

## Chapter-3

### Review relating to Statutory Corporation

#### Haryana Warehousing Corporation

##### Highlights

The Haryana Warehousing Corporation was established in November 1967 with the main object of construction and maintenance of warehouses in the State. The Corporation has also undertaken the activities of procurement of wheat and paddy for Central Pool and operation of an Inland Container Depot (ICD).

*(Paragraph 3.1)*

The profit of the Corporation mainly accrued from procurement of wheat which was an additional activity assigned by the State Government. In its main activity of warehousing, the Corporation suffered loss of Rs. 2.17 crore during 1996-97 and 1997-98 and the profit in other three years declined from Rs 9.14 crore (1994-95) to Rs 3.35 crore (1998-99).

*(Paragraph 3.6)*

The available storage capacity declined from 11.65 lakh MT in 1994-95 to 10.71 lakh MT in 1998-99 due to substantial decrease in hired warehouses and non-increase in hiring charges fixed in 1985-86. The Corporation could not take the advantage of its declaration as sole storage agency as the other procuring agencies in the State hired godowns of 10.42 lakh MT storage capacity from private parties.

*(Paragraph 3.7.1)*

The Corporation failed to attract primary agricultural producers as the capacity utilisation by them ranged between 3 and 6 per cent only during five years up to 1998-99.

*(Paragraph 3.7.3)*

**In the absence of mechanism to review the tariff periodically, the Corporation sustained loss of Rs 0.50 crore in 1997-98 because per bag expenditure on storage exceeded the income by 15 paise.**

*(Paragraph 3.9 (i))*

**Due to unauthorised procurement of wheat in Nagpur Mandi (Hisar) allocated to FCI, the Corporation suffered loss of Rs 0.58 crore as FCI did not make payment of carry over charges.**

*(Paragraph 3.11.1)*

**Delay in lodging the claims on FCI for interest recoverable, establishment charges on wheat procurement and guarantee fee resulted in loss of interest Rs 0.40 crore.**

*(Paragraph 3.11.4)*

**Failure to adjust the amount already paid had resulted in overpayment of Rs 0.55 crore to DGS & D in the purchase of gunny bales. The same could not be recovered so far.**

*(Paragraph 3.11.5(i))*

**Even after incurring expenditure of Rs 8.79 crore on setting up of ICD at Rewari, the Corporation had not been able to make the ICD functional on the projected lines resulting in unfruitful investment.**

*(Paragraph 3.13)*

### **3.1 Introduction**

The Haryana Warehousing Corporation (HWC) was established on 1 November 1967 under Section 18 (1) of the Warehousing Corporations Act, 1962, with the main object of construction and maintenance of warehouses in the State for storage of food grains, fertilizers, agricultural produce, seeds and other notified commodities, arrange facilities for transport of agricultural produce to and from warehouses and carry out such other functions as may be prescribed. The Corporation has undertaken all activities as envisaged in the Act and also undertaken the activities of procurement of wheat and paddy for Central Pool, providing handling facilities to the bulk depositors of fertilizers and operation of an Inland Container Depot (ICD).

### **3.2 Organisational set-up**

The management of the Corporation is vested in a Board of Directors consisting of 10 members (including the Chairman and the Managing Director), five of whom were nominated by Central Warehousing Corporation

(CWC) and five by the State Government. The Board is assisted in its functions by an Executive Committee consisting of Chairman, Managing Director and three directors. At the end of March 1999, the Corporation was operating 103 warehouses through 8 centres with total warehousing capacity of 10.44 lakh tonnes (Corporation's own warehouses: 8.17 lakh tonnes and hired warehouses: 2.27 lakh tonnes). Each warehouse is headed by a Manager.

### 3.3 Scope of audit

The present review conducted during November 1999 to March 2000 covers the working of the Corporation through test check of five centres at Ambala, Kaithal, Sirsa, Rewari and Kurukshetra (out of eight) for a period of 5 years up to 1998-99.

### 3.4 Budgeting

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

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

(Figures in brackets indicate percentage of variation)

Capital expenditure was less than the budgeted outlay due to non-purchase of land and delay in start of work at ICD

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

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

### 3.5.Funding

#### 3.5.1 Capital structure

Authorised share capital of the Corporation as on 31 March 1999 was Rs 6.20 crore divided into 6,20,000 equity shares of Rs 100 each to be contributed equally by the State Government and CWC. The paid-up capital on this date was Rs 5.84 crore, equally contributed by the State Government and CWC.

#### 3.5.2 Borrowings

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

##### A. Term loans

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

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

Unilateral increase in interest rate by the bank resulted in excess payment of interest

The Corporation paid regular instalments to the bank up to August 1997 and balance loan of Rs 71.80 lakh was repaid in lump sum in September 1997. Audit scrutiny revealed that the bank unilaterally increased the rate of interest to 16.5 *per cent* from April 1992 and the Corporation did not contest the unilateral increase in rate of interest but continued to repay the term loan at higher rate of interest as demanded by the bank through their advice notes without verifying the interest rate being charged by the bank. It resulted into

excess payment of interest of Rs 24.23 lakh to the bank. On being pointed out (December 1998) by Audit about the excess payment of interest, the management stated (December 1998) that the matter for refund of excess payment has been taken up with the bank. The refund was still awaited (January 2000).

### ***B. Cash credit***

The Corporation had been availing cash credit facility guaranteed by the State Government from State Bank of India for procurement of wheat and paddy. At the end of March 1999, Rs 84.31 crore was outstanding against this cash credit.

### ***Payment of penal interest***

The above credit limit was available against hypothecation of stock viz., wheat, paddy and gunny bags and day to day intimation of stocks hypothecated was to be sent to the State Bank of India.

**Excess utilisation of cash credit limit attracted penal interest**

It was noticed that during August, September and October 1999, the Corporation availed cash credit of Rs 283.39 crore, Rs 281.79 crore and 226.60 crore against available stocks valued at Rs 260.68 crore, Rs 241.10 crore and Rs 222.54 crore respectively during these months. The State Bank of India imposed (December 1999) a penal interest of Rs 8.11 lakh during August 1999 to October 1999 as utilisation of cash credit limit was more than the stocks hypothecated.

## **3.6 Financial position and working results**

The financial position and working results of the Corporation for the last five years up to 1998-99 are given in Annexures-13 and 14.

Analysis of Annexures-13 and 14 revealed as under:

(i) The profits earned by the Corporation during all the five years accrued mainly from wheat procurement activity which was an additional activity assigned by the State Government.

(ii) In the main activity of warehousing, the Corporation suffered loss of Rs 2.17 crore during 1996-97 and 1997-98. Profit in other three years had declined from Rs 9.14 crore in 1994-95 to Rs 3.35 crore in 1998-99.

(iii) The percentage of profit of warehousing activity to warehousing charges, equity capital, capital employed and net worth was constantly declining in all the five years up to 1998-99.

**The Corporation suffered loss in the main activity during 1996-97 and 1997-98 and there was decreasing trend of profits in other years**

The Management attributed the loss in warehousing activity during 1996-97 and 1997-98 to decrease in capacity utilisation on account of shortfall in production in the State. However, audit analysis revealed that the loss was

also due to:

- (i) heavy establishment expenses which ranged between 21 and 50 *per cent* of total income as against 19 and 47 *per cent* in the case of Punjab Warehousing Corporation during 5 years up to 1998-99; and
- (ii) non-revision/delay in implementation of storage charges (discussed in paragraph 3.9 *infra*).

The Indian Institute of Cost and Management Studies and Research (INDSEARCH), Pune in its study observed that the asset utilisation (ratio of sales to total assets) of the Corporation decreased from 1.66 times in 1995-96 to 0.99 times in 1997-98 as against the norm of 3 times which is indicative of poor utilisation of available assets.

### **3.6.1 Administrative expenses**

The Corporation has not fixed any norm for head office administrative expenses with reference to warehouse receipts. According to the norm being followed by CWC, the head office administrative expenditure should not be more than 8 *per cent* of warehousing receipts. However, the percentage of administrative expenses to warehousing receipts of the Corporation ranged between 14 and 47 during the five years up to 1998-99 resulting in extra expenditure of Rs. 12.42 crore as compared to the norm of 8 *per cent*.

### **3.6.2 Avoidable payment of interest**

**Avoidable payment of interest on income tax liability not cleared in time**

As mentioned earlier in addition to warehousing activity, the Corporation is also engaged in the wheat procurement as per allocation made by the State Government. As per section 10(29) of the Income Tax Act 1961, the income from warehousing activity of the Corporation is exempted from income tax. However, the Corporation was getting exemption in wheat activity also along with income from warehousing activity up to 1991-92. The Assessing Officer of Income Tax levied (December 1994) tax on wheat income for the assessment year 1992-93. The Corporation filed (December 1995) an appeal with the Tribunal and continued to claim exemption of wheat income from Income Tax up to 1996-97. The Tribunal upheld (February 1997) the decision of the Assessing Officer. The Assessing Officer while finalising the assessments for the years 1992-93 to 1996-97 raised demands of Rs 34.34 crore including interest of Rs 13.63 crore. Even after the decision of the Tribunal in February 1997, the Corporation did not clear its tax liability up to February 1998 resulting in payment of avoidable interest of Rs. 4.05 crore.

## **3.7 Warehousing operations**

### **3.7.1 Capacity utilisation**

The Corporation had not fixed any norms for the capacity utilisation of the warehouses. It was, however, observed that before creating additional

capacity, the Corporation generally expects the utilisation of at least 75 per cent of its capacity. The following table indicates utilisation of the available warehousing capacity during the five years up to 1998-99:

Sl. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
1.	No. of Warehousing Centres	8	8	8	8	8
2.	No. of warehouses					
a)	Owned	84	84	84	84	84
b)	Hired	21	21	19	19	19
	Total	105	105	103	103	103
3.	Average storage capacity available (in lakh tonnes)					
a)	Own warehouses	7.38	7.73	7.75	7.78	7.79
b)	Hired warehouses	4.27	4.40	2.45	2.28	2.92
	Total	11.65	12.13	10.20	10.06	10.71
4.	Average storage capacity utilised (in lakh tonnes)					
	Own warehouses	NA	5.63	3.98	4.37	6.16
	Hired warehouses	NA	3.97	1.63	1.74	2.49
	Total	10.79	9.60	5.61	6.11	8.65
5.	Percentage of utilisation of available capacity					
	Own warehouses	NA	73	51	56	79
	Hired warehouses	NA	90	67	76	85
	Total	93	79	55	61	81
6.	Average expenditure per tonne (Rupees)					
		89.49	134.25	198.02	222.24	148.64
7.	Average income per tonne per year (Rupees)					
		174.21	179.71	193.83	190.54	207.60
8.	Profit (+)/Loss (-) per tonne (Rupees)					
		(+) 84.72	(+) 45.46	(-) 4.19	(-) 31.70	(+) 58.96

The above table reveals as under:

**Decline in storage capacity due to substantial decrease in hired warehouses**

(i) The Corporation had downsized its storage capacity during the five years up to 1998-99 from 11.65 lakh MT in 1994-95 to 10.71 lakh MT in 1998-99. The main reason for decline in storage capacity was substantial decrease in hired warehouses (4.27 lakh MT in 1994-95 to 2.92 lakh MT in 1998-99) due to non-increase in rate of hiring charges from Rs 2 per MT fixed in 1985-86.

**Low capacity utilisation in comparison to Punjab and CWC**

(ii) The average capacity utilisation declined continuously from 93 per cent in 1994-95 to 79 per cent in 1995-96, 55 per cent in 1996-97 but increased to 61 per cent in 1997-98 and 81 per cent in 1998-99. During this period, the capacity utilisation in Punjab State Warehousing Corporation was 101, 94, 77, 73 and 84 per cent respectively whereas that of CWC for 1997-98 and 1998-99, it was 84 and 88 per cent respectively. Further analysis revealed that the capacity utilisation in respect of 24 to 83 warehouses during 1994-95 to 1998-99 remained less than 75 per cent. Of these, capacity utilisation was less than 75 per cent in 5 warehouses for last five years, 8 warehouses for last four years and 6 warehouses for last three years.

The Management attributed (September 1999) low capacity utilisation during the years 1995-96 and 1996-97 to decrease in wheat production, fast off take of wheat stocks by Food Corporation of India (FCI), damage to paddy crops in the State and substantial export of wheat and rice. However, audit analysis

revealed that low capacity utilisation was also attributable to following:

- Dependence upon wheat storage of Government procuring agencies viz. HAIC\*, FSD, HAFED, CONFED and FCI as 46 per cent to 61 per cent of storage capacity was utilised by these agencies during three years up to 1998-99 and failure of the Corporation to create infrastructure for storage of agriculture products other than wheat.

**Failure to reap benefits of sole storage agency of the State**

- The State Coordination Committee (godowns) formed by the State Government to regulate warehousing activity declared (August 1992) the Corporation as sole storage agency according to which all other food grain procuring agencies of the State would utilise the available capacity of the Corporation and would not hire any storage capacity on their own. Even after this decision, the Corporation never approached the State Government to issue specific direction in this regard or impressed upon other State procuring agencies regarding its position as sole storage agency. Audit observed that during 1998-99, other procuring agencies hired 10.42 lakh MT capacity at their own from private parties. The Corporation, however, failed to persuade them to take its own/hired warehouses. This indifferent attitude deprived the Corporation of potential additional revenue of Rs 93.78 lakh during 1998-99.

### 3.7.2 Uneconomic warehouses

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

Sl. No.	Name of warehouse	Capacity as on 31 March 1999 (MT)	Loss				
			1994-95	1995-96	1996-97	1997-98	1998-99
			(Rupees in lakh)				
1.	Kanina	2000	0.33 (65)	1.00 (59)	0.33 (79)	0.23 (77)	1.65 (89)
2.	Mohindergarh	2000	0.32 (63)	0.39 (75)	0.84 (69)	1.96 (46)	1.81 (72)
3.	Nangal Chaudhary	2000	1.53 (9)	1.14 (53)	0.08 (67)	1.22 (37)	0.23 (101)
4.	Meham	2000	0.51 (60)	0.12 (60)	1.44 (45)	1.55 (42)	0.24 (82)
5.	Rori	1820	-	0.13 (53)	2.87 (2)	2.83 (2)	2.63 (14)
6.	Sadhaura	3000	-	0.98 (4)	1.54 (38)	0.74 (65)	0.16 (52)
7.	Lakhan Majra	2000	-	1.05 (30)	0.41 (68)	1.61 (31)	1.58 (9)
8.	Baroli	2000	-	-	3.96 (4)	2.61 (11)	0.14 (36)
9.	Chautala	3670	-	-	-	-	0.32 (48)
10.	Bani	7900	-	-	-	-	3.13 (26)

(Figures in brackets indicate percentage of capacity utilisation)

\* Haryana Agro Industries Corporation Ltd., Food & Supplies Department, Haryana State Cooperative Supply & Marketing Federation Ltd., Haryana State Federation of Consumers Cooperative Wholesale Stores Ltd. and Food Corporation of India

**Five warehouses did not cover even their direct cost of salary and wages**

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

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

### 3.7.3 Customer-wise utilisation

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

Year	Government Department/undertaking	Co-operative Societies	Merchants/traders	Primary Producers	Total
(In lakh MT)					
1994-95	6.34 (59)	3.31 (31)	0.75 (6)	0.39 (4)	10.79
1995-96	6.19 (64)	2.41 (25)	0.73 (8)	0.26 (3)	9.59
1996-97	2.68 (48)	1.70 (30)	0.90 (16)	0.35 (3)	5.63
1997-98	3.02 (49)	1.60 (26)	1.11 (19)	0.38 (6)	6.11
1998-99	4.67 (54)	2.25 (26)	1.32 (15)	0.41 (5)	8.65

(Figures in brackets indicate the percentage)

**The utilisation of storage capacity by primary agricultural producers was only 5 to 6 per cent**

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

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

## 3.8 Construction of warehouses

**Shortfall in construction targets due to non-acquisition/non-vacation of land, non-receipt of approval and dropping of scheme afterwards**

Augmentation of storage capacity did not take place as planned. During the five years up to 1998-99, the Corporation constructed warehouses of 17500 MT only against the target of 69170 MT, thus leaving gap of 51670 MT of capacity. Of this, warehouses of 17170 MT capacity were under construction (March 2000). The shortfall in construction of 34500 MT capacity was

attributable to following:

- (i) Non-acquisition of land for the construction of warehouse of 2000 MTs at Punhana during the year 1996-97.
- (ii) Land earmarked for construction of 15000 MT capacity warehouses during 1995-96 at Kaithal, Nissing and Bani remained occupied under open storage.
- (iii) Non-receipt of approval from Government of India for construction of warehouses of capacity of 12500 MT at Mohindergarh, Kanina, Bhuna and Ateli during 1997-98 under Revamped Public Distribution Scheme.
- (iv) Dropping of scheme for 5000 MT capacity at Nissing during 1997-98 due to non-viability.

### **3.9 Storage charges—fixation and revision**

The Corporation had not evolved any mechanism to determine storage tariff on the basis of the costs incurred. Rather, it had been following the schedule of storage charges for various commodities (other than food grains) as fixed by the CWC from time to time. As regards stocks of food grains procured for Central Pool, the storage charges are fixed by the Government of India.

The following points were noticed in audit:

**Average expenditure per bag per month on quantity stored was more than the storage charges**

(i) During test check of records for the year 1997-98, it was noticed that average expenditure per bag per month on the quantity stored (other than food grains) worked out to Rs 1.85 against which the Corporation received storage charges at Rs 1.70 per bag per month. This resulted in a loss of Rs 49.76 lakh during the period from April 1997 to March 1998. The loss could have been avoided had the Corporation evolved a mechanism to review the tariff periodically.

(ii) The CWC revised its tariff on 7 July 1998 to be implemented from 15 July 1998. The Corporation instead of implementing the revised tariff immediately revised storage rates from September 1998 and suffered a loss of revenue of 12.65 lakh.

**Charging storage charges on daily rest basis instead of on weekly rest basis resulted in short recovery**

(iii) The terms and conditions of storage tariff provide for levy of storage charges for full week even though the stocks are stored for a part of the week (weekly rest basis). However, the Corporation in deviation of laid down procedure continued to levy storage charges on actual stock on a particular day (daily rest basis) on stocks stored by all agencies except National Fertilizers Limited. A test check in audit revealed that the Corporation incurred loss of Rs 7.79 lakh in respect of 5 centres for the period from 1996-97 to 1999-2000 due to levy of storage charges on daily rests.

**Delay in raising of bills for revised storage charges resulted in loss of interest**

(iv) The Corporation decided (January 1983) to levy storage charges at par with FCI. The FCI revised (October 1994) the storage charges from Rs 1 to Rs 1.42 per bag retrospectively from 1 April 1994 and accordingly, the bills for the differential amount (Rs 0.42) were to be raised by the Corporation on the agencies whose stocks were stored. During test check of records of 4 centres (Kaithal, Ambala, Sirsa and Rewari), it was observed that there was delay ranging from 140 to 1420 days in raising the bills for differential amount in respect of two centres viz., Kaithal and Ambala. Further, there was a delay of 8 to 470 days in the receipt of payments. Due to delay in raising bills, the Corporation suffered loss of interest of Rs 23.20 lakh (at the rate of 12.5 *per cent* as provided in tariff) on storage charges of Rs 81.97 lakh. Besides, the Corporation had not claimed any interest from the agencies due to delay in making the payments.

### **3.10 Outstanding dues**

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

An audit analysis revealed as under:

- Percentage of debtors to warehouse income increased from 27 in 1994-95 to 52 in 1998-99.
- Debtors amounting to Rs 1.75 crore relate to 1978-79 to 1995-96. There was, however, nothing on record to show that steps were taken to recover these old outstandings.
- HAFED, CONFED and FSD did not release the payment of Rs 1.53 crore pertaining to the years 1994-95 to 1997-98, due to non-settlement of extent of moisture gain on the wheat stock stored with the Corporation.

### **3.11 Procurement of wheat**

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

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

### **3.11.1 Procurement of wheat in unallotted mandi**

**Unauthorised procurement of wheat deprived the Corporation of its carry over charges**

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

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

### **3.11.2 Short accounting of moisture gain**

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

Following points were noticed:

**Storage gain on wheat was short accounted for**

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

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

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

### 3.11.3 *Avoidable expenditure due to non-delivery of wheat as per FCI instructions*

**Failure to deliver wheat stocks to FCI as per linkage plan deprived the Corporation of its carry over charges**

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

### 3.11.4 *Delay in raising the claims*

**Delay in raising of bills resulted in loss of interest**

(i) Incidental charges at provisional rates fixed by the Government of India are allowed by FCI to wheat procuring agencies at the time of procurement. As per terms and conditions of final incidentals approved by Government of India, the Corporation was entitled to claim compound interest on differential amount (difference between final and provisional incidentals) from the date of payment of provisional bill to the date of final bill. Test check of records of 5 centres revealed that three centres, (Kaithal, Sirsa and Rewari) took 37 to 76 days in raising the compound interest bills of Rs 669.67 lakh, which resulted in loss of Rs 19.01 lakh on account of interest.

(ii) The FSD, Haryana forwarded (March 1999) an amendment in provisional rates of wheat issued by Government of India. As per amendment, the procuring agencies were entitled to recover establishment charges at the rate of Rs 11.38 per quintal along with provisional rates on wheat stocks procured during 1998-99. It was seen in audit that in five centres, the claims for Rs 152.22 lakh were lodged with FCI after delay ranging between 104 and 194 days which resulted in loss of interest of Rs 8.99 lakh, after allowing 10 days for raising of bills. Besides, the Sirsa centre lodged (September 1999) a short claim of Rs 4.73 lakh as it did not claim reimbursement of establishment charges on wheat stocks of 41539 quintals procured prior to 20 April 1998. Supplementary claim had not been lodged (March 2000).

**Improper claim of guarantee fee from FCI resulted in loss of interest**

(iii) The State Government charges guarantee fee on the cash credit limit guaranteed by it for the procurement of wheat and paddy. The FCI reimburses the same on actual basis subject to maximum of 1/8 *per cent* of the value of the stocks delivered to Central Pool during the year. The claim for guarantee fee was required to be lodged immediately after the close of the year as no interest was payable on account of delay in reimbursement of guarantee fee. It was observed in audit that the Corporation lodged its claim on the basis of actual payment of guarantee fee to the State Government instead of on the value of stocks delivered to FCI, thereby resulting in improper claims for guarantee fee. The proper guarantee fee claims aggregating to Rs 60.38 lakh

were raised after delay ranging from 7 to 34 months during 1994-95 to 1998-99. This resulted in loss of interest of Rs 12.27 lakh.

### **3.11.5 Procurement of gunny bales**

The Corporation procures gunny bales through FSD at the rate contract entered into by Director General Supplies and Disposals (DGS&D), Government of India, with the supplier firms. The terms and conditions provided that the State Government (i.e. indentor on behalf of the Corporation) would remit payments to DGS&D in advance before 25<sup>th</sup> of month for an order of the succeeding month. The following irregularities were noticed in audit.

**Overpayment of Rs 0.55 crore in purchase of gunny bags**

(i) The Corporation sent an indent to FSD to procure 12870 gunny bales for Rabi 1998-99. The Corporation remitted Rs 9.68 crore to DGS&D up to January 1999 and Rs 60.98 lakh on 24 February 1999. The FSD demanded Rs 1.27 crore from the Corporation as cost of 1990 bales because payment already made will meet the cost of only 10880 bales. The Corporation while releasing (April 1999) the payment of Rs 1.27 crore did not take into account the payment of Rs 60.98 lakh made to FSD on 24 February 1999. After adjusting differential cost of Rs 5.98 lakh due to revision in rates, overpayment made amounted to Rs 55 lakh. The refund had not been claimed (March 2000). It had also resulted into loss of interest of Rs 5.52 lakh up to December 1999.

**Blockade of funds in purchase of gunny bales resulted in loss of interest**

(ii) The Corporation released (August and September 1999) payments of Rs 3.50 crore to the DGS&D for procurement of 4890 gunny bales. The DGS&D arranged supply of 3860 bales between July and October 1999 at a cost of Rs 3.29 crore. Even after having unadjusted balance of Rs 21 lakh with DGS&D, the Corporation remitted (October 1999) Rs 62.56 lakh to the DGS&D for the supply of 1030 gunny bales for kharif 1999. The DGS&D neither supplied the gunny bales nor refunded the amount so far (March 2000). This resulted into loss of interest of Rs 4.23 lakh for five months up to March 2000.

### **3.12 Procurement of paddy**

The State Government decided (August 1997) that all the procuring agencies would undertake operation of paddy from the kharif season 1997-98 in proportion to the procurement of wheat share. Accordingly, the Corporation was allotted 9 *per cent* share of procurement of paddy for Central Pool. The paddy was to be got milled by the Corporation for delivery of rice to the FCI within a period of 2 months from the date of procurement. Hence, to execute the timely delivery of rice, the agencies were required to make arrangements of procurement, storage and milling of the same well in time. The Government of India decided (October 1997) that the Government of Haryana/procurement agencies would be entitled to custody and maintenance charges @ Rs 1.50 per quintal per month.

**Due to non-milling of paddy within prescribed time, the Corporation lost custody and maintenance charges**

(i) During test check, it was observed that the Corporation procured 9351 MT of paddy up to December 1998 and got milled 1681 MT up to March 1999. 3237 MT were got milled between April 1999 and November 1999 and rice delivered. Balance 4433 MT of paddy could not be got milled. Due to non-milling of paddy of 7670 MT within prescribed period of 2 months, the Corporation could not recover custody and maintenance charges of Rs 49.23 lakh.

(ii) Government of India allowed (November 1998) payment of forwarding and transportation charges for delivery of levy rice in the Central Pool within radius of 8 kms. A test check in audit revealed that Sirsa centre for the crop years 1998-99 and 1999-2000, Hisar and Ambala centres for the crop year 1999-2000 did not claim Rs 4.50 lakh on account of forwarding and transportation charges for delivery of rice to FCI within 8 kms. in terms of above decision of Government of India.

### **3.13 Setting up of Inland Container Depot (ICD)**

**Purchase of land for ICD in piece meal resulted in extra expenditure**

The Inland Container Depot (ICD) is a dry port which provides the service of export/import of goods to the exporters/importers at their nearest place. In order to reduce the traffic congestion at existing ICD at Tuglakabad and provide service at reduced freight charges due to decrease in distance by 400 kms from Rewari to Mumbai after coming up of a new rail route, the Corporation felt the necessity for setting up ICD at Rewari. The Corporation requested (December 1994) Haryana Urban Development Authority (HUDA) for allotment of 40 acres of land at Rewari for setting up the ICD. HUDA agreed to transfer 40 acres of land to the Corporation for the above purpose. However, HUDA offered (September 1995) 21.5 acres of land at Rs 247 per sq. metre which was accepted by the Corporation and Rs 214.89 lakh were deposited up to November 1995 towards the cost of land. The Corporation again approached (June 1996 and October 1997) HUDA for allotment of additional land. The HUDA, however, offered additional land measuring 10 acres at the higher rate of Rs 600 per sq. meter which was accepted by the Corporation without any protest and Rs 242.82 lakh were paid to HUDA. Failure of the Corporation to pursue HUDA to allot agreed piece of land at the first instance resulted in extra expenditure of Rs 105.38 lakh.

**Due to improper planning, the ICD could not be started and also resulted in locking up of funds**

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

by carrying out some modification which were completed (June 1998) at a cost of Rs 11.23 lakh. The Corporation started (August 1999) operation from existing ICD via Tuglakabad ICD (Delhi).

Thus, due to improper planning, the desired results of effecting economy in transportation could not be achieved because the ICD had not been completed even after making an investment of Rs 8.79 crore (including Rs 4.21 crore on civil works) in the project as on 31 March 1999.

### **Conclusion**

The profit earned by the Corporation mainly accrued from wheat activity, as the profit from its main activity of warehousing registered a downward trend and incurred loss during 1996-97 and 1997-98. The poor performance was attributed to low capacity utilisation, heavy administrative expenses, delay in revision of tariffs and continued dependence on wheat storage by Government agencies. The available storage capacity declined due to decrease in hired capacity and non-expansion in its own capacity at suitable sites.

The Corporation should exercise control over administrative expenses and adopt its own mechanism for revision in tariff from time to time. The Corporation may also consider the desirability of expanding its storage capacity at suitable sites and attract the producers to store their products at its warehouses to avail the benefit of scientific storage.

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