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HARYANA VIDHAN SABHA

COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2003-2004)

(TENTH VIDHAN SABHA)

FIFTY–FIRST REPORT

ON THE

REPORTS

OF THE

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

(Presented to the House on 16th February, 2004)

HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
February, 2004

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COMPOSITION

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS (2003-2004)

CHAIRPERSON

1. Shri Rajinder Singh Bisla

MEMBERS

2. Shri Bhagi Ram
3. Shri Balwant Singh Maina
4. Dr. Raghuvir Singh Kadian
5. Shri Balbir Singh
6. Shri Dev Raj Diwan
7. Shri Sher Singh
8. Shri Jasbir Singh Mallour

*9. Shri Abhay Singh

SECRETARIAT

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

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*Nominated as member of the Committee on Public Undertakings w.e.f. 23rd April, 2003.

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings, having been authorized by the committee in this behalf present this Fifty-First Report of the Committee on the Reports of the Comptroller and Auditor General of India for the Years 1998-99 (Haryana Vidyut Prasaran Nigam Limited and Haryana Power Generation Corporation Limited) and 1999-2000 (Haryana State Minor Irrigation and Tubewells Corporation Limited, Uttar Haryana Bijli Vitran Nigam Limited and Haryana State Small Industries and Export Corporation Limited).

2. The Committee for the year 2003-2004 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 Herbal Park/ Stores of Haryana Forest Development corportaion and C C.S.H.A.U., Hisar and E T.P's of various Industrial Units, 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 Depratments/ 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 4th February, 2004.

RAJINDER SINGH BISLA,
CHAIRPERSON

REPORT

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

Haryana Vidyut Prasaran Nigam Limited (HVPNL) and Haryana Power Generation Corporation Limited (HPGCL) (Erstwhile Haryana State Electrictiy Board)

2D (Review)

2D.6.2. Execution of works

2D. 6.2.1. Completed projects

1. The position of time and cost overrun in respect of three projects commissioned in VII plan viz., PTPS Stage II and III and WYC Hydro Electric Project Stage I has been given in Annexure-I. A perusal of the Annexure would reveal that against the total estimated cost of Rs. 229.75 crore, actual cost amounted to Rs. 567.80 crore. The cost overrun of Rs 338.05 crore represented 147.14 per cent of original cost. Time overrun in respect of PTPS Stage II, having two units (Units I and II) with installed capacity of 220 MW was 37 and 45 months and were commissioned in November, 1985 and January, 1987, respectively whereas one unit of 210 MW of PTPS Stage III was commissioned in March 1989 after time overrun of 51 months. Time overrun in respect of WYC Hydro Electric Project involving six Units of 8 MW (48 MW) ranged between 38 and 62 months and were commissioned between May, 1986 and April, 1989.

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

"The Curtailed plan size of Rs. 1010.25 crore for the 7th Plan period was further revised during annual plan discussions with Plannig Commission, Govt. of India/State Govt. and generation project which were proposed to be commissioned during the 7th Plan period had to be postponed/deferred The projectwise target date and actual commissioning date and time overrun are given in the following table ."

Name of project	Original commissioning schedule as per project Report	Commissioning Schedule as per approved plan	Actual date of Commissioning in view of Curtailment of plan size.	Time overrun (months) with reference to Commissioning schedule as per approved plan
Panipat Thermal Stage-II Unit-3	September, 1982	July-August, 1985	November, 1985	3
Panipat Thermal Stage-II Unit-4	March, 1983	March, 1986	January, 1987	10
Panipat Thermal Stage-III Unit-5	December, 1984	August, 1987	March, 1989	19
WYC Power House-A Units-1 & 2	January, 1983 & April, 1983	December, 1985 & March, 1986	May, 1986 & June, 1986	5 3
WYC Power House-B Units-1 & 2	July, 1983 & October, 1983	June, 1986 & September, 1986	May, 1987 & June, 1987	11 9
WYC Power House-C Units-1 & 2	January, 1984 & March, 1984	1988-1989	March, 1989 & April, 1989	0 1

During the oral examination the representatives of State Government/the Company explained that the target for installation of power of 488 MW capacity was fixed against this capacity of 478 MW had been installed. A Small Hydel project of 10 MW on which work could not be taken up because Irrigation Department envisaged the construction of a parallel lined canal between Dadupur and Jagadhari in their World Bank Project. On this canal a fall of 7 m with a power potential of 10 MW was planned. This proposal also did not materialize and ultimately the project was transferred to HAREDA The Committee saparately examined the representatives of HAREDA but not satisfactory reply was available.

The Committee noticed the written reply and explanation given by the representatives of the Government/Company and was of the view that Government/ Company should have evolved a foolproof system for arrangements of funds as well as for timely completion of project by proper coordination with various activities by framing PERT Chart as envisaged in the five year plan. **Therefore, the Committee recommended that certain mechanism should be evolved for arangements of funds as laid down in the five year plan and sincere efforts be made to adhere to the time schedule for completion of Power Projects so that the Projects are not delayed and State could be benefited in the best possible manner.**

2D.6.3. New projects for completion after VII plan

(a) Yamunanagar Thermal Power Station (Stage-I)

2. Thermal power project at Yamunanagar with two units of 210 MW each sanctioned by the Planning Commission during September, 1984 at an estimated cost of Rs. 315.20 crore was initially to be completed by the end of 1988-89 During the VII plan, an outlay of Rs. 320 crore was approved by the Planning Commission. Cost of the project was revised (1985-86) to Rs. 480.45 crore with commissioning schedule in 1991-92. The Board incurred expenditure of Rs. 15.47 crore on acquisition of land and other preliminary activities during 1984-85 to 1989-90. However, due to funds constraints, the State Government decided (November 1987) to get the project executed by National Thermal Power Corporation (NTPC) in Central sector with 25 per cent financial participation of the Board.

The Central Electricity Authority (CEA) cleared (October 1988) the revised project with 4x210 MW capacity (Stage I: 2 x 210 MW, Stage II: 2x210 MW) at an estimated cost of Rs. 1174.40 crore which was revised in 1989-90 to Rs. 1582.06 crore. The possession of land acquired by the Board was handed over (February, 1990) to NTPC.

The NTPC failed to arrange finances for the project and the Government of India decided (August, 1992) to explore the possibility of joint sector/private sector participation in this project. However, despite Ministry of Power decision (October, 1993) to introduce competition by asking for price bids in the interest of transparency, a private financing agency, M/S Eisenberg Group of Companies, Israel (EGC) was invited to participate in the project In April, 1994, a Memorandum of Understanding (MOU) was signed between the Board and EGC for setting up a 2X350 MW Thermal Project at Yamunanagar with provision for setting up an additional unit of 350 MW. Draft Power Purchase Agreement (PPA) was signed between EGC and the Board in January, 1996 according to which the EGC was to make financial arrangements within six months before signing the final PP A However, the EGC failed to make financial arrangements within six months and sought extension in the period of agreement The Board did not grant extension and the PPA stood cancelled in terms of clause 2 3 of the draft PP A without any compensation. Resultantly, Board's attempt to involve private sector participation also failed due to selection of a wrong partner.

The Board had incurred an expenditure of Rs.38.57 crore on the purchase of land, maintenance of colony and other works up to March, 1998 which was locked up as the project was still in doldrums. Thus, due to shifting strategy of execution of project from the Board to NTPC and then selection of a wrong private party, the project which was conceived to be completed by the end of 1988-89 has even not been taken up due to which the State was deprived of energy to the extent of 2207.52 MUs per annum.

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

(a) Yamunanagar Thermal Power Station (Stage- I)

"The first three paragraphs of the Audit Report are a matter of historical data and hence no comments are being given However, it would be appreciated from these paragraphs that the State Electricity Board/State Government had been making sincere efforts to implement the project through one agency or the other The need for attempting various options was very clear that the State Electricity Board/State Government could not mobilize the required resources of its own for the implementation of the project and accordingly it was essential to look for outside sources to finance the project.

As regards the actual expenditure incurred on this project, it is the amount of compensation paid for the acquisition of land and a lump-sum part payment released to NTPC towards the expenditure incurred by NTPC for construction of residential/non-residential building at the project site and site preparations for the project. None of this expenditure would be superfluous, as this would be in any case required for the project. Even in the present environment various options are being explored. One is by way of inviting global competitive bidding for which RFQ process was initiated in July, 1998 and offers of 11 reputed firms were opened on 28-9-1998, out of which 10 bidders qualified for RFP round. On 16-4-1999, the draft RFP documents prepared were submitted to Government of Haryana for approval. To consider the draft RFP, Government of Haryana constituted a Committee of Ministers, which met on 5-5-99. The Government considered the recommendations of the Committee/Council of Ministers and vide memo dated 14-5-99 conveyed approval to issue the RFP. on 21-5-99, the RFP documents were issued to the Qualified Applicants with request to submit Mark-Ups along with processing fee of Rs. 5 lac each. Simultaneously, copy of these documents was also submitted to HERC for perusal/concurrence. 7 No. Qualified Applicants responded. Thereafter couple of meetings was held and a final shape was given to the RFP documents These documents with complete case were submitted to the Government of Haryana on 10-8-99 for consideration and according approval for issue of the documents to Short-listed bidders Government of Haryana approval was received on 27 08 99. HERC vide letter dated 31.08.99 made certain observations on the documents forwarded to it in May, 99. On 17.09.99, HVPN proposed to Government of Haryana that we may seek a clear mandate without any 'if' and 'but' from HERC before issuing the documents to Short-listed bidders. Government of Haryana approval was received on 17-9-99.

Final documents prepared were submitted to the HERC on 20 09.99 for approval. HERC vide letter dated 4-12-99 instead, again, raised certain observations on the RFP process. Thereafter couples of meetings were held with the HERC but more or less their views remained unchanged and again vide memo dated 24-04-2001 reiterated to its earlier stand.

The status coming out of HERC's observations/ directions, HVPN & consultants views was put up to the Government of Haryana on 17-5-2001. As advised by Government of Haryana (9-7-01), the documents were reformulated as per HERC's advice. To examine the reformulated documents, HVPN constituted an In House Expert Committee. Based on expert committee's recommendations, the reformulated documents were modified and the same are under consideration of the Government. It would be appreciated that without the approval of HERC, no action could be taken under the regulated regime.

All the clearances have been obtained. Regarding Coal, Fuel Supply Agreement (FSA) was to be concluded by 31-12-2001 matching with 500 MW capacity plant. As the selection of Project Sponsor was not possible by 31-12-01, Government of Haryana considered the matter and vide FCP/ Government of Haryana D O. letter dated 19-11-2001, it proposed to the MoC/ Government of India to transfer 2.19 mtpa out of 2.85 mtpa coal linkage to HPGC's fast track Unit 7 & 8 (2X250 MW), extension of TDL Thermal Power Plant, Panipat. SLC (LT) considered the request and in its meeting held on 30-4-2002 decided to transfer 2.19 mtpa to Panipat unit 7 & 8 but cancelled the balance 0 66 mtpa. Ministry of Power/Government of India (CEA, Operation Monitoring Division) vide letter dated 2-9-2002 intimated HVPN that a request/ proposal for fresh Long Term linkage is required to be submitted by the Owner/ Agency with all requisite data/information. As selection of Project Sponsor will take some time, therefore, HVPN has approached the Central Coalfields Limited for a letter of Comfort and Certified Proximate & Ultimate Analysis report of Coal being offered

On 03-01-2001, CM, Haryana held a meeting with Union Power Minister wherein it was felt that construction of a coal-based station at this location may not be economically viable on the ground of high transportation cost of coal and environmental issues. Ministry of Power, Government of India, therefore, suggested that NTPC should consider this project, based on gas/ LNG as fuel. Simultaneously, this project was included for Government of India support while signing the Memorandum of Understanding on 13-2-2001 relating to Government of India support and financial assistance to Haryana in improving its generation, transmission and distribution systems in face of Haryana's full commitment to power reforms. In this MoU, the Government of India has assured full assistance in getting one phase of Yamunanager Project executed as a gas/LNG based project through NTPC. NTPC was directed to prepare a feasibility report within next three months. A pre-feasibility study report was received from NTPC vide letter dated 25-4-01 wherein it indicated rate from this project based on regassified LNG between Paise 413 to 541 per kwh. As the rates compared to rates from Coal based pit head plants were quite high, therefore, the project based on regassified LNG was not considered viable and hence not pursued further.

Regarding the observations made in the para regarding loss of energy to the State, it is submitted that there has been no loss because the growth in power demand of the State was being met through additional drawal from the grid, purchases from alternate sources and enhanced allocation from the unallocated Central Pool. Meanwhile, the 432 MW Faridabad Gas-based Station of NTPC has also been completed and Haryana is getting nearly 100 lac units additional daily. Power is being purchased from Rajasthan Atomic Power Project Stage-II and extra power was also purchased from the neighbouring States of Himachal Pradesh and Punjab at the time of needs."

To a question of the Committee, as to whether any written agreement to execute the work was entered into with NTPC, the representatives of the Government/ Company informed the Committee that after considering the relevant records, the Committee would be apprised of the factual position. No reply Was received till finalisation of this report.

The Committee noticed the written reply and explanation given by the representatives of Government/Company and was not convinced with the plea of the Department/Company that there was no loss to the State due to non-commissioning of the power project as the demand of energy was met through additional drawal of power from Grid. The Committee was of the view that in case the power in excess of fixed quo was drawn from the power grid, the cost per unit to be paid on this account would be higher.

The Committee would like to know the following information in this regard.—

(1) Whether any written agreement was entered into with NTPC to execute the work relating to Yamuna Nagar Thermal Power Station. If yes, what were the terms and conditions. If not why.

(2) The manner in which the staff colony constructed and land acquired for this purpose is being utilised.

2D.7. Renovation and modernisation

3. In order to overcome various problems restricting the generating capacity of Faridabad Thermal Power Station (FTPS), schemes of renovation and modernisation (R and M) under Phase I and II were got approved from Planning Commission in February, 1985 and November, 1990, respectively. Similarly, R and M schemes under Phase I and II in respect of Units I and II of PTPS were got approved in February, 1985. Schemes of R and M of FTPS and PTPS were last reviewed in the Reports of the Comptroller and Auditor General of India for the years 1991-92 and 1994-95 (Commercial), Government of Haryana, respectively. Results of implementation of these schemes are discussed below :—

(a) Faridabad Thermal Power Station

Out of the various works under Phase I to be completed at a revised cost of Rs. 43 crore by March, 1988, some works (estimated cost: Rs. 15.75 crore) were deleted being uneconomical. The works relating to replacement of economiser tubes, platen superheater control and instruments, electrostatic precipitators, augmentation of coal handling plant and other minor activities (estimated cost : Rs. 20.75 crore) were completed during January, 1986 to August, 1998 at a cost of Rs. 20.45 crore. However, the work of additional space for coal stacking (estimated cost : Rs 6 50 crore) was still under execution. Due to non-completion of the work, the Board had to pay the demurrage charges and there were forced outages of the plant as discussed in the review on the working of Faridabad Thermal Power Station (Section-2B) included in this Report.

Similarly, in case of phase II, of the 27 activities to be completed at a cost of Rs. 10.50 crore by March 1994, 4 activities were subsequently deleted being not feasible (estimated cost : Rs. 2.50 crore), 14 activities relating to replacement of superheater, generator field breakers, 10 MVA transformer and other minor activities (estimated cost: Rs. 3.14 crore) were completed during October, 1990 and December 1996 at a cost of Rs. 2.44 crore. Remaining 9 activities involving improvement in cooling water system, provision of additional ash slurry line and re-circulatory valves of boiler and feed pumps (estimated cost : Rs 4.86 crore) were still under execution and an expenditure of Rs 4.12 crore had been incurred up to March, 1998.

After completion of activities under Phase I and II by March, 1994, plant load factor (PLF) was required to be sustained at 52 *per cent*. It was observed in audit that plant load factor, after increase in 1994-95 (54.17 *per cent*) and in 1995-96 (55 15 *per cent*) came down to 44.92 *per cent* in 1996-97 and 44.41 per cent in 1997-98. Generation loss on account of low PLF in 1996-97 and 1997-98 as compared to 52 per cent worked out to 212.036 MUs valued at Rs. 38.25 crore.

(b) Panipat Thermal Power Station

The original cost of Rs. 16 54 crore in February 1985 for renovation and modernisation scheme under Phase I and II was revised (March, 1987) to Rs 20.55 crore The scheme was to be completed up to March, 1986 and after completion, PLF was expected to increase to 48 *per cent.* Up to the end of March, 1998, an expenditure of Rs 39 crore was incurred but the scheme had not been completed. Actual PLF of Units I and II during 1988-89 to 1997-98 ranged between 14 55 and 36.96 per cent resulting in average generation loss of 467.654 MUs per annum valued at Rs 47.25 crore.

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

(a) Faridabad Thermal Power Station

R&M Phase-I

* "R&M Phase-I started during 1985-86 to improve the PLF of Faridabad TPS. It was scheduled for completion during 7th Plan.
* Total activities = 67 Nos.
* Estimated cost Rs 4300 lacs
* 10 activities dropped, as these were not found techno-economically feasible.
* Expenditure incurred in completion of balance 57 activities = Rs 2516 36 lacs.
* PLF of Station before start of R&M Phase-I (1984-85) = 29 06%.
* PLF after completion of R&M Phase-I (1990-91) = 47.80%

R&M Phase-II

* R&M Phase-II started during 1991-92
* Total Atıvities = 27 Nos
* Estimated cost Rs. 1050 lacs.
* Activities completed = 17 Nos. balance under execution.
* Actual expenditure incurred = Rs. 707.56 lacs.
* PLF achieved after completion of these activities (1998-99) = 59 46%.

R&M Phase-III

* R&M Phase-III started during 1998-99.
* Total activities = 53 Nos.
* Activities dropped = 15 Nos. (on Techno Economic considerations).
* Activities completed = 21 Nos. and remaining activities are under execution

* Actual expenditure incurred under Phase-III Rs 612.81 lacs.
* PLF after completion of these activities (2002-03 ending Jan., 03) = 67 68%

(b) Panipat Thermal Power Station

* 38 No. R&M schemes were framed in 1985 for Unit-I & II at a cost of Rs. 16.54 crore. 3 No Schemes were not technically feasible & hence deleted.
* PLF of Unit-I & Unit-II before R&M works and assumed PLF after completion of works is as under :

Unit	PLF before undertaking the R&M	Anticipated PLF after completion of R&M works
Unit-I	38.64% (1983-84)	58%
Unit-II	37.35% (1983-84)	57%

* 32 No. Schemes were mainly for purchase of lab equipment, T&P, Replacement and Repair of instruments having marginal impact on the PLF of Unit-I & II. These schemes were completed during the 7th Plan i.e. upto 1990
* Pending 3 No. Schemes were for bringing improvement in the performance These were :—
  - (i) Installation of Modified Electrostatic Precipitator (ESP)
  - (ii) Mills Up-rating.
  - (iii) Change of Turbine Blades
* The above activities could not be taken in hand due to :—
  - (a) Constraints of funds, with the earstwhile HSEB as it was not even able to pay 10% Mobilisation Advance to M/s BHEL.
  - (b) Plant shut down not allowed due to power shortage.
* Funds arranged from PFC in 1/1996 amounting to Rs 26.70 crore.
* ESP of Unit-I was commissioned in March, 1999 at a cost of Rs 29.40 crore. PLF of Unit-I had increased from 27.90% in 1988-89 to 44 47% in 1999-2000 and 46.71% in 2000-2001.
* The Mill up-rating system for Unit-I completed in Jan., 2002, at a cost of Rs. 20.33 crore. Now the PLF of the Unit-I after up-rating of Coal Mill has increased to 62.77% during (4/2002 to 1/2003).
* The Turbine blades were purchased in the year 1986-87 at a cost of Rs. 27 74 lacs on the recommendation of M/s BEHL and these shall be replaced as and when required in Unit-I to IV.

* The performance of ESP as well as up-rating of the Coal Mill in respect of Unit-II shall be known after the commencement of Unit-II in February 2003 "

During oral examination of the representatives of the State Government/ Company it was observed by the Committee that there were three points in the written reply

(a) For carrying out renovation of the plants, unit of the plant had to be closed down for longer period which was not possible due to power in demand.

(b) There was problem of non-availability of requisite machinery.

(c) Funds were not made available by the State Government.

The Committee is not happy with the explanation given by the representatives of state Government/Company during oral examination because the explanation given in this regard was general not specific and to the point

The Committee, therefore, in order to know the specific reasons for delay in implementation of Renovation and Modernisation Schemes, non-completion of certain activities of the scheme and non-achievement of intended benefits, desired to be apprised by a way of detailed note indicating specifically as when the plant shut down was not available, when was the requisite machinery was not available. Lastly, period during which funds were demanded and when the requisite funds were not made available by the Government. The representative of the State Government promised before the Committee to furnish the detail note and any other assistance in this regard. No communication was received from the Government till finalisation of the Report. (February, 2004).

Haryana Vidyut Prasaran Nigam Limited and Haryana Power Generation Corporation Limited (Erstwhile Haryana State Electricity Board) 2E (Review)

2E-5 (iv) : Dues against the Board (Regarding terms and conditions for supply of Power)

4. Terms and conditions for supply of power by NHPC, NTPC, NPC and PGCIL, *inter alia,* provided that the surcharge at the rate of two *per cent* per month was to be levied on the unpaid amount after one month. It was observed in audit that NHPC, NTPC, NPC and PGCIL had claimed a surcharge of Rs. 597.96 crore as on 31st March, 1998. The Board had disclosed it as contingent liability in the accounts

An analysis in audit revealed that the Board could not discharge its liabilities due to low generation of funds coupled with deficiencies in fund management. These aspects are discussed in the succeeding paragraphs.

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

"As mentioned in the foregoing reply in the Audit Paras, the erstwhile HSEB is supplying more than 45% of the power available to the agricultural sector at a very subsidised rate which was far below the cost of supply The RE Subsidy provided by the State Government has also not been matching with the short-fall resultantly the HSEB had not been able to make the full payment of the outstanding dues of the Power entities. As per PPA with the Power Entities, although there is a provision of levy of surcharge on the delayed payments yet this liability has not been admitted and SEBs have been insisting for not charging the same at the level of various forums Resultantly, the issue of Non-levy/Waival of Surcharge has been under consideration with the Central Government who constituted a Committee of Expert Group under the Chairmanship of Shri Montek Singh Ahluwalia, Member (Planning Commission). the Expert Group as per its Report has also recommended for the waival of Surcharge to the extent of 50% but the SEBs are still insisting for not charging the same. As such, due to non-admitting of the liability of Surcharge, it has been disclosed as a contingent liability in the Accounts. It may be clarified here that the Power Entities such as NTPC & NHPC etc. as per their Accounting Policies, are also accounting the Surcharge amount on actual receipt basis and not on accrual basis."

During oral examination the representatives of Government/Company intimated that the Central Government was intented to levy surcharge on the outstanding dues of the State Electricity Boards while no State Government was ready to pay surcharge When there was a dead lock over the issue, the Central Government look for an amicable solution of this problem and it was decided to convert outstandings dues in security Bonds after waiver of 60 percent of the surcharge amount. The latest position in this regard was that an agreement amongst the R.B I., Government of India and State Electricity Boards has been signed on 20th March, 2003. The security bonds would be issued by the R.B.I.

The Committee reviewed the reply and justification given by the Department/Company during oral examination, the Committee was of the view that since an agreement has been signed by the Company and Government of India under which bonds are to be issued in lieu of the dues payable to the NTPC, NHPC, NPC and PGCIL, the Committee would watch the implementation of the agreement.

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

Haryana State Minor Irrigation and Tubewells Corporation Limited

2B (Review)

2B. 6.3 Loss due to delay in filing compensation claim

5. The State Government issued notification (September, 1983 and March 1985) to acquire 6477 Kanals* and 11 Marlas** 179 Kanals and 8 Marlas land situated in villages Bohli and Sithana respectively in District Karnal for installation of refinery and construction of residential colony by Indian Oil Corporation (IOC). The Land Acquisition Officer (LAO), Panipat invited (February, 1987) the land owners and other interested persons to lodge their claims for compensation up to 20 February, 1987. The Company had 15 number ATWs on the land so acquired but no representative of the Company appeared before the LAO on the said date. Meanwhile, the LAO requested (June, 1986) the Executive Engineer, Public Health and Executive Engineer, PWD (B&R) to intimate the cost of tubewells and structures. As the information was not supplied by the concerned officers and no representative of the Company had appeared, the LAO announced (March, 1987) award for land and trees only and decided to announce award in respect of tubewells and structures later on.

The Company claimed (November, 1994) after a delay of 7 years, compensation of Rs. 40 lakh from IOC which did not admit (December, 1994) the claim on the plea that possession of the land had been handed over by the State Government free from any encumbrances.

The Company lodged (March, 1999) claim of Rs. 44.59 lakh with LAO who directed (June, 1999) the IOC to deposit the amount up to 25 June, 1999. The IOC did not deposit the amount and obtained (November, 1999) stay orders from the Punjab and Haryana High Court, which could not be vacated so far (March, 2000).

Thus, delay in lodging the claim by the Company resulted in non-recovery of Rs. 44.59 lakh with consequential loss of interest of Rs. 87.50 lakh from March, 1987 to March, 2000.

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

"Indian Oil Corporation filed a case in High Court challenging the award of SDM, Panipat on which High Court has given a decision that the claim should be refiled by the Corporation and necessary authority to SDM, Panipat be issued for announcing the award at this late stage. The claim will be filed before Land Acquisition Officer, Panipat. The necessary interest loss calculated is not correct as the tubewells were in operation upto 1994 and when the construction of Refinery started, the matter was taken up by the then officers with concerned authorities and the claim was filed after the approval by the Board of Director's/Head of Office of the Company."

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* 1 Kanal is equal to 20 Marlas.

** 1 Marla is equal to 25 square yards

During oral examination of the representatives of State Government/Company when asked by the Committee that serious lapes has been committed by the officers/ officials of the Company in not filing the claim timely, the representatives of State Government admitted the facts of the case and promised to take action against the delinquent officers/officials of the Company for causing financial loss to the Company.

The Committee, therefore, recommend that the matter should be enquired into at the highest level without any further delay so as to identify the officers/officials who committed lapes in not filing the claim timely before the LAO. The Committee further recommend that suitable action be taken against the delinquent officers/officials immediately lest they should escape punishment for causing financial loss to the Company.

2B. 7. Under utilisation of machinery

6 The Company was having a fleet of 18 Rig machines (value : Rs 38.93 lakh) and 24 Compressors (value : Rs. 50 81 lakh) for drilling of deep tubewells However, the Company did not drill any of its own tubewells since April, 1991. To optimise the utilisation of available machinery, the state Government declared (August, 1993) the Company as an approved source for drilling of deep tubewells for other Government departments/organisations/undertakings within the State. The table given below indicates the estimated available hours and actual running there against for the five years up to 1998-99.

Year	Rig Machines			Compressors		
	Estimated available hours	Actual hours run	Percentage of utilisation	Estimated available hours	Actual hours run	Percentage of notification
1994-95	17850	4614	25 8	6400	569	8 9
1995-96	32850	9746	29 7	12800	1888	14 7
1996-97	27850	4402	15 8	9600	1312	13.7
1997-98	27850	4368	15 7	6400	858	13.4
1998-99	27850	3724	13 4	6400	1872	29 2

It would be seen from the above that the percentage utilisation of Rig machines and Compressors ranged from 13.4 to 29.7 and 8 9 to29 2 respectively during five years up to 1998-99. It was observed in audit that the underutilisation of machinery was due to following reasons :

(1) Non-availability of work due to higher rates as compared to private agencies as well as Punjab State Tubewell Corporation who are engaged in the same business in the state

(2) Reluctance of Government agencies in depositing money in advance with the Company for deposit work as private agencies do not insist for the same.

The Company has not taken effective steps to compete in the market and to reap the benefits of status as approved source for drilling of deep tubewells in the state. A test check of records further revealed that as on 31 March, 2000, 12 Compressors (value Rs. 19.84 lakh) and 3 Rig machines (value : Rs. 4 05 lakh) were not in working condition for the period from 56 to 188 months and from 34 to 57 months respectively The Company has not taken any step to repair/dispose of the machinery lying in breakdown condition

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

"Since the State Government imposed ban on installation of any new tubewells for irrigation in fresh water areas, every afforts were made to utilise the machinery for deposit works and HSMITC was got declared an approved source for installation of tubewells, but inspite of that various Department did not cooperate and private contractors were preferred for installation of tubewells. Most of the deposit work is done in Union Territory of Delhi and near by Faridabad. Corporation machinery is very old and is to be replaced with new efficient machinery. Some steps have been taken in this direction and a number of Trucks & compressors have been disposed off. 5 nos new Trucks and one High capacity compressor for working in mainly deep area has been purchased For the purchase for one low priced rig machine & a new compressor a case is in process which will help in install small bore tubewells. One more case for the purchase of two rigs, compressor and allied equipments with the help of Japan, through Government of India is also in process, which will help in major area of installation of tubewells. The Corporation has been able to install 50 nos tubewells during the year 2000-01 which were very low i e 7 nos. in 1997-98 and 35 nos. in 1998-99. Steps have been taken for the disposal of old machinery as same worth Rs. 50 lacs have been disposed off in last three years The position will improve in future."

The representatives of State Government/Company admitted during oral examination that Rig machines and compressors remained under utilised because of non-availability of work due to higher rates as compared to private agencies as well as Punjab State Tubewell Corporation who were engaged in the same business in the State.

The Committee desired to know that at present, the total number of rig machines, compressors owned by the Company and name of places where these were laying. Further the Committee desired to know the complete details of assets alongwith land, building including flats and machinery owned by the company within a period of three months (September, 2003) but no such report was submitted to the Committee till finalisation of the report (February, 2004)

The Committee took serious note of this and desired that complete report indicating the total assets including land, building, machinery and flats of staff alongwith places of their location should now be submitted to the Committee without any further delay.

Uttar Haryana Bijli Vitran Nigam Limited

4A. 3.2. Loss of interest due to defective letter of credit

7 The erstwhile Haryana State Electricity Board entered into agreements with T A. Transformers Limited, Lucknow and Technical Associates, Sangrur on 10 March, 1998 and 23 March, 1998 for supply of 2500 number and 2875 number transformers of 100 KVA capacity at a cost of Rs 7.10 crore and Rs. 7 99 crore respectively. As per provisions of the agreements, the suppliers were to be given advance payments of 10 *per cent* of the contract price within 30 days of signing of the contract, 80 *per cent* through irrevocable letter of credit (LCs) to be opened in favour of the suppliers and balance 10 *per cent* after receipt of material Delivery of material was to be completed within nine months from the date of release of advance payment/opening of LC whichever was later

Advance payment was made to Lucknow firm on 17 April, 1998 (Rs. 69 lakh), and 24 June, 1998 (Rs. 2 lakh) and to Sangrur firm on 22 May, 1998 (Rs. 79.35 lakh). The LCs were opened only on 23 June, 1998 which resulted in postponing the delivery of the material.

Even then the firms represented (11 July, 1998) that the LCs were not in order because the Board opened revolving LCs equivalent to contract price of material to be received on monthly basis but has not mentioned total cost of the material to be covered under the LCs. The revised LCs were opened on 4 September, 1998. Delivery schedule which was to commence from 23 June, 1998 was taken as 4 September, 1998

Thus, due to delay/non-opening of proper LCs. Board's funds amounting to Rs. 150 35 lakh remained blocked with the firms during April 1998 to 3 September, 1998 on which the Board suffered loss of interst of Rs. 6.46 lakh calculated at 13 per cent per annum as applicable on World Bank loans.

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

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

"The terms of the contract are undisputed in the interest of the Nigam's.

As per provisions of the agreements, firms were to be made advance payment of 10% of the contract price within 30 days of the signing of contract and World Bank made advance payment to Vendors directly in respect of Ex-works component (i.e reimbursable portion). Accordingly the claims for making payment of ex-works were forwarded to the World Bank Upon receipt of payment from the World Bank by the firm, payment in respect of freight and insurance charges were released and simultaneously the process for opening of Letter of Credit. Revolving Letter of Credit as per consent of the firm was initiated. In the instant case, the status is as under :—

(i) M/s TA Transformers Lucknow

The claim of the firm was forwarded to the World Bank in respect of Rs. 69 00 lacs on 24-3-98 Payment was released by the World Bank on 17-4-98 Firm submitted its consent to open Revolving Letter

(ii) M/s Technical Associates, Sangrur:

The claim of firm was forwarded to the World Bank in respect of Rs. 79,35,000.00 on 16-4-98. Payment was released by the World Bank on 22-5-98 Firm gave its consent to open Revolving Letter of Credit on 1-6-98 The documentation of opening letter of Credit was started on 8-6-98. The LC was opended on 23-6-98.

The Letter of Credit was opended in favour of the firm w e f. 23-6-98. As per the consent of the firm, the LC was negotiable for first two lots of the transformers, which were expected to be received within the validity of LCs As the LCs were for two lots, full contract cost was not mentioned. However, the firm did not supply even a single transformer during the validity of LCs, Subsequently, revised LCs were opened on 4-9-98 and delivery schedule was revised w.e.f 4-9-98.

The case for recovery of Interest from the date of making advace payment to the date of opening of revised LCs i e. 4-9-98 had been processed.

As amount on account of interest of Rs. 3 02 lacs has been recovered from M/s TA Transformers.

In case of M/s Technical Associates, Sangrur, claim for encashment of Bank Guarantee is under process for the recovery of interest of Rs 3.52 lacs "

During oral examination the reperesentatives of State Government/ Company informed that the matter regarding recovery of interest from another supplier was pending with arbitrator.

The Committee, therefore, recommend that effective steps should be taken for early finalisation of Arbitration proceedings. The Committee be apprised of the final decision of the arbitrator in due course.

Haryana State Small Industries and Export Corporation Limited

4A. 5.1 Favour to a party

8. The Branch Manager (BM) Faridabad booked 6 wagons (345.450 MT) of wire rods with Steel Authority of India Limited (SAIL) on behalf of M/s Goyal Enterprises, Rohtak. The head office of the Company allowed (February, 1998) BM Rohtak to keep the material on behalf of the party on the condition that the party would pay 50 per cent of the value in advance at the time of retiring the document after which it may be allowed to lift 25 per cent of the material and remaining 25 per cent paid by the party may remain as advance. BM Rohtak was to obtain post dated cheques and promissory note from the party for the value of material, besides entering into agreement with the party.

On intimation from BM Rohtak (7 February, 1998), BM Faridabad got the documents of material weighing 345.450 MT released. Further, on request of the party, the Company allowed (April, 1998) revolving credit facility for Rs. 7 lakh to the party It was noticed in audit (December, 1999) that no advance was received from the party by that time

The BM Rohtak neither took post dated cheques for the value of material nor promissory notes from the unit but released the material to the party without keeping in view the limit of revolving credit facility and the advance received from the party During April, 1998 to July, 1998, 326.275 MT material valued at Rs. 55.32 lakh was issued to the party against which payments of Rs 29 07 lakh only were recieved After taking into account interest and storage charges, the amount recoverable worked out to Rs. 30 60 lakh as on 31 March, 1999. The company filed (January, 1999) FIR against BM Rohtak and also placed him under suspension. The balance payment has not been received so far from the party (June, 2000)

It was further observed that neither the Branch Managers of Faridabad and Rohtak had submitted their prescribed daily cash/sale summary, stock reports, lifting reports, etc., to head office regularly nor the head office monitored the returns to correlate the material sold with payment received Had the prescribed returns been monitored at head office of the Company, the irregular sale of material to the unit could have been detected and avoided

The Company stated (August, 2000) that the BM Rohtak had given fake information from time to time due to which financial irregularity could not be detected. Evidently the head office had failed to monitor and correlate the material sold with payment received

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.—

"While submitting the reply to Accountant General Haryana, it was pointed out that due to fake information supplied by the then Branch Manager

Raw Material Depot, Rohtak to Head Office from time to time the reported financial irregularty could not be detected even by monitoring the daily returns. The reported financial irregularty could only be detected during mid term physically not found as per book balance. Corporation lodged a FIR on 9-1-99 at police station, Rohtak against Sh Shri Krishan Sharma, the than BM Rohtak (now under suspension) and all the fact about fake information given by him to Head Office as well as to raw material depot, Faridabad have been incorporated in the FIR. On the basis of above FIR the court case is already in process at Rohtak and next date in the said case is 4-9-2001. The Corporation has also filed a case against the party under negotiable act under section 138 on account of bouncing of cheques given by the party against lifting of material in question and next date in the case is 22-6-2001

In order to examine all the aspects of the case, the then Managing Director entrusted an enquiry to a senior officer and on the basis of findings of the enquiry officer, the defaulting officers/officials of Head Office as well as of field offices have been charge-sheeted and the enquiry is still under progress."

During oral examination by the Committee, representatives of the State Government/Company informed that the Branch Manager of Raw Material Depot, Rohtak, Shri Krishan was involved in this case who has been terminated from the service The post dated cheques issued by the party, when produced in the Bank were dishonoured. On dishonour of cheques, the Company can move to court and where the party is liable for imprisonment of six months.

To a further question of the Committee, it was intimated that after termination of services of erring officer, no retirement benefits have been released to him. It was also intimated that FIR was lodged on 9th January, 1999 and the matter was in the court for which next date of hearing was 27th September, 2003 for developments were awaited (February 2004).

During the oral examination of the Commissioner and Secretary to Government, Haryana, Industries Department, the Committee was informed that about Rs. 15 lakhs on account of retrenchment compensation payable to Branch Manager, Rohtak and Faridabad has been withheld.

The Committee recommends that so long as the entire amount of Corporation i.e. 30.60 lacs is to be recovered either from the M/s Goyal Enterprises, Rohtak or from defaulter officers of the Corporation, the dues of the defaulter officers should not be released unless the said amount is not recovered.

ANNEXURE – I

Statement showing time and cost overrun in respect of various projects commissioned by erstwhile Haryana State Electricity Board during VII five year plan

(Referred to in paragraph 2D.6 2.1)

Sl No	Name of the project and capacity (MW)	Commissioning schedule		Time over run (months)	Original estimated cost	Actual cost upto end of VII Plan	Cost over-run	Percentage of cost over-run over original estimate
		Original	Actual					
					(Rupees in crore)			
1.	Panipat Thermal Power Station Stage II (2X110MW)							
	Unit III	September 1982	November 1985	37	72.93	194.26	121.33	166 37
	Unit IV	March 1983	January 1987	45				
2.	Panipat Thermal Power Station Stage III (1X210 MW)	December 1984	March 1989	51	111.10	264 48	153.38	138.06
3.	Western Yamuna Canal Hydro Electric Project, Stage-I							
(i)	Power House-A (16 MW)							
	Unit-I	January 1983	May 1986	40				
	Unit-II	April 1983	June 1986	38				
(ii)	Power House-B (16MW)				45 72	109.06	63 34	138 54
	Unit-I	July 1983	May 1987	47				
	Unit-II	October 1983	June 1987	45				
(iii)	Power House-C (16 MW)							
	Unit-I	January 1984	March 1989	62				
	Unit-II	March 1984	April 1989	61				
	Total				229 75	567 80	338 05	147.14

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