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HARYANA VIDHAN SABHA

COMMITTEE

ON

PUBLIC UNDERTAKINGS

(2011-2012)

(TWELFTH VIDHAN SABHA)

FIFTY-EIGHTH REPORT

ON THE

REPORTS

OF THE

COMPTROLLER & AUDITOR GENERAL OF INDIA
FOR THE YEARS 2006-2007 AND 2007-2008
(COMMERCIAL)

(Presented to the House on 9th March, 2012)

HARYANA VIDHAN SABHA SECRETARIAT, CHANDIGARH
MARCH, 2012

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OF
THE COMMITTEE ON PUBLIC UNDERTAKINGS (2011-2012)

CHAIRPERSON

1 Shri Anand Singh Dangi

MEMBERS

2 Shri Venod Sharma

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4. Shri Devender Kumar Bansal

5 Shri Abhay Singh Chautala

6. Dr. Bishan Lal Saini

7 Shri Aftab Ahmed

8 Dr. Hari Chand Middha

9 Shri Anand Kaushik

SECRETARIAT

1. Shri Sumit Kumar, Secretary

2 Shri Rajinder Kumar Nandal, Additional Secretary

INTRODUCTION

I, the Chairperson of the Committee on Public Undertakings, having been authorized by the Committee in this behalf present this Fifty Eighth Report of the Committee on the Report of the Comptroller and Auditor General of India for the Years 2006-2007(Dakshin Haryana Bijli Vitran Nigam Limited) and 2007-2008 (Haryana Forest Development Corporation Limited (Review), Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana Tourism Development Corporation Limited, Haryana Agro Industries Coporation Limited, Dakshin Haryana Bijli Vitran Nigam Limited).

The Committee for the year 2011-12 undertook the unfinished work of the previous Committee(s) and also orally examined the representatives of the Govemment/Public Sector Undertakings/Boards where necessary. A brief record of the proceedings of the various meetings and on its inspection/ spot-study has been kept in the Haryana Vidhan Sabha Secretariat.

The Committee are thankful to the Principal Accountant General (Audit), Haryana and his staff for their valuable assistance and guidance in completing the Report. The Committee are also thankful to the Financial Commissioner & Principal Secretary to Government, Haryana, Finance Department including his representatives and representatives of the Departments/Corporations/ Boards concerned who appeared before the Committee from time to time The Committee are also thankful to the Secretary, Additional 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 18th February, 2012

ANAND SINGH DANGI,
CHAIRPERSON.

REPORT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 2006-2007

Dakshin Haryana Bijli Vitran Nigam Limited

3.10 Extra expenditure

The Company incurred extra expenditure of Rs. 5.95 crore on the purchase of transformers due to delayed finalisation of tender and resultant purchase from Punjab State Electricity Board at higher rates.

1 The Company invited (September 2005) tender for procurement of 6,160 transformers (including 3,435 transformers for UHBVNL) of 63 KVA capacity As per the tender conditions, supplies were to be completed within five and a half months from the date of receipt of order/approval of drawings Tenders were opened (October 2005) and 9 out of 11 offers were found technically/financially valid Meanwhile (November 2005), technical committee desired to incorporate completely self protected (CSP) feature in the specifications of transformers.

The tenderers were asked (December 2005) for supplementary price bid for transformers with CSP feature After opening of tenders (January 2006) the tender evaluation report was prepared and submitted (13 January 2006) to Special High Power Purchase Committee (SHPPC) The lowest rates for transformers without CSP features and with CSP features were Rs 68,500 and Rs 85,356 per transformer respectively SHPPC opined that tenders were invited for procurement of transformers without CSP features and as such decided (8 February 2006) to procure 4,000 transformers without CSP features from Maha Shakti Conductors Private Limited, Bhatinda (1,000 each for UHBVNL and the Company) and Akal Electricals Private Limited, Ludhiana (1000 each for UHBVNL and the Company) at the lowest rate of Rs. 68,500 per transformer The purchase orders were issued (6 March 2006) and delivery of material was to start from May 2006 In the meantime, to meet urgent requirement of UHBVNL, the Company proposed (January 2006) the Financial Commissioner (Power) to procure these transformers from Punjab State Electricity Board (PSEB) on cost to cost basis for which Financial Commissioner (Power) gave (23 February 2006) his approval. The Company, however, procured (March 2006) 1,500 transformers without CSP features and warranty clause from PSEB at higher rate of Rs.I,08,170 per transformer without ascertaining the actual cost incurred by the PSEB As per agenda note submitted to the SHPPC the rate of PSEB was recorded as Rs 73,914 per transformer

It was observed (December 2006) that though there was urgent requirement of transformers, the Company instead of finalising the procurement of transformers with tendered specifications expeditiously, delayed the process by inviting supplementary rates with added features. Resultantly, the Company had to make emergency purchases from PSEB with no warranty Further, while placing order the actual cost was not ascertained from PSEB and procurement was made at Rs 1,08,170 against market rate of Rs 68,500 per transformer resulting in excess expenditure of Rs 5 95 crore

Thus delay in finalisation of purchase case and procurement from PSEB at higher rate resulted in extra expenditure of Rs. 5.95 crore

The matter was referred to the Government and the Company in April 2007, their replies had not been received (September 2007)

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

Tender Enquiry No QD-201 was issued for procurement of 6160 No. 63 KVA T/Fs to meet with the requirement of DHBVN as well as UHBVN The Part-I of the tender was opened on 27 10 05 and all deviations were got attended from the tenderer Before the proposal could be finalized, the technical committee decided that the T/Fs with completely self protective feature should only be procured to avoid frequent damages of the T/Fs. The main feature of the CSP T/Fs envisaged the technical particulars for protection on HT side is inbuilt features in the HV bushing and LT protection through LT Circuit Breaker with overload relay as well as instantaneous fault sensitive device for operation of LT breaker which save the T/F from damaging not only in case of external fault of LV side but also on the overload The above decision was taken in view of high percentage of damaging of T/Fs in the field specifically in the peak load period/hour Accordingly, it was decided by the Whole Time Directors of DHBVN that in future only the T/Fs with CSP Features should be procured.

It was brought into the notice of the Whole Time Directors that stock of 63 KVA T/Fs is depleting and the pending supply against existing P Os. is going to exhaust in 1-2 months and as such it is worthwhile that the purchase procurement under process should be finalized and in case T/Fs with CSP features are to be procured then we should ask the bidders for quoting their supplementary price bid for incorporating the CSP features. The approval for obtaining of supplementary price bids was accorded in the interest of the Nigam to avoid the frequent damages of the T/Fs and save the Nigam from the expenditure being incurred for replacement of such T/Fs Besides damage of the T/Fs, the T/Fs with CSP features results into improvement of the distribution system because it does not allow the system overloading and also results into safety of transmission/ distribution lines and costly equipment installed at sub-stations. It is, therefore, evident that the decision was taken with a motive to have better alternate and the proposal was placed before the SHPPC accordingly

However while considering the proposal, SHPPC observed that since the NIT was initially issued for the T/Fs without CSP features and restricting the same only to the participating bidders is not a proper purchase proposal As such, SHPPC in its wisdom decided to procure the T/Fs without CSP features and also on the price bid submitted for the same The rates of M/s Akal Electricals Pvt. Ltd., Mohali i.e Rs.68,500 00 were the lowest and the firm quoted only for the supply of 2000 No T/Fs As such, it was not possible to issue the P O for the quantity more than the offered by the bidder M/s Mahashakti Conductor, Bhatinda though quoted for the full quantity but his rates were higher i e Rs 69,331 00 per T/Fs and the firm against QD No.201 accorded only to supply a limited quantity on the lowest rates Further, the question of procurement of T/Fs with CSP features was under consideration, as such, it was rightly decided by the SHPPC that T/Fs with non-CSP features may be procured only to the extent of 4000 Nos. to meet with the immediate requirement till the T/Fs of CSP features can be procured

The 63 KVA transformers were purchased by UHBVN as per their requirement from PSEB on cost to cost basis i e stock issue rate enhanced by 15% to make adjustment for actual price variation likely to be paid by the PSEB The payments made by UHBVN was subject to final adjustment on basis of actual cost of the transformers. However, DHBVN did not purchase any 63 KVA T/F from PSEB

It is also worth to submit that the future rates of any item cannot be ascertained and nobody can be held responsible for increase/ decrease of the prices in future course The decision to procure limited quantity was taken only to avail best available option and to cope with the emergent requirement of the T/Fs

During the course of oral examination, the departmental representatives informed the Committee that in the year 2005, the department invited the tenders for the purchase of 6160 transformers at the rate of Rs. 68,500/- but the department instead of purchasing the transformers from M/S. Akal Electrical Private Limited and M/S. Maha Shakti Conductors, purchased the transformers from Punjab State Electricity Board at the rate of Rs. 1,08,170/-. The department suffered huge loss amount of Rs. Six crore in this case. Moreover, the matter is pending for the last six years. It is a great negligence on the part of Dakshin Haryana Bijli Vitran Nigam Limited. The Committee

recommends that the matter may be finalized at the earliest with the Punjab State Electricity Board and the result/detailed come out be informed to the Committee.

The Committee further more recommends that the responsibility of the officers/officials who are involved in this case be fixed.

3.12 Extra expenditure due to purchase at higher rates

The Company incurred extra expenditure of Rs. 11.80 lakh due to rejecting valid economical offer and purchasing material at higher rates.

2 The Company opened (December 2005) tenders for procurement of 450 MT nuts and bolts of various sizes The offer of Nexo Industries, Ludhiana at Rs 41,712 per MT for all sizes of nuts and bolts was the lowest The Company had placed preceding order (November 2004) at Rs 45,300 per MT for this item

As per the State Government policy, purchase cases up to Rs 50 lakh are to be finalised by the Store Purchase Committee (SPC) headed by the Company's Chief Engineer and those above Rs 50 lakh by Special High Power Purchase Committee (SHPPC) presently under the chairmanship of a Cabinet Minister As value of the material to be procured was above Rs 50 lakh, the Company submitted (20 April 2006) the purchase proposal to SHPPC for consideration SHPPC did not consider the purchase proposal for which reasons were not available on record. The validity of the offers was up to 30 June 2006. The Company instead of placing the matter again in the next meeting of SHPPC (22 May 2006), dropped (4 May 2006) the tender and floated (11 May 2006) four fresh tender enquiries by splitting the order to keep it within the powers of SPC On the basis of these tenders, six purchase orders were placed (August 2006 and October 2006) for procurement of 404 MT nuts and bolts at higher rates ranging from Rs. 44,000 to Rs 45,850 per MT for various sizes

Audit observed (November 2006) that rejection of the valid offer was in violation of purchase norms as well as the interest of the Company especially when the rates received (December 2005) were lower than those received against earlier purchases Further in contravention of financial discipline the order was split to bring it under the purview of a lower authority

As a result the Company incurred extra expenditure of Rs. 11.80 lakh

The matter was referred to the Government and the Company in March 2007, their replies had not been received (September 2007).

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

DHBVN vide NIT No 177/DH/P-1 dated 1 12 05 had invited the tenders for the procurement of 450 MT of M S Nuts & Bolts of various sizes as per requirement of DHBVN & UHBVN In the above tender enquiry 5 Nos firms had submitted their tenders The purchase proposal was put up before SHPPC in its meeting held on 24.04.06 which could not be finalized as none of the three Nos lowest firms neither participated nor responded leading to dropping of the tender enquiry

As the NIT No 177/DH/P-1 dated 1 12 05 floated with all the sizes i.e 14 Nos of M.S Nuts & Bolts, but could not be matured as single NIT, so to meet with urgent requirement of material, fresh tender enquiry N I T No 224/DH/P-1 dated 11 05 06 (QD-287, 288, 289 & 290) was floated by dividing the 14 sizes of M.S Nuts & Bolts into 4 separate QD's with the approval of WTDs with in the power of SPC. Further there was gap of more than 6 months between both the above tender enquires and their rates can not be compared as there was steep hike in prices of steel during the period as is evident from the IEEMA circular

The Committee recommends that a detailed report be submitted to the Committee in respect of three agencies whose rate were lowest.

The Committee would also like to know the rates of those items which were purchased by the department.

The Committee, further, also like to know the reasons as to why this case was not approved by the High Powered Purchase Committee.

Report of the Comptroller and Auditor General of India for the Year 2007-2008

2.2 Working of Haryana Forest Development Corporation Limited

(Review)

2.2.17 Engagement of Labour and transportation contractors.

3. During 2003-08, the Regional Offices Ambala, Hisar, Kurukshetra and Gurgaon paid Rs 9 49 crore to labour and transport contractors for manufacture of poly bags and barbed wire, felling and conversion of trees, transportation, loading/unloading and stacking of timber and firewood as detailed below

(Rupees in lakh)

Year	Kurukshetra		Hisar		Ambala	Gurgaon	Total
	Manufacturing activity	Felling and conversion	Manufactureing activity	Felling and conversion	Felling and conversion	Felling and conversion	
2003-04	7 47	56 92	7 79	29 56	47 89	30 57	180 20
2004-05	7 17	33 75	7 71	35 73	37 98	27 79	150 13
2005-06	5 93	56 18	8 74	25 70	55 72	17 50	169 77
2006-07	10 49	54 48	15 26	44 71	59 99	29 37	214 30
2007-08	NA	61 99	NA	34 73	97 99	40 16	234 87
Total	**31.06**	**263.32**	**39.50**	**170 43**	**299.57**	**145.39**	**949 27**

Scrutiny of records of payments of felling and conversion charges revealed as follow

System for engagement of labour and transport contractors lacked transparency

* There was no transparent system for engagement of labour and transportation contractors, as no public notice or advertisement was given for their engagement and quotations were collected locally During ARCPSE meeting (July, 2008) the Management assured that system of inviting bids from registered contractors would be introduced

* No formal agreements containing terms and conditions for ensuring compliance of labour laws and payment of minimum wages to labour were entered into with the contractors

* As required under section 18 of the Minimum Wages Act, 1948 the unit offices had not maintained any record showing number of labours employed by the contractor and payment made to the labour so as to ensure timely and proper payment

Payment of minimum wages to the labour employed by the contractors was not ensured

* There was inadequate control over implementation of the labour contracts and payments made there against as evidenced in regional offices, Gurgaon and Kurukshetra, which made an additional payment of Rs 8 31 lakh in the years 2002-03 and 2003-04 on felling and conversion of trees by paying the contractors the rate of Rs 175 per cum, applicable for felling and conversion including extraction of stumps, whereas stumps had actually not been extracted in 71 87 per cent cases, which should thus, have been paid at the rate of Rs 95 per cum only

The Management stated (June, 2008) that the rate of Rs 175 per cum did not include payment for extraction of stumps The reply is not tenable as this amount included payment for extraction of stumps also as per schedule of rates of the Company applicable during April 2002 to December 2003

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

Mostly the works are carried out as per schedule of rates Labour contractors have been engaged as per requirement The number of trees which HFDC gets from HFD is not certain Most of the fellings are of emergency nature Now HFDC has started to register the contractors for the purpose of felling operations

Labour laws are followed and no case for less payment or exploitation by contractors has been reported. It is ensured that labourers are not paid below minimum wages, fixed by Government

The purchase price of trees does not include the cost of stumps The revenue generated by sale of stumps is in addition to cost paid to the seller In forestry operations extraction of stumps is discouraged because it is a source of nutrients for future crop The stumps are extracted wherever it is necessary and where road constructions are proposed and extraction is economically viable The retaining of stumps in earth gives much more intangible benefits than the calculated ones such as stump inside earth helps in carbon sequestration

The Committee would like to know the detailed information/ factual position in respect of the extra expenditure of Rs. 8.31 lakhs which was incurred by the department.

The Committee would also like to know who were responsible in this case i.e. officers/officials. If any action is taken by the department against the erring officers/officials who were responsible of the loss of Rs. 8.31 lakhs.

The Committee would also further like to know as to whether the excess amount has been recovered from the officers/officials who were responsible/guilty.

The Committee recommends that the department may clear its position and a detailed report be submitted for the information of the Committee.

Haryana State Industries and Infrastructure Development Corporation Limited

4.1 Non recovery of loan

Irregular sanction, defective disbursement and poor monitoring had put the recovery of Rs. 5.81 crore at stake.

4 The Equipment Finance Scheme of the Company provides for financial assistance to the existing units for purchase of plant and machinery for expansion/modernisation For availing this assistance, the project should be in operation for last four years and cost of proposed plant and machinery should be less than 50 per cent of present gross block

R K Ispat Limited, Bhiwani, (unit) a steel manufacturing unit since 1994, diversified into yarn manufacturing activity in October 2000 and applied (July 2001) for a term loan of Rs. 3.80 crore for expansion of yarn project The Company sanctioned a loan of Rs 3.80 crore in March 2002 and released Rs. 3 40 crore between March 2002 and March 2003 The unit could not achieve optimum production due to delay in receipt of two machines and delay in sanction of working capital by State Bank of India Profit of the unit decreased from Rs 82.48 lakh during 2001-02 to Rs 35 61 lakh during 2002-03 and then turned into loss of Rs 6 59 crore in 2003-04, which eroded its net worth Resultantly, the unit defaulted in repayment of even the first instalment of Rs. 33.51 lakh due in April 2003 Five post dated cheques worth Rs 46 80 lakh furnished (September 2003/Februaiy 2004) by the unit were dishonoured on presentation. The Company took over deemed possession of the equipment on 19 March, 2004 except two machines (value Rs 85 lakh) which were yet to be received by the unit Before the Company could dispose of the equipments, the unit got registered (August 2004) with BIFR thereby restraining the Company to dispose of the equipments. Final award of the BIFR was still awaited (August 2008)

Audit noticed that the Company sanctioned loan by ignoring the terms of the scheme as the yarn division had come into existence only about one and half year earlier (October 2000), the cost (Rs. 6 37 crore) of new equipment was 114 per cent of gross block (Rs 5.57 crore) of yarn division and released (April 2003) Rs. 29 38 lakh to the unit for purchase of two machines in contravention of its policy to make payment direct to the supplier Further, the Company appointed its Director on the Board of the unit only in September 2003 who also did not attend the meeting of the Board of the unit held in July 2004 when it decided to refer the unit to BIFR Total amount outstanding against the unit as on 31 March, 2007 was Rs. 5 81 crore Rs. 3.40 crore, (Principal · Rs 3.40, Interest Rs 2 41 crore)

The contention of the Management (August, 2008) that the unit was eligible for loan under Equipment Finance Scheme taking into account the unit as a whole was not acceptable as sanction of loan for yarn division (diversion from main activity) was not covered under the Scheme

Thus, irregular sanction of loan, defective disbursement followed by poor monitoring had put the recovery of Rs 5 81 crore at stake

The matter was referred to the Government in July 2008; the reply had not been received (September 2008)

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

As per Equipment Finance Scheme (EFS) the applicant company should be in operation for last 4 years and should be in profit in the proceeding two financial years Similarly the condition of cost of new machines to be financed under above scheme should not be more than 50% of the existing gross block of the Company and not of any particular division

The scheme nowhere mentions that above parameters are to be examined separately in respect of the Division/Section of the company for which the assistance under the scheme is to be availed and the company as a whole was meeting all the eligibility parameters of the scheme, therefore, it was sanctioned loan under EFS irrespective of the age of operations/profitability of its Yarn Division

On the basis of above, eligibility criteria the company was eligible for sanction of said loan because at the time of sanction of loan (March 02) company was in existence for more than 4 years (since 1994) and had been making profits from 1994 to 2002 Further the loan was given to finance machinery costing only 37 45% of its gross block as the cost of machinery to be financed was Rs 514 57 lac as against which the gross block the company was Rs 1374 lac (2001)

Out of disbursement of Rs 74.38 lac, Rs.45 00 lac were released to OBC against their Letter of Credit for import of machines The balance amount (Rs 29 38 lac) was also disbursable directly in favour of the company on the basis of disbursement eligibility (security basis) and accordingly disbursement of Rs 29 38 lac (April, 2003) made to the company in place of supplier be treated in order

BM, Hisar (presently BM Bahadurgarh) was nominee Director of the Company who has reported that he did not receive the notice for BoD notice held in July, 2004 However the Board of the company passed the resolution for filing the reference with BIFR since it was mandatory on the part of the company.

As already explained, the company was eligible for the sanction/ disbursement of the loan under Equipment Finance Scheme (EFS) as it met all the eligibility criteria of this Scheme explained in reply to para 4 on page 2 above and it complied all the conditions of sanction to avail the loan.

The scheme nowhere mentions that above parameters are to be examined separately in respect of the Division/Section of the company for which the assistance under the scheme is to be availed

The company availed the loan after complying with all the stipulated conditions of sanction The recovery is held up due to company being registered with BIFR and for want of finalization of rehabilitation scheme by the OA (State Bank of India) The company has proposed to settle the OTS at Rs 100 crore against principal outstanding of Rs.3 40 crore and the corporation does not consider the OTS less than principal, hence its proposal was rejected. During last hearing of BIFR held on 4 1 03, the Bench was requested to direct the company to submit its OTS offer atleast principal outstanding so as to place the same before the Board for approval

In view of above clarifications it is submitted that sanction of loan was not defective, disbursement was not defective and monitoring is also not poor rather the recovery is held up only due to pendency of the case with the BIFR.

The Committee recommends that the due amount be recovered at the earliest possible and this type of case should not be repeated in future.

Haryana Tourism Corporation

4.4 Avoidable loss in the operation of unviable unit

The Company suffered loss of Rs. 68.22 lakh due to non-closure of an unviable Golf Course.

5 In order to promote the game of Golf, the Company set up (April 1999) a Golf Course at Karnal at a cost of Rs 40 44 lakh on land measuring 13 acres (provided free of cost by Tourism Department). No feasibility study was done before setting up the Golf Course The Company formed a club to run the Golf Course. As per constitution of the Club, a governing body comprising official and non-official members, with Commissioner and Secretary, Tourism as patron, was to run the activities of the Club. The Club's revenues included entry fee, monthly subscription from members, 'green fee' from non members, equipment hiring charges, etc A person was to cease to be a member of the Club in case of default in paying the Club bills as laid down by the governing body from time to time

The Club received Rs 10 29 lakh as entry fee from the members and a nominal amount of Rs 0 38 lakh as 'green fee' during the last nine years upto March 2008, indicating negligible interest by non-members. During audit (December 2007) it was noticed that most of the members had defaulted in payment of monthly subscription and recoverable amount worked out to Rs 7 94 lakh as on 31 March, 2008 The Club started incurring losses from the very first year of its operation and had incurred a loss of Rs 68 221akh upto March 2008 as it was started without assessing its economic viability The Company also did not review its performance to operate it economically or to decide on its closure

Thus, due to starting the Golf Course without assessing its economic viability, the Company had suffered a loss of Rs 68 22 lakh during 1999-2008.

In reply (August 2008), endorsed by the Government (September 2008) the Management stated that keeping in view the continued losses, reference had been made to the State Government for its closure

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

> Haryana Tourism has maintained vast green areas in all its complexes and is known for creation of greenery at the complexes and to promote eco-tourism in the State of Haryana The land in-question was used for a similar purpose of the creation of greenery around Karna Lake Complex, so that, it may not become the dumping ground. The facts are that because of the construction of new bridge, the NH-I was shifted slightly away from Karna Lake, and to make

proper use of the land and creation of greenery between Karna Lake and the new bridge on NH-I, the Highway Golf Club was constructed Further, no permanent structure was allowed in that place because of proximity to NH-I Regarding the losses from the day to day running of the Golf Course, Karnal, it is clarified that it is a facility for the residents of that area and should not be taken as commercial/profit centre The losses represent expenditure on the staff salary and amount spent on its maintenance Losses are also because of the fact that it is a 9-holes Mini Golf Course and it can not be made viable so easily Good Golf Courses are basically 18-holes and the internationally known Golf Courses are even 27-holes So with the space constraint, it can not be extended to 18-holes It is basically a facility for the local residents who come- and play Golf because there is not other Golf Course except in Chandigarh, Panchkula & New Delhi At the time of the opening of the Golf Course, some persons were enrolled as members of the Club by persuasion of HTC staff who paid the initial membership but who were non golfers These members though paid the initial fees but being non-golf player, they did not pay further annual fees

Moreover, Golf Course become profitable only if it is having the facility of restaurant, bar and accommodation All these facilities, of course, are there at Karna Lake, but it is not part of the Karnal Golf Course So the Golf Course can not be seen in isolation but in the totality of the circumstances, it is single unit comprising of Oasis Fast Food, Petrol Pump and Golf Course and it is in profits

Board of Directors of the Corporation had approved the proposal for the closure of ten loss making complexes including Highway Golf Course, Karnal and thereafter a case was sent to Haryana Government for formal approval The proposal has been received for re-examination and submission

Now, the proposal (after re-examination) is being sent to the Government for seeking approval for the closure of Highway Golf Course, Karnal

The Committee would like to know the latest position of Karnal Golf Course, the Committee recommends that a Park be developed on the land for the use of Public instead of vacant green belt.

Haryana Agro Industries Corporation Limited

4.5 Loss due to non adherence to linkage plan

The Company suffered a loss of Rs. 12.46 lakh as it could not recover carry-over charges from Food Corporation of India due to delayed delivery of wheat.

6 The Company procures wheat for the Central Pool on behalf of Government of India The delivery of wheat stock is made as per linkage plan provided by the Food Corporation of India (FCI). In the event of non adherence to the linkage plan, the FCI deducts carry-over charges from the bills of wheat stocks delivered beyond the stipulated period

To carry out wheat procurement operations for 2005-06, the Company directed (March 2005) its field offices to obtain linkage plan from FCI and strictly adhere to it. In case of non-utilisation of space offered by FCI for direct delivery, the loss was to be the sole responsibility of concerned field staff.

The FCI asked (April 2005) the Jind circle to directly deliver 29,500 MT *wheat by 30 June, 2005 The pace of delivery of wheat stocks was slow and the FCI reminded (April - May 2005) the Company to increase the pace of delivery, failing which carry-over charges would not be reimbursed for the deliveries made beyond 30 June, 2005 As the Company could not adhere to the linkage plan, the FCI deducted Rs 12 461akh from the bills of 2005-06 being the carry over charges of shortfall quantity of 22,649 MTs delivered after 30 June, 2005

The Company approached (December 2005 and March, 2007) the FCI for release of deducted amount on the plea that wheat stocks at Dhamtal Mandi could not be made due to dispute between transporter and labour contractor and thereafter non availability of space as on 30 June, 2005, with FCI. FCI rejected (March 2006 and July 2007) the claim on the ground that during 2005-06 there was sufficient covered as well as open space for the quantity allocated to the Company

Thus, failure of the Company to adhere to the delivery schedule of wheat stocks as per linkage plan to FCI had resulted in a loss of Rs. 12 46 lakh

The Management stated (March 2008) that these payments had not been deducted but had been withheld by FCI for which matter was being taken up with it and was under active consideration of FCI The reply is not tenable as these payments had been deducted by FCI from the bills of the Company during 2005-06 and FCI had not responded to the request of the Company to refund this amount so far (July 2008).

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* 17,000 MTs at Dhamtal, 7500 MTs at Barate and 5000 Mts at Narwana Mandi.

The matter was referred to the Government in February 2008, the reply had not been received (September 2008)

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

The contention of the Audit is not correct and clear, because audit has not considered the earlier reply of the Audit para given by the Company In the reply Company already stated that the then situation in Mandi was beyond control due to dispute raised in between labourers and the transporter on the issue of payment of DALA charges The Administration is well aware about the DALA charges as it is a general practice and general phenomena that labourers always take DALA charges from all truck drivers at both the times i e at the time of loading and unloading as well. The dispute was due to higher rates of DALA charges which the truck drivers were not paying If this dispute has not arisen then there would have been no question for delivery of wheat to FCI on or before 30th June This type of disputes are always settled after intervention by the high level Distt. Administration which takes time, and due to this reason wheat could not be delivered to FCI as per linkage plan before 30th June

On this issue the DM, FSC, Jind has told that the loss calculated by the Audit Party on account of carry over charges to the tune of Rs 12.89 lacs is not correct because they did not consider other concepts/factors of the expenditure spent and saved by the Corporation The details of the same are given below -

S.No	Particular	Amount
1	Transportation expenditure were to be paid by the Corporation on direct delivery of wheat in linkage plan which was saved by the Corporation	41 76 lacs
2	Qty of gain given by the Mandi Inspector after storage of wheat from July on wards of 2074 quintals, out of this 1498 quintals of gain was taken by the FCI and Corporation saved net gain of 576 quintals The value of 576 quintals gain comes to Rs 4 65 lacs There was also a moisture cut of Rs. 1.56 lacs The net saving to the Corporation comes to Rs 3.09 lacs after reducing the amount of moisture cut from the value of gain.	3 09 lacs
3	Total saving to the Corporation (1+2)	44 85 lacs

4	Expenditure incurred by the Corporation on account of local cartage, unloading, loading and stacking/storage charges	34.30 lacs
5	Loss due to carry over charges not paid by the FCI	12 46 lacs
6	Total losses to the Corporation (4+5)	46 76 lacs
7	Net loss to the Corporation (6-3)	1.91 lacs

From the table mentioned above, it is evidently clear that Corporation suffered a loss of Rs 1 91 lacs only and not to the tune of Rs. 12 46 lacs as mentioned by the Audit in their audit para As such, the figures of loss as reported by audit are not correct The delivery of wheat at that time was beyond control and was not possible due to prevailing circumstances at that time as explained above, therefore, Company is not at fault

The Committee recommends that a detailed report in this case be submitted for the information of the Committee.

The Committee also Further recommends that on receipt of the information this para will be taken up for discussion.

4.6 Undue benefit to supplier

The Company suffered a loss of Rs. 21.98 lakh due to unjustified refund of security to a defaulting supplier of Di-Ammonium Phosphate.

7. For procurement of 23,200 MT Di-Ammonium Phosphate (DAP), the High Powered Purchase Committee (HPPC*) approved (June 2003) placement of order on HINDALCO The Company issued (July 2003) order for supply of the DAP during June to November 2003 Due to rains, the Company revised (September 2003) the supply schedule according to which 8,000 MT and 15,200 MT were to be supplied in October and November 2003 respectively The supplier did not object to the revised schedule but supplied only 4,158 500 MT during October 2003 and assured to supply the balance quantity of 19,000 MT in November 2003 The supplier, however, supplied 9,095 350 MT during November 2003 leaving a shortfall of 9,946.150 MT The Company imposed (March 2004) a penalty of Rs 30 lakh at the rate of Rs 300 per MT (being its gross margin on the shortfall quantity) against the supplier due to non-performance of the contract The supplier represented (August 2004) to the Company against the imposition of penalty The HPPC headed by the Chief Minister asked the Financial Commissioner (FC), Agriculture to look into this matter The FC, Agriculture

* Consisted of Chief Minister, Finance Minister, Financial Commissioner & Principal Secretary Agriculture Department, Director Supplies and Disposal and Managing Directors of HAIC, HAFED and HLRDC

held (October 2004) that the supplier did not make any wilful default and there was no loss to the Company as it had not purchased the balance quantity at the risk and cost of the supplier He, however, recommended that the Company could recover Rs, 5 lakh (being its net margin of Rs 50 per MT) from the supplier as notional loss. The Company refunded (December 2004) Rs 25 lakh without the approval of the Board of Directors (BOD) The BOD of the Company, while granting (June 2005) ex-post facto approval for the refund of penalty, took serious view that the Company had waived off and refunded the penalty without its approval Audit observed (January 2006) that in another case of similar nature the Company had recovered penalty of Rs. 1.45 crore (being gross margin) for the shortfall quantity from Oswal Fertilizer and Chemical Limited during 2004-05. Further, representative of HINDALCO had agreed for penalty of Rs 26 98 lakh as per the terms of the tender

Thus, non imposition of agreed penalty has resulted in loss of Rs 21 98 lakh (Rs. 26 981akh - Rs 5 lakh) to the Company.

The Management stated (May 2008) that refund was made on the directions of the State Government In case of the other firm penalty was not waived as no direction was received from the State Government The reply is not tenable as the Company should not have refunded penalty amount without prior approval of the BOD and the refund in this case was in deviation of its past practice.

The matter was referred to the Government in May 2008, the reply had not been received (September 2008)

In their written reply, the State Government/Company state as under -

M/S Hindalco Industries Limited supplied 13223 95 MT DAP against the contracted qty of 23200 MT DAP during the year 2003-04 Original supply schedule as given in the PO dated 9 7 2003 was charged on the basis of demands of DMs from the field units to avoid inventory carry over costs The said supplier failed to supply 9976 05 MT DAP to HAIC HAIC imposed penalty on the supplier @ Rs 300/- PMT on the un-supplied qty of fertilizer Accordingly, penalty of Rs 30 00 lacs was deducted out of their payment The Corporation at its own level never entertained their demand for reviewed of their penalty Therefore, the question that the supplier is being agreed to the refund of penalty of Rs 3 02 lacs does not arise

M/s Hindalco Industries Limited raised this issue of deductions of their payment of Rs 30.00 lacs by HAIC in the meeting of High Powered Purchase Committee held on 8 9 04 under the Chairmanship of the then Chief Minister, Haryana It was decided in the meeting of HPPC that Financial Commissioner & Principal Secretary, Agriculture

Department, Haryana shall sort out this issue Accordingly, Financial Commissioner & Principal Secretary to Govt Haryana in Agriculture Department examined the case by inviting comments of HAIC as well as giving hearing to the representative of HIL

It was decided by the State Government in Agriculture Department to recover Rs 5 00 lacs as damages on account of non supply of DAP to HAIC by M/s HIL and to release the balance payment of Rs 25 00 lacs to the supplier

Accordingly, payment of Rs 25 00 lacs was released to M/s HIL and Ex-post-facto approval of the Board of Directors has also been obtained As such no undue benefit was given to the supplier Moreover no risk purchase of DAP was made by HAIC at the risk and cost of supplier Hence a penalty of Rs 5 00 lacs was imposed on the firm As regards, non refund of penalty imposed on M/s Oswal Fertilizers and Chemicals Limited It is stated that no directive of the State Government was received in case of M/s Oswal Fertilizer Therefore, their penalty was not refunded. Moreover, we have not reviewed the case of penalty of any supplier at our own level

Reply of Observations :-

1 Facts and figures in the above note are confirmed The penalty of Rs 25 00 lacs was refunded as per decision of the State Government and ex-post-facto approval of the Board of Directors has already been obtained for the refund of penalty amount of Rs. 25.00 lacs

2 The Corporation at his own level never entertained their demand for review of refund of their penalty. Therefore, the question that the supplier being agree to the refund of penalty of Rs 3 02 lacs does not arise M/s Hindalco Industries Limited raised this issue of deduction of their payment of Rs 30 00 lacs by HAIC in the meeting of High Powered Purchase Committee held on 8 9 2004 under the Chairmanship of the then Chief Minister, Haryana It was decided in the said meeting that the Financial Commissioner & Principal Secretary, Agriculture Department, Haryana shall sort out this issue Accordingly, Financial Commissioner & Principal Secretary reviewed case and after obtaining approval of the then Chief Minister directed the Corporation to refund Rs. 25.00 lacs by retaining Rs 5.00 lacs Moreover clause 5 of the agreement is applicable only when HAIC would have done any risk purchases of DAP at the cost of the supplier which was not the case That is why it was decided by the Govt. to impose a Token penalty of Rs. 5 00 lacs and refund the remaining amount

Accordingly, the Corporation refunded the said amount to M/s Hindalco Industries Limited

3 HAIC had received 52322 MT DAP from other suppliers during the year 2003-04 and most of this quantity was sold through dealers/sub-dealers Therefore, there is hardly any grievance from the dealers/sub-dealers on this score & hence no question of affecting the good will of the Corporation

The Committee would like to see the report on the file and only after that the fate of the para will be decided.

Dakshin Haryana Bijli Vitran Nigam Limited

4.8 Extra expenditure

The Company incurred extra expenditure of Rs.14.18 crore on purchase of transformers due to delayed finalisation of tenders and resultant procurement at higher rates.

8 The Company invited (September 2005) tender for procurement of 7,980 transformers (including 4,375 transformers for Uttar Haryana Bijli Vitran Nigam Limited) of 100 KVA capacity As per the tender conditions, supplies were to be completed within five and a half months from the date of receipt of order/approval of drawings, whichever was later Tenders were opened (October 2005) and all the 11 offers were found technically/financially valid Special High Powered Purchase Committee (SHPPC) decided (December 2005) to procure 2,500 transformers as per tendered specifications at the lowest rate of Rs 86,200 per transformer from two firms and to go in for fresh global tenders for balance quantity and the annual requirement with self protecting features (SPF). Accordingly, purchase orders were issued by the Company on 31st January, 2006 for this quantity and transformers received between April 2006 and January 2008

In the meantime, to meet with urgent requirement, MD of the Company requested (2 January, 2006) the Punjab State Electricity Board (PSEB) for immediate supply of 500 transformers On getting their nod, the Company proposed to the Financial Commissioner (Power) to procure these transformers from PSEB on cost-to-cost basis which was accepted (January 2006) by Financial Commissioner (Power) The Company, however, procured (January 2006) 500 transformers without SPF and warranty clause from PSEB at the rate of Rs 1 45 lakh per transformer against their landed rate of Rs 99,037 per transformer In addition, the Company procured 5,000 transformers (2,500 transformers for each Company) from seven firms without SPF at higher rate of Rs 1 11 lakh per transformer against subsequent short term tender enquiry finalised in April 2006 Separate global tenders for procurement of transformers with SPF were floated (January 2006) but could not be finalised due to poor response It was observed (December 2006) that though there was urgent requirement of transformers, the Company failed to impress upon the SHPPC to procure the whole tendered quantity with tendered specifications

Thus, casual approach of the Management and resultant purchase of 5,480 transformers at higher rates (500 transformers from PSEB at the rate of Rs 1 45 lakh and 4,980 transformers at Rs 1 11 lakh per transformer) resulted in extra expenditure of Rs 14 18 crore

In reply, endorsed by the Government, the Management stated (September 2008) that due to acute shortage, the transformers were purchased from PSEB The reply does not address the audit observation that the Company incurred extra expenditure due to delay in finalisation of tenders

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

It is mentioned that as per decision of the Special High Powered Purchase Committee taken in its meeting held on 29-12-2005, the following orders were place for the procurement of 100 KVA T/Fs without C S.P

LOI No. & Date	Quantity Ordered	Total	Rate per Unit
Ch-73 & Ch-76/ QD-202/XEN/ MM-I dt 6-1-06	DHBVN = 1250 Nos.	2500 Nos	86,200 00
	UHBVN = 1250 Nos.		

DHBVN placed PO No DH-402 & DH-403 dated 31 01 06, for the supply of above quantity and the delivery was to be commenced with effect from 13.04 06 and was to be completed upto 13 06.06

In UHBVN, there was acute shortage of 100 KVA T/Fs, as such, alternative arrangement had to be made with the approval of Financial Commissioner (Power) State Govt. for the on going summer season to maintain the un-interrupted power supply to meet with the urgent demand of the UHBVN The matter was taken up with the PSEB to make available the above rating of T/Fs either on returnable basis OR on payment basis It was conveyed by the Financial Commissioner (Power) State Govt that Hon'ble C.M. Haryana has desired to place order in favour of PSEB for the supply of requisite quantity of T/Fs pending approval of the State Government specially to ensure power supply to the agriculture tube well in the next 4-5 months

In view of the above, UHBVN made the purchase of the T/Fs from PSEB to meet with their most urgent demand and DHBVN has not made any such purchases for its own use and no extra cost has been incurred by the Nigam by making purchases from PSEB at cost mentioned in the Audit Para rather huge saving have been made by meeting the demands by getting the available damaged transformer repaired most efficiently from the repairing firms

Tender Enquiry No.QD-202 dated 27.09 05 (NIT No.170/DH/ P-I) was floated for procurement of 7980 No 100 KVA Distribution T/Fs and the enquiry was finalized as per terms & conditions of the tender enquiry 11 No. firms participated in the tender enquiry and

10 No firms were found eligible whose price bids was opened on the fixed date and time The rates quoted by M/s Akal Electricals Pvt Ltd , Mohali *i e.* Rs 86200 00 were the lowest but the firm only quoted these prices of 1000 no T/Fs M/s Mahashakti Conductor Pvt. Ltd , Bhatinda who quoted the rate of Rs 88226 00 was the 2nd lowest tenderer who quoted these rates for full quantity i e 7980 T/Fs It has been admitted by the audit that the SHPPC asked all the firms to supply T/Fs at the lowest quoted FOR Destination rates of Rs 86200 00 per T/F but only M/s Mahashakti Conductor Pvt Ltd , Bhatinda agreed to supply 1500 no T/Fs on the lowest quoted rates The remaining firms did not accept the offer of SHPPC. Since M/s Akal Electrical Pvt Ltd , Mohali quoted only for 1000 No T/Fs and M/s Mahashakti Conductor Pvt Ltd , Bhatinda accepted to supply 1500 No T/Fs on the lowest rates against the offer made by SHPPC The decision taken by the SHPPC was in order The observation of the Audit as why the purchase order for 2500 No T/Fs was placed against the purchase proposal of 7980 No T/Fs is therefore not sustainable

Since there is no extra expenditure incurred by this Nigam

During the course of oral examination of the departmental representatives, the Committee was not satisfied with the reply submitted by the department.

The Committee would like to know the conclusion of this para and recommends that the factual position of the case be submitted for the information of the Committee at the earliest possible.

49601—H V S —H G.P , Chd

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