authorities however, took up the matter with M/S BHEL authorities again and again for the repair of this equipment just for the safety of generator and its other auxiliaries. The project authorities could not afford to get this equipment repaired from elsewhere other than BHEL. The repaired armature was finally received back from M/S BHEL Hyderabad and installed in Unit-II during 12/98 and is giving satisfactory service. However, it is added that BHEL being the original manufacturer/supplier of the equipment does not accept any deviation from any terms and conditions "

After going through the reply of departmental representatives it has been observed by the Committee that suitable steps needs to be taken so as to bind the supplier for such losses. The Committee also recommended that the term and conditions may be designed in such a way so that losses are met with which occur due to poor workmanship in repair of equipments.

2B. 10. Inventory Control

2. The table below indicates the inventory holdings of spares, consumables (other than fuel), cement and steel for five years ended 1998-99.

Year	Opening stock	Receipt	Consumption	Closing stock	Closing stock equivalent to monthly consumption
(Rupees in lakh)					
1994-95	1151.83	595.39	668.51	1078.71	19.4
1995-96	1078.71	766.12	517.41	1327.42	30.8
1996-97	1327.42	1033.48	768.67	1592.23	24.9
1997-98	1592.23	1099.22	944.95	1746.50	22.2
1998-99	1746.50	1077.99	743.16	2081.33	33.6

It would be seen from the above that the inventory holding was on higher side and ranged between 19.4 and 33.6 months' consumption. The Company had not classified its stores on the basis of items falling in A, B and C categories according to their value. It had also not fixed the minimum, maximum and reordering levels of inventory to evaluate the excess stock holding. Reasons for non-fixation of levels though called for (January 1999) were not intimated to Audit (September 1999). It was observed in audit that 3035 items of

stores and spares valued at Rs. 249.79 lakh were lying unused for a period of more than 13 years, i.e., since June 1985. Action to identify obsolete/surplus items had not been taken.

In their written reply, the State Government/Corporation stated as under —

“Details of inventory held as on 31-3-2000, 31-3-2001 & 31-3-2002 is as below

Year	Opening Balance	Receipt	Consumption	Closing Balance	Closing stock equivalent to monthly consumption
(Rupees in lakh)					
1999-2000	2081.33	1185.04	847.86	2418.51	34.2
2000-2001	2418.51	1606.14	1156.60	2868.05	29.8
2001-2002	2868.05	1193.58	1703.91	2357.72	16.6

Inventory holding major portion being cost of spares in Thermal Power Station of 3X 55 MW at Faridabad which was incepted in 1974-75 is slightly on higher side on account of various reasons given here under :—

1. Number of auxiliaries at FTPS are much more due to smaller and older Power Station. As such spares for all type of auxiliaries are required to be stocked.
2. Many auxiliaries have been partly renovated, as such spares for old as well as new renovated auxiliaries are required to be stocked.
3. Most of spares are long delivery and proprietary items and not readily available in open market and hence are required to be stocked because it is not known as to when any of these shall be required. Project/ Government authorities can't afford to keep generation. Unit closed simply, due to non-availability of a particular spare. Although it may not be required to be used for 10 years or more, still we have to continue to stock the same.
4. Increase in cost of spares/consumable also affects the value of inventory.
5. Since the major portion of inventory held is spares and as such minimum and maximum level can not be fixed.

Above data reveals that inventory held as on 31-3-2002 has come down equivalent to 16.6 month consumption as against 33.6 month at the end of 1998-99.

Items of obsolete/surplus inventory have been identified and necessary steps are being taken for disposal of the same.”

The Committee considered the written reply and justification given by the representatives of the Department and further desired to minimise the inventory.

2C. HARYANA POWER GENERATION CORPORATION LIMITED (REVIEW)

2C.4 Replacement of ESPs

3. The Company placed (March 1987/March 1989) letter of intent (LOI) on two firms for replacement of ESPs in 4 Units as indicated below in the table .

Sr No	Location/Unit No and capacity in MW	Date of LOI	Order date	Date of completion		Vendor/ Contractor	Order value (Rs. in crore)	Purpose
				Scheduled	Actual			
1. Panipat								
	Unit I and II of 110 MW each	10-3-1989	29-1-1990	<u>Unit I</u> <u>July 1991</u> January 1998 (Revised)	March 1999	BHEL	18 50	Design, manufacture, supply and commissioning of ESPs on turn key basis
				<u>Unit II</u> <u>January 1992</u> April 1998 (Revised)	Work in progress			
2. Faridabad								
	Unit I and II of 60 MW each	31-3-1987	24-6-1987	<u>Unit I</u> August 1988	December 1996	Voltas/ Power Max	6 76	Design, manufacture, supply and commissioning of ESPs
				<u>Unit II</u> February 1989	August 1998			

(a) Against the order of January 1990 in respect of PTPS, BHEL took up the work in March 1991. The work could not be completed by the scheduled period because the erstwhile Board failed to release the payments as it could not make arrangement for required funds. At the end of March 1993, total amount payable to BHEL aggregated to Rs. 11 20 crore (supply of material : Rs 10 crore and execution of civil works . Rs 1.20 crore). consequently, BHEL stopped the work. However, on Board's request, execution of the work was revived in September 1995 and as a package deal, the Board allowed Rs 0.35 crore to BHEL as compensation for retainment of site establishment during the period of suspension of work, i.e. from April 1993 to September 1995. The Board also agreed to allow price variation on actual basis for supplies/works executed after September 1995. Revised cost of work was estimated at Rs 34 crore with scheduled dates of commissioning as January 1998 and April 1998 for Units I and II respectively. The ESP of Unit I was commissioned in March 1999 whereas ESP of Unit II had not been commissioned so far (June 1999). Total payments made to BHEL amounted to Rs 28.81 crore.

It was observed that during the period from April 1995 to December 1998 (record prior to April 1995 was not made available), the excessive dust concentration damaged the ID fan impellers causing shutdown of the Units for 6231 hours on 47 occasions resulting in generation loss of 685.41 MUs valued at Rs 108.41 crore. Further, the expenditure incurred on repair of ID fan impellers worked out to Rs 1.67 crore. In addition to this, the Company had to incur avoidable expenditure of Rs 1.83 crore on excess consumption of oil for restart of Units after repair of ID fan impellers.

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

Panipat

“The ESPs of Unit-I & II under (Stage-I) were of old design and were not able to control the emission level efficiently which caused atmospheric pollution besides causing damage to ID fan-impellers. So under R&M scheme it was planned by erstwhile HSEB to dismantle old MP hoppers and to install modified ESPs for unit-I & II to bring the emission level within permissible limits.

An order for manufacturing, supply, erection, testing and commissioning including civil works of retrofit ESPs for Unit-I & II was placed on M/s BHEL (A Govt. of India undertaking & original manufacturer) on 29-1-90 at a cost of Rs 18.50 crores with variable prices as per provision in the purchase order and amendment thereof. Initially ESP of Unit-I was to be commissioned within 18 months from the date of placement of order and ESP of Unit-II within 24 months i.e. July 1991 and January, 1992 respectively. Although BHEL started despatching the material during March, 1991 and civil work was also started at site but the work could not be completed within the scheduled period because erstwhile Board was not able to release the payments including timely advance payments alongwith the order as mentioned in the review itself. Consequently, the work remained stopped from March, 1993 to September, 1995. It was on 4/9/95, that erstwhile HSEB entered into an agreement with BHEL in a meeting held at Panchkula to settle certain commercial issues such as price-variations, extension in completion period etc. However, BHEL again vide their letters dated 21/9/95 and 9/1/96 requested for early decision in respect of various commercial issues and asked for further amendments. The case was discussed by Task Force Committee but BHEL vide their letters dated 27-11-96 and 29-11-96 raised certain new issues in variance from the previous decisions. Since BHEL was changing its stand from time to time so in order to clinch the issues once for all, it was therefor recommended that BHEL representatives may also be associated in PTSC (O&M) meeting for package deal and to sort out issues once for all.

Accordingly erstwhile HSEB again entered into an agreement with BHEL in meeting held on 2/3-1-97 regarding pending issues in respect of purchase order dated 29-1-90. As per amendment dated 27-1-97, BHEL was to commission Unit-I by January, 1998 and Unit-II by April, 1998. Although the erection work of ESPs started in true sense in March, 1997 but due to certain site constraints, viz. casting of foundation & structure works in proximity of running ID fans, difficulties involved in movement of erection crane, occasional flooding of construction area from water slurry of running units etc., the work was to be done in limited areas when both the units were in running conditions. As the erection work was of retrofit in nature so BHEL could not stick to revised schedule of commissioning. However status of retrofit ESPs of Unit-I & II (Stage-I) is as under :—

1. 110 MW Unit-I

The retrofit ESP of Unit-I along-with associated Ash Handling System for retrofit

ESP was commissioned on March 4th, 1999 successfully. It is working satisfactorily since the date of commissioning with all the 12 Nos. fields in service. During the month of June, 1999 SPM emission level has been got checked from Shri Ram Institute, New Delhi and the same has been found 90mg/NM³ against SPCB norms of 150mg/ NM³ which is very much in permissible limits as prescribed by CPCB. The SPM emission level for the month of 7/2000 to 9/2000 is 48,47, and 52 respectively which is within permissible limits.

ii. 110 MW Unit-II

Unit was placed under shutdown since 22/1/99 for refurbishment works by M/s ABB. The shut down was utilised for connect up activities of retrofit ESP with existing system after dismantlement of old M.P. hoppers. The work of retrofit ESP alongwith associated ash handling system has since been completed. However, commissioning of this unit will be possible only after completion of other works such as refurbishment of Unit-II by M/s ABB which is presently under dispute. Whenever this unit will come on Bar (in operation), the emission level of Ash Dust would be definitely within permissible limits of SPCB norms as in the case of Unit-I.

2. 110 MW Unit-III & IV (Stage-II)

The ESPs of Unit-III & IV are in service and efforts are being made for mtc. of existing ESPs. The environmental status of these units is as under .—

The stack emission level in Unit-III & IV is on higher side than the permissible limit of 150mg/NM³ as per CPCB norm and the designed value of 300 mg/NM³ as given by manufacturer i.e. BHEL. The emission level of 150mg/NM³ as fixed by CPCB is not attainable as the coal supplied by CIL is of very poor quality.

“These units of Panipat TPS were designed for coal having calorific value of 4800 Kcal/Kg. with ash content of 31.8 per cent. Against this the actual calorific value of coal being received is around 3700-4000 Kcal/Kg. with ash content varying from 38 to 46% leading to excessive ash content in flue gases. Due to this existing ESPs are not able to handle this extra ash content”. The coal supply is the monopoly of CIL and the Corporation has to accept the coal supplied by them to run the power houses to overcome shortage of electric supply.

In this regard investigation regarding performance of ESPs was carried out by BHEL (a Govt. of India undertaking & the original manufacturer) and following recommendations have been made which will reduce the emission from the stack by minimum 25%.

- (a) Installation of micro processor based BAPCON controllers.
- (b) Detailed checking of existing ESPs during annual overhauls and repair/modification wherever required.
- (c) Better maintenance/modification of ash handling system.
- (d) If the required SPM level is not achieved by carrying out above/modifications/repair, then two additional ESP fields will be installed to

cope up the additional ash content in flue gases.

Latest position regarding implementation of the above recommendations of BHEL is as under .—

- (a) The case for installation of micro processor based (BAPCON) controllers is under process and will be finalised soon.
- (b) Detailed checking of ESP of Unit-III & IV was carried out by BHEL and maintenance work as per their recommendation has been got done in Unit-IV during Oct/Nov , 1999 and Unit-III during July/Aug., 2000. After this maintenance the performance ESPs has improved appreciably and now the SPM level is near about 300 mg/NM³ which is the design value of manufacturers.
- (c) Regarding ash handling system, operation and mtc. contract is awarded to M/s Melco India Pvt. Ltd., Faridabad for better performance of the plant and system by this way has improved
- (d) As the required SPM level i.e. 150 mg/Nm³ could not be achieved after carrying out required mtc As per BHEL recommendations the case for two additional ESP fields is under process which are required to handle the additional load of ash due to coal of less calorific value and higher ash content after installing 2 fields of BAPCON Controllers, the SPM will come within norms and the performance will be reviewed after above action

3. Unit-V of 210 MW (Stage-III)

Emission level of the 210 MW Unit-V ESP as per the design is 150 mg/NM³ for design coal with a calorific value of 4800 Kilo/calories and 270 mg/NM³ for worst coal having a calorific value of 3700 Kilo/calories. However, the emission level from the stack (chimney) since Sept. 1998 is detailed as under —

Month	9/98	12/99	1/2K	2/2k	3/2k	4/2k	6/2k	7/2k	8/2k	9/2k	10/2k
Results mg/NM ³	195	133	129	193	190	—	121	139	133	140	145

From the values as detailed above, it can be seen that stack emission of 210MW Unit-V since Sept., 1998 is more or less within the limits prescribed as 150 mg/ NM³ except for 2-3 months which are slightly higher.

In order to further reduce the stack emission in 210 MW Unit-V, a firm order on M/s BHEL Ranipet has already been placed for installation of Micro-Processor based controllers (BAPCON) in the existing Electro Static Precipitators at a total order of Rs. 60 lacs After installation of the Micro Processor Based Controller (BAPCON), the emission level will get reduced minimum by 25% and as such it is expected that the emission from the stack would generally not exceed the limit of 150 mg/NM³ prescribed for the Unit M/s BHEL is expected to start the work very shortly and it is expected that the same would be completed by April, 2001."

After going through the reply and oral evidence of departmental representatives, the Committee expressed concern and wanted to ascertain as to why the E.S.Ps. were not installed in given time frame, why the money was not arranged in time. Why appropriate decisions were not taken at right time. The Committee desired that calendar of events from the date of decision to instal E.S.Ps to as on date may be provided to the Committee. The responsibility to the officers/officials at each stage be fixed and Committee be informed accordingly. Additional information as desired by the Committee was submitted by the Company before finalisation of the report. The Committee reviewed the reasons for delay in installation of E S Ps and calendar of events of retrofit of E S Ps of Unit No. I and II and was not satisfied with the explanation given therein. On one side it is stated that due to poor health of the Board/Corporation payments were not released to the M/s BHEL while on other hand it was stated that due to non-availability of clear fronts for installation of E S.Ps, transporters strike in Tamilnadu and frequent failure of power in Tamilnadu delayed execution of the project.

The Committee, however, recommended that before taking up of any project firm commitment from Financial Institutions should be obtained and P.E.R.T. Chart should be prepared so as to ensure that the work is executed without any interruption in future.

(b) After completion of the work valued at Rs. 5 84 crore at FTPS, M/s Voltas Limited, Bombay, demanded (January, 1993) escalation of Rs. 3 80 crore over and above firm price to which the Board did not agree and allotted the left over work to Power Max (India) Private Limited, Bombay at Rs. 1 75 crore at the risk and cost of Voltas Limited, Bombay. The work was completed in December 1996 (Unit I) and August 1998 (Unit II). Total payments made against the work amounted to Rs. 7.35 crore (including Rs. 5.60 crore to Voltas Limited). Delay in replacement of ESPs besides causing atmospheric pollution also resulted in damage to the ID fan impellers due to excessive dust concentration thereby causing shutdown of Units for 1615 hours on 58 occasions resulting in generation loss of 88.84 MUs valued at Rs. 9 68 crore during March 1989 to July 1998. Of this, the board claimed Rs. 6 49 crore from Voltas Limited in an arbitration case filed (March, 1997) against the firm. The decision of arbitration case was awaited (April, 1999).

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

(b) Faridabad

“The replacement of ESPs of Unit-I & II of FTPS, Faridabad was carried out by M/s Voltas Ltd. vide out W/O Ch. 51/RNV-25/VOL. III, Dated 25-6-87. M/s Voltas deserted the site in 2/94 due to dispute regarding price escalation. Subsequently balance work was allotted to M/s Power Max vide W O. Ch 34/ RNV-25/Vol. IX, Dated 7-9-95 at the risk and cost of M/s Voltas. Both the paths of Unit-I & II of FTPS were commissioned as follows :—

Units	Date of L.H.S Commissioning	Date of R.H.S. Commissioning
I	19-12-1993	31-12-1996
II	27-04-1992	24-04-1998

The emission level after installation of modified ESPs of Unit-I & II are within the permissible limit as per the norms of Central Pollution Control Board. The performance tests were got carried out as tabulated below :

Sr. No.	Unit/Path	Name of Agency who carried out test and date	Results
1.	I LHS	Nuchem Ltd., 12/3/1994	25 mg/Nm ³
2.	I RHS	Nuchem Ltd., 28/3/97 & 28/11/98	115 mg/Nm ³ 43 mg/Nm ³
3	II LHS	Nuchem Ltd., 12/3/94	28 mg/Nm ³
4.	II RHS	Nuchem Ltd., 20/12/1998	50 mg/Nm ³

The damage to I.D. Fans impellers causing shutdown of Units of FTPS is not due to excessive dust concentration as the dust concentration is well below the prescribed norms fixed by CPCB which is 350 mgm/Nm³ for the units generating less than 200 MW. So damage to I.D. Fans is normal wear and tear only & was not due to excessive dust concentration.

The ESPs of Unit-III were installed by BHEL in 1981 alongwith crection of Unit-III. These ESPs are working satisfactorily.

The result of stack emission are within limit prescribed by CPCs as detailed below as such there is no need for replacement of ESPs in Unit-III.

Stack emission (mg/Nm ³)	Date of test conducted	Prescribed values by CPCM (mg/Nm ³)
LHS	RHS	
188	177	19/11/94
142.4	291	13/06/95
180.4	180.8	08/04/96
136.46	136.46	03/05/96
105.2	112.5	18/03/97
146.9	105.5	2/98
244.0	189.0	27/05/98
49.0	35.0	24/02/99

350 mg/Nm³

The performance test of all the four paths were carried out and the results were within the prescribed limits (The performance test of LHS paths Unit-I & II were carried out by M/s. Voltas Ltd. and for RHS Unit-I & II by M/s. Power Max (I) Pvt. Ltd.).

The main reasons for delay in replacement of ESPs were :—

1. Failure of Interconnection duct in Unit-I

The interconnecting Duct for Unit-I did not perform to the desired parameter in the first instance which was got modified and reinstalled on 5-5-1990 and dismentlement started on 26-5-1990.

2. Civil Works

There were constraints with regard to construction of pile foundation for ESPs as well as its control rooms. All the civil works could not be executed in one go and without linking dismentlement and stages of mechanical erections of ESPs

3. Shifting of HP/LP Water Header

It was observed that the existing HP/LP Water Header line fouled with the inlet duct of new Esps & required shifting.

4. Abandoning site by M/s Voltas Ltd., Bombay

M/s Voltas Ltd., abandoned the site on 2-2-1994 after completion of 2 number paths of ESPs out of total 4 number paths to be installed.

5. Completion of the left over work at the risk and cost of M/s. Voltas Ltd. from M/s Power Max (I) Pvt. Ltd. by issuing separate work order.

6. Non-availability of shutdown

The various activities in the scheme of erection of ESPs required shut down each ranging from 5 days to 30 days which in a number of time were not allowed in time & deferred due to power shortage in the State Thus all above constraints contributed in delay of erection, testing & commissioning of ESPs”

During oral examination of the representatives of the State Government, the Committee desired that information regarding reasons for damage of I.D. fans and copy of the enquiry report for the same may be provided to the Committee. Committee also desired to know as to how many times the plant tripped and on what ground. As the case of recovery from M/s. Voltas Limited, Bombay was pending in the arbitration, the para is kept pending till its decision.

3. HARYANA FINANCIAL CORPORATION (REVIEW)

3.5(b) Project appraisal

4. A few cases involving deficiencies in project appraisals and disbursement of loans such as financing unviable units, acceptance of defective security ignoring adverse reports regarding credit worthiness of promoters, disbursement of additional loans to defaulting units, non-verification of titles of securities, etc., are discussed below :

(i) Nova Marb (P) Limited applied (April, 1986) for a loan of Rs. 60 lakh for setting up a synthetic marble and granite decorated tiles manufacturing unit at Bhiwani with installed capacity of 3450 TPA. Before sanction of loan, the Corporation discussed the case with IDBI which advised that keeping in view promoters' experience and technology involved in the process being sophisticated, the capacity of the unit be reduced to 500 TPA from 3450 TPA. Accordingly, the Corporation asked (October, 1986) the promoters to reduce the size of the project. Even though the promoters did not reduce the installed capacity as desired by IDBI, the Corporation sanctioned (March, 1987) loan of Rs. 60 lakh. An amount of Rs. 52.73 lakh was disbursed between October, 1987 and March, 1989 and balance loan was cancelled.

The unit started commercial production in January 1989. During 1989-90, the unit effected sales of Rs. 0.95 lakh against the projected sales of Rs. 207 lakh. As the unit did not repay the instalments of loan, the Corporation finally took over possession of unit in May 1991.

The unit was put to auction (February 1992) where highest bid of Rs. 52.44 lakh was not accepted (February 1992) on the plea that the reserve price of the unit was not assessed. After getting the value of unit assessed (April 1992) at Rs. 56.56 lakh, the unit was put to auction in June 1992, October 1992 and January 1993 but no bid was received. The total amount outstanding against the unit amounted to Rs. 238.20 lakh on 31 January 1999. The unit had not been sold so far (March 1999).

Thus, sanction of loan to an unviable unit resulted in non-recovery of Rs. 238.20 lakh. Besides, the Corporation also lost opportunity to recover at least Rs. 52.44 lakh because of its failure to assess the value of the unit.

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

"Messrs. Nova Marb Pvt. Ltd., Bhiwani was sanctioned a term loan of Rs. 60.00 lacs by the Corporation and Rs. 12.10 lacs by HSIDC for setting up a unit for the manufacture of polymer concrete synthetic artificial marble, Sanitary fittings and ceramic tiles by importing plant and machinery from West Germany. The product proposed to be manufactured by the company was a substitute to ceramic sanitary fittings and ceramic tiles. It had been granted import license by the Government of India for the import of capital goods and the unit was located in centrally declared industrial backward area of Bhiwani. The technology for the project was new and as such after the initial discussions with IDBI it had been suggested to scale down the cost of project so that the cost is comparable with

similar project of Messrs. Visa Polycrete Ltd., financed by PICKUP of UP. As per the advise of IDBI, the cost of project was scaled down to Rs. 112.77 lacs and the corresponding reduction in the term loan. However, there was no impact on the installed capacity of the plant as the company clarified that the resin casting machine being imported by them was of the smallest capacity which was capable of producing 3300 TPA polymer concrete casting and as such there was no change in the capacity of the plant. The revised cost of project as approved by the Corporation was also accepted by IDBI as it sanctioned refinance against the term loan granted by the Corporation on 26-5-1987.

As regards the sale of the unit for recovery of its dues the Corporation invariably make 4-5 attempts to dispose of the unit to fetch the competitive price. The Corporation put the unit to sale in November 1991 against which the highest bid of Rs 20.00 lacs was received which was considered on the lower side and was rejected. Subsequently, in February 1992 the Corporation invited tenders in response to which the highest bid of Rs. 52.44 lacs was received which was placed before the Committee in its meeting held on 25-2-1992. The Committee observed that the value of security had been accepted by the Corporation at the time of disbursement of loan 92.55 lacs and had been assessed by the Branch Manager at Rs. 78 00 lakh. The Corporation may get still better price as there was spurt in the offer of the property being received by the Corporation in a short period of 3 months. In order to ascertain the fair value of the property, the Committee decided to get the mortgaged property re-assessed through a professional i.e. an assessor on the penal of the Corporation so as to have realistic assessment of the property. The offer was, therefore, rejected because of these reasons and not that the assessment of the property was not available.

In view of the fact that project involved technology upgradation, import of capital equipment and unit located in centrally declared backward area, it may be incorrect to conclude that project was unviable and the Corporation had on its record the assessed value of property while considering the offer for sale of unit."

During oral examination, the representatives of the Government/Company informed the Committee that the unit was not in their custody. The unit could not be sold as the court had stayed the auction of the unit. The Committee was also informed that the next date of hearing is 26 July 2003. **The Committee accordingly decided that efforts need to be made to vacate the stay of the court. It was also submitted that latest position of the court case and survey position be intimated to the Committee from time to time.**

(ii) Kalptaru Basic Drugs (P) Limited applied for a term loan of Rs. 30 lakh for setting up a bulk drug project in district Rohtak. On appraisal of the project, the proposed land measuring 4 kanals 8 marlas was found insufficient and it was decided that the unit would take adjoining land measuring 9 kanals 12 marlas owned by its managing director on lease for about 20 years and provide it as collateral security. Acceptance of leasehold land as collateral security being not marketable was in contravention to its laid down procedure. Out of sanctioned loan of Rs. 29.10 lakh, the Corporation released Rs. 13.31 lakh between August 1991 and February 1992 and the balance loan was cancelled as the

loanee was not interested to implement the complete project. The unit went in default (Rs. 2.22 lakh as on 1 March 1993) and the Corporation took over the possession of the unit and the collateral security in July 1994.

The Corporation invited (July 1995) tenders and sold (October 1995) land, (14 kanals including 9 kanals and 12 marlas on leasehold with the unit), building and machinery of the unit for Rs. 14 lakh. A sum of Rs. 3.50 lakh being 25 per cent of the bid amount was received (November 1995) and possession of the unit was handed over (January 1996) to the buyer. However, being the leasehold land, the ownership of land measuring 9 kanals and 12 marlas was not with the Corporation and could not be transferred. Therefore, the buyer of the unit requested (November 1996) the Corporation to refund Rs. 3.50 lakh. The Corporation took back the possession of unit in January 1998 and the same was lying unsold so far (March 1999).

Thus, due to acceptance of leasehold land as collateral security in contravention to its laid down procedure, recovery of Rs. 33.51 lakh (including interest) had become doubtful.

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

“Messrs. Kalpatu Basic Drugs Pvt. Ltd., approached the Corporation for setting up bulk drug manufacturing unit. The company had proposed to set up a unit on a piece of land measuring 4 kanal 8 marla which was not considered sufficient for setting up such type of unit. The company therefore, proposed to take on lease another land measuring 9 kanal 12 marlas adjoining to the unit which was owned by Shri Kailash Nagpal, Managing Director of the Company. The Company also requested to consider the additional land being owned by Managing Director of the Company as in-built security against the requirement of collateral security stipulated by the Corporation. In fact, the company had taken this land on lease and the Corporation accepted the same for collateral security by getting mortgaged the ownership rights through its owner Shri Kailash Nagpal who had executed the deed of additional security in favor of the Corporation mortgaging this land as collateral security. The observation of audit that the ownership of this land was not with the Corporation is incorrect as the Corporation is in possession of the entire land mortgaged as primary security and collateral security through mortgage deed and additional security document.”

The Committee considered the reply and explanation given by the Company/State Government regarding acceptance of 9 kanals 12 marlas owned by the Managing Director of the unit as a collateral security taken on lease was not satisfied. The fact remained that the company could not avail the opportunity for releasing its outstanding dues while the unit was auctioned in October 1995 for Rs. 14 lacs as the ownership of 9 kanals 12 marlas land was not transferred to successful bidder. The Committee expressed concern that the company did not take steps to recover the outstanding dues either from the promoters or by putting the unit to auction after giving wide publicity. In the above background the Committee recommended that besides taking action against officials/officers who accepted the said land as collateral security expeditious steps need to be taken to recover the outstanding dues from the unit.

(iii) Sudha Food Pack (P) Limited, Panchkula approached (September 1991) for a term loan of Rs. 65.76 lakh for setting up a multilayer co-extruded plastic fibres project which was subsequently increased (December 1991) to Rs. 85 lakh due to increased in the capital cost of project. While considering the loan application, the Corporation felt that the promoters of the unit had nominal means and as such a collateral security of at least 20 per cent be obtained. Subsequently, the proposal to obtain collateral security was dropped without assigning any justification. Loan of Rs. 85 lakh was sanctioned with the condition that technical adviser of the unit (Shri Arun Sharma) be inducted as director with a minimum equity contribution of Rs. 0.75 lakh and his credit worthiness be verified from Punjab Financial Corporation (PFC) from which his unit had availed a loan of Rs. 52.24 lakh. Before release, the Corporation approached (February 1992) the PFC to ascertain the credit worthiness of the director. The PFC intimated (April 1992) that the unit of that person was in default since inception. However, the Corporation ignored this fact on the plea that Shri Sharma was only a technical director in the unit and released (between June 1992 and April 1993) a loan of Rs. 77.59 lakh to the unit.

The unit went in default and the Corporation took over (April 1996) the possession when the dues accumulated to Rs. 162.16 lakh. The unit was sold for Rs. 50 lakh leaving an unrecovered balance of Rs. 112.16 (principal : Rs. 34.21 lakh and interest : Rs. 77.95 lakh).

Thus, release of loan to the promoters with insufficient resources, relaxing the requirement of collateral security and ignoring the adverse report from PFC resulted in non-recovery of loan of Rs. 112.16 lakh.

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

"Bridge loan of Rs. 16.00 lacs was sanctioned by the Corporation against sanctioned subsidy of Rs. 21,70,600/-. Bridge loan could have been sanctioned upto the sanctioned amount of subsidy provided the party had submitted collateral security of value Rs. 24.68 lacs i.e. the amount of subsidy + interest of bridge loan for one year. But since, the value of collateral security offered by the company was only Rs. 18.88 lacs, it was eligible for bridge loan to the tune of Rs. 16.00 lacs only and the same was sanctioned. As regards, valuation of the property offered as collateral security, the same has been assessed by the assessor on the panel namely Lt. Col. A K Suri, 17, Sector-11, Chandigarh. The property as per details available in the assessment report is a residential-cum-commercial property near Bus Stand, town pattern, Distt. Patiala, Punjab. The total area is 1504 sq. ft. As per practice of the Corporation, value assessed by the Valuer on the panel of the Corporation was being accepted.

The Board had stipulated as under .

"Credential report from PFC about Capt. Arun Sharma, who is a technical adviser of the company shall obtained"

In compliance of this report from PFC was obtained and dealt. PFC informed that Capt. Arun Sharma is one of the director of M/s Standard Containers to

whom PFC has sanctioned loan of Rs 52 40 lacs out of which Rs. 52.24 lacs has been availed. PFC further reported that concern has committed default since inception. It also reported that there is some dispute amongst the directors of the company. This report reflected only about the account status of M/s Standard Containers, Patiala and it simply mentioned that Capt. Arun Sharma is one of the directors of this company. This project assisted by PFC was still under implementation as per the information supplied by PFC and further investment to the tune of Rs 6.22 lacs was to be made on the project. Nothing adverse was however, reported by PFC about Capt. Arun Sharma.

The Corporation had sanctioned loan to M/s Sudha Food Packs Pvt. Ltd., where Arun Sharma was only a technical advisor. The loan of M/s Sudha Food Packs Pvt Ltd., Panchkula was secured by the guarantees of the directors namely Sh. Ashish Singla, Sh. Manoj Garg, Sh. Vivek Raj Anand & Sh. Rajesh Goel. Capt. Arun Sharma was not a guarantor for the loan raised by M/s Sudha Food Packs Inds. Pvt. Ltd. Considering the above fact in view, the stipulation was treated as redundant.

Thus, the observation that the condition was relaxed, does not hold good.

At the time of appraisal itself, the company had appointed Capt. Arun Sharma as their technical advisor. It is further mentioned that the technology in this project is indigenous and is proven. The main machinery supplier in this case was M/s Kolsite Machines Fabric Ltd, Bombay. This supplier is a well known supplier in the field of plastic machinery and Corporation had financed machinery of this supplier in number of other cases. The supplier also provided necessary training and technical support for running the unit as is the practice. In view of this, the observation made by the audit does not hold good."

The written reply submitted by the Company/State Government pertained to the sanction of bridge loan while the audit para was regarding sanction of term loan. It showed that due care was not exercised while submitting reply to the Committee. Secondly the Committee was also not satisfied with the reply as regards dropping of the condition of obtaining equity contribution of Rs 0.75 lakh from Shri Arun Sharma. Thirdly even after obtaining adverse remarks from P.F.C. on the creditworthiness of Shri Arun Sharma, the disbursement of loan showed lack of commitment/professionalism in the Corporation. In the above background, the Committee recommends that disciplinary action needs to be taken against the officials/officers who waived of the conditions attached with the sanction. Committee also recommends that the Corporation should initiate action against Directors of the Units namely Shri Ashish Singla, Shri Manoj Garg, Shri Vivek Raj Anand, Shri Rajesh Goel and Capt. Arun Sharma who guaranteed the repayment of the loan.

(iv) The Corporation sanctioned (March 1994) a term loan of Rs 70.50 lakh to M/s Pankaj Agro Industries (P) Limited, Bhiwani for setting up a unit for production of white button mushrooms on its own land. The loan amounting to Rs 57.69 lakh was disbursed

during January 1995 to May 1996 against the security of building and machinery and balance loan (Rs 12.81 lakh) was cancelled (February 1997) due to non-demand by the unit.

The unit again approach (October 1977) the Corporation for additional term loan of Rs 46.90 lakh to implement the original scheme and enhancement of installed capacity. The Corporation sanctioned (October 1997) second loan of Rs 30 lakh to the unit and also revived the earlier cancelled loan of Rs 12.81 lakh with the following stipulations .

- (a) Before disbursement, the promoter would furnish collateral security equivalent to 150 per cent of the total term loans
- (b) The amount of overdue interest of Rs 12.50 lakh on earlier loan would be adjusted at the time of disbursement of balance original loan.

It was observed that in order to fulfil the condition of collateral security equivalent to 150 per cent of the total term loan, the value of the security was inflated to Rs 1.76 crore though the same security had earlier been valued at Rs 75.83 lakh on the same day (23 December 1997) by the same valuer. Besides, the Corporation released entire loan of Rs 42.81 lakh between February and August 1998 without adjusting overdue interest as stipulated.

The unit was default since March 1996 and the Corporation recalled the entire loan of Rs 129.56 lakh (including interest) in January 1999. Further action was awaited (February 1999).

Thus, the disbursement of loan without adjusting the overdue interest (Rs 12.50 lakh) and acceptance of collateral security at inflated value to favour the loanee rendered the recovery of Rs 129.56 lakh doubtful.

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

“The condition regarding collateral security imposed by the sanctioning authority was as under .

Stipulation No.7

“The company will furnish collateral security to the extent of 50 % of the loan before disbursement of loan.”

The Corporation released first installment of loan amounting to Rs 4,09,600/- on 13-1-95, when the condition was relaxed for the first disbursement on the ground that title of the property submitted by the unit is not in order and company made a request for its relaxation. The relaxation was granted by the competent authority. The second installment of loan of Rs 11,00,500/- was released on 3-5-95, where again the condition was relaxed. This relaxation was on the grounds that the property being submitted is an HUF property and the same may be mortgaged subject to its title being clear and this collateral to be substituted by another collateral security, subsequently. The title of HUF property was cleared on 1-5-95 and it was equitably mortgaged on

4-5-95 Thereafter, 3rd installment of Rs 3,89,600/- was released on 29-5-95. The party submitted more papers in respect of clearance of title of the same property which was earlier HUF but converted into ownership by a Regd. Court decree. Its title was accepted on 9-8-95 and company executed documents for its mortgage on 10-8-95. The property was duly assessed by the approved assessor on the panel and its value was reported

at Rs 34,53,000/-. The required collateral security was Rs 35.00 lacs for the entire sanctioned loan. After the mortgage of this property comprising of land measuring 2886 sq. yds., subsequent releases were made. The last disbursement was made on 2-5-96 and by then total disbursement amounting to Rs 57,69,000/- was made.

Thus, the observation made by the audit that the HUF property was not replaced by the unit even after additional loan of Rs 30.00 lacs was disbursed to the unit does not hold good and is not factual.

In this regard it is submitted that the party approached the Corporation in Nov., 1997, for re-schedulement. Its proposal was considered by the GM's Committee in its meeting held on 17-11-97. As per this reschedulement proposal approved by the Corporation, the company was allowed to repay the default amount of Rs 12.50 lacs as per the cash generation of the project during 1999-2000. The repayment was to be made in quarterly installments and it was felt that this would help the unit to start the production timely and make it viable.

Based on this decision when additional loan instalments were to be released, this stipulation was treated redundant. After having taken this decision, a sum of Rs 5,81,000/- was released to the party on 12-2-98. Thereafter, the party again visited the Head Office in the month of August 1998 and it prayed for release of Rs 7.00 lacs to enable them to start the ground work for production which planned to begin in September. The request was considered by the corporation keeping in view the nature of the project and the assessment by the corporation that the unit may become sick even before it starts and therefore, a chance needs to be given to bring it into operation. In view of this Rs 7.00 lacs was also released to party on 17-8-98. therefore, keeping in view the above facts, observations made by the audit is not in consonance with the facts.

Additional loan case for Rs 30.00 lacs was sanctioned by the E.C. on 28-10-97. The agenda note placed before the E.C. contained the following with regard to collateral security :

"The company will also furnish collateral security of 150% of loan exposure consisting of land measuring 4425 sq. yds. Alongwith Liberty Cinema, Bhiwani built thereon. The value has been assessed for Rs 177.00 lacs by the Branch Manager and meets the requirement of the project and satisfied he observations made in the GM's Committee meeting held on 19-10-1997."

In the sanction letter issued to the party, the stipulation was imposed as under :

“Before disbursement of any part of loan, the company will furnish collateral security equivalent to 150% of the term loan exposure of the corporation of land measuring 4425 sq.yds alongwith Liberty Cinema building construction thereon to the satisfaction of the Corporation”.

When first installment of additional loan of Rs 30.00 lacs was released, the stipulation was complied in the light of BM's assessment of the property at Rs 177.00 lacs and the valuation report from the assessor Sh. Pradeep Gupta at Rs 175.60 lacs. This was adequate to secure up to 150% of the term loan exposure of the Corporation. It was observed by the Head Office in the month of July, 1998, that certain documents are missing from the file and they have been tampered with. On asking of the duplicate/copies of the missing documents, the assessed value in the copy of the assessor's report was indicated at Rs 75.83 lacs as against earlier report for Rs 175 60 lacs. In order to confirm the factual position, officer of the rank of AGM was deputed to verify the facts. According to his observation the value of the property mortgaged was of the order of Rs 1 00 crore. When the party visited H.O. for release of Rs 7.00 lacs the matter regarding the value of the property mortgaged to the Corporation was also discussed and the party maintained that its value is Rs 1 76 crores. However, Keeping in view the status of the project and substantial involvement of the corporation, a view was taken that stoppage of disbursement of balance amount of Rs 7 00 lacs will be detrimental for the project. Accordingly, the amount was released to the party.

The Corporation had financed Gen. Set of 180 KVA. Whereas, the estimated power requirement of the unit was 150 KW. It is a common grievance of the industrial units that it takes time to get power connection from Electricity Deptt. And therefore, most of the units make provision for Gen Set. The same provision was made in this case. However, it is a fact that unit did not commence production.”

The Committee considered the written reply and explanation given by the Company/State Government and was not satisfied on the following grounds :-

- (i) The promoter furnished the collateral security by revaluing the same property and tempering with the records in connivance with the officials of the Corporation. Through the Corporation had dismissed the Branch Manager may be in another case yet it showed that there was no superior control in the Corporation to monitor such lapses.
- (ii) Second loan of Rs 30 lakh was sanctioned in October, 1997 and the unit applied and got the loan rescheduled in November, 1997. This clearly shows that the condition of recovery of Rs 12.50 lakh before disbursement of Rs 30 lakh was got waived against the interest of the Corporation.

In the above background the Committee recommends that strict disciplinary action needs to be taken against the officials/officers who acted against the interest of the Corporation. The Committee also recommends that the Corporation should take effective steps to recover the outstanding dues.

(v) The Corporation sanctioned (September 1992, December 1992 and March 1993) three separate loans to Shiva Garments (Rs 7.40 lakh), Skylarks Garments (Rs 7.43 lakh) and Skylark India (Rs 7.40 lakh) for sitting up three different units at Bhora Kalan (Gurgaon) and disbursed Rs 6.25 lakh, Rs 7.25 lakh and Rs 6.32 lakh respectively between December 1992 and October 1993.

As all the units were default in repayment of loans, entire loans of the three units were recalled (August 1996) and the Corporation decided (September 1996) to take possession of assets of the units. However, the possession of assets could not be taken due to following reasons :

- (a) The Corporation accepted the primary security of unpartitioned land of 4 kanals for all the three units, without entry of mortgage in revenue records. The promoters sold the land in 1996 without the knowledge of the Corporation.
- (b) Buildings constructed by all the three units were on another land which was not mortgaged to the Corporation.
- (c) Machinery installed by all the three units had been removed by the units and disposed of without the knowledge of the Corporation.

FIRs were lodged (February 1998) against all the three promoters of the units. Legal Advisor of the Corporation opined (December 1997) that there was active connivance on the part of the officials of the Corporation because acceptance of security of unpartitioned land was against the policy of the Corporation. Due to non-completion of required formalities coupled with failure to notice the construction of buildings at alternate sites, the purpose of obtaining security against loans was defeated and amount of Rs 22.65 lakh (including interest up to May 1998) remained unrecovered.

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

“The observations made in this para are correct except that the machines in all the three units sold for Rs 3 lakh without the prior approval of the Corporation by the borrower but the sale proceeds were deposited with the Corporation and a sum of Rs 1 lakh each was credited in all the three accounts. As regards active connivance on the part of the officials of the Corporation it may be mentioned that at the time of taking over the possession of the units it came to our notice that the mortgaged properties did not exist in the name of borrower/guarantor and the parties had availed loan from the Corporation by submitting forged documents. The Corporation has already lodged an FIR against all the proprietors on 9-2-1998 and the case is at present in District Court, Gurgaon for fixation of charge against the accused and decision of the Court will be binding. The next date of hearing has been fixed for 20-4-2001. However, Recovery Certificate in all the three cases have been issued.”

During oral examination (April 2002) the representatives of the State Government/

Company informed the Committee that objections raised in the para are correct and fraud was committed in these cases. It was also informed that Sh. Ahuja DGM, Sh. Deva Singh, Law Officer and Sh. P.K. Goel was found guilty in the departmental enquiry. Sh. Ahuja, DGM was dismissed in another case and departmental action is being taken against the other two officers. **The Committee expressed concern for not initiating criminal case against the guilty officers. The committee as such, recommended that copy of the enquiry report, FIR and copy of the file on which the then Managing Director ordered to file FIR's against the defaulting officers be produced to Committee for examination and necessary action. The information was not received till the finalisation of the report.**

(vi) In another case (Aditya Cham Industries Bhiwani) also, the Corporation could not take over the possession of the unit as the premises was being used by the promoter for residential purpose. Consequently, the recovery of Rs 12.31 lakh (principal : Rs 10 10 lakh and interest : Rs 2 21 lakh) has become doubtful.

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

“The account position of the case is as under :—

(Rs In lacs)

	TL	WCTL	ADDL TL	SOFT LOAN
Loan sanctioned	0 52	1.40	5.90	2 28
Amount disbursed	0 52	1.40	5.90	2.28
Amount outstanding	0.90	2.13	11.62	3.45
Amount in default	0 64	1 24	8.57	1.86

The loan account of the captioned concern was recalled by the Corporation of 15-1-1998 and party was advised to handover the possession of the unit on 30-3-1998 Since the unit is being used as residential purpose, therefore, the possession of the unit could not be taken so far, despite various efforts made by the Corporation. However, Corporation also sought police assistance, but there is no response. Party has made representation to the Corporation to consider their case under rehabilitation scheme. The Corporation has been entrusted with the preparation of Rehabilitation proposal/scheme and the party has been advised to get the TEV study conducted and the party has not supplied the information to HARDICON so far. However, HARDICON is being followed up.”

During the oral examination, the representatives of the State Govt./Company informed the committee that the unit was taken in the custody of the corporation and was put on sale. **The committee would be informed as and when the unit was disposed off. The Committee recommended that the latest position of the case need to be informed to the Committee.**

(vii) The Corporation sanctioned (July 1993) a term loan of Rs 60 lakh to M/s Tamal Chemicals Pvt. Limited, Panchkula for setting up a ferric alum plant subject to the stipulation that the unit would offer collateral security to the extent of 30 percent of term

loan sanctioned, besides ensuring the sanction of working capital (Rs 9.74 lakh) from some bank during the course of disbursement. The amount of collateral security was reduced to 20 per cent in December 1993 for which no reasons were recorded. Entire loan was disbursed during December 1993 to February 1995 without the sanction of working capital by a bank.

The unit did not commence commercial production as it could not make arrangement of working capital. Due to persistent default, Corporation took over the possession (July 1996) of the unit and sold the same for Rs 18 lakh in March 1998. After adjusting the sale proceeds, Rs 127.59 lakh (principal : Rs.43.11 lakh and interest : Rs 84.48 lakh) were outstanding as on November 1998. The Corporation took over (April 1999) the possession of collateral security (assessed value : Rs 3.63 lakh) disposal of which was awaited (July 1999)

Thus release of funds without ensuring the working capital had put the Corporation's fund of Rs 127.59 lakh at stake.

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

"The company was sanctioned a loan of Rs 60 lakh on 12-7-1993 subject to the following stipulations :—

- (i) Collateral security to the extent of 30% of term loan other than the land underneath the factory building.
- (ii) Acknowledgement of grant of working capital facilities from some bank
 - (a) The company vide its letter TCPL/93-94/112 dated 19-12-1993 requested for relaxation of collateral security. Considering the fact that the promoters were technocrats, the condition of collateral security was relaxed from 30% to 20% which was as per the prevailing practice. The Corporation obtained 20% collateral security in this case
 - (b) The stipulation was imposed with a view to ensure the tie up with some bank for working capital facilities. It is the common practice that working capital is usually sanctioned by the Bank after the project is implemented or in final stage of implementation. The bankers appraise the project independently at their own level before grant of working capital facilities. Accordingly, when first release was made the stipulation was relaxed because the party had already filed their loan application with the bank

Last installment of loan to this company was released on 28-2-1995. The company was sanctioned working capital limits on 24-6-1995. As the company's application was already in process, disbursement could not be held up because that would have affected the implementation of the project. The working capital was sanctioned by the Oriental Bank of Commerce, Manimajra "

(viii) The Corporation sanctioned (May 1995) a term loan of Rs 37.96 lakh to a partnership firm named Payal Printers, Gurgaon for setting up an off-set printing press and disbursed Rs 36.24 lakh during August 1995 to January 1996. The loan was secured against

mortgage of land, building and machinery of proposed unit. In addition, the Corporation also obtained collateral security of land of a partner (guarantor) measuring 187 kanals and 17 marlas. On a visit by a representative of the Corporation, it was found (7 May 1996) that no machinery was available at site and the unit was found closed. Resultantly, the Corporation recalled (10 May 1996) the entire loan but no payment was made by the borrower. The Corporation decided (21 May 1996) to take possession of the unit and approached Tehsildar, Gurgaon for confirmation if the properties mortgaged including collateral security were in the name of unit/guarantor. The Tehsildar stated (May 1996) that mortgaged properties, as per revenue records, did not exist in the names of the loanee/guarantor. Hence the possession of the unit could not be taken for effecting recovery of dues.

Thus, non-verification of titles of the securities before disbursement of loan had resulted in non-recovery of Rs 62.44 lakh (including interest of Rs 26.18 lakh up to August 1998).

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

“The observations made in this para are true. In this case the title of the securities was cleared before release of any part of loan on the basis of documents relating to the title submitted by the party. Later on at the time of taking over the possession of the unit it came to the notice of the Corporation that mortgaged properties did not exist in the name of loanee/guarantor. The loan files alongwith original documents in this case were found missing for which FIR was lodged. This case is at present in the District Court, Gurgaon for fixation of charges against the accused and the decision of the Court will be binding. The next date of hearing has been fixed for 20-4-2001. However, Recovery Certificate in this case has already been lodged with the Collector, Gurgaon.”

(ix) In a similar case, the Corporation failed to recover Rs 22.13 lakh (including interest of Rs 10.52 lakh up to December 1998) from Priya International, Gurgaon as the mortgaged properties were not in the name of the borrower or guarantor.

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

“As regards the mortgage properties in the name of the borrower or guarantor it is stated that the loan files of the above case alongwith original documents are missing and FIR for the same has already been lodged. However, the title of the security was cleared by the Law Office before release of any part of loan on the basis of the documents relating to title submitted by the party as such no further comments can be given about clearance of title of the securities. At present the case is in the District Court, Gurgaon for fixation of charges against the accused and the decision of the Court will be binding. The next date of hearing has been fixed for 20-4-2001. However, recovery Certificate in this case has already been lodged with the Collector, Gurgaon.”

The Committee observed that there are many lapses in these three cases. Therefore, the committee recommends that para No. 3.5 (b) (vii), 3.5 (b) (viii) and 3.5 (b) (ix) be included in the vigilance enquiry and be referred to the Vigilance Department.

3.5 (c) Working capital loan

The Corporation introduced (October 1994) a scheme for providing working capital facility (for one year) up to Rs 25 lakh (enhanced to Rs 100 lakh) to industrial units. The loan was to be secured against stock and book debts besides collateral security. Up to June, 1996, the Corporation disbursed Rs 37 92 crore as working capital loan (inclusive of bridge loan of Rs 7 32 crore) to 252 units.

In view of non-availability of refinance facility from IDBI/SIDBI against working capital assistance, non-receipt of regular stock statements from the loanees and poor control over disbursements, the Corporation decided (June 1996) to discontinue the facility and convert the existing dues in working capital term loan repayable within a maximum period of 5 years. At the instance of Board of Directors, the Corporation got investigated the scheme and found (August 1996) following irregularities in its operation.

SI No	Type of Irregularity	No of units	Amount involved (Rupees in crore)
1	2	3	4
1	Non-submission of monthly stock statements	150	25 62
2	Shortcomings in sanction/disbursement viz , disbursement more than permissible limit, higher repayment period processing fee not charged, etc	45	8.91
3	Physical verification not conducted	134	21 54
4	Units lying closed	29	3 16
5	Working capital facility not converted into working capital term loan	130	18 19
6	Insufficient collateral security	13	1.94
7	Improper documentation	13	2 99
8.	Insufficient stock	42	4 62

The Corporation had not fixed responsibility for above lapses so far (July 1999).

Out of total 252 units to whom the facility was extended, 156 cases (loan disbursed Rs. 23 86 crore) were test checked in 5 branch offices (Bhiwani, Panipat, Rewari, Hisar and Rohtak) and it was observed that 86 units (disbursement Rs 16 46 crore) were in default to the extent of Rs. 20 79 crore (including interest) as on 31 March, 1998.

A few illustrative cases are discussed in succeeding paragraphs :

(i) The Corporation sanctioned (January, 1995) working capital loan of Rs 18.15 lakh to Sanjay Oil Mills, Jind having two partners (Vinod Goyal and Mrs Neetu Goyal) against collateral security of leasehold land (Rs 11.87 lakh), building (Rs 6.20 lakh) and machinery (Rs 6.32 lakh). The Corporation also obtained personal guarantee of husband of a partner, who declared to own 50 per cent share in a house at Jind. The unit defaulted in repayment and the Corporation, on the request of the loanee, took over (July, 1996) the possession of the unit and sold (March, 1997) it for Rs 6.01 lakh against the assessed value of Rs 13 lakh. Recovery certificate for recovery of balance amount of Rs 20.01 lakh (including interest) issued (May 1997) by the Corporation was returned by the Collector, Jind with the remarks that no property existed in the names of partners and guarantor (who as per affidavit owned a house valued at Rs 10 lakh).

Thus, lapse on the part of Corporation in sanctioning loan partly against machinery (moveable asset) and other assets (evaluated at inflated value) and non-ensuring the title of the property mentioned in the affidavit by the guarantor led to non-recovery of Rs 20.01 lakh.

(ii) The Corporation sanctioned (December 1994) a working capital limit of Rs 18 lakh to Sarin Velvet, Panipat. As per terms and conditions of the loan, the loanee was required to offer land and building of the unit, as collateral security value of which should not be less than 50 per cent of the sanctioned limit. However, the Corporation accepted the assets valued at Rs 10.80 lakh including machinery (Rs 3 lakh) as collateral security by way of mortgage and released Rs 18 lakh in February/March 1995. The machinery being a moveable asset was not to be accepted as security as per provision of Manual for Disbursement.

In April 1996, the Corporation converted working capital limit into working capital term loan repayable within 3 years in nine instalments. As per stipulation of the sanction, the loanee was required to execute fresh legal documents and 100 per cent collateral security of the loan. However, the loanee neither executed legal documents nor furnished additional collateral security. On default by the unit, the Corporation took over (February 1997) the possession of the unit, whose value was assessed at Rs 9.23 lakh. The disposal of the unit was awaited (March 1999). Thus, the acceptance of machinery as collateral security and poor follow up on the part of management had put the recovery of Rs 28.27 lakh (including interest) at stake.

(iii) M/s Sumita Textiles, Panipat was in default of Rs 5.70 lakh (January 1995) in repayment of instalment of loan of Rs 24.89 lakh disbursed during September 1991 to February 1992. In spite of the unit in default, the Corporation sanctioned (January 1995) the working capital loan of Rs 15.90 lakh on the stipulation that it would be ensured at the time of disbursement of new loan that the unit was regular in repayment of earlier loan.

Ignoring the default, the Corporation released the entire working capital loan (February/March 1995) to the loanee. As the loanee did not respond to the notice (April

1995) for clearing the overdues, the Corporation recalled both the loans in September 1995. The loanee obtained (December 1996) stay from the court against recovery which was got vacated and finally the possession of unit was taken in August 1998, whose value was assessed at Rs 12.07 lakh. No further progress has been made so far (February 1999). Total recoverable amount at the end of June 1999 was Rs 42.15 lakh.

Thus, the release of working capital to an already defaulting unit had put the funds of Rs 30.08 lakh (after adjusting assessed value of unit acquired) at stake.

In their written reply, the state Government/Corporation stated as under.—

"The erring officer has been placed under suspension and disciplinary proceedings have also been initiated against him.

- (i) The statement "lapse on the part of the Corporation in sanctioning loan partly against machinery (movable asset) and other assets (evaluated at inflated value)" does not hold good as the Working Capital loan was not sanctioned/dispensed against machinery/fixed assets. Being a Working Capital loan, the loan was only against the current assets and the same were treated as primary security. The fixed assets in the shape of land, building and machinery were accepted towards collateral security.

The assets as per the affidavit submitted by the partners and guarantors were in existence at the time of the appraisal as these were earlier mortgaged with the Corporation in October, 1994 in case of Messrs Satish Cotton & General Mills. The asset(s) were subsequently released in May, 1996. On the other hand, the possession of the unit in case of Messrs Sanjay Oil Mills was taken over in July, 1996. It has been informed that partners/guarantors disposed off their property and left for UP. The latest address of the partners in UP has been got ascertained and RC has been lodged with the Collector, Shonbadhar (UP). Outcome of the same is awaited.

The present outstanding is Rs. 36,81,083 with further interest @ 20.5% from 1-9-2000.

- (ii) While sanction of the working capital limit, it was stipulated that "the primary security i.e. all the fixed assets of the concern shall be mortgaged to the Corporation. In case the assessed value of fixed assets of the concern will be less than Rs 9 lacs (i.e. 50% of Rs 18 lac), the concern will offer balance additional collateral security to the satisfaction of the Corporation. The Corporation will have exclusive first charge on all the assets of the concern."

In light of the stipulation, the limit was to be secured by Hypothecation of all the existing and future current assets i.e. Stocks, Book-Debts and Bills etc., and 50% collateral security in the shape of Fixed Assets which include land, building and machinery. Therefore, the value of machinery to the extent of Rs 3.00 lac was also accepted towards collateral security.

While considering the conversion of the limit into working capital term loan, it was stipulated that the concern will offer 100% collateral security. However, due to non-compliance of the condition, the limit could not be converted. The entire loan was recalled, possession of the unit was taken and the collateral security was sold for Rs 3.75 lac (against last assessed value of Rs. 6.42 lac on 31-01-2000). The auction purchaser had deposited the entire bid amount and possession of the unit is being handed over to him. The present outstanding in the loan account is Rs 50,07,297/- with further interest @ 20% p a from 01-09-2000.

- (iii) Some units are in default solely due to shortage of Working Capital funds due to under financing by the banks or because of delay in materialising Working capital tie-up. Keeping this in view, required amount of Working Capital Assistance was extended by the Corporation to the desiring units on merit basis. As per the prevalent practice in the Corporation, in case a defaulting unit was sanctioned additional loan/working capital facility, the disbursement was to be effected subject to the party clearing the default.

On party's request, the amount in default could be adjusted out of the disbursement made in the additional loan case. In this case also, the term loan default amount (as per rescheduling) was adjusted out of the instalment disbursed in working capital loan case. Thus, at the time of release of the limit, it was ensured that the earlier loan account was regular in terms of rescheduling.

The working capital loan was released to the concern in the following manner.—

Instalment No	Amount Disbursed	Date of Disbursement
1	2	3
1	Rs 7,24,000	23 02 1995
2	Rs 2,34,000	10 03 1995
3	Rs 3,23,000	20 03 1995
4	Rs 3,09,000	23 03 1995
	Rs. 15,90,000	

As on 15 03 1995, the party was to pay 4th monthly instalment of Rs 86,500/- as per rescheduling. However, the party did not repay the subsequent instalments. Later on, the working capital loan was recalled due to default in both the term loan (Rs 6.42 lacs) and working capital loan (0.74 lac) accounts as per Mortgaged Deed, on 04-10-1995. Possession of the unit was taken over in August, 1998. The unit is being put to auction regularly. As on 02 09.2000, the value of the unit has been assessed at Rs 12.23 lacs. In addition, the realisable value of the collateral security has been assessed at Rs 20.40 lac on

05-09-2000 The present outstanding in working capital loan account is Rs 51,56,792/- and Rs 58,03,269/- in term loan account with further interest from 01-09-2000 "

The Committee decided that all cases falling under working capital loan scheme be referred to the Vigilance Department for investigation and report submitted to the Committee.

3.6 Recovery Performance

5 Recovery of loan instalments is pursued by respective branch offices and the head office monitors overall recovery position of the Corporation. In case of continuous default by the loanees, the unit and collateral security are acquired by the Corporation under Section 29 of SFC Act. The assets so acquired are sold by the Corporation through open auction and realisations adjusted against the dues. In case of non-recovery of full amount, recovery of shortfall amount is pursued through the District Collectors for recovery as arrears of land revenue under Section 3 of Haryana Public Moneys (Recovery of Dues) Act, 1979. Such recovery is effected by issue of recovery certificate to the concerned Collector.

3.6 (a) (i) Up to 1997-98, the Corporation disbursed term loans aggregating Rs 1209.23 crore to 14998 units out of which Rs 597.23 crore (principal Rs 594.05 crore and interest Rs 3.18 crore) were outstanding from 5901 assisted units as on 31 March, 1998. Further, an amount of Rs 318.50 crore (principal Rs 104.68 crore, interest Rs 213.82 crore) was overdue from 3688 units. The details of the amount due for recovery (including interest), targets fixed, amount recovered during last five years up to 1997-98 are given in the table below —

Sr No	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(Rupees in crore)						
1	2	3	4	5	6	7
1	Amount due for recovery					
	(a) Arrears at the beginning of the year	87.72	97.60	116.33	153.06	227.58
	(b) Amount due during the year	88.64	133.71	170.28	247.14	296.87
	(c) Total recoverable	176.36	231.31	286.61	400.20	524.45
	(d) Amount rescheduled	5.97	9.44	5.87	10.39	11.10
	(e) Net recoverable	170.39	221.87	280.74	389.81	513.35
2	Target for recovery	76.00	109.00	155.00	230.00	217.00
3	Percentage of target to net recoverable	44.60	49.13	55.21	59.00	42.27

1	2	3	4	5	6	7
4	Recovery against					
(a)	Old dues	16 90	17 05	19 35	23 11	39 24
(b)	Current year demand	55 89	88 49	108 33	139 12	155 61
	Total	72 79	105 54	127 68	162 23	194 85
5	Amount in arrear	97 60	116 33	153 06	227 58	318 50
6	Percentage of recovery against					
(a)	Net recoverable	42 72	47 57	45 48	41 62	37 96
(b)	Target	95 78	96 82	82 37	70 53	89 79
(c)	Arrear	19 27	17 47	16 63	15 10	17 24
(d)	Current year demand	63 05	66 18	63 62	56 29	52 42

It would be seen from the above table that the percentage of recovery to net recoverable decreased from 47.57 in 1994-95 to 37.96 in 1997-98 indicating poor monitoring of recovery. Recovery of old dues ranged between 15.10 per cent and 19.27 per cent as against 52.42 and 66.18 of the current demand. Low recovery against old arrears was indicative that concrete efforts were not made for making recovery from chronic defaulters.

It was noticed in audit that the Corporation during discussion (August 1994) with the IDBI/SIDBI, made a commitment to effect recovery of current dues at 90 per cent. The actual recovery, however, recorded a constant decline from 66.18 per cent in 1994-95 to 52.42 per cent in 1997-98.

Poor recovery had not only adversely affected the financial health of the Corporation but also forced the Corporation to reduce its targets of disbursement of loan as discussed in paragraph 3.5 (a) supra. Consequently, the real entrepreneurs were deprived of the loan facilities for industries, defeating the very purpose for which the Corporation was formed.

3.6 (a) (ii) Agewise analysis of arrears

Agewise analysis of arrears as on 31st March, 1998 is tabulated below.

Sr No	Age of arrears	No of units	Principal	Interest	Total
1	2	3	4	5	6
			(Rupees in crore)		
1	Up to 6 months	996	6.26	15.71	21.97
2	6 months to one year	400	6.96	4.44	11.40
3	One year to three years	523	20.73	14.40	35.13
4	Three years to five years	171	6.06	7.46	13.52
5	More than five years	1598	64.67	171.81	236.48
	Total	3688	104.68	213.82	318.50

It would be seen from the above table that out of overdue amount of Rs. 318.50

crore, Rs 236.48 crore were more than 5 years old which constitute 74.25 per cent of the total overdues

In their written reply, the State Government/Corporation stated as under —

“There is decrease in the percentage of recovery of net recoverable of 47.57% in the year 1994-95 to 37.96% in 1997-98. It may be clarified that the over all recovery during the previous years was of the order of —

Year	Recovery	Target (Rs. in crores)
1	2	3
1993-94	Rs 76.08	Rs. 76.00
1994-95	Rs 111.66	Rs 109.00
1995-96	Rs 143.93	Rs 155.00
1996-97	Rs 175.31	Rs 230.00
1997-98	Rs 219.79	Rs 217.00

However percentage decline in this case is mainly due to recession in the market and unfavourable industrial climate during the year 1997-98

The past trend indicates that the recovery out of previous overdues which is a bad portfolio is always meagre due to the fact that such units are dragged towards sickness due to various factors which affects the repayment capacity of the borrowers. The Corporation during Open Houses also provides opportunities for rescheduling to the borrowers for getting their loan accounts regularised. Besides special campaigns are also held by the Corporation to meet the defaulters personally and it is endeavoured to get the entire over dues of the Corporation cleared. Apart from vigorous the follow up, the Corporation also introduced various schemes for such units to curtail the bad portfolio.

Due to economic boom, there was manifold increase in the overall business activities of the Corporation which is evident from the fact that the overdue amount loans which were of the orders of Rs 318.50 crores during 1997-98. It may be clarified that in all development/financial institutions there is always an element of default which is related proportionately to the portfolio of investment. It may be clarified that the Corporation always makes its best efforts to get its recovery by holding Open Houses on district level basis and also meets the borrowers personally to know their problems in order to fetch the maximum recovery.”

The Company/State Government supplied additional information/data in support of recovery performance from 1998-99 to 2001-2002. The Committee reviewed the supply and the additional data and was not fully satisfied with

the recovery performance of the Company on the following grounds that ,

- the percentage of recovery against net recoverable had further fallen from 37.96 per cent in 1997-98 to 33.01 per cent in 2001-2002 ,
- the percentage of recovery out of overdue amount is very less as the same ranged between 19.37 to 28.51 during 1998-99 to 2001-2002
- the percentage of recovery against targets though crossed 100 per cent but the basis on which the SIDBI fixed the targets of the Company was not available with the Company. The SIDBI might have fixed the low targets in view of the past performance of disbursement/recovery of the loans by the company

In the above background, Committee was of the opinion that the Company should sanction loans in such a way that its money remained secure by obtaining sufficient and clear primary/collateral security. Committee also laid stress on the rigorous project appraisal system so that only genuine and commercial viable units were financed.

It recommends that vigorous efforts be made to increase the recovery of old outstanding dues with special emphasis on those cases which are in arrears for three years or more as with the passage of time of default chances of recovery become remote.

3.6 (b) Possession of units

Section 29 of the SFC Act empowers the Corporation to take the possession of the loanee unit and dispose of the same to recover its dues, in case the unit fails to repay the dues

Out of 3,688 units in default (Rs 318.50 crore) as on 31 March, 1998, the Corporation was having the possession of 272 units from which Rs 87.42 crore were recoverable. Out of this, the value of assets of 260 units, for which information was made available to audit, was assessed at Rs 32.02 crore against Rs 81.45 crore recoverable from them, thereby leaving a deficit of Rs 49.43 crore. Further, out of these 260 units, 116 units against which Rs 49.91 crore (assessed value Rs 12.65 crore) were outstanding, were pending for disposal for the period ranging from one to more than 5 years

The units could not be sold, as either the bids received were not acceptable to the Corporation or there were no bidders. To safeguard the assets of the units taken over, the Corporation incurred Rs 2.21 crore on security of the units during the five years ending March, 1998

This is indicative of defective financing, unrealistic reserve price (assessed value) for auction and non-ascertaining the prospects of sales of the units before taking their possession

In their written reply, the State Government/Corporation stated as under —

“Haryana Financial Corporation is a statutory body constituted by the State Government under the State Financial Corporations Act, 1951. The Corporation has been set up primarily for meeting the credit needs of industrial units in the State of Haryana. The loans are advanced for a maximum period of 8-10 years and are recovered in the quarterly/half yearly instalments after initial gestation period of one and half years. The loans are repaid by the loanees in terms loan agreement. In those cases where the units are not able to pay the instalments on the date because of temporary problems, the loans are rescheduled. In case of further defaults as per rescheduling, the loan is then recalled and the party is advised to clear the default in 30 days time. However, if the borrower still does not clear the default or submit any proposal for the same the notice under section 29 of SFCs Act is served to take over possession of the unit by giving 21 days notice. If the party fails to repay the loan or submit proposal for clearance of default during this notice, the possession of the unit is taken over.

After taking over the possession of the unit, security guard is posted to avoid any infiltration in the mortgaged security and wages paid to the security guards are debited to the party's account.

Thereafter, the security is got assessed from the approved assessor of the Corporation which is counter verified by the Branch Manager in all cases where the sanctioned amount is more than Rs 20 lacs and the assessment is done by Branch Manager by associating the adjoining Branch Manager. The unit is put to sale by publishing the sale notice in three leading newspapers. 50% of the assessed value is fixed as minimum reserve price.

The Corporation has constituted a Committee headed by the Managing Director for the negotiations of the sale price of auctioned unit. If the price is more than 75% of the reserve price, the Committee is competent to confirm the sale and if it is less than 75% but more than 50%, then the case is put up to the Executive Committee/Sub Committee for confirmation. No bid is confirmed if the sale price is less than 50% of the reserve price. However, in order to ascertain the exact security, the reassessment is got done after a lapse of one year and then the unit is put for sale. The promoters/guarantors are given due notice for 14 days enabling them to bring a better buyer before issuing a final sale letter.

As regards low assessed value against huge outstanding amount, it may be stated that outstanding amount is increasing because of continuous debit of interest to the party's account as per mortgage deed but the value of assets particularly machinery depreciated. However, it may be stated that proper procedure is being followed by the Corporation as mentioned above for assessment of value of assets available with the Corporation and realistic price is fixed. In some cases, more time is taken for disposal because either proper price is not received in the initial stage or new buyers do not come forward for

the purchase of unit. Further, sometimes, the unit could not be sold because the borrower obtain stay against sale/possession of units and the Corporation first get the stay vacated and then issue tender for sale of the unit."

The Committee glanced through the reply and additional information submitted by the Company/State Government. The representatives of the company/State Government gave complete details of the procedure of taking the sick units in possession and assessment of their value before putting them to auction. The Committee, however, feels the need to strength the system of taking the sick units in possession immediately it defaults in repayment of loan. This could be done by strict monitoring of the loanee unit's performance by the Company. The timely/quick action of the Company can reduce the period for taking the unit in possession and thus depreciation of the plant and machinery could be reduced and better price could be realized in auction of the sick unit.

As on 31st March, 2002, the Company could take into possession only 511 sick units out of 3688 defaulting units as on 31st March, 1996. The Committee was apprised by the management that it generally happens that when the unit goes into default and the promoter apprehends that the unit is likely to be acquired by the Corporation, normally all important parts of the plant and machinery are removed from the unit and ultimately the Corporation gets very meagre amount by the sale of this plant and machinery. The Committee observed that why the fact of removal of plant and machinery does not come into the notice of the Corporation despite the fact that post sanction inspections are done at regular intervals. In light of the above background the Committee recommends that strenuous efforts be made for early disposal of the units thereby affecting early recovery besides avoiding watch and ward expenses on the security of these units. The Committee expressed concerned and recommended that effective steps needs to be taken to take into possession all defaulting units so as to realize the substantial amount (Rs. 318.50 crore) blocked in such units.

3.6 (c) Recovery of loan as land revenue

As on 31 March, 1998, recovery certificates in respect of 475 cases involving an amount of Rs. 66.04 crore (pertaining to the period 1982-83 to 1997-98) were pending with various district collectors for recovery. The Corporation recovered Rs. 0.29 crore in 11 cases during 1992-93 to 1996-97 and recovery certificates in respect of 34 defaulters involving Rs. 0.29 crore were received back with the remarks that either the defaulters were not traceable or they had no property. Huge pendency of recovery certificates shows ineffectiveness of this measure to make recovery. Six cases (outstanding amount: Rs. 287.97 lakh), where the property of promoters was either inadequate or non-existing or their whereabouts were not known are given in Annexure-VIII

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

"It is also added here that the Branch Managers of the Corporation are members of department Revenue Recovery Committee headed by Deputy Commissioners and the pending cases are reviewed during these meetings. Even meetings at

the level of Managing Director had been arranged with Development Commissioner, Delhi to expedite recovery in RC portfolio. However, further it is added that Managing Director of the Corporation recently sent DO letters to all District Collectors of Haryana and Delhi and requested them to expedite the action in all RC cases for effecting the recovery of the Corporation by attachment of personal properties and/or by apprehending the Borrowers/Guarantors of the case. Besides all Branch Managers of the Corporation has been asked to follow up RC cases in their districts periodically through revenue authority or personally induce the borrowers/guarantors to settle their loan account's under the settlement scheme approved by the Corporation."

The Company submitted additional information as regard to recovery of loan as land revenue. During oral examination the representatives of the State Government/ Company informed that adequate steps are being taken at MD's level to pursue the recovery certificate through respective DC's. The Company recovered Rs 84.96 lakh during 2001-2002 and the recovery certification issued upto 31st March, 2002 increased to 712. Since the total recoverable against 712 cases against which recovery certificates were issued was not given, the Committee recommends that in view of the heavy outstanding of Rs 66.04 crore against 475 cases as on 31st March, 1998, the company should take up the matter at the highest level so as to boost recovery from the defaulters. The Committee further desired that the Chief Secretary of the State should be requested to give the requisite directions to all the District Collectors to pursue the recovery cases under land revenue on priority basis.

3.7 Classification of outstanding loans

6. In the case of financial corporations, the IDBI had classified (March, 1994) the loans into four groups viz, standard, sub-standard, doubtful and loss assets which are based on the possibility of recovery of loans.

In case of standard assets, the repayments are regular, whereas sub-standard assets are those where instalments of principal are overdue for periods exceeding one to two years. Any sub-standard asset where no recovery is received beyond two years becomes doubtful and an asset not backed by any security and where loss has not been written off wholly or partly is termed as loss asset. According to these guidelines of the IDBI, the Corporation has classified its loans during the 5 years ending 31 March, 1998 as follows —

SI No	Particulars	1993-94	1994-95	1995-96	1996-97	1997-98
(Rupees in crore)						
1	2	3	4	5	6	7
(i)	Loans outstanding at the close of the year	316.16	393.80	546.88	602.60	597.23
(ii)	Classification of loans					
	(a) Standard	262.86	314.68	448.76	418.48	387.92

1	2	3	4	5	6	7
	(b) Sub-standard	17 88	56 76	61 37	114 42	112.81
	(c) Doubtful	28 95	12 40	33 28	61.60	86 22
	(d) Irrecoverable (Loss)	6 47	9 96	3 47	8 10	10 28
	(e) Percentage of sub-standard, doubtful and irrecoverable assets to total loans outstanding	16 86	20 09	17 94	30 55	35 05

From the above, it would be observed that the non-standard assets (sub-standard, doubtful and loss assets) had increased from 16 86 per cent in 1993-94 to 35 05 per cent in 1997-98 to total recoverable amount. The heavy accumulation of non-standard assets resulting from poor recovery of loans had been affecting the financial position adversely, because the Corporation had to make payments to financial institutions/banks without recovering the same from its loanes. Besides, heavy accumulation of non-standard assets had also enhanced average cost of funds which increased from 11 94 per cent in 1993-94 to 14 60 per cent in 1997-98 thereby resulting decrease in the interest margin of the Corporation. During the last five years up to 1997-98, the actual margin varied between (-) 0 24 per cent to 2 72 per cent as against available minimum margin of three per cent.

In their written reply, the State Government/Corporation stated as under —

“Percentage increase in the sub-standard doubtful and loss assets to the total recoverable amount is mainly due to increase in amount in arrears at the beginning of the year and due to recession in the market and unfavourable industrial climate particularly during the financial year period 1996-97 and 1997-98 which dragged the assisted units towards sickness and affected the repayment capacity of the borrowers and value of their assets ”

The additional information supplied by the Company revealed that there was substantial increase in doubtful and irrecoverable as it increased to Rs. 215 22 and Rs. 35.59 crore respectively upto March, 2002 as against Rs. 86 22 and Rs. 10 28 crore respectively as on 31 March, 1998. The Committee thus expressed concern at the substantial increase in doubtful and irrecoverable and recommends that the Company should check the title of the primary/collateral security meticulously from the primary records of the revenue department. Committee also recommends that in case the title of the property mortgaged to the Company proved faulty subsequently, responsibility of the Officials/Officers who checked the title of the property needs to be fixed.

4A. 6 Haryana Vidyut Prasaran Nigam Limited

4A. 6.1 Extra expenditure on purchase of H T: insulation testers

7. M/s Riken Instrumentation, Chandigarh (firm) introduced (September 1991) itself to the erstwhile Haryana State Electricity Board (Board) as manufacturer of H. T. insulation testers and offered to supply at Rs. 0.54 lakh per tester. The Board adopted (December 1993) the specifications of the firm with minor changes as it was not having its own specifications for these tester. The Board issued limited (January 1994) tender inquiry on three firms and procured 45 number testers from the firm (November-December 1994) at ex-works rate of Rs 88600 per tester.

The firm again represented (January 1995) to the Board and offered to supply more testers at the same rates, terms and conditions. The Board assessed (January 1995) its requirement at 81 number testers. The tenders invited for the purpose were opened on 24 March 1995. Five tenders were received and the lowest rate of Rs. 51830 was quoted by M/s CollinPrakriti Instrumentation Limited, New Delhi, whereas the rate quoted by the firm (M/s Riken Instrumentation, Chandigarh) was Rs. 88500 per tester. It was noticed in audit (November 1997) that the Board ignored the first lowest offer (April 1995) on the grounds that specifications of tester offered did not tally with the Board's specifications and it had not supplied technical details of the tester. The Board placed (April 1995) purchase order on the firm (M/s Riken Instrumentation, Chandigarh) at the ex-works rate of Rs. 88500 per tester for supply of 81 number testers. The firm supplied the material during July 1995 to November, 1995.

Evidently, adoption of specifications of tester offered by Chandigarh firm helped it in getting the order from the Board in spite of the fact that the tester offered by the other firm (M/s Collin Prakriti Instrumentation Limited) was cheaper by Rs. 36670. The lowest firm had also earlier supplied (July 1986 and February 1992) 20 number testers to the Board for which no complaint was on record. The Board also did not compare the quality of testers supplied earlier by both the firms. This resulted in extra expenditure of Rs. 29.70 lakh on purchase of testers by ignoring the lowest rate.

The matter was reported to the Company and the Government in May, 1999; their replies had not been received (December 1999).

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

"The contention of audit that the purchase of testers by the HSEB (Now UHBVN) from the firm M/s Riken Instrumentations, Chandigarh after adopting its specification is not correct. In the said case out of five nos. firms who participated in the Enquiry, 3 Nos. firms i.e. M/s Riken Instrumentations, Chandigarh; M/s Electronic Instrumentation, Calcutta; and M/s Electric Instrument Co., Bombay have offered the equipment meeting the requirement of technical specification of bid document.

As per Nigam's Specification even M/s Electric Instrument Co , Bombay had offered the AVO International Ltd , UK Series SH2 Make at the rates of Rs 6,24000 per megger One no firm quoted for electronic megger and only M/S Conin Prakriti Instrumentation has quoted for mechanical meggers which are different from our Technical Specification, This shows that the specifications adopted by Board are not that of M/s Riken, but most of the firms even in Europe make the meggers meeting this specifications

2 It is a matter on record This is not correct to say that the Board adopted the specifications of the firm with minor changes but in fact the Board has made its technical specifications as per its field requirements In routine, the specifications are framed after taking into account the specifications being adopted by various manufacturers, State Electricity Boards and our field requirement Moreover, this is not such a specification that is not possible for any manufacturer to adopt if he wants to do so Even M/s Conin could have quoted without any deviation which he did not just to reduce the manufacturing cost of his item making the inferior megger in comparison to the requirement of Board

Board did not consider the representation of M/s Riken Instrumentations, Chandigarh instead it floated Press Tenders to have more competitive rates giving opportunity to every manufacturer to quote This was done in the best interest of the depts All the five bids received against the enquiry were compared commercially and technically to select the best suited megger on the lowest and competitive rates. It is our top most priority that we meet our technical requirement first only after that we are to see the rates If we purchase the material which does not meet our technical requirements but rates are cheaper or even very cheap, even then the very purpose of our purchase is lost and the public money so invested is just waste and is not desirable at all In the instant case also, the order was placed on M/s Riken which met all the requirements of our technical specifications and the rates were lowest among the three bidders who fulfilled our technical requirements Moreover, the offer of M/s Conin was rejected on the following commercial and technical deviations :-

- (i) Firm had demanded 100% payment against Proforma invoice before delivery w/o B G and had categorically stated that only these terms were acceptable to firm Goods offered ex-stock were subject to prior sale thus making the delivery uncertain
- (ii) Warranty period was 2 years against requirement of 5years .
- (iii) Insurance to be arranged by Board at its own cost
- (iv) All the above points make effect on the rates Instead of above, firms took deviations in other clauses also such as delivery, test and inspection, arbitration etc

- (v) The firm did not submit type tests report in case of stary field test and damp heat cyclic test which are must to confirm the quality of megger
- (vi) The firm offered its meggers with very different scales than required by the Board To measure the lower resistance accurately at different out put voltages, we require inner scales of 0-200, 0-400, 0-600, 0-800 and 0-1000 Mohms on 1000, 2000, 3000, 4000 and 5000 voltages, whereas firm has offered only outer scales of 0-5000, 0-20000, 0-50000, 0-200000 and 0-500000 Mohms on out put voltage of 1000, 2000, 3000, 4000 and 5000 V respectively On these scale, lower resistances can not be measured accurately as required practically by Board in the field

There were some other a deficiencies in the offer such as not supplying required accssories etc

In view of above, the rejection of offer of M/s Conin Prakati was appropriate and in the best interest of the department "

The Committee received the written reply submitted by the State Government and justification given by the Financial Commissioner and Principal Secretary, Power Department in the meeting held on 23-4-2000 on the following points -

- (a) That the specifications given by M/s Riken Instrumentation Chandigarh were not adopted by the erstwhile Board
- (b) Increase in rates from Rs 0 54 lakhs in September, 1991 to Rs 0 88 lakh in April, 1995 was due to the increase in price index.
- (c) Use of electronic Insulation tester was not feasible in the erstwhile Board

The Committee was, however, not satisfied with the written reply and justification given by the State Government on the following points -

- (a) While the erstwhile Board had already purchased testers from M/s Conin Prakriti Instrumentation Limited in July, 1986 and February, 1992 and there were no complaints against the tester. The committee wanted to ascertain whether there was any change in the specification provisionally upto February, 1992 and thereafter ? Give specific changes made in the specification adopted in December, 1993 were not brought out in the written reply and in the course of oral explanation, Committee was of the opinion that revised specification were basically based on the specification given by M/s Riken Instrumentation, Chandigarh.
- (b) As regards use of electronic tester, the Committee was of the opinion that there must be other State Electricity Boards, who were using electronic tester ? Since the electronic testers were cheaper and the main reason for not purchasing was that the staff was not capable to

use the electronic testers. The Committee was not satisfied and directed the State Government to collect such information from other Electricity Boards in India if they were using electronic testers. The report was not received till finalisation of the report.

- (c) Committee was informed that the testers were put to use in sub-stations also, the Committee wanted to ascertain how many testers were actually required and how many were with the erstwhile Board. The report was not received till the finalization of the report.

4A.62 Loss due to non-invoking of risk purchase clause

8 The erstwhile Board placed (June 1996) an order for purchase of 463 Kms ACSR Zebra Conductor on the lowest rate of firm JMEL at their ex-works variable rate of Rs 116500 per Km (equivalent rate: Rs 138154 per Km) with 100 per cent payment after 90 days from the date of proof of despatch of material with a rebate of 1/2 per cent per week and part thereof for early payment. The supplier was to commence supplies within four months of receipt of purchase order and supply 300 Kms conductor up to March, 1997 and balance quantity by June, 1997. The purchase order, *inter alia*, provided for procurement of material from any alternative source at the risk and cost of the supplier and claim liquidated damages equivalent to 5 per cent of the value of undelivered material.

JMEL failed to commence supplies. Anticipating non-supply of 300 Kms. conductor upto March, 1997, the Board instead of resorting to effect purchase at the risk and cost of JMEL, decided (March, 1997) to place order on second lowest tenderer M/s Haryana Conductors Private Limited, Kundli (HCPL) for supply of 300 Kms conductor at variable equivalent rate of Rs 138154 per Kms (of first lowest firm) with one per cent discount in case 100 per cent payment was made within 30 days of receipt of material. Due to early payment terms, the equivalent rate allowed to this firm worked out to Rs 142989 per Km. The Board issued (July 1997/January, 1998) risk purchase notices and cancelled (May, 1998) the purchase order for 300 Kms and decided to invoke risk purchase clause for balance quantity (163 Kms) besides levy of liquidated damages at the rate of 5 per cent on the full quantity, HCPL supplied the ordered quantity of 300 Kms up to November, 1997 at an extra cost of Rs 23.76 lakh (including price variation of Rs 9.26 lakh allowed for the period April to November 1997). The Board demanded (March, 1999) a sum of Rs 39.40 lakh consisting of liquidated damages in respect of 300 Kms (Rs. 17.70 lakh) and extra expenditure and liquidated damages of 163 Kms Rs 21.70 lakhs).

However, the Board did not claim Rs 14.50 lakh incurred due to acceptance of early payment terms and Rs 9.26 lakh being extra expenditure of price variation.

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

"Purchase order NO. HDH-356, dated 28-6-96 was placed on M/s Jaipur Metals and Electricals (JMEL) Jaipur (A Government of Rajasthan undertaking) at Ex-works variable price of Rs 116500 per Kms and FOR destination variable

equivalent rate of Rs 138154 pwer Km Any increased in price of Aluminium and Steel after the date of opening of tender was payable extra The supply of 300 Kms was to be made during 1996-97 and balance 163 Kms during 1997-98

The firm did not supply the material despite respeated requests The firm was asked to send their representative for discussions with WTM's at Panchkula but they demanded that their payment term be changed from 90 days to payment through letter of Credit The firm made a request vide their letter dated 7-3-97 that due to financial crisis they are unable to purchase the raw material and demanded 30% advance payment alongwith balance payment on delivery of material alongwith rescheduling of delivery period

The material was required urgently by the Board for commissioning of 220KV S/Stn Rohtak alongwith 220KV PTPP-Rohtak line Under these circumstances as per clause of PO placed on M/s Jaipur Metals, there were two options available with the Board One option was to carry out risk purchase The same could be carried out only after the expiry of delivery period and only after observing all legal formalities This would had delayed the commissioning of Rohtak S/Stn on which the Board had already invested more than Rs 10 Crores Second option was to cancel the PO after levy of 5% liquidated damages Second option was more suitable as there was no increase in the prices of ACSR Conductor in the market after PO on M/s Jaipur Metals was placed Accordingly in the best interest of commissioning of S/Stn and line in time the Board decided to cancel the purchase order for 300 Kms conductor after levy of 5% liquidated damages and placed order on M/s Haryana Conductor Kundli at the rates of the PO placed on M/s Jaipur Metals, M/s Haryana Conductor Kundli was second lowest in the order of merit in the tender The material against this purchase order placed on M/s Haryana Conductor Kundli was received in time and 220 KV S/Stn Rohtak alongwith line was commissioned

Both the purchase orders on M/s Haryana Conductor Kundli and M/s Jaipur metals were placed @ Rs 138154 per Kms The price variation formula of both the purchase orders was also same The only difference was in payment term The Board has not spent any extra amount in placing the purchase order on M/s Haryana Conductor, Kundli In risk purchase cases any extra amount paid if any, is recoverable from the firm against which risk purchase is carried out The deemed lose due to any reason can be recovered only in the shape of liquidated damages as per liquidated damages clause of the PO The contractual delivery period of the P O of M/s JMEL was upto 4-5-97, so the risk purchase amount recoverable from M/s Jaipur Metals and Electrical limited (JMEL) could be difference in rate payable to M/s JMEL at the expiry of contractual delivery period i e 4-5-97 and the rate payable against the risk purchase order The purchase order on M/s Haryana Conductor Kundli was placed on 18-3-97 The price variation clause of PO placed on M/s Haryana Conductor

Kundli and P.O. of M/s JMEL were same as per CACMAI circulars. The base price of Aluminum in both P.O. was same i.e. Rs 68,567 per M. T. The price variation to M/s JMEL was payable upto contractual delivery period i.e. up to 4-5-97. As per CACMAI Circular of April, 1997, the price of aluminum increased from Rs. 68567 per MT to Rs. 69817 per MT i. e. Rs 1250 per M.T. on 3-4-97. this price variation was payable to M/s Jaipur Metals and Electrical Ltd as well as to M/s Haryana Conductors. Thus the board has not made any extra payment on account of price variation which was applicable on both the purchase order.

As per the contract, deemed loss of 3% due to different payment terms can be recovered from the firm only as liquidated damages as this amount was not actually paid to M/s Haryana conductor and cannot be termed as extra payment made or loss recoverable in risk purchase. Nigam has taken all possible steps against M/s JMEL which could have been taken as per the contract. The HVPN has already forfeited Rs one Lac available with the Nigam as Permanent Earnest Money Deposit of the firm and levied and taken steps to recover 5% liquidated damages on entire quantity of 463 Kms conductors alongwith risk purchase amount of 163 Kms conductor from M/s JMEL and the case for recovery of Rs 39.40 lacs from M/s JMEL (A Rajasthan Government Undertaking) is before the arbitrator. The Arbitrator has already started the proceedings.

Had the board carried out risk purchase after observing all legal formalities the receipt of conductor would have been considerably delayed, resulting in delay in commissioning of 220 KV S/Stn. and line and causing immense loss to the Nigam as already more than Rs 10 Crores had already been invested on this project.

In view of the above no loss has been caused to the Nigam in not carrying out risk purchase and rather 220 KV S/Stn. Rohtak was commissioned in time due to timely receipt of ACSR Zebra Conductor and the Board had a considerable saving on this account. "

During oral examination, the representatives of the State Government stated that the case is pending in the Arbitration/BIFR and a copy of proceeding was required. If the copy of the proceeding is not produced, the Arbitrator can decide the case exparte.

The Committee has decided to keep the para pending till the decision of the Arbitration.

4A 6.5 Short levy of penalty for theft of energy

9. In order to avoid chances of theft of energy, the erstwhile Haryana State electricity Board issued instructions in May, 1980 which provided for fixing of welded strips on the heads of the nuts of cubical of the metering equipment. Board's terms and conditions of supply of energy as amended (April, 1991) provided for a penalty at thrice the rate of tariff in force for theft of energy to be worked out on the basis of load, number of working

hours and days per month depending on the nature of industry for the entire period during which there had been theft of energy. If such period cannot be determined, the period of preceding six months from the date on which theft is detected was to be taken into consideration.

The premises of a consumer (M/s National Ice Factory) under operation sub-division No 1, Ambala Cantt were checked on 7 November, 1997 by vigilance staff of the Board who found the meter laid in reverse direction on a wooden table by opening the four nuts from the bolts of the meter cubical thereby making the meter dead to commit theft of energy. It was observed in audit (March 1998) that a penalty of Rs 2.97 lakh for theft of energy, by taking 12 hours working in a day and 25 days in a month was recovered (December 1997) from the consumer. The period of theft was taken from 3 September, 1997 when the previous checking was done by Maintenance and Protection (M&P) wing of the Board.

Calculation of penalty by restricting the period to the date of last checking by M & P wing lacked justification because the Board had not fixed welded strips on the heads of nuts of meter cubical and modus operandi of theft found by vigilance wing could be adopted any time without interfering with the seals/accuracy of the meter. As the period of theft was not determinable and the industry being of continuous process, the consumer should have been charged penalty of Rs 17.39 lakh on the basis of 20 hours working per day for 30 days in a month for the preceding six months. On being pointed out in audit in August, 1998, the sub-division raised (February, 1999) a supplementary bill for Rs 4.51 lakh after taking into account 20 hours working per day and 30 days in a month. However, the period was not taken up to preceding six months resulting in short recovery of penalty amounting to Rs 9.91 lakh. The recovery of Rs 4.51 lakh was also awaited (April, 1999).

The matter was reported to the Company and the Government in May, 1999, their replies had not been received (December 1999).

In their written reply the State Government/Company stated as under —

“The premises of the consumer was checked by the M&P organization on 3-9-97 as periodical checking. The theft was detected by the vigilance cell of the Nigam on 7-11-97 and Rs 297355 were charged to the consumer by taking 12 hours a day and 25 days a month as per Sales Circular No 4/91 in the first instance. The period was taken from the date of last periodical inspection by the M&P Authorities as no theft was detected at the time of checking by M&P Authority.

The connection of the consumer was disconnected on 7-11-97 which was restored on 18-4-98 as orders of Hon'ble Punjab and Haryana High Court, Chandigarh. The consumer did not deposit the ACD for Rs 9000. Therefore, the connection was again disconnected on 21-11-98. The consumer filed a suit in Civil Court, Ambala. The Hon'ble Court directed the consumer to deposit the ACD and also directed the Nigam to restore the supply of the consumer.

Accordingly, the supply of the consumer was restored on 25-12-98 after the consumer deposited the ACD

The matter was further reviewed and the consumer was charged Rs 450673 by taking 20 hours a day and 30 days a month from 3-9-97 to 7-11-97 i.e. 66 days. The consumer made an appeal to the Managing Director, UHBVN, Panchkula against the assessment of Rs 450673 in addition to Rs 297355. The appeal was decided by the Committee consisting Shri S C Gupta CE (OP)/Zone-I, Panchkula, Sh R L Jain, CAO and Shri K K Gupta, SE/System (OP), Panchkula. The Committee held the charges calculated by SDO Sub Division No. 1 correct and allowed relief to the consumer for Rs 56795 and decided to charge Rs 393878 instead of Rs 450673.

But the consumer has not deposited the amount of Rs 393878 as decided by the Committee and instead filed a suit in Civil Court. Due to non payment by the consumer, the connection was temporarily disconnected vide TDCO No. 31/8099 dated 1-5-2000 but the consumer did not turn up to make the payment and PDCO No. 4/5318 dated 13-6-2000 was issued and handed over to the JE Incharge for permanent dis-connection of the premises of consumer, but the JE could not recover the metering equipment from the premises of the consumer who had already locked his factory. Finally, the JE removed the 11 KV Jumpers from the GO Switch to RD fuses on 20-6-2000 being the premises locked.

The case filed by the consumer in Distt. Court, Ambala was decided by the Hon'ble Court on 27-3-2001 with the orders to restore the supply of the consumer, as he had already deposited 40% of the penalty imposed. Against the orders of Distt. Courts, Ambala an appeal filed in the Punjab and Haryana High Court, the Hon'ble High Court upheld the decision of the Distt. Courts Ambala on 1-6-2001. The advice of the LR, HVPNL, Panchkula on the decision of the Hon'ble High Court to file an appeal was sought. The LR vide his Memo No. 143/LR-2/1312 dated 18-6-2001 advised not to agitate the matter further and to implement the orders of the Hon'ble High Court. Accordingly, the supply of the consumer has been restored on 21-6-2001."

The Committee considered the written reply and justification in favour of working the penalty rightly from the date of checking by M&P Wing till the date of detection of theft. The Committee was not satisfied with the reply on the grounds that the modus operandi adopted by the consumer was such as could not be detected even the M&P staff. As such in cases where period of theft can not be determined the period of six months from the date on which theft was detected was to be taken into consideration.

Since the case was pending in the Court, the para was kept pending till the decision of the court and recovery of the penalty from the consumer/defaulting officials.

4A 6 7 Non-recovery of service connection charges

10 The erstwhile Haryana State electricity Board instructed on 25 November, 1993, its field offices to levy fixed service connection charges at the rate of Rs 500 per KVA on HT industrial consumers at the time of release of new connections/extension in contract demand

Sub-urban sub-division-I Bhiwani, released (25 November 1993) orders for a new connection to M/s R K Ispat private Limited, Bhiwani with a contract demand of 750 KVA. The connection was released to the consumer on 14 January, 1994 without recovering fixed service charges of Rs 3 75 lakh. In another case on request of M/s S K Foils (P) Limited, Bhiwani a job order was issued on 25 November 1993 for extending the contract demand by 250 KVA. The job order was executed on 13 January, 1994 without recovering fixed service charges of Rs 1 25 lakh. However, at the instance of internal audit, both these consumers' accounts were debited by these amounts in December, 1996 after a lapse of three years. The payments were not made by the consumers. It was observed in audit (May, 1999) that the Chief Engineer (Operation) Zone-III, Hisar decided (January, 1998) not to recover the amount on the plea that the instructions were applicable to cases where service connection orders were issued after the date of circular. The contention of the Chief Engineer was not in order as the instructions were to come into force with immediate effect, i.e. from 25 November, 1993 itself.

Thus, the Board did not recover Rs 5 lakhs from these two consumers due to wrong interpretation of sales circular.

The matter was reported to the Government in May 1999, the reply had not been received (December, 1999).

In their written reply the State Government/Company stated as under —

“The concept of one time recovery of fixed service connection charges from all industrial Bulk supply consumers instead of monthly line service charges was introduced by the erstwhile HSEB vide Sales Circular No. 3993 issued by the C.E./Comm'l HSEB, Panchkula vide his memo No. Ch-144TR-101 (90) SR dated 25-11-1993. According to these instructions all HSEB industrial consumer shall pay service connection charges @ Rs 500 per KVA at the time of release of connection. The existing consumers shall also pay the fixed service connections charges for the extension of contract demand. It was further made clear vide Para 5 of the ibid instructions that these instructions shall come into force with immediate effect and shall cover all such cases where service connection orders are issued after the date of his circular.

5 The above instructions come into force with immediate effect and shall cover all such cases where service connections orders are issued after the date of this circular.

As such these instructions are applicable to those consumers whose service connection order Sundry Job Order (for extension of load) was issued on or after 26-11-1993 and will not be applicable to those consumers whose service connection orders were issued on or before 25-11-1993

1 The connection of M/s R. K. Ispat Pvt Ltd Bhiwani was released vide SCO No 55/6235 dated 25-11-1993 as such service connection charges were not recoverable from the consumer. A sum of Rs 3,75,000 was charged to the consumer's account vide SC&AR item No 392/86 by the SDO S U Sub Division, Bhiwani on the behest of the local audit party but on the representation made by the consumer, the charges were reviewed by the Chief Auditor, HSEB, Hisar in view of Para 5 of the Sales Circular No 3993 and he concurred for withdrawal of charges vide his Memo No CA/RA/IAR-313/L/979 dated 17-12-1997. The amount of Rs 375000 wrongly debited to the consumer account was refunded alongwith surcharge accumulated thereon after obtaining the approval from the competent authority i.e. Chief Engineer OP Hisar vide his memo No Ch123/WOS-144 dated 9-1-98.

In view of the above the amount refunded to the consumer vide SC&AR item No 207/89 was in order and in accordance with the instructions issued vide SC No 39/93.

2 The extension of load Contract Demand of M/s S. K. Fols Pvt Ltd Bhiwani having A/C No LS-39 vide SJO No 15/27296 dated 25-11-93 as such the service connection charges were not recoverable from the consumer. The consumer was charged a sum of Rs 1,25,000/- vide SC&AR item No 393/86 on account of service connection charges on the behest of audit. On the representation of the consumer, the Chief Auditor, HSEB Hisar reviewed the charges debited to the consumer in view of Para-5 of sales circular 39/93 and concurred for withdrawal of the amount vide his memo No CA/RA/IAR-313/loose/ 980 dated 17-12-97. The amount so debited to the consumer alongwith surcharge accumulated thereon was refunded to the consumer after obtaining approval from the CE/OP HSEB, Hisar, vide his memo No Ch 123 /WOS-144 dated 9-1-98.

In view of the above, the refund allowed to the consumer vide SC&AR item No 208/89 was in order and in accordance with the instruction issued vide Sales Circular no 39/93.

It is further intimated that the SE (OP) Circle, DHBVNL, Bhiwani has confirmed vide his memo No Ch-90/B/APP-24 dated 23-4-2001 that in the both cases the respective consumers have supplied the whole material for the release of connection/extension of the load as the monthly service maintenance charges are not leviable and are not being recovered."

The Committee was not convinced with the written reply and arguments given in the oral examination and recommended that number of cases where such amounts were refunded to the consumers from 25-11-93 to 28-2-94 may be intimated to the Committee. The para would be considered in the light of the additional information to be supplied by DHBVNL.

**REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR
THE YEAR 1999-2000**

3. HARYANA WAREHOUSING CORPORATION

(REVIEW)

3.4 Budgeting

11. The Corporation prepares annual revenue and capital budgets with reference to physical performance of the previous year and minimum growth rate. Budget targets and performance are reviewed once a year (at the time of preparing budget for the next year) by the Board of Directors/Executive Committee. The performance of the Corporation is also watched by the State Government as well as by CWC. Budget estimates of capital and revenue expenditure, total income, storage income, actuals there against and variations thereof for the five years up to 1998-99 are tabulated below :

Sl. No	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
				(Rupees in crore)		
1	2	3	4	5	6	7
1. Capital expenditure						
	Budgeted	2.89	15.57	13.48	17.54	13.47
	Actual	2.88	9.24	1.60	3.67	5.95
	Variation	(-)0.01	(-)6.33	(-)11.88	(-)13.87	(-)7.52
			(41)	(88)	(79)	(56)
2. Revenue expenditure						
	Budgeted	8.72	11.81	12.91	13.06	13.49
	Actual	10.56	13.44	11.51	14.08	12.86
	Variation	(+)1.84	(+)1.63	(-)1.40	(+)1.02	(-)0.63
3. Income (Total)						
	Budgeted	13.81	26.50	28.47	24.47	24.09
	Actual	30.76	33.13	20.26	35.46	35.16
	Variation	(+)16.95	(+)6.63	(-)8.21	(+)10.99	(+)11.07
4. Storage income						
	Budgeted	10.63	17.88	17.00	12.92	12.02
	Actual	18.36	16.96	10.43	11.14	15.76
	Variation	(+)7.73	(-)0.92	(-)6.57	(-)1.78	(+)3.74
		(73)	(5)	(39)	(14)	(31)

(Figures in brackets indicate percentage of variation)

The above table would reveal that the capital expenditure was less than the budgeted outlay during all the five years. The decrease ranged between 41 and 88 *per cent* during last four years up to 1998-99. The decrease was attributable to non-purchase of land as envisaged at various stations and delay in start of work at Inland Container Depot, Rewari as discussed in paragraph 3.8 and 3.13 respectively.

It was seen in audit that increase in storage income during 1994-95 by 73 *per cent* was mainly due to revision in storage charges. Even after reduction in the target during subsequent years as compared to 1996-97, the Corporation was not able to achieve the target during 1997-98.

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

“As per clause 26 of the Warehousing Corporations Act, 1962 every Warehousing Corporation shall prepare, before the commencement of each year, a statement of programme of its activities during the forth coming years as well as a financial estimates in respect thereof. Accordingly Budget Estimates and Revised Estimates are prepared annually.

The Budget figures as shown in the table were reviewed and revised at the time of preparing budget for next year. The revised Budget Estimates are as under :—

1994-95	1995-96	1996-97	1997-98	1998-99
6.08	6.09	5.94	5.42	11.89
2.88	9.24	1.60	3.67	5.95
(-3.20)	(+3.15)	(-4.34)	(-1.75)	(-5.94)
(53)	(52)	(73)	(32)	(50)
10.94	15.51	12.48	14.54	14.64
10.56	13.44	11.51	14.08	12.86
(-0.38)	(-2.07)	(-0.97)	(-0.46)	(-1.78)
33.27	22.58	18.37	28.35	27.91
30.76	33.13	20.26	35.46	35.16
(-2.51)	(+10.55)	(+1.89)	(+7.11)	(+7.25)
17.46	17.00	9.92	11.15	18.07
18.36	16.96	10.43	11.14	18.07
(+0.90)	(-0.04)	(+0.51)	(-0.01)	(-2.31)
(5)	(2)	(5)	(0)	(13)

From the perusal of data given above, it would be revealed that targets fixed for 1997-98 were fully achieved.”

The Committee examined the reply submitted by the Company/State Government and justification given by the representatives of the State Government during oral examination. The Committee was not convinced with the reply *vide* which figures of revised budget were submitted. The Committee feels that to revise the budget at the fag end of the year in view of the actual performance was not justified and the very purpose of framing the budget was thus repeated. The Committee, therefore, recommended that the Corporation was required to generate more warehousing capacity so that farmers were benefitted while the Corporation had sufficient funds available with it. Committee also recommended that strenuous efforts should be made for better utilisation of existing warehouses so as to generate more income from storage charges. Since, the Corporation had sufficient funds, it should make the realistic budget and efforts made to achieve the targets.

3 5 2 Borrowings

12. The borrowings as on 31 March, 1998 was Rs. 20.93 lakh which increased to Rs. 84.41 crore as on 31 March, 1999. The increase was due to availing of cash credit to the extent of Rs. 84.31 crore.

A Term loans

The Corporation availed (September 1994) a term loan of Rs. 132.47 lakh from Housing and Urban Development Corporation (HUDCO) for construction of staff quarters at Panchkula. Out of it, Rs. 9.26 lakh was outstanding as on 31 March, 1999

The Corporation was also sanctioned (August 1988) a term loan of Rs. 192.45 lakh for construction of 13 warehouses at various centres from Bank of Baroda under refinance scheme of National Bank for Agriculture and Rural Development (NABARD). The terms and conditions of refinance, *inter alia*, provided that the loan would be repaid in 11 years including one year of grace and carry interest at the rate of 12.5 per cent per annum

The Corporation paid regular instalments to the bank up to August 1997 and balance loan of Rs. 71.80 lakh was repaid in lump sum in September 1997. Audit scrutiny revealed that the bank unilaterally increased the rate of interest to 16.5 per cent from April 1992 and the Corporation did not contest the unilateral increase in rate of interest but continued to repay the term loan at higher rate of interest as demanded by the bank through their advice notes without verifying the interest rate being charged by the bank. It resulted into excess payment of interest of Rs. 24.23 lakh to the bank. On being pointed out (December 1998) by Audit about the excess payment of interest, the management stated (December 1998) that the matter for refund of excess payment has been taken up with the bank. The refund was still awaited (January 2000).

In their written reply, the State Government/Corporation stated as under .

“It is denied that the Corporation availed any loan from HUDCO. In fact, the Corporation has purchased staff quarters from Haryana Housing Board and a sum of Rs. 79.18 lakh was outstanding as on 31 March, 1999 instead of Rs. 9.26 lakh as pointed out by the audit.

The Corporation had taken two loans from Bank of Baroda under NABARD re-finance scheme for the construction of godowns. As per terms and conditions of NABARD the interest was payable by ultimate borrower @ 2.5% over bank rate with minimum of 12.5%. The rate of interest were revised by the Reserve Bank of India w.e.f. April, 1992 and accordingly the NABARD had revised the rates on re-finance. Therefore, the Corporation had to pay the enhanced rate of interest @ 16.5% to save the Corporation from the penal interest. However, the matter was taken up with the bank for correct the charging of interest in view of non existence of escalation clause in the agreement entered with the bank. Although the bank has not agreed to our request, yet the loan account has not been finally settled and the matter is being pursued with the bank."

The representatives of the State Government during oral examination informed the Committee that the Corporation had taken loan from Bank of Baroda under NABARD refinance scheme at the rate of 12.5%. Therefore rate of interest was revised by the Bank in 1992. The Corporation had to pay the enhanced rate of interest that is 16.5% to save the Corporation from penal interest. The matter was taken up with the bank. Yet the loan account has not been settled. If we fail in settling the matter with the bank then we will take legal opinion in this regard.

The Committee was not satisfied with the above justification and felt that it was a lapse on the part of management for accepting higher rate of interest and responsibility needs to be fixed after instituting an enquiry in the matter. The results of the enquiry were to be conveyed to the Committee within one month i.e. 31st August, 2002 but no report was received till the finalisation of the report.

3.7.2 Uneconomic warehouses

13. The following table indicates the details of warehouses which had incurred losses during the last five years up to 1998-99.

Sl No	Name of warehouse	Capacity as on 31 March, 1999(MT)	Loss				
			1994-95	1995-96	1996-97	1997-98	1998-99
1	2	3	4	5	6	7	8
			(Rupees in lakh)				
1	Kanina	2000	0.33 (65)	1.00 (59)	0.33 (79)	0.23 (77)	1.65 (89)
2	Mohindergarh	2000	0.32 (63)	0.39 (75)	0.84 (69)	1.96 (46)	1.81 (72)
3	Nangal Chaudhary	2000	1.53 (9)	1.14 (53)	0.08 (67)	1.22 (37)	0.23 (101)
4	Meham	2000	0.51 (60)	0.12 (60)	1.44 (45)	1.55 (42)	0.24 (82)
5	Ron	1820	—	0.13 (53)	2.87 (2)	2.83 (2)	2.63 (14)

1	2	3	4	5	6	7	8
6.	Sadhaura	3000	—	0 98 (4)	1 54 (38)	0 74 (65)	0 16 (52)
7.	Lakhan Majra	2000	—	1 05 (30)	0 41 (68)	1 61 (31)	1 58 (9)
8	Barohi	2000	—	—	3 96 (4)	2 61 (11)	0 14 (36)
9	Chautala	3670	—	—	—	—	0 32 (48)
10	Bani	7900	—	—	—	—	3 13 (26)

(Figures in brackets indicate percentage of capacity utilisation)

It would be seen from the above table that four warehouses were consistently under loss during the last five years and the total loss worked out to Rs. 16.92 lakh. Out of the remaining six warehouses, three incurred loss during last four years (total loss : Rs. 16.53 lakh), and one warehouse was making loss during last three years (loss : Rs. 6.71 lakh) and two warehouses incurred loss in one year (loss : Rs. 3.45 lakh).

Audit analysis further revealed that five warehouses (serial number 1, 2, 3, 4, 9) were not able to meet even direct cost of salary and wages.

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

"In order to provide warehousing facility to the farmers in rural area, 7 out of 10 godowns were constructed under Govt. of India, Ministry of Rural Developments sponsored plan scheme for setting up rural godowns and 50% cost of these godowns was borne by the Govt. of India and State Govt. The sole object of the Govt. to set up these warehouses was to provide space for the storage of foodgrains to the farmers in the rural area. Since service to the farmers is the moto, the Corporation have to keep the godown operational even though we have incur losses for the same

Although all out efforts are made to fetch the business yet due to seasonal mandis stocks are not available for storage through out the year. The utilisation of these godowns remained optimum during Rabi and Kharif season as may be seen from the table given below :—

Sr No	Centre	1994-95		1995-96		1996-97		1997-98		1998-99		Average of five years	
		Rabi	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif	Rabi	Kharif
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Kanina	93	100	96	68	105	67	83	94	107	100	97	86
2	M garh	88	83	92	85	89	69	54	63	80	87	81	77

1	2	3	4	5	6	7	8	9	10	11	12	13	14
3	Nangal Chaudhary	17	20	101	90	97	105	47	70	106	133	74	84
4.	Meham	98	95	109	98	40	95	52	83	71	105	74	95
5	Rori	78	78	78	79	3	3	0	11	26	21	—	—
6.	Sadhaura	—	—	—	13	21	124	114	83	122	51	86	86
7	Lakhan Majra	110	87	81	2	114	79	62	66	66	13	87	50
8	Baroli	101	66	60	54	9	6	9	26	43	43	—	—
9	Chautala	99	74	127	126	126	126	114	124	120	24	117	95
10	Bani	115	127	115	1	114	49	79	85	31	31	—	—

The perusal of the above table would reveal that average utilisation of 5 years from 1994-95 to 1998-99 of Rabi and Kharif season in respect of godowns at Kamna, Mohindergarh, Nangal Chaudhary, Meham, Sadhaura and Chautala remained more than 70% which is considered quite satisfactory. At Rori, the occupancy of the godown during initial years was quite good. However, it declined during 1996-97 to 1998-99 due to the fact that this mandi was withdrawn from HWC for procurement. It is a linked mandi and other procurement agencies had delivered the stocks directly to FCI at Sirsa. However, the occupancy has again increased to 100% on restoration of procurement during 1999-2000.

The occupancy of warehouse at Lakhan Majra remained good in Rabi season but due to non paddy producing area occupancy in Kharif season remained low. Similarly, Barauli which was legging behind has picked up and its average utilisation during 1999-2000 and 2000-2001 was 72% and 105% respectively. Further at Bani, the Corporation have godown of 2500 MT and open plinth of 5400 MT capacity. The occupancy of the godown during 1998-99 was 82% whereas the plinth were kept vacant, because the Corporation had a programme of construction of additional godown of 2500MT capacity over these open plinths "

3.7.3 Customer-wise utilisation

14. The table below indicates the customer-wise utilisation of storage capacity during 1994-95 to 1998-99

Year	Government Department/ Undertaking	Co-operative Societies	Merchants/ Traders	Primary Producers	Total
1	2	3	4	5	6
(In lakh MT)					
1994-95	6.34 (59)	3.31 (31)	0.75 (6)	0.39 (4)	10.79
1995-96	6.19 (64)	2.41 (25)	0.73 (8)	0.26 (3)	9.59

1	2	3	4	5	6
1996-97	2.68 (48)	1.70 (30)	0.90 (16)	0.35 (3)	5.63
1997-98	3.02 (49)	1.60 (26)	1.11 (19)	0.38 (6)	6.11
1998-99	4.67 (54)	2.25 (26)	1.32 (15)	0.41 (5)	8.65

(Figures in brackets indicate the percentage)

It would be seen from the above table that utilisation by primary agricultural producers had declined from 6 per cent in 1997-98 to 5 per cent in 1998-99, whereas, it ranged between 6 and 19 in case of merchant and traders. The facility of warehousing was mainly utilised by the Government Department/Undertakings whose utilisation ranged between 48 and 64 per cent.

From the above it is evident that the Corporation failed to attract the primary agricultural producers for storing their produce in warehouses and has thus, not been able to achieve one of its important objectives.

In their written reply, the State Government/Corporation stated as under .—

“The deposit of stocks by producers declined from 6% in 1997-98 to 5% in 1998-99 was due to imposition of formalities by the State Govt. such as submission of ‘Furd’ from patwari by farmers who deposit more than 50 bags. Similarly traders were required to furnish an affidavit indicating their licence No., quantity stored in different godowns with the certificates that total stock is within limit prescribed by Food Department along with furnishing form ‘C’ for sales tax purpose. All such formalities have discouraged the private depositors to bring their stocks to warehouse for storage.”

The Committee considered the written reply and justification given by the representatives of the State Government and the Corporation during oral examination regarding para- 3.72 & 3.7.3. The Committee was not satisfied with the written reply and recommended that the Corporation should utilise the warehousing capacity to the maximum. It also recommended that the terms and conditions applicable to the farmers for storing their grains in the warehousing should be simplified so as to attract more number of farmers to use Corporations’ warehouses.

3.10 Outstanding dues

15. The storage tariff of the Corporation provide for recovery storage of charges in cash at the time of delivery of commodities or on monthly basis in the case of bulk depositors to whom credit facility has been given. As on 31st March 1999, a sum of Rs. 8.17 crore was outstanding.

An audit analysis revealed as under

- Percentage of debtors to warehouse income increased from 27 in 1994-95 to 52 in 1998-99

- Debtors amounting to Rs 1.75 crore relate to 1978-79 to 1995-96. There was, however, nothing on record to show that steps were taken to recover these old outstandings
- HAFED, CONFED and FSD did not release the payment of Rs. 1.53 crore pertaining to the years 1994-95 to 1997-98, due to non-settlement of extent of moisture gain on the wheat stock stored with the Corporation.

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

“Based on facts, hence no comments

Out of debtors amounting to Rs. 1.75 crores, Rs. 0.45 crores relates to 1978-79 to 1993-94 against which a provision of Rs 0.35 crore for doubtful debts has been made. Remaining amount of Rs. 1.30 crore pertains to 1994-95 and 1995-96 out of which the Corporation by 31st March, 2000, has recovered Rs 0.80 crores. Thus the recovery of outstandings are constantly pursued.

Amount recoverable from Hafed, Confed and FSD was Rs 15.63, 109 and 27.99 lakh respectively. Out of this the Corporation has recovered upto 31-3-2000 Rs 0.78, 109 and 8.16 lakh respectively. The matter regarding recovery of balance amount of Rs. 35 lakh is under process.”

The representatives of State Government/Company during oral examination in front of the Committee informed that out of Rs 8 17 crores, Rs. 5.94 crores has been recovered by the Corporation. The Committee, however, felt that strenuous efforts needs to be made to effect the recovery from CONFED, HAFED, FSD. The Committee recommended that progress of recovery should be intimated to the Committee from time to time.

3.11 Procurement of wheat

16. The Corporation had been procuring wheat for Central Pool as per share allotted by the Government of Haryana. The Corporation was allotted 10 *per cent* share of wheat procured in the State for Central Pool up to 1993-94 which was subsequently reduced to 9 *per cent* from 1994-95 onwards.

The following irregularities were noticed in the operation of this activity.

3 11.1 Procurement of wheat in unallotted mandi

Mandi Nagpur (Hisar) was allotted by the State Government in March 1996 to FCI for procurement of wheat during Rabi 1996-97. The Corporation, however, started procuring wheat with effect from 20 April 1996 at its own and did not stop despite objections by FCI and procured 93639 bags of wheat from the Mandi between 20 April 1996 and 15 May 1996. Due to unauthorised procurement, the FCI deducted (April 1997) a sum of Rs. 58 lakh representing carry over charges from bills.

The FCI rejected (August 1998) the request of the Corporation for the release of Rs 58 lakh. Thus, injudicious decision of the Corporation to procure wheat in a Mandi allotted to FCI had resulted in non-recovery of carry over charges of Rs. 58 lakh.

In their written reply, the State Government/Corporation stated as under .—

“The allotment of mandis for the procurement of wheat is made by the Food and Supplies Department Haryana. During Rabi 96, Mandi Nagpur was allotted to FCI exclusively But it failed to enter the mandi. Therefore, the DFSC/DFS Hisar instructed the Corporation as confirmed *vide* letter No. Accountant-3-96/5212, dated 25-4-1996 to enter the mandi on 20-4- 1996, so it is incorrect to say that HWC enter mandi at its own The FCI has withheld the carryover charges of Rs. 58 00 lakh arbitrarily. The matter is being pursued with FCI. Food and Supplies Department has also been requested that if necessary, intervention of Secretary Food, Government of India may be sought for to adjudicate the issue.”

The Committee considered the written reply and justification given by the representatives of the State Government during oral examination and was not satisfied. The representatives of State Government apprised the Committee that State Government had taken up the matter with the Government of India. **The Committee however, recommended that strenuous efforts be made to recover this amount and the Committee be informed accordingly.**

3.11 2 Short accounting of moisture gain

17. Wheat stored in warehouses gains in weight due to moisture content in the atmosphere. In order to bring uniformity in storage gain norms, the State Government in its meeting (July 1992) with procuring agencies fixed norms for storage gain in wheat, which were adopted by the Corporation with restrospective effect from April 1992. As per the norms, storage gain was fixed between 800 grams and 1400 grams per quintal from the months of July to March The Corporation accordingly instructed (August 1992) its District Managers to comply with the norms and in case the storage gain was less than the prescribed norm, a detailed enquiry was to be conducted for fixing the responsibility of the concerned staff for the shortages noticed.

Following points were noticed :

- (a) In 37 Warehouses in six centres (Karthal, Rohtak, Sirsa, Panipat, Hisar and Kurukshetra) of the Corporation, storage gain of 18340 quintals of wheat was accounted for against the required gain of 23757 quintals during the years 1994-95 to 1998-99. Thus, there was shortage of 5417 quintals of wheat valued at Rs. 25.40 lakh which was not accounted for.

The Corporation had initiated (August 1998) disciplinary proceedings against the defaulting officials Further developments were awaited (March 2000).

- (b) The Corporation also keeps wheat stocks of other procuring agencies in its godowns. During audit scrutiny of records for the years from 1994-95 to 1998-99 relating to storage of wheat stocks stored by other agencies, it was noticed that at 21 warehouses, storage gain of 13759 quintals was accounted for against the required gain of 18401 quintals resulting in shortage of 4642 quintals of wheat valued at Rs. 21.33 lakh.

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

“The Food grains are semi hygroscopic in nature and gain in its weight depend upon the atmospheric condition of the centre, location and directions of godown. Therefore, uniform norms of storage gain at all centres cannot be achieved. However, in order to bring uniformity in storage gain norms. The Corporation on the directions of the State Government fixed norms for storage gain in the wheat stocks w.e.f. April 1992 *vide* letter No. HWC/Tech.92/92/27091-98, dated 31-8-1992, which were further revised as per decision of the State Government w.e.f. 1-4-1999 *vide* letter No. HWC/SGL/Norms./99/30857-64, dated 24-6-1999. In compliance with the said instructions the cases of less storage gain were initiated against the concerned staff. But the employees of the Corporation challenged the fixation of storage gain norms before Hon’ble High Court of Punjab and Haryana by way of writ petition in September 1999. The Hon’ble High Court *vide* its order dated 14-9-2000 has quashed the norms fixed by the Corporation *vide* its letter, dated 31-8-1992 and 24-6-1999. The Corporation has filed SLP against the orders of High Court before Hon’ble Supreme Court of India and the same is pending.”

In view of the matter being in the Supreme Court of India, the Committee decided to await the decision of the Supreme Court and keep the para as pending.

3 11.3 Avoidable expenditure due to non-delivery of wheat as per FCI instructions

18. The FCI issues instructions to the Corporation either to deliver stocks direct from Mandi under linkage plan or to keep in its godowns till subsequent instructions. The District Manager, FCI, Rohtak sent (13th April, 1996) linkage plan for the direct delivery of wheat from Julana Mandi to FCI godown during Rabi 1996-97. The Corporation procured 3725 MT of wheat at Julana and stored these stocks in its warehouses instead of delivery of these stocks to FCI direct from Mandi as per linkage plan. The District Manager, FCI, Rohtak deducted (July 1996 to March 1997) carry over charges amounting to Rs. 14.07 lakh from the sales bills raised by the D.M. Rohtak on the grounds that the stocks were not delivered to FCI direct from Mandi. Thus, failure of the Corporation to deliver wheat at FCI godown direct from the Mandi resulted in avoidable expenditure of Rs. 14.07 lakh.

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

“At Julana the corporation had purchased 3872 MT wheat during 1996-97. As per FCI instructions, these stocks were to be delivered at Rohtak. But trucks were not available with the truck union Julana. After a lot of persuasion by our Manager with truck union as well as District Authorities, the Corporation could make available a few trucks and only 147MT wheat could be despatched to Rohtak. On the other hand the District Administration was pressing hard to clear the glut in mandi. Therefore, in such circumstances, the Corporation had no other alternative but to resort to storage of procured wheat in the godowns to clear the mandis and to avoid damage to stocks due to vagaries of weather. Thus the situation was beyond control and we were helpless.

The position was well in the notice of FCI and for that reason even the D.M. FCI,

Rohtak himself had visited Julana mandi to have on the spot assessment of the situation. It is further added that HWC is not the only agency who has been held at fault. The FCI has also deducted carry over charges from other procuring agencies in respect of Jullana mandi. All the agencies including HWC have taken up the matter for the payment of deductions with the FCI in view of unavoidable circumstances. The issue has been discussed in the periodical meetings held in the Regional office, FCI a couple of times but without any tangible results."

The representatives of the State Government informed the Committee during oral examination that he had written a letter to Joint Secretary, Food, Government of India and assure to settle the issue during my forthcoming meeting with the representatives of Government of India. The Committee decided to await the out-come of the recovery of Rs. 14.07 lakh.

3.13 Setting up of Inland Container Depot(ICD)

19. The Inland Container Depot (ICD) is a dry port which provides the service of export/import of goods to the exporters/importers at their nearest place. In order to reduce the traffic congestion at existing ICD at Tuglakabad and provide service at reduced freight charges due to decrease in distance by 400 kms from Rewari to Mumbai after coming up of a new rail route, the Corporation felt the necessity for setting up ICD at Rewari. The Corporation requested (December 1994) Haryana Urban Development Authority (HUDA) for allotment of 40 acres of land at Rewari for setting up the ICD. HUDA agreed to transfer 40 acres of land to the Corporation for the above purpose. However, HUDA offered (September 1995) 21.5 acres of land at Rs. 247 per sq. metre which was accepted by the Corporation and Rs. 214.89 lakh were deposited up to November 1995 towards the cost of land. The Corporation again approached (June 1996 and October 1997) HUDA for allotment of additional land. The HUDA, however, offered additional land measuring 10 acres at the higher rate of Rs. 600 per sq. meter which was accepted by the Corporation without any protest and Rs. 242.82 lakh were paid to HUDA. Failure of the Corporation to pursue HUDA to allot agreed piece of land at the first instance resulted in extra expenditure of Rs. 105 38 lakh.

The Government of India approved (February 1995) the proposal of the Corporation for setting up of an ICD at Rewari and granted a period of six months for creation of proper infrastructure to the satisfaction of Custom and Excise Department. In view of the huge investment in the project, the Corporation decided (May 1997) to transfer the job of laying of railway siding and arrangement of containers from Rewari to the ports and *vice versa* to Container Corporation of India (CONCOR). The CONCOR was to invest its own funds and recover service charges from the Corporation for the services rendered. The Corporation, however, did not execute any agreement with the CONCOR so far (March 2000) and as such the ICD could not be started. Pending completion of railway sidings and other works, the Corporation decided (September 1997) to start the activity of ICD in the existing godowns by carrying out some modification which were completed (June 1998) at a cost of Rs. 11 23 lakh. The Corporation started (August 1999) operation from existing ICD *via* Tuglakabad ICD (Delhi).

Thus, due to improper planning, the desired results of effecting economy in

transportation could not be achieved because the ICD had not been completed even after making an investment of Rs. 8.79 crore (including Rs 4.21 crore on civil works) in the project as on 31 March, 1999.

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

“The Corporation had requested HUDA for allotment of 40 acres of land for development of ICD at Rewari. But HUDA could offered only 21.5 acres @ 247/- per sq. mtr. in January 1996. However, this piece of land was not considered sufficient, therefore, HUDA was requested to arrange more land. After a lot of persuasion we could got only 10.5 acres in May 1998 @ Rs. 600/- per sq. mtr. As regards higher cost, it is submitted that HUDA was requested *vide* D.O letter on 6-3-1998 to reduce the cost of additional land but it was turned down stating that the rate was as per those fixed by the authority and not possible to reduce the same. The Corporation had to pay the cost as demanded failing which interest would have been paid after 31-3-1998.

It is submitted that on the intervention of Ministry of Commerce, Government of India, the Corporation had agreed to run the project jointly with CONCOR. The latter was to develop and manage ICD and HWC the CFS. The CONCOR had drafted an agreement which was accepted by the Corporation after minor amendments. But the CONCOR had redrafted the agreement, wherein HWC besides developing CFS had to develop ICD, except laying of Railway Track, and to give service charges to CONCOR @ Rs 300/- per container. This agreement was against earlier understandings *vis-a-vis* Corporation's interest. The matter was taken up by the Chief Secretary, Govt. of Haryana with the Addl. Secretary, Ministry of Commerce, Government of India (May 2000), but the officers of CONCOR were adamant on their new proposal.

The breach of faith on the part of CONCOR was reported to Hon'ble Chief Minister, Haryana who had very kindly requested Union Railway Minister, *demu* officially, to direct CONCOR (being subsidiary of Indian Railways) to fulfill its obligations in accordance with the initial commitments (August 2000). The Union Railway Minister again requested by the Chief Minister Haryana in March 2001. The Managing Director, HWC, had also *Demu* officially requested his counterpart in CONCOR at New Delhi on 24-5-2001 but response to the same is still awaited.

It is also worth mentioning that Commission, Central Excise while issuing Trade Notice in favour of HWC for running ICD at Rewari had mentioned that Export Cargo Containers will be transported by CONCOR from ICD, Rewari to Gateway Ports.

From the factual position as explained above, it can be transpired that there was no let up on the part of the Corporation in getting the desired agreement executed with the CONCOR. Despite of CONCOR's preposterous action. HWC is earnestly trying to sort out the issue amicably.”

The representatives of the State Government during oral examination gave the complete background of the setting up the Inland Container Depot at Rewari. The Committee decided to keep the para pending till the completion of Report of the Inland Container Depot, Rewari.

Haryana Forest Development Corporation Limited

4A.4.1 Loss of revenue due to favour extended to a contractor

20. In response to Company's offer, the railway Board placed (January 1997) an order on the Company for supply of 5000 cum sal wood sleepers to Indian Railways at approved rates. The supply order provided payment of commission of 3 *per cent* of the value of sleepers by Railways. The Company initially (January 1997) agreed to supply 2000 cum sal wood sleepers. To execute the order, the Company invited tenders on 16 March, 1997 for supply (including transportation and handling) of sleepers. Tenders from three firms only were received.

The Company invited the firms for negotiations. Only two firms turned up for negotiations on 31 March, 1997. After negotiations, the Managing Director decided to award the contract to M/s. Vinod Traders (third lowest) at 2 *per cent* less than approved Railway rates. The offer of 4 *per cent* less than the approved Railways rates quoted by M/s. H.C. Singhal (second lowest) was rejected on the plea that during negotiations, it expressed its inability to make supplies immediately. However, no authenticated proceedings of negotiations were on record. The firm that made the second lowest offer informed the Company before opening of the tenders that other two firms were of the same person and also made it clear in its representation (April 1997) to the Forest Minister, Haryana that it was ready to supply the material immediately. On Company's request, the Railways enhanced (April 1997) the ordered quantity from 2000 cum to 5000 cum. The contractor supplied 4963 cum sleepers to Railways during 1997-2000. Thus, rejection of offer of second lowest firm deprived the Company of additional income of Rs. 15.39 lakh. It was further seen in audit that 3 *per cent* commission amounting to Rs. 21.58 lakh received by the Company from the Railways was also passed on to the contractor despite the fact that this was not envisaged as per tender documents. Thus, undue favour was extended to the contractor amounting to Rs. 36.97 lakh.

The Company stated (April 2000) that commission of Rs. 21.58 lakh was passed on to the contractor in terms of the agreement. The reply is not tenable in view of the fact that notice inviting tenders did not intend to pass on such commission to the contractor and inclusion of such clause in agreement amounted to undue favour to a particular firm.

The matter was reported to the Government in March 2000, the reply had not been received (September 2000).

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

"It is submitted that after receipt of supply order from the railways, a tender notice was issued by the Haryana Forest Development Corporation Ltd. in National/Regional dailies, inviting tenders for supply of Salwood sleepers to the Railways. A copy of the tender notice is enclosed as **Annexure I**.

In response to the tender notice, three tenders were received namely that of M/s. H.C. Singhal, M/s. Vinod Traders and M/s. Anil Rice Mills. A copy of the tenders is enclosed as **Annexure II**.

The tender of M/s. H.C. Singhal, though offering 4% commission, stipulated an advance payment of 95% after dispatch of Salwood Sleepers. This condition worked out to advances to the tune of Crores of rupees to M/s. H.C. Singhal, much before receipt of the amount from the Railways by the Haryana Forest Development Corporation Ltd. The Haryana Forest Development Corporation

was not in a position to pay such huge advances. The then Managing Director, Sh. J.K. Rawat, IFS, undertook a tour of Raipur and Dhamtari areas, Madhya Pradesh (now Chhattisgarh State) with a view to verify the position of the saw mills, godowns and the financial position of the two main tendering parties in fray for appointment as handling agent to supply Sal sleepers to the Indian Railways. A tour note was submitted by Sh. J.K. Rawat, IFS. A copy of the tour note is enclosed as Annexure III. A perusal of the tour note shows that the financial position, market standing, experience, saw mills capacity and godowns capacity of M/s H.C. Singhal was not satisfactory and he did not have the capacity to supply the large quantity of Sal sleepers whereas M/s. Vinod Traders had a good financial position as also good experience, sufficient saw mills and godowns facilities. Evidently, the position and finances of the firm M/s. H.C. Singhal was not good enough to be able to satisfactorily execute the supply order and maintain the credibility of the Corporation. If, for the sake of argument, the Company were given the supply order, it would have made the Haryana Forest Development Corporation Limited, bankrupt and the credibility of the Corporation would have been in serious jeopardy

Aggrieved by the decision of the Managing Director, Haryana Forest Development Corporation in not awarding the supply order of Salwood sleepers to the Railways, and appointment as handling agent, M/s. H.C. Singhal approached the Hon'ble Punjab and Haryana High Court, Chandigarh through CWP No. 9458/97. A copy of the CWP No. 9458/97 is enclosed as Annexure IV. The averments in the CWP No. 9458/97 have been on the same lines as has been stated above i.e. he offered a higher commission to Haryana Forest Development Corporation and that the Haryana Forest Development Corporation would be put to a big loss of Rs. 12 lakh etc.

In his Written Statement to CWP No. 9458/97, the then, Managing Director, Haryana Forest Development Corporation, Sh. J.K. Rawat, IFS stated that the petitioner was not in position to execute the supply order and that award of supply order to M/s. H.C. Singhal would have meant financial problems and bankruptcy for the Corporation. A copy of the written statement of Sh. J.K. Rawat, IFS the then Managing Director, Haryana Forest Development Corporation Ltd. is enclosed as Annexure V. In his written statement *inter alia*, Sh. J.K. Rawat, Stated that the condition in the tender asking for 95% advance payment to the firm after the dispatch of Salwood Sleepers was not acceptable to the Haryana Forest Development Corporation Ltd. under any circumstances. The assertions of the petitioner firm, M/s. H.C. Singhal, that this condition was negotiable is not borne out by the record. On the contrary his demand of a 95% advance is a matter of record and if accepted it could have spelt financial bankruptcy for the Development Corporation.

Keeping in view these facts and written statement of the then Managing Director, Haryana Forest Development Corporation Limited the Hon'ble High Court of Punjab and Haryana, Chandigarh did not pass any stay orders or grant any other relief to the petitioner firm M/s H.C. Singhal.

It is also submitted that the Director Track (M), Railway Board *vide* his letter No. 94/Track-II/MPW/1, dated 7-1-1997 clarified in clause 8 of the letter dated 7-1-1997 that for all over-head and handling in procurement on behalf of the Railways including test checking/subsequent rechecking, 3% of the value of sleepers will be paid by the Railway. The relevant provision contained in clause (8) of the letter dated 7th January, 1997 from the Director Track (M) is reproduced below, "The supplier will also shoulder the responsibility of loading the sleepers in the wagon. For all over-heads and handling in procurement on behalf of the Railways including test checking/subsequent rechecking 3% of the value of the sleepers will be paid by the Railway".

A copy of the Director Track (M), Railway Board letter No. 94/Track-II/MPW/I, dated 7-1-1997 is enclosed as Annexure VI. All these handling operations, including test checking and rechecking have been done by the handling agent of the Haryana Forest Development Corporation Limited, M/s. Vinod Traders. Accordingly this 3% amount has been passed on to M/s. Vinod Traders in terms of clause of the agreement entered into with M/s. Vinod Traders. Clause 8 of the agreement with M/s. Vinod traders reads as under :

"The second party shall bear the cost of all loading and handling charges of the materials at all points and the first party shall pass on the amount as will be reimbursed by the Railway authorities being loading and handling charges".

A copy of the agreement with M/s. Vinod Traders is enclosed as Annexure VII. A perusal of Annexure VI and Annexure VII would show that the 3% amount of the value of Sal Sleepers has been passed on to M/s. Vinod Traders for carrying out the functions and duties like handling, test checking and subsequent rechecking on behalf of the Haryana Forest Development Corporation Ltd as per the provisions of clause 8 of the agreement stated above."

The Committee was not satisfied with the written reply and the explanation given by the State Government/Management. During oral examination, the management stated the offer of Mr H.C. Singhal, was not accepted as the supplier demanded 95 percent payment after the dispatch of the goods and it would not had been possible for the company to make such huge payments from its own funds and payments from Railways were received only after the receipt of material. The Committee observed that the offer of supplier was rejected by the then Managing Director on the plea that supplier would not be able to execute supplies within the given time. The management could not produce any document in support of fact that offer was rejected as the supplier would't had been able to execute the supply. The Committee viewed very seriously the visit of the then M.D. of the company to assess the financial position of the two tendering parties besides verifying the fact, whether the suppliers would be able to complete the supplies, as the visit was undertaken (30 April, 1997 to 2nd May, 1997) after the finalization (31st March, 1997) of the tender. It observed that the Committee may be apprised of the reasons for undertaking the tour after finalizing of the tender. It asked for the total amount spent by the Company on M.D. tour and asked why the then M.D. should not be held responsible for this avoidable expenditure? The Committee recommended that the company should Act prudently in future to avoid reoccurrence of such type of omissions.

Haryana State Industrial Development Corporation Limited

4A.6.1 Loss due to defective appraisal

21. The Company decided (May 1993) to enter into a Memorandum of Understanding (MOU) with Shri Rajan Handa the promoter of M/s. Aquapure Containers Limited (subsequently renamed as O K Play India Limited) for diversification and expansion to manufacture Rotational Moulded Plastic Containers and Toys in the Assisted Sector with its equity participation to the maximum of Rs. 24 lakh. It was noticed in audit (December 1999) that before signing the MOU, the Company was aware that the book value of share of the unit was only Rs. 8.47 per share as per the audited results for the financial year 1992-93 against the face value of Rs. 10 per share. However, after meeting with promoter (Shri Rajan Handa) it was decided to sign MOU as projected figure was indicated at Rs. 15.71 per share and proposed to work out share value as per authenticated accounts before signing the collaboration agreement.

The company after necessary appraisal of the working of the unit by taking book value of its share as Rs. 12.02 (based on accounting figures up to December 1992) entered into MOU with the promoters of unit in September 1993. The collaboration agreement was signed in November 1993 by taking share value as Rs. 12.48. However, it was observed in audit that as per audited balance sheet for 1993-94 the share value worked out to Rs. 9.20. The agreement provided that the promoters of the unit be liable to buy back share holding of the Company after expiry of five years at a price to be worked out after adding highest lending interest rate of IDBI borrowings i.e. 18.5 per cent with six months rest from the date of first disbursement. The project was ex post facto approved by the Project Approval Board (PAB) in December 1993. The Company disbursed Rs. 14.70 lakh and Rs. 9.30 lakh to the firm on 11 January, 1994 and 4 February, 1994 and purchased 2,40,000 shares which became due for buy back on 11 January, 1999. The Company requested (December 1998) the promoters to buy back 2,40,000 shares but there was no response. Subsequently, show cause notice was also issued (March 1999) to the collaborator but again there was no response. The Corporation submitted (June 1999) with the Arbitrator, a claim of Rs. 57.90 lakh due as on 11 January, 1999 being equity, incidental charges and penal interest with further interest @ 23 per cent per annum till the date of payment. In the meantime the unit had gone (April 1999) to BIFR and registered as sick company.

The Company stated (January 2000) that the arbitration award has been given in its favour. However, the defective appraisal about the feasibility for equity participation in the unit has rendered recovery of Rs. 57.90 lakh doubtful as the unit has already been registered as a sick unit and chances of recovery are remote.

The matter was reported to the Company and the Government in February 2000; their replies had not been received (September 2000).

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

“The Memorandum of understanding (MOU) with Sh. Rajan Handa of M/s. Aquapure Containers Limited & his Associates for setting up Rotational Moulded Plastic Containers and O. K. Play Activities Toys was signed on

14-9-1993 after approval of BOD/HSIDC in its meeting held on 26-5-1993 and approval of Hon'ble Chief Minister, Haryana in its capacity as Chairman Project Approval Board (PAB) on 19-7-1993. The ex-post facto approval for the same was accorded by PAB in its meeting held on 16-12-1993

Memorandum of Understanding (MOU) is signed with the Collaborator(s)/ Promoter(s) of the company primarily on consideration of his background nature of project to be implemented, future prospects of the project and other related issues in broader prospectives. After signing of MOU i.e. on 14-9-1993 since the basic terms and conditions to be followed were mutually agreed between HSIDC & the Collaborators of this project, the parties had bound themselves by terms of this agreement in its letter and spirit. As such, little option was left with us to revert back from the commitment made under agreement signed on 23rd November, 1993.

Prior to our signing of the MOU though share value as per net worth was stumbling yet it would be seen that after coming down from Rs. 12.02 per share (31-12-1992) to Rs. 8.88 per share (31-3-1993) it got subsequently shot up to Rs. 12.48 per share on 30-9-1993 (as per our calculation Rs. 12.48 per share whereas as per CA's certificate (already submitted) it was Rs. 17.85 per share).

The facts regarding share value to be more than Rs. 10/- was also established through the Prospectus prepared by PNB Capital Services Limited and Syndicate Bank as lead managers to the Public Issue wherein other Institutions like State Bank of Hyderabad, Vijay Bank, Indian Overseas Bank were also co-managers to the issue. The share value therein was also determined to be Rs. 17.85 per share (on 30-9-1993). The said prospectus was subsequently approved by SEBI as well.

All this clearly, indicates that our commitment was prudent in light of prevailing market scenario as share value remained upswing between March, 1993 to September, 1993. Our investment is otherwise secured by personal undertakings of promoters/collaborators whose financial and managerial capacity/soundness has the bearing in consideration of which we do equity investment under Assisted Sector Financial Collaboration Agreement.

Moreso, it is stated that our equity participation in question under Assisted Sector Scheme is a long term investment based on multi-considerations briefly highlighted above. However, net worth is one of those, but marginal change on technical analysis basis (which again is a matter of interpretation) can not be considered so significant to call it as : Defective Appraisal".

It is also informed that the Arbitration Award has gone in the favour of HSIDC whereby the respondent company has been asked to repay the amount of Rs. 57.89 lacs alongwith further interest @ 18.5% compounded at six monthly rests.

The company has been registered as Sick Indl. Unit with BIFR in November,

2000 but it is pertinent to add that the recovery of dues on account of buy-back is the liability of the co-promoters and not the company. As such the reason that the company had gone sick cannot restrict us from recovery of buy-back dues from co-promoters. It is also pertinent to add here that we have issued the recovery certificates through concerned Collector for speedy recovery of the total dues payable by them. The recovery certificates have been issued against the co-promoters and associates (who have undertaken to abide by the terms of the agreement clause (a) to (f) regarding buy-back of equity of HSIDC) for attachment of their properties, detail of which have been informed to the DC concerned ”

The Committee examined the written reply and was not satisfied on the following points :—

- (a) The Company was aware that the book value of share of the unit was only Rs. 8.47/- per share as per audit and result for the financial year 1992-93 while the MOU was signed by the company in September 1993. The share value of Rs. 12.48 per share taken into consideration while signing the MOU was fraudulently jacked up by pumping in Rs. 66 lakh in the unit and subsequently taking out Rs. 40 lakh. As much the plea taken in the written reply that the appraisal of the unit as correct was not justified.
- (b) That various other financial institutions did the appraisal of the project does not have any justification that the company should ignore the basic facts before deciding equity participation in the unit.

The representatives of the State Government/Company accepted that the price of the share was jacked up fraudulently and felt that all these things were done with the malafide intensions. It was also promised that responsibility of the defaulting officer/officials would be fixed and committee be informed accordingly and desired that the responsibility be fixed within one month and the Committee be informed accordingly. The desired information was, however, not received till the finalization of the report.

HARYANA FINANCIAL CORPORATION

4B.1.1 Sanction of working capital loan/bill discounting in relaxation of laid down procedure

22. (a) The Corporation introduced (October 1994) a scheme for providing working capital facility up to Rs. 100 lakh to the industrial units to be secured against stock and book debts besides collateral security. As per manual of disbursement of the Corporation, collateral security should be in the shape of immovable property having clear marketable title.

The Corporation sanctioned (July 1995) working capital limit of Rs. 100 lakh to Vardhman Solvex Limited, Panipat. The terms and conditions of sanction, *inter-aha* provided that the unit would furnish 100 per cent collateral security and no objection certificate (NOC) from their banker from whom the unit had already availed cash credit limit. It was, however, noticed in audit (December 1999) that the Corporation accepted 4,65,500 shares of a sister concern of the unit at market rate of Rs. 27 per share (face value Rs. 10 per share) as collateral security and disbursed the amount between October 1995 and March 1996. The bank declined to issue NOC and intimated (May 1996) that whole of the stocks and book debts were hypothecated to it. Thus, primary security to the Corporation was reduced to nil. The shares taken as collateral security were last quoted at Rs. 6.50 per share in May 1997 at a stock exchange.

The unit defaulted in repayments and recovery certificate for Rs. 140.38 lakh was issued by the Corporation in February 1998 under Section 3 of Haryana Public Moneys (Recovery of dues) Act 1979, requesting Collector, Panipat to recover the amount as arrears of land revenue. No recovery has been made so far (March 2000). As at the end of November 1999, amount outstanding (including interest) increased to Rs. 218.59 lakh.

Thus, acceptance of collateral security of shares in contravention of laid down procedure and disbursement of loan without getting NOC from bank, had rendered recovery of Rs. 218.58 lakh doubtful.

The Corporation stated (May 2000) that it accepted collateral security in the shape of shares as per prevalent practice and relaxed NOC condition keeping in view reputation of the party. The reply was however, not tenable in view of the provisions of manual of disbursement and conditions of sanction.

The matter was reported to the Government in April 2000, the reply had not been received (September 2000).

In this written reply, the State Government/Corporation stated as under :—

“At the time of sanction of Bill Discounting Limit to the captioned company, it was stipulated that the party shall furnish 100% collateral security. At the time of disbursement of loan, collateral security in shape of shares was accepted as per the then prevalent practice of the Corporation. Shares were accepted at the rate of Rs. 27/- per share on the basis of Book Value per share as on 31-3-1995. In order to

take care of the fluctuation in market price of the shares, shares having value equivalent to 125% of the limit were accepted as collateral security.

At the time of sanction of Bill Discounting limit on 25-7-1995, it was also stipulated that the company shall furnish NOC from Bank before disbursement. The company requested *vide* its letter dated 31-7-1995 that NOC has to be issued by Local Head Office of the Bank and it will take time to get the permission. Accordingly, the condition of NOC from Bank was relaxed for two months period on 2-8-1995 subject to the condition that the party will give the proof of filing this request with their banker and in case the NOC will not be available, then the company will undertake to repay the entire amount outstanding under this limit. The party applied to bank for NOC on 5-8-1995. The company again represented on 6-11-1995 and requested to give further time of two months for submitting NOC from bank. As the company was regular with the Corporation limit sanctioned by the Corporation was independently secured by collateral security and as the party was facing difficulty due to paucity of funds, condition of NOC was relaxed for another one month on 15-11-1995.

Later on, company represented *vide* its Letter dated 5-1-1996 that the condition of NOC from bank may be relaxed as their case had to go to Central Head Office of SBI for issue of NOC. Keeping in view the reputation of the party, the availability of 100% collateral security and the limit being secured by stamped bill of exchange duly accepted by the company, the condition of NOC was relaxed on 8-1-1996 and it was decided that the company will submit it in the due course of time. It was also decided that Branch Office will simultaneously inform the Banker that the party is availing this facility from the Corporation. The bank was informed *vide* our Letter dated 22-1-1996 that the company has been availing Bill. Bill Discounting Limit of Rs. 100 lacs against creditors to the company from the Corporation. Letter from bank refusing to issue NOC was received later on i.e. on 23-5-1996. Further, the entire limit was availed by the company by March, 1996 and no amount was released in July, 1996 as is mentioned in the audit para."

- (b) Similarly the Corporation sanctioned (November 1995) bill discounting facilities of Rs. 150 lakh to Vardhman Overseas Limited, Panipat the terms and conditions of sanction, *inter-alia*, provided that the unit would furnish its shares equal to 125 *per cent* as collateral security and no objection certificate (NOC) from the bank from whom the unit had already availed cash credit limit. It was observed in audit (December 1999) that the Corporation obtained 7,00,000 shares of the unit at market rate of Rs. 27 per unit (face value : Rs. 10 per share) as collateral security and disbursed Rs. 149 lakh between December 1995 and May 1996 without obtaining the required N.O.C. from the Banker of the unit.

The unit defaulted in repayments and recovery certificate for Rs. 220.59 lakh was issued in February 1998 requesting Collector, Panipat to recover the amount as arrears of land revenue. No recovery has been made so far (May 2000). As at the end of January 2000, amount outstanding (including interest) increased to Rs. 343.51 lakh.

Thus, acceptance of collateral security of shares in contravention of laid down procedure and disbursement of loan without getting NOC from bank, had resulted in non-recovery of Rs. 343.51 lakh.

The Corporation stated (May 2000) that the collateral security in shape of shares was accepted as per practice in vogue and condition of NOC was not insisted upon. The reply is not tenable as the Corporation has violated the terms of sanction and manual of disbursement

The matter was reported to the Government in May 2000, the reply had not been received (September 2000).

In their written reply, the state Government/Corporation stated as under :—

“At the time of sanction of Clean Bill Discounting Limit, the party had requested that as it will take time to get NOC from their banker as the permission is to be granted by Local Head Office of Bank, the condition of NOC may be relaxed for two months. Hence, while sanctioning Bill Discounting Limit on 28-11-1995, condition was imposed that the party shall furnish NOC from its Bank within two month. In the sanction letter dated 30-11-1995 also, it was stipulated that the company will furnish NOC from their bankers namely State Bank of India, Panipat within two months. Accordingly, at the time of disbursement on 21-12-1995, NOC from Bank was not insisted upon.

Collateral Security in shape of shares was accepted as per the then prevalent practice of the Corporation. In order to take care of the fluctuation in market price of the shares, shares equivalent to 125% of the loan limit were obtained. Further, Corporation's manual for disbursement was issued prior to adoption of Working Capital/Bill Discounting Scheme(s) by the Corporation.

The manufacturing expenses had not come down from Rs. 28.08 lakh to Rs. 9.42 lakh but had come down from 63.91 lakh to Rs. 58.53 lakh as per Audited Balance Sheet of the company as on 31-3-1995 placed in the file. Though the exports had come down from Rs. 18.14 crores to Rs. 9.01 crores, the total turnover had increased from Rs. 19.59 crores to Rs. 44.88 crores. Net profit had also increased from Rs. 2.02 crores in 1993-94 to Rs. 4.52 crores in 1994-95. As such, at the time of appraisal financial position of the company was considered satisfactory.”

4B. 1. 2 Irregular sanction and disbursement of lease assistance

23. The Corporation introduced (January 1995) a scheme of sub-leasing of vehicles. Under the scheme, the Corporation was to appoint sub-lessors who were to provide vehicles on lease from the funds provided by the Corporation. The sub-lessor was required to pay monthly lease rentals to the Corporation. The scheme *inter-alia*, provided that (i) lease assistance would be sanctioned to those sub-lessors who were engaged in business of leasing/hire purchase/dealer of vehicles at least for the last three years and minimum turnover should be Rs. 15 lakh in leasing/hire purchase/sale of vehicles, (ii) sub-lessor to be released 25 per cent of the sanctioned amount at the initial stage and subsequent instalment to be released against submission of proof of utilisation of instalments released earlier.

The Corporation, sanctioned (March 1996) a sub-leasing limit of Rs. 50 lakh to M/s KM Capital Limited, Gurgaon for financing of vehicles. Assistance was secured against collateral security of a plot of land valued at Rs. 34.43 lakh and shares having face value of Rs. 37 lakh in addition to personal Guarantee of two directors. The Corporation disbursed Rs. 12.50 lakh on 15 March 1996. Without verifying the utilisation of the amount released the Corporation further disbursed Rs. 25 lakh and Rs. 12.50 lakh on 26 March and 17 April 1996 respectively. Lease assistance was repayable in 60 monthly instalments at lease rental of Rs. 1.43 lakh per month starting from May 1996. It was noticed in audit (May 1998) from annual accounts of the sub-lessor for the year 1994-95 that sub-lessor was not engaged in the business of leasing/hire purchase of vehicles up to 1994-95 and accordingly was not eligible for lease assistance under the scheme.

The sub-lessor defaulted in payment of lease rentals. The Corporation decided (December 1997) to recall its entire dues not and asked (February 1998) the sub-lessor and its directors to remit amount of Rs. 59.77 lakh by 25 February 1998 with further interest at 22.5 per cent from December 1997. On failure of the sub-lessor to repay the dues, the Corporation took over the collateral security (plot) and disposed the same (February 1999) for Rs. 18.75 lakh. The shares could not be sold as the same were not being traded. The personal guarantees of the directors had not been invoked so far (June 2000). As on 1 June, 2000, an amount of Rs. 94.25 lakh was recoverable.

Thus, sanction of lease to an ineligible unit in the first instance and subsequent release of instalments without verifying utilisation of the earlier disbursed amount rendered Corporation's funds of Rs. 94.25 lakh doubtful for recovery.

The Corporation stated (February, 2000) that enquiry against erring officers/officials had been ordered and suitable action would be taken after completion of enquiry. Further the Corporation is also issuing recovery certificates for recovery of the amount as arrears of land revenue.

The matter was reported to the Government in March 2000, the reply had not been received (September 2000)

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

“The erring officer/officials stand dismissed in other cases of Lease/sub-leasing. The Corporation has already disposed off the collateral security at sale price of Rs. 18.75 lakh. Recovery Certificate for the shortfall amount has been issued to the Collector, Gurgaon on 20-9-2000. The Corporation has collateral security of 3,70,000 shares of Rs. 37.00 lakh of the company but the same could not be disposed off because the shares are not being traded in the market. The overall account position as on 31-3-2001 is as under :—

— Amount invested	Rs. 50.00 lakh
— Amount recoverable	Rs. 85.50 lakh
— Amount recovered	Rs. 29.20 lakh
— Amount in default	Rs. 56.30 lakh.”

4B. 1. 3 Fraudulent drawal of lease assistance

24. (a) The Equipment lessing Scheme introduced (October 1993) by the Corporation, *inter-alia* provided that the Corporation, on request from the lease, would place purchase order with the supplier as per the commercial terms negotiated by the lessee. the payment to the supplier was to be made by the Corporation on the delivery of the equipment by the supplier as per specifications with supporting documents viz. purchase invoices, excise duty gate passes etc. from the lessor.

The Corporation sanctioned (February 1996) equipment lease assistance of Rs. 61.87 lakh to M/s Motely Industries (P) Limited, Faridabad for the purchase of three Bowl Padding Mangle machines along with accessories from M/s Sun Therm Engineers, New Delhi. The amount of lease assistance was recoverable in 5 years at the rate of Rs. 5.38 lakh commencing from July 1996. It was observed in audit (January 2000) that in violation of the laid down procedure, Additional General Manager (Leasing) authorised disbursal of lease assistance to lessee Accordingly, seven bank drafts for a total amount of Rs. 61.26 lakh were directly delivered (March 1996) to the lessee drawn in favour of the supplier on the basis of proforma invoice. However, the Corporation did not verify the genuineness of invoice etc. submitted by lessee for satisfactory delivery of equipment The cheque of Rs. 5.38 lakh issued by the lessee in favour of the Corporation towards lease rental for the month of July 1996 was dishonoured

The Branch Manager, of the Corporation visited for premises of the lessee and noticed (January 1997) that the machinery with the lesee was old and assessed its value at Rs. 28 lakh. Morevoer, M/s Sun Therm Engineers, New Delhi had not supplied the machinery to the lessee and not taken any payment. The lessee had fraudulently withdrawn the amount of Rs. 61 26 lakh by opening bank account in the name of the supplier.

The Corporation terminated (June 1997) the lease agreement and recalled the entire lease assistance. On failure of the lessee to repay the assistance, the Corporation registered (October 1997) FIR with the police. The case was still under investigation (May 2000).

Thus, the Corporation was defrauded of Rs. 61.26 lakh by not following the procedure laid down in the Equipment Leasing Scheme.

The Corporation stated (March 2000) that a practical procedure was adopted in handing over the drafts to the lessee to enable him to take delivery to his satisfaction. the reply is not tenable as this action was in contravention of the laid down procedure which facilitated the fraud.

The matter was reported to the Government in February, 2000, the reply had not been received (September 2000).

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

“Case FIR No. 1413/97 already lodged with the Police Station, Faridabad and Challan has been presented in the Court of Additional Chief Judicial Magistrate, Faridabad for trial The Corporation has already engaged advocate who is expert

in criminal cases to contest the case in the Court. The hearing in the case was earlier fixed for 19-9-2000 which was adjourned to 30-11-2000. The accused has raised certain objections/quarries and reply of the same has also been filed in the Court on 3-4-2001 and the next date of hearing in the case is 3-7-2001. The overall account position as on 31-3-2001 is as under —

— Amount invested	Rs. 61.26 lakh
— Amount recoverable	Rs 184.92 lakh
— Amount recovered	Rs 20.24 lakh
— Amount in default	Rs. 164.68 lakh”

(b) The Corporation sanctioned (22 April 1996) equipment lease assistance of Rs. 9.97 lakh to M/s Print N Pack, Panchkula on the personal guarantee of proprietor and his father. However, as per the scheme, collateral security equivalent to the amount of lease assistance was not taken and instead lessee was allowed to give fixed deposit of Rs. one lakh. The Corporation placed the purchase order on M/s Micro links, Chandigarh for purchase of machinery on 24 April 1996 and handed over the cheque drawn in favour of the supplier to the lessee on the same day. The lessee did not furnish purchase invoices etc., as an evidence for completion of purchase and satisfactory delivery of machinery subsequently. The unit defaulted in payment of lease rentals *ab initio* and on an inspection of the unit in August 1996, by representative of the Corporation, it was found that neither any machinery was available nor any industrial activity was going on in the premises of the unit. The Corporation recalled the entire assistance (July 1997) and lodged an FIR with the police (May 1999). Further developments were awaited (May 2000). No action had been taken against the erring officials (July 2000). Total amount outstanding against the lessee amounted to Rs. 23.93 lakh including interest of Rs. 13.96 lakh.

The matter was reported to the Corporation and the Government in March 2000, their replies had not been received (September 2000).

In their written reply the State Government/Corporation stated as under :—

“Case FIR No. 54/99 already lodged with the Police Station, Sector 19, Panchkula on 3-5-1999.

Subsequently, the party approached the Corporation for settlement of the Lease Assistance and Deposited Rs. 1.10 lac as down payment. The settlement (proposal) was approved by the Board of Directors in its meeting held on 11-12-2000. Accordingly, party was advised to make payment of Rs. 22.00 lakh with further interest @ 18% p.a. with effect from 1-8-2000 *vide* our letter dated 20-12-2000, but the settlement has not yet been honoured by the party. The Police filed report for cancellation of FIR and case is yet to come up for proper hearing before the court. The Corporation has engaged an Advocate to contest the cancellation report in the court on due date. The overall account position as

on 31-3-2001 is as under —

— Amount invested	Rs. 9.96 lakh
— Amount recoverable	Rs. 26.38 lakh
— Amount recovered	Rs. 0.00 lakh
— Amount in default	Rs. 26.38 lakh

The Corporation has already sent its reply *vide* Letter Nos. HFC/FD/2000/3071 dated 31-3-2000 and HFC/FD/2000/3175 dated 2nd May, 2000.

The Committee examined the written replies to the paras viz. 4B. 1.1(a) &(b), 4B. 1.2, and 4B. 1.3 (a)&(b) submitted by Haryana Financial Corporation. During oral examination of the representatives of the State Government/Corporation on 28 August 2002. Commissioner and Secretary to Government Haryana, Industries Department admitted that the audit objections raised against all these five cases are correct. The Commissioner and Secretary (Industries) apprised the Committee that criminal cases had been filed against the defaulting officers/officials and in some cases investigation was being done by the Vigilance Department.

The Committee after reviewing the written replies and verbal examination of the representatives of the Corporation/State Government decided that in all the above five cases, Vigilance Department should conduct enquiry and submit their report within two months. The enquiry report from the State Vigilance Department was due on 28 October, 2002 but the report was not received from Vigilance Department till the finalization of the report.

4B . 1. 4 Injudicious decision to sanction loan to steel unit

25. The Board of Directors (BOD) of the Corporation decided (15 March 1995) that due to non-availability of power and also poor performance of existing steel units, no further proposals for financing of induction furnace units be considered. Contrary to its own policy, BOD considered (30 March 1995) the loan case of M/s LLC Steels (P) Limited Faridabad which was in the pipeline and sanctioned a term loan of Rs. 63.50 lakh for setting up a unit to manufacture mild steel ingots at Ballabgarh (Faridabad) involving installation of induction furnace and also decided no further proposal be entertained. The loan was secured against mortgage of existing and future assets. The unit was also required to give collateral security amounting to 30 *per cent* of loan.

Out of term loan of Rs. 63 50 lakh sanctioned to the Company, Rs. 38.23 lakh were disbursed between July 1995 and March 1996 without verification of clear title of the collateral security. The balance loan was cancelled (August 1997) as the promoters could not provide adequate collateral security to the extent of 30 *per cent* of the loan. It was observed in audit (December 1999) that the collateral security furnished by the unit in the form of a shop at Sardarshahar (Rajasthan) was disputed and subjudice since 1983.

The unit defaulted in repayment of loan from the very first instalment due in August 1996. Even after rescheduling of loan in September 1997, the unit did not repay any instalment. The unit was closed (February 1998) due to non-availability of power. In July

1998, the unit was taken over by the Corporation and sold (April 1999) for Rs. 26 lakh. After adjusting the sale proceeds, Rs. 23.47 lakh were outstanding against the Company as on 1 May 2000. The collateral security could not be taken over.

Thus, injudicious decision to sanction term loan to the unit for setting up manufacturing plant for mild steel ingots at the first instance and non-verification of clear title of collateral security before disbursement of loan thereafter resulted in non-recovery of Rs 23.47 lakh.

The Corporation stated (May 2000) that loan was sanctioned considering viability of the case, risk perception and after verifying the collateral security. However, the fact remains that in deviation from its earlier decision, loan was sanctioned as special case and that too without verification of clear title of collateral security.

The matter was reported to the Government in April 2000, the reply had not been received (September 2000).

In their written reply the State Government/Corporation stated as under .—

“The viability of the case was duly examined. The financial parameters such as DSCR worked out at 2.33:1 and IRR was worked out at 29.85%. The expected cash profits during the first three years worked out to Rs. 16.26 lacs, Rs. 20.73 lacs and Rs. 25.32 lacs respectively. The case was sanctioned by the Board of Directors and the risk perception in financing the project i.e. pertaining to non-availability of power and recession in steel industry were kept in view.

The company was sanctioned loan of Rs. 63.50 lacs on 30-5-1995 subject to furnishing of Collateral Security equivalent to 30% of the loan, the company started compliance of the formalities and offered collateral security (in the name of Smt. Mohini) which was within the Municipal Limits of Sardarshahar, District Churu. The title examination was done as per practice and found clear. the valuation of the property was done by Sh Vimal Chander Sharma, Engineer, Zila Parishad, Churu (Rajasthan) who assessed it at Rs. 8.95 lacs. It is incorrect to say that the collateral security accepted in the case was not verified. The balance unavailed loan of Rs. 25.27 lacs was cancelled when the company failed to make up the shortfall in Collateral Security”

During oral examination, the representatives of the State Government/Company apprised the Committee that in view of substantial investment made by M/s LLC Steel (P) Ltd., Faridabad and appraisal of the unit completed before the decision of the Board of Directors of the Corporation in March 1995, for not financing the induction furnace units, loan was sanctioned to the unit as a special case. The Committee was also informed that out of the principal amount of Rs. 38 lakhs only Rs. 5.00 lakh remained recoverable from the unit by disposing of the collateral security i.e. a shop at Sardarshahar (Rajasthan). Since the collateral security was disputed and subjudice since 1983, the Committee expressed concern that before accepting such collateral security the title of the property should have been examined. The Committee however, recommended that the balance amount including interest should be recovered and Committee be informed accordingly.

Annexure-I*Para No. 4A.4.1***TENDER NOTICE****HARYANA FOREST DEVELOPMENT CORPORATION LTD.****Kothi No. 267, Sector-17, Panchkula (HR)**

Tender for Supply and transport of Sal Sleepers, Sealed tenders are invited for following works.

1. Supply and Transport and handling of Sal (*Shorea robusta*) sleepers of the following sizes :

Sl. No.	Length in
1.	2750
2.	2751 to 3050
3.	3051 to 3350
4.	3351 to 3650
5.	3651 to 3950
6.	3951 to 4250
7.	4251 to 4550
8.	4551 to 4850
9.	4851 to 5150
10.	5151 to 5450
11.	5451 and above

2. Sales Tax as per rules will be applicable
3. Rates of Supply and Transport and handling should be quoted separately for a unit of single piece.
4. All incidental charges like toll tax etc. be included in the rate.
5. The tender should be accompanied with Earnest Money deposit of Rs. 50,000 (Rs. Fifty thousand only) in the shape of Bank Draft in favour of Managing Director, Haryana Forest Development Corp. Ltd., Panchkula payable at Panchkula.
6. Transport and Handling rates should be F.O.R. Railway Dispatching station.
7. Tender must be received in Corporation's registered office Kothi No. 267, Sector 17, Panchkula on or before 21-3-1997 up to 3.00 p.m.
8. Opening of tenders will be on 21-3-97 at 3.30 p.m.
9. Any or all tenders can be rejected by Haryana Forest Development Corpn. Ltd , without assigning any reason.
10. Experience of supplying sleepers to railways, if any should be indicated with documentary evidence.

MANAGING DIRECTOR
Haryana Forest Development Corp. Ltd.,
Panchkula

Issued through DPR Haryana

ANNEXURE—II

Ref No. HCS/DMT/97/525

Date 21-3-97

Managing Director,
Haryana Forest Development Corp. Ltd.
267, Sector-17
Panchkula (Haryana)

Reg. Supply of Salwood Special Size Sleepers

Dear Sir,

Refer your advt. in 'PUNJAB KESARI' of Dt. 16th March, 97 regarding supply of salwood special size sleepers of different size I quote my rates along with terms and conditions as under :—

Sl No.	Length in size (mm)	Rates
1	2	3
1.	2750	4% (Four %) less than railway rates in all sizes.
2.	2751 to 3050	
3.	3051 to 3350	
4.	3351 to 3650	
5.	3651 to 3950	
6.	3951 to 4250	
7.	4251 to 4550	
8.	4551 to 4850	
9.	4851 to 5150	
10.	5151 to 5450	
11.	5451 and above	

Terms and Conditions:—

1. Sales Tax and C.S T as per rule
2. Rates are inclusive upto Railway Despatching Stations. After despatch Railway will bear freight charges. Railway loading stations must be any one of the following:—
3. Dhamtari (M.P.), Bilaspur (M.P.), Balod (M.P.), Gondia (Maharashtra) and Visakhapatnam (A.P.).
4. Validity for Tender will be Ten days from the date of opening of tender.
5. Supply period will be one year from the date of allotment (However supply period will be negotiable).
6. 95% payment will be made to us after despatching the sleepers against our each bill.

7. After allotment of supply quantity will not be reduced.
8. Bank draft of Rs. 50,000/- (Rs. Fifty thousand only) of State Bank of Patiala No. 128252 Dt. 18th March, 1997 as a security deposit in favour of M.D. HFDC, Panchkula is attached. After allotment of work we will provide a Bank guarantee of Rs. 50,000/- in favour of M.D. HFDC, Panchkula and above said draft will be returned to us.
9. Documents of previous supply experience are attached.
10. Dispute, if any, will subject to Dhamtari (M P.) jurisdiction.

Thanking you

Yours Faithfully,
M/s H.C. Singhal
Proprietor

सेवा में

प्रबन्ध निदेशक
हरियाणा वन विकास निगम,
पंचकुला।

विषय साल स्लीपरो की पूर्ति हेतु निविदा दिनांक 21-3-97।

महोदय,

उपरोक्त निविदा में हमारे द्वारा साल निम्नलिखित दर एव शर्तों में दिया जा सकता है।

क्र० सं०	साईज	भाव प्रति C. M T
1	2	3
1	2750	13638/-Per. M.T
2	2751 से 3050	14527/-Per. M.T
3	3051 से 3350	15599/-Per. M.T
4	3351 से 3650	16302/-
5	3651 से 3950	16683/-
6	3951 से 4250	17017/-
7	4251 से 4550	17391/-
8	4551 से 4850	17880/-
9	4851 से 5150	18168/-
10	5151 से 5450	18561/-
11	5151 और उससे ऊपर	19257/-

शर्तें

1 उपरोक्त दर रेलवे की वर्तमान दरों के आधार पर हैं। रेलवे द्वारा दरों की वृद्धि की जाने पर वह उसी तरह लागू होगी।

2 भुगतान 75 प्रतिशत पासिंग मीमो मिलने पर देना होगा।

3 रेलवे की अन्य जो भी शर्तें होंगी वह इसमें लागू होंगी।

सलग्न

साल स्लीपरो की पर्ति का अनुभव हेतु वन विकास निगम का प्रमाण पत्र सलग्न हैं।

बैंक ड्राफ्ट न० 106329 दिनांक 17-3-97 50,000/- (पचास हजार रुपए) सलग्न है।

भवदीय,

अनिल राइस मिल, भागीदार।

Ref No.-VT/201/97

Dt. 21.3.97

To

The Managing Director
Haryana Forest Development Corporation Ltd.
Kothi No.-267/17, Panchkula
Ambala, Haryana.

Sub: Your tender notice for supply of sal wooden sleeper opening date 21.3.97.

Dear Sir,

with reference to the above, we are herewith quoted the rates and terms & conditions for supply of sal wooden sleeper which are as under :—

Sl. No.	Sizes in Millimeters	Rate per Cmt
1	2	3
1	2750	13801/-Per. M T
2.	2751 to 3050	15275/-Per M.T
3	3051 to 3350	16091/-Per M T
4.	3351 to 3650	16600/-
5	3651 to 3950	17211/-
6	3951 to 4250	17558/-
7	4251 to 4550	17941/-
8	4551 to 4850	18341/-
9.	4851 to 5150	18200/-
10.	5151 to 5450	18700/-
11.	5151 and above	19500/-

Terms and Conditions:—

- 1 Taxes as applicable
2. Above rates are quoted based on current railway rates If there is any change in railway rates, then same rates will be consider accordingly
- 3 All condition of Railway to a supply of sleepers will be followed accordingly

Thanking you

Your faithfully
for, Vinod Traders
Sd/-
Partner

(1) expences certifiable from M.P.R WNLTD M P

(2) DD No. 106328 date 17-3-97 for Rs 50,000/-

Annexure-III

Notes and Observations on Tours to Raipur and Calcutta

The purpose of tour was to (i) ascertain the preparedness of our agent M/s Vinod Traders for supplying sal sleepers; (ii) assess his reputation and that of another tenderer M/S H.C. Singhal, (iii) meet and talk to people concerned with sal sleepers, (iv) understand procedures and practice in this business, (v) know about the intricacies, pitfalls and problems in supply of sal sleepers to Railways

Raipur and Dhamtari (30 4 97-2 5 97)

1 Raipur district has vast forest wealth, highest in Madhya Pradesh after Bastar district. Raipur city has the biggest market of sal timber in India. It is an important station of Forest Department of Madhya Pradesh. Dhamtari is another town in the district, about 100 km from Raipur city, from where all the three tenders for supply of sal sleepers were received.

2 During the tour, I met and interacted with a number of forest officers, including Sh. P.C. Mishra IFS, DFO Raipur South, Sh. J.N. Fuloria IFS, DFO Raipur East; Sh. O.P. Chowdhery IFS, DFO (Wildlife), Sh. Srinivas Rao IFS, DFO (P) Dhamtari, Sh. C.H. Murlikrishnana IFS, DFO Kanker.

3 I also had discussion with Sh. Rakesh Chandra, Divisional Manager of MP Forest Development Corporation regarding his experience about supply of sal sleepers to the Indian Railways.

4 I met and talked to several timber merchants and saw millers, namely Sh. Mam Bhai Patel (Kirit Trading Co.), Sh. V.K. Bhardwaj (Timber House, KK Road), Sh. Daipat Bhai (Hanuman Timber), etc. In addition, I met those who had submitted tenders to us for supply of sal sleepers, i.e. Sh. Vinod Agarwal of Vinod Traders, Sh. H.C. Singhal of M/s H.C. Singhal and Sh. S.K. Agarwal of Anil Rice Mills.

5 It was found that Sh. Vinod Agarwal of M/s Vinod Traders was known to several forest officers, timber merchants and the managers of Forest Corporation but Sh. H.C. Singhal was practically unknown. Thus the impression created by the letterhead of M/S H.C. Singhal, which did not have any postal address or telephone number, was confirmed.

6 I visited the saw mills working in association with Vinod Traders for preparing sal sleepers. Most of these are situated in Bhanpuri area. These mills had plenty of sleepers ready, a large quantity of sal logs and wide open space for storage. Sh. H.C. Singhal also showed some of the saw mills associated with him. These were situated in Fafari, a congested residential area. These saw mills had very little stock and space. Apparently, this firm does not have the capacity to supply large quantities of sal sleepers.

7 By talking to Sh. H.C. Singhal and his associate, who wanted an agreement for supplying even a small quantity, it appeared that their main objective was to have a piece of paper which may describe them as supplier to Railways. Thus they could then use for

obtaining other business, etc (Going through the old file on Railway sleepers in the HFDC office where in 1992 an agreement was signed with Sh. H.C. Singhal in anticipation of getting allotment from the Indian Railways, it was discovered that on the basis of that and without any authorisation he started using the Corporation letterhead for writing letters. He even wrote a letter to the then Prime Minister of India, complaining against Ministry of Environment and Forest for not making allotment of sal sleepers to Haryana. The then MD had to reprimand him for such actions of his.)

Calcutta (5.5.97 - 7.5.97)

1 Attended meeting called by Chief Engineer, South Eastern Railways, Garden Reach. This organisation inspects and passes sleepers and makes payments to suppliers. I had discussions with Sh. Radhey Shyam, Chief Engineer, Sh. C. Cose, Dy. Chief Engineer (SLC); Sh. R.K. Ralhan IFS, CF Chaibasa (Bihar); Sh. Chandra, Manager MP Forest Development Corporation, and others. Sh. Vinod Agarwal also accompanied me to the meeting. Apparently he knew the concerned people in the organisation.

2 Bihar and MP states were concerned about Railway terms and conditions for supply which involved inspection of material at three stages. They also commented about delay in payments. MP Forest Dev. Corp. still has to recover a couple of crore rupees from Railways for over two years.

3 The Ch. Engg. was surprised that Haryana will be supplying at older rates. Other organisations have been promised new rates by Railway Board as and when these are finalised.

4 The Ch. Engg. showed urgency in supplies of sleepers only from MP Forest Dev. Corp. However, we assured that our depot in Gondia was ready and they inform us the schedule of inspection team. The engineers also mentioned that now rakes larger than 1000 cum may be needed.

5 Thus decision on additional supply of 3000 cum has to be taken promptly. Considering the fact that higher rates are likely to be finalised soon, asking for fresh tenders may be risky. Since the additional quantity of 3000 cum is an amendment of original supply order of Railway Board from 2000 to 5000 cum and the agreement with the agent Vinod Traders is as per that supply order and because he has agreed to supply the full quantity at the same terms and conditions, Vinod Traders can be given orders for supplying 5000 cum under the existing agreement.

Date 10.5.97

(Dr. J.K. Rawat)

MD, HFDC

Annexure-IV

**IN THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

CIVIL WRIT JURISDICTION

CIVIL WRIT NO 9458 OF 1997

M/s H C Singhal

Petitioner (s)

Versus

The State of Haryana, etc.

Respondents

NOTICE OF MOTION

To,

**(2)Haryana Forest Development Corporation Ltd though its managing Director,
kothi No 267, Sector-17, Panchkula**

**Whereas a petition under Article 226/227 of the Constitution of India, wherein
you have been joined as respondent and of which a copy is enclosed No _____/
Writs, dated _____ has been presented to this Court**

**You are hereby informed that the said petition has been fixed for hearing on 23-7-
97 (Actual) and that if you wish to urge anything in reply to the petition, you may appear
in this Court on that date, and file your written statement 3 days before that day either in
person or through any Advocate duly instructed**

**Take notice that in default of your appearance on the date aforementioned the case
shall be heard and decided in your absence**

Given under my hand and the seal of the Court this 10th day of July 1997

**BY ORDER OF THE HIGH COURT OF PUNJAB AND HARYANA
AT CHANDIGARH**

ASSISTANT REGISTER (Writs)

ANNEXURE-V

IN THE HIGH COURT FOR THE STATES OF PUNJAB AND HARYANA AT
CHANDIGARH

C.W.P. No. 9458 of 1997

M/s H.C. Singhal

Petitioner

Versus

State of Haryana and Other

Respondents

Written Statement on Behalf of Respondents No. 2 & 3

Respectfully sheweth :

1. That in reply to the contents of this para, it is submitted that the petitioner has no grievances to invoke the extra ordinary jurisdiction of this Hon'ble Court. Rest of the contents of this para are denied for want of knowledge.
2. That the contents of this para are admitted as a matter of record.
3. That the contents of this para are admitted as a matter of record.
4. That in reply to the contents of this para, it is submitted that about five years back the answering respondents had executed an agreement with the petitioner in anticipation of the orders from the Railway Authorities for supply of wooden sleepers. It is further submitted here that the agreement was in anticipation of the orders from the Railway and since the answering respondents could not get the orders, therefore, the agreement was not implemented and no supply was made by the petitioner to the answering respondent. Furthermore the different clauses in the agreement were left blank so that the new agreement could be executed on the same terms as and when the order were received by the answering respondent. A similar agreement had already been executed with the Respondent No. 6 by the answering respondent on 27-12-91. It is further submitted that the petitioner embarrassed the answering respondent by writing a letter directly to the Prime Minister of India using the letter pad of the answering respondent in which the petitioner criticized the allotment of wooden sleepers made by Ministry of Environment and Forest and Railway Board and for ignoring and neglecting the Haryana Forest Development Corporation. The petitioner had no authority to use the letter pad of the answering respondent. When the matter was brought to the knowledge of the answering respondent, the answering respondent wrote a letter to the petitioner on 19-5-92 reprimanding him for using the letter pad of the answering respondent and writing such a letter to the Prime Minister of India. The answering respondent again entered into an agreement with Respondent No. 6 and the petitioner on 6-8-92 and 17-8-92, respectively. When no allotment for supply of sleepers could be obtained, the answering respondent finally cancelled the agreement executed between the answering respondent and the petitioner and Respondent No. 6. The

petitioner acknowledged the receipt of the above letter vide his dated 7-4-93.

5. That in reply to the contents of this para it is submitted that since the aforesaid agreement was cancelled vide Annexure R-2/3, there is no question of giving the orders for the supply of wooden sleepers to the petitioner. The tender notice was only for quoting rates for supplying sal sleepers of various sizes. No quantity of supply was mentioned in the tender notice which can be checked from Annexure P-2. Rest of the contents of this para are matter of record
- 6 That the contents of this para are admitted as a matter of record.
- 7 That in reply to the contents of this para it is submitted that the petitioner filed his tender and quoted the rate of 4% less than railway rates but it is sought to mention here that the tenders submitted by the petitioner was conditional which becomes very clear from the terms and conditions. Furthermore, the petitioner did not mention the rates of supply and transportation charges in the tender which was asked for. It is, therefore, very clear that the tender was not a valid tender. It is sought to mention here that a bare perusal of the conditions imposed by the petitioner it becomes very clear that the condition No. 6 was too harsh and too demanding for the answering respondent because the answering respondent can make the payment as and when received from the Railways but in this condition the answering respondent would have to pay 95% of the payment immediately after dispatching the sleepers. This would mean paying an amount of over Rs. 1.5 crores for each rake (1,000 cubic meters) of the wooden sleepers. The answering respondent is a small organization and does not have enough capital to pay such hefty amount. Rest of the contents of this para are matter of record.
8. That the contents of this para are admitted to the extent that the respondent No. 6 had quoted rates for different sizes of sleepers. For most common sizes these were 2% less than the Railway rates. The rates quoted in the third tender were about 5% less than Railway rates except for one size where it was about 3.2% less.
9. That in reply to the contents of this para, it is submitted that no assurance regarding the orders of supply was given to the petitioner by the then Managing Director, Sh. J.P.L. Srivastva. No decision on the tenders was made on 21-3-97. The rest of the contents of this para are matter of record.
10. That in reply to the contents of this para it is submitted that on 25-3-97 the answering respondent was forwarded a copy of a letter from the Hon'ble Railway Minister addressed to the Hon'ble Chief Minister of Haryana where the former had complained that the answering respondent was resiling from the offer of supplying *sal* sleepers to Indian Railways. As this was the first order received by the answering respondent from the Railways, its credibility was at stake. It was necessary to show progress by taking quick decision on the tenders and by initiating supply

of wooden sleepers to the Indian Railways promptly. An adhoc committee was formed and the three tenderes were called for negotiation with it on 31-3-97 in which the petitioner and the Respondent No. 6 participated. The committee after going through all the tenders bid made by the three parties, the conditions put forward by them, soundness of the parties and capacity to initiate supply of sleepers promptly, accepted the tender of the Respondent No. 6. It is admitted that the commission offered in the tender of the petitioner was higher than that from the rates offered by Respondent No. 6, the tender was rejected because the petitioner was unable to initiate the supply of the goods immediately. Moreover, the petitioner's tender was conditional and from his past behaviour his credential and credibility was doubtful. For the foregoing reasons the answering respondents decided to accept the tender of the Respondent No. 6 and there was no malafide intention on the part of the Respondent No. 3. It is further submitted here that the averments and allegations against Respondent No. 3 are wrong and hence denied.

11. That in reply to the contents of this para it is submitted that a written agreement was executed between the answering respondents and Respondent No. 6. The contention of the petitioner is merely based on conjecture and the reported loss to the Corporation is only hypothetical. On the contrary, the answering respondents, by entering into agreement with Respondent No. 6, will earn an income of over Rs 15 lakhs for the Corporation on the supply order of 5,000 cubic meters. If the answering respondents had accepted the tender of the petitioner, it would have most likely earned zero income and a lot of embarrassment. Moreover, the answering respondent would have lost credibility as a potential supplier of sal sleepers for the future. This contention of answering respondents was confirmed when the Respondent No. 3 undertook a tour of Raipur and Dhamtari towns of Madhya Pradesh where the business of the petitioner and Respondent No. 6 are located. The petitioner was practically an unknown firm, had no office or sawmill of its own and the sawmills associated with it did not have the capacity to undertake such large order. Whereas, the Respondent No. 6 was an established and reputed firm with a modern office and a sawmill. The group of sawmills associated with it had adequate capacity to make requisite supplies of wooden sleepers to the Indian Railways. Rest of the contents of this para are wrong and hence denied.
12. That in reply to the contents of this para it is submitted that originally the Railway Board had given a supply order for 5,000 cubic meter to the answering respondent of which the later accepted only 2,000 cubic meter on account of uncertainty in the timber market due to certain decisions of the Hon'ble Supreme Court. The supply order of the Railways was revised to 2,000 cubic meter. Later, as the market stabilised, on request from the answering respondents, the Railway order was amended and the answering respondent was asked to supply 5,000 cubic meter of wooden sleepers instead of 2,000 cubic meter. Relevant excerpts from the supply

orders from the Railway Board and the letter of amendment are enclosed. Therefore, this is totally wrong and denied that the answering respondent got a separate supply orders for 3,000 cubic meters.

13. In reply to the contents of this para, it is submitted that since the earlier order was amended by Railway authorities, it can not be treated as separate order. It is further submitted here that a bare perusal of the tender notice shows that no quantity of supply was mentioned in the tender notice, therefore, the contention of the petitioner in this regard is totally baseless. Since the Railway Board was likely to increase the price of sal sleepers but the supply orders to the answering respondent were at old rates, calling fresh tenders was likely to result in an adverse response. Also, after ascertaining the true status and capacity of the petitioner, there was no reason to invite him for fresh negotiations. Therefore, the answering respondents decided that the same agent (Respondent No. 6) should be continued for supplying the entire order of 5,000 cubic meter under the existing agreement because it was not a new order and the Railway authorities had simply amended the earlier order. The petitioner has no right to challenge these orders and the contention of the petitioner in challenging these action are totally wrong and denied.
14. That in reply to the contents of this para it is submitted that the tenders bid of the Respondent No. 6 was accepted and that of the petitioner was rejected due to certain reasons which have already been mentioned in the above paras. The answering respondents had called all the parties for negotiation on 31-3-1997 and the decision of accepting the tender of the respondent No. 6 was taken by an adhoc committee consisting of the Managing Director, Regional Manager and the District Manager, Ambala. While the Respondent No. 6 offered to begin supply of material immediately after placing the orders, the petitioner showed inability to make prompt supply of the material. Keeping in view the different reason as mentioned supra the tender of Respondent No. 6 was accepted. The contention of the petitioner that the Respondent No. 6 has not supplied any material till today is totally wrong and denied. It is submitted here that after signing the agreement on 1-4-97, the Respondent No. 6 wrote to the Respondent No. 4 and 5 on 7-4-97 for inspection of wooden sleepers. It is further submitted here that the answering respondents can only offer material to Respondents No. 4 and 5 for inspection which was done promptly. It is on the Respondent No. 4's and 5's discretion and convenience to fix dates and schedule for inspecting and passing the material and transporting it to the different destination. One rake load (1,000 cubic meter) of wooden sleepers consist of about 7,000 pieces and their inspection may take 4 to 8 weeks. The inspection of the first rake load of wooden sleepers, which began in June 1997, has already been completed. Rest of the contents of this para are wrong and denied.
15. That the contents of this para are matter of record, hence no comments.
16. That the contents of this para are denied for want of knowledge.

17. That in reply to the contents of this para it is submitted that as has been elaborated in the paras above, all action of the answering respondents have been taken in the long term interest of the Corporation. The decision taken by the answering respondents in allotting the tender to Respondent No. 6 is totally fair and unarbitrary and legal. Rest of the contents of this para are denied.
18. That in reply to the contents of this para, it is submitted that there were a number of reasons mentioned above, besides inability to initiate supply of goods within a short time, for rejecting the offer of the petitioner Regarding supply of material, as reply has already been given above that inspection/passing of first rake load of wooden sleepers is already complete
19. That the contents of this para are wrong and hence denied.
20. That the contents of this para are wrong and hence denied.
21. That no law points arise for the adjudication of the this Hon'ble Court.
22. That the contents of this para are wrong and hence denied.
23. That the contents of this para need no comments. In view of the submission made, it is most respectfully prayed that the present writ petition may kindly be dismissed with costs as the writ petition is totally vicious and has been filed with a malafide intention.

Panchkula :
Dated . 8-8-1997

Sd/-
Respondent
Managing Director
Haryana Forest Development Corporation Ltd.,
Panchkula

Through
Sd/-
(Kamal Sehgal) Advocate
Council for the respondent.

Verification :

Verified that the contents of para 1 to 23 of my above written statement are true and correct to my knowledge and derived from the official records. No part of it is false and nothing has been kept concealed therein.

Panchkula :
Dated . 8-8-97

Sd/-
Respondent
Managing Director
Haryana Forest Development Corporation Ltd.,
Panchkula.

ANNEXURE-VI

No. 94/Track-II/MPW/1

Dt 7.1.97

The Managing Director
Haryana Forest Development Corporation Ltd
Kothi No.-267/17, Panchkula

Sub:— Supply of 5,000 cum. of Sal Wooden Sleepers to the Indian Railways
by M/S Haryana Forest Development Corpon. Ltd. Panchkula.

Ref — Your Office No. 3157/96 dated 4-11-1996

Dear Sir,

Refer to your offer dated 4-11-96 under reference above. I am directed to state that Ministry of Railways (Railway Board) proposes to place an order on you for supply of 5,000 cum of Wooden Sal Sleepers to Indian Railways as per following terms and conditions including prices —

- (1) The Supply of the quantity mentioned above shall be completed in 8 months from the date of issue of the order.
- (2) The prices for the supplies for the above quantity will be governed as per decision in XXIV Pricing Committee of Ministry of Environment and Forest the prices will remain fixed for the entire supply over the period specified above.
- (3) The sleepers will be inspected and passed/test checked by Railway passing Officer at the nominated Depot on S.E. Rly. with Facility of full rake Rly. siding. Supplier shall produce the original paper regarding the purchase of logs (from Forest Department/Forest Corporation etc.) from which the wooden special sleepers were sawn out, at the time of inspection and passing of wooden special sleepers and shall furnish attested photocopy of the same alongwith 75% bill.
- (4) The sleepers after having been passed will be provided with approved design of clamps end binding on both ends and a spray of SPCP without any extra cost, to avoid deterioration.
- (5) The cost of handling and stacking of sleepers at the time of inspection will be borne by the supplier.
- (6) The above ordered quantity can be enhanced or reduced by 30% at the sole discretion of the purchaser.
- (7) The sleepers will remain in the custody of the supplier after inspection and passing till these are despatched.

- (8) The supplier will also shoulder the responsibility of loading the sleepers in the wagon. For all over-heads and handling in procurement on behalf of the Railways including test checking/subsequent rechecking 3% of the value of the sleepers will be paid by the Railway.
- (9) The supplier will ensure effective arrangements of ensuring that only the passed sleepers are loaded in Railway Wagons. Under no circumstances, any unpassed sleepers/defective sleeper shall be loaded in wagons. A serious view shall be taken for such a lapse. The supplier shall post two person (paid by the supplier) at the loading points to witness and ensure that only passed sleepers of genuine Sal Wood bearing both the property hammer mark and passing hammer mark are loaded in Railway Wagon
- (10) 75% payment of the despatched sleepers shall be made on production of proper Inspection Certificate, B.I and clear R.R. The balance 25% payment shall be made after the receipt of the goods at the consignee (s) end in good condition.
- (11) The sleepers will be booked by the suppliers against clear R R alongwith a tally receipt
- (12) The supplier is required to complete the supply of full quantity within 2 months from the date of issue of authorisation (Release Order) by the Railway Board
- (13) The above allotment is purely provisional and subject to revision based on the performance of the supplier which shall be reviewed regularly (every two months or even earlier at its discretion by Railways). The Railway Ministry shall also be at liberty to cancel/reduce the supply order in case the performance is not considered satisfactory in respect of progress of quality or if there is no requirement on the Railways.
- (14) The Railway Administration reserves the right to spread out the requirement over the period at its sole discretion.
- (15) The movement of sleepers should take place strictly in accordance with the Timber Transit Rules of the respective States
- (16) Wherever 'Supplier' is indicated the same would mean HFDC Ltd
- (17) The rejection of wooden special sleepers (those not conforming to Indian Railways Specifications), if any, would be intimated by the consignees to the suppliers and the Dy Chief Engineer (SLC). S.E. Railway, Calcutta through Regd. A D. Letters within 30 days from the date of receipt of the sleepers by the consignee or within 120 days from the date of despatch of the sleepers, whichever is later
- (18) On receipt of intimation or rejection at consignee end of the wooden special sleepers, if the report of the consignee in respect of rejections is not acceptable to the supplier, a joint inspection of the rejected sleepers will

be carried out at destination by the authorised representative of the supplier, the Dy. Chief Engineer (SLC), S.E Railway, Calcutta & the consignee within 90 days of the receipt of intimation by Registered A.D. of the rejection. The Joint Inspection will be fixed by Dy Chief Engineer (SLC), S.E Railway, Calcutta under advice to all concerned

- (19) A joint statement is to be prepared by the joint inspection team of finally rejected sleepers and signed by all the members of the Joint Inspection Team. The supplier would, thereafter have the option to replace free of cost, the finally rejected sleepers within 90 days from the date of joint inspection, failing which consignee is authorised to auction the finally rejected sleepers on completion of 90 days from the date of Joint inspection and credit the amount to the account of Supplier after recovery of incidental expenses.
- (20) The cost of finally rejected sleepers will be re-imbursed by the supplier to the Railways
- (21) You will supply full quantity of sleepers strictly as per authorisation and booking instructions issued from time to time. In case of failure, the Ministry of Railways shall be at liberty to get the materials from any other sources at its own discretion and the extra cost, if any, will have to be borne by you
- (22) You are also required to submit monthly progress report to the Railways on the proforma laid down by the Ministry of Railways (Railway Board).

If the Corporation is agreeable to the above terms and conditions, please send your unconditional acceptance immediately in the duplicate copy of this letter enclosed herewith for issuing the final supply order.

Yours faithfully,

(B.K. Dixit)

Director Track (M)
Railway Board

DA/one

I/We accept the above offer
for the supply of 2000 Cum initially.

M/s _____

(Office Seal)

Prices applicable for supply of 5,000 cum of Sal Wooden Sleepers.

1 Sal Woodern Specials:—

Length in Millimeters	Rate (per cum.)
1	2
2149	12488
2150 to 2449	13204
2450 to 2749	13573
2750	14083
2751 to 3050	15587
3051 to 3350	16420
3351 to 3650	17160
3651 to 3950	17563
3951 to 4250	17917
4251 to 4550	18307
4551 to 4850	18716
4851 to 5150	19124
5151 to 5450	19538
5451 and above	20272

3 The rates announced are F.O.R. and therefore, no extra payment shall be admissible to the Forest Corporations either for loading of the sleepers or towards the expenses in obtaining the R/R etc for the sleepers as consignor

4. The Sales Tax as legally leviable shall be reimbursed by the Railways on the following basis .—

- (a) Where the consignee station is situated within the State from those forests the sleepers are being supplied -State Sales Tax.
- (b) Where the consignee station is situated outside the State from whose forests the sleepers are being supplied -Central States Tax.

In case where Central Sates Tax is admissible 'D' form shall be supplied by the Procuring Railway Administration to the Contractors on request, through the representatives of the Forest Department of the Corporation concerned.

Annexure-VII

AGREEMENT

This agreement is executed on this 1st day of April, 1997 at Panchkula Between:—

The Haryana Forest Development Corporation Limited, having its Registered Office at Panchkula, 267 Sector-17, Panchkula District Panchkula, Haryana (hereinafter called as First party and which expression shall include its successors and assignees) and M/S Vinod Traders and Associates, Baster Road, Dhamtari, Distt. Raipur, Madhya Pradesh.

(hereinafter called as Second Party, which expression shall include his heirs, partners, successors and assignees)

That the First party Haryana Forest Development Corporation Limited has obtained a purchase order from Indian Railways for supply of Special Sleepers. The said special sleepers are to be supplied as per terms and conditions mentioned in the purchase order of Indian Railways. On 1st April, 1997, The First party has entered into an agreement with M/S Vinod Traders & Associates Dhamtari, Distt Raipur, Madhya Pradesh for supply of special sleepers to first party or on behalf of first party to the Indian Railways, on terms and conditions of Indian Railways. As per term and conditions of this agreement M/S Vinod Traders has given the name of second party for supply of special sleepers as allotted by the railways and the second party has also agreed and has given consent for supplying the special sleepers to the first party or to be the Indian Railways as per terms and conditions below. The first party has also agreed to appoint second party as the agent of the first party to supply the material vide order No. 8/97 dt. 1-4-97 against the purchase order No 94/Track II/MPW/1, dt. 14-02-1997 received from Indian Railways as per terms and conditions of the Railways Board for which separate supply order is issued by the first party to the second party.

Now it is hereby agreed and declared by and between the parties here to as follows —

Terms and Conditions :—

- 1 That the second party shall abide by the terms and conditions as laid under the provisions of the purchase order No 94/Track II/MPW/1 dt. 14-02-97 of the Railways and the supply order No 8/97 dt. 1-4-97 issued by the first party to the second party. The second party shall alone be held responsible for any breach and violation of the terms given by the railways authorities
- 2 The second party willbear all the Trade Cost viz (Royalty, and other duties and taxes etc) and shall keep the first party free from any liabilities against the transactions or by any other manner. The second party shall be liable for any such acts which can cause damage to the first party
3. The Second party shall arrange Godowns/Depots etc. wherever necessary at their own cost.
- 4 That the second party shall supply the materials as directed by the first

party vide supply order No. 8/97 dt 1-4-97 and in accordance with their terms and conditions of the railway purchase order No 94/Track II/MPW/1 dt 14-02-97 and the pricing sub-committee meeting decision for sleeper at their own cost and will issue challan and raise bills on the railways on behalf of the first party as per direction of the first party.

5. That the second party shall pay an amount of 2% (Two percent) commission to the first party to be calculated on the value of the goods supplied and this commission shall be deducted from the payment against each consignment payable to the second party
- 6 The second party shall bear the collection and discount discharges of the cheques to be received from the railways authorities and all other bank charges as may be required for the purposes
- 7 That the second party shall be paid their bills for supply of materials only after receiving such payments from the railways authorities by the first party. The first party shall pass on the payment to the second party after deducting 2% (Two percent) commission of the first party. No advance shall be paid to the second party for this purpose
8. The second party shall bear the cost of all loading and handling charges of the materials at all points and the first party shall pass on the amount as will be reimbursed by the railway authorities being the loading and handling charges
- 9 The second party shall be liable for any rejection or refusal of materials by the railway authorities and the first party shall not be responsible for any such losses or liabilities whatsoever.
- 10 That the second party shall complete the execution of supply within the stipulated period and time and will supply the materials as per specification and quality as mentioned in the purchase order The second party shall be fully responsible for any compensation to be levied by the railway authorities due to non-delivery of goods in time, supply of inferior quality or due to any other reasons caused by the second party
11. That the first party shall supply the bill books, challans as required by the second party for this purpose
12. That the sales tax will be applicable under state and central sales tax rules prevailing and shall be chargeable by the second party, as applicable by railway rules and in the event of reimbursement of sales tax and by the railway authorities the same will be passed on the second party
- 13 That the first party reserves the right to cancel the agreement at any time if second party is found violating any terms and conditions of the agreement

for which notice is to be given in written in advance for fifteen days The decision of the first party shall be final.

- 14 That the second party shall keep the first party informed about the transactions made by the second party and as will be asked by the first party from time to time and will not do any other dealings, correspondence without the knowledge of the first party
- 15 The second party will provide a bank guarantee for the value of Rs 50,000/- (Fifty thousand rupees only) in favour of the Haryana Forest Development Corporation
- 16 This agreement is subject to Panchkula Jurisdiction
- 17 This agreement will be valid for the sleeper year/years as stipulated in the purchase order issued by the Indian Railway

Whereas having agreed to the terms and conditions laid under clause 1 to 17 above both the parties have signed this agreement on this 1st Day of April, 1997

Whereas Dr J K Rawat, Managing Director, representing the first party and M/S Vinod Traders and Associates the second party have subscribed their hands hereinto.

Signature of the

Signature of the

Second Party with Seal

First Party with Seal

Witnesses

1.

2

3

ANNEXURE- VIII

(paragraph 3.6 (c)

Statement showing outstanding loans where properties of promoters were either inadequate or non-existing or their whereabouts not known

Sl No	Name of Unit	Amount of loan (Period of disbursement)	Amount realised from auction (Period)	Amount outstanding	Date of issue of recovery certificate	Remarks
(Rupees in lakh)						
1	D.P Enterprises, Hisar	13.32 (May 1990)	1.53 (September 1994 and July 1995)	47.67	October 1994	Promoters have no property except a house assessed at Rs 0.88 lakh which is already under possession of the Corporation
2	Indo-Japan Photo Films Limited, Gurgaon	43.00 (October 1987 to February 1988)	19.00 (February 1995)	117.71	January 1997	Whereabouts of promoters/guarantors were not known Recovery certificate relodged (January 1998) with collector Delhi. No response received
3	Rangoli, Faridabad	15.88 (September 1992 to April 1993)	9.25 (February 1995)	28.13	October 1995	Promoters had only property worth Rs 6.49 lakh
4	K S Board Paper Mills Limited, Gurgaon	11.06 (February 1984 to February 1985)	11.00 (February 1992)	29.08	April 1993	Whereabout of the promoters were not known An amount of Rs 11.02 lakh as principal written off as bad debts
5	Hightech Electronics, Gurgaon	26.60 (March 1991 to December 1991)	16.75 (November 1993)	27.15	May 1994	Promoters had since disposed of their property Whereabouts of the promoters were not known
6.	New Men's International, Gurgaon	27.25 (February 1989 to August 1991)	6.50 (August 1994 and November 1994)	38.23	March 1995	Promoters had since disposed of their property Whereabouts of the promoters were not known Principal amount of Rs 19.18 lakh had been written off as bad debts

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