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HARYANA VIDHAN SABHA

COMMITTEE

ON

PUBLIC UNDERTAKINGS

(1986 87)

(SIXTH VIDHAN SABHA)

TWENTY THIRD REPORT

ON THE

REPORT

OF THE

COMPTROLLER & AUDITOR GENERAL OF INDIA
FOR THE YEAR 1981-82

RELATING TO

HARYANA AGRO INDUSTRIES CORPORATION LIMITED

Presented to the House on

HARYANA VIDHAN SABHA SECRETARIAT
CHANDIGARH
1987

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COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

(1986 87)

CHAIRMAN

*1 Shri A C Chaudhry

2 Shri Kanwal Singh

MEMBERS

3 Shri Bhalle Ram

***4 Shri Brij Mohan

5 Shri Dharam Bir Gauba

****6 Shri Jagdish Nehra

7 Shri Nihal Singh

**8 Shri Phool Chand Mullana

9 Shri Sahab Singh Saini

10 Shri Shiv Parshad

11 Shri Sube Singh Punia

SECRETARIAT

1 Shri G L Batra, Secretary

2 Shri Surinder Kumar, Deputy Secretary/Under Secretary
and
Shri Shanti Sarup, Accounts Officer/Under Secretary

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*Shri A C Chaudhry, M L A resigned from Chairmanship of the Committee w e f 5 6 1986 on his appointment as Minister and Shri Kanwal Singh, M L A, a member of the Committee was appoined Chairman of the Committee w e f 8 6 1986

**Shri Phool Chand Mullana, M L A, resigned from the Committee w e f 5 6 1986 on his appointment as Minister

***Shri Brij Mohan, M L A was elected member of the Committee w e f 28-11-1986

****Shri Jagdish Nehra M L A, was elected member of the Committee w e f 28-11-1986 and resigned from the Committee w e f 6 12 1986 on his appointment as Minister of State

INTRODUCTION

I, the Chairman of the Committe on Public Undertakings, having been authorised by the Committee in this behalf, present this Twenty Third Report of the Committee on the Report of the Comptroller and Auditor General of India for the year 1981-82 relating to the Haryana Agro Industries Corporation Limited

2 The Committee took up the unfinished work of the previous Committee and also examined the representatives of the Department Corporation where considered necessary

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

4 The Committee are thankful to the representatives of the Finance Department and the representatives of the Agriculture Department/said Corporation who appeared before the Committee

5 The Committee feel grateful to the Accountant General, Haryana and his staff for the valuable assistance and guidance given to them

6 The Committee are also thankful to the Secretary, Haryana Vidhan Sabha, and his officers/staff for their whole hearted cooperation and assistance given to them

Chandigarh
The 15th December, 1986

KANWAL SINGH
Chairman

REPORT

6 29 Haryana Agro Industries Corporation Limited

Paragraph 6 29 01 *Introduction*

1 The Haryana Agro Industries Corporation Limited was incorporated on 30th March 1967 with an authorised capital of Rs 3 crores as on 30th June 1982 as a joint venture of the State Government and the Government of India with the main objects to undertake assist and promote agro industries manufacture agricultural implements and sell the products of these industries to organise or manage engineering or repair shops and to transact and carry on all kinds of agency business of any other company or concern

The paid up capital as on 30th June 1982 was Rs 1 89 66 lakhs contributed equally by the Central and State Governments Besides the Company received Rs 10 lakhs as loan from State Government in 1973 74 for the purchase of aircrafts to be used for aerial spray which was later on (1976 77) converted into contribution towards share capital and further Rs 10 lakhs as advance against share capital (Rs 5 lakhs in 1978 79 and Rs 5 lakhs in 1979 80) For want of matching contribution from Central Government the shares have not been allotted so far (December 1982)

The Department in its written reply stated as under —

"The Ministry of Agriculture & Co operation Govt of India vide their letter No 4 11/79 My(AI) dated 27 10 79 informed that in pursuance of the decision of the National Development Council the scheme of Investment to State Agro Industries Corporations' has been transferred to State Sector w e f the current financial year As such they have pointed out that they will not be making contribution to the Corporation by way of Central Equity However, the Haryana Govt vide their letter No 6084-Agri II(4) 83/6895 dated 30 11 83 have requested the Govt of India to sanction Rs 20 00 lacs as Central Share as matching contribution to the Haryana Agro Industries Corporation which had become due upto the year 1979 80 On receipt of matching contribution shares will be allotted The Govt of India has recently intimated that an expert committee has been formed to review the financial assistance to State Agro Industries The matter is still under their consideration and it may take some time to finalise it State Govt has further been approached to contribute the balance share Capital (Difference between the authorised and the paid up capital)

During the oral examination the representative of the Department stated that the Agro Industries Corporation was incorporated on 30th March 1967 with an authorised capital of Rs 2 crores as joint venture of the Govt of India and State Government Both the Govts have to pay 50 50 percent share The Govt of India have paid only Rs 94 83 lakhs as against Rs one crore The Haryana Government also paid Rs 94 83 lakhs but later on in 1973 74 paid Rs 10 lakhs to the Corporation for the purchase of Aircrafts Later on this amount was converted into share capital The Corporation has not taken the amount of Rs 10 lakhs from the Government of India as its share Later on they stated that the Govt of India has closed the said scheme and has not even paid its share of Rs 5 17 lakhs

The Committee are not satisfied with the reply of the departmental representative and observe that the matter was not pursued effectively and promptly with Govt of India at the time of contribution towards share capital received from the State Government

The Committee recommend that responsibility for the lapse in not obtaining the matching contribution from the Govt of India be fixed under intimation to the Committee

The Committee should also be informed about the decision of the Expert Committee formed by the Govt of India and the decision of the State Govt to contribute the balance share capital to cover the difference between the authorised and paid up capital

Paragraph 6 29 02 *Borrowing*

6 29 02(*a*)

2 The statement below gives the cumulative position of the borrowings made by the Company as at the end of each of the 3 years upto June 1982 —

		1979-80	1980-81	1981-82
			(*Tentative*	*Tentative*)
			(*Rupees in Lacs*)	
1	Secured loans from Banks			
	Term/Loan	16 29	7 63	2 23
	Cash Credit	181 73	208 05	260 81
2	Unsecured Loans from Banks	5 11	—	2 08
	Short Term Loan from Haryana Govt	200 00	216 00	350 00
	Deferred Payment credits	8 47	6 54	1 15
	Total	411 60	438 22	616 27

The debt equity ratio which was 1 96 1 in 1979-80 increased to 2 09 1 in 1980 81 and to 2 94 1 in 1981 82

The Department in its written reply stated as under —

(a) 1 Term Loan of Rs 28 60 lacs was obtained in 1976 from S B O P in connection with the installation of Fertilizer and Chemical Plant at Shahabad This loan stands fully paid on 10 7 81

2 Cash Credit Present Position —

Bank	Limit	Borrowings
	(in lacs)	
(i) S B O P Sector 22 D, (Against Agricultural Machinery & Spare Parts)	90 00	90 00 (including lien marked against Bank Guarantees)
(ii) N B I S 17(Against Murthal Plant)	15 00	15 00
(iii) Bank of India S 17 (Rs 18 00 lacs against Agriculture Machinery & Rs 30 00 lacs against Fertilizers)	48 00	126 37 (Two short term additional limits were also obtained from the Bank of India as under

Rs 30 00 lacs was drawn in August 1979 for 3 months but could not be repaid The B O D had approved this on 12 12 1979

Rs 30 00 lacs was drawn in May 1981 with approval of B O D dated 9 5 81 for the procurement of inputs but actually these funds were used for wheat procurement and thus the borrowings went upto Rs 108 39 lacs on 4 5 81 The borrowings were brought down to Rs 77 81 lacs on 8 7 81 No loan was taken from the bank after 8 7 81 The payment of interest also could not be made which stands accumulated to Rs 48 56 lacs (Total 77 81 +48 56= 126 37)

'*Unsecured Loan* Loan was obtained from State Bank of Patiala Sector 7 for purchase of Air Crafts This loan was cleared on 20 10 83

Short Term Loans Short Term Loan to the tune of Rs 350 00 lacs was received from Government for the procurement of Agricultural inputs upto 1981

Deferred Payment Credits Credit of Rs 16 61 lacs was obtained from State Bank of Patiala on account of import of S K P 4 Combines from U S S R in 1974 The last instalment is due on 1 4 84 The instalments have been paid without delay/default

'The cash credit borrowings from Banks in 1981 82 as shown in the review are inclusive of Rs 65 43 lacs borrowed from State Bank of India against temporary limit for wheat procurement These borrowings were cleared in February, 1983 Inclusion of this amount has adversely effected the Debt Equity Ratio

The Debt Equity ratio has also gradually increased due to continuously increasing interest liability which would have been contained had the Corporation received the balance Share Capital from State and Central Governments earlier

The Committee observe that the company obtained loan of Rs 30 lakhs from Bank of India for purchase of inputs but the amount was utilised for wheat procurement which was in contravention of the purpose of the loan The Committee desire that the management should enquire into the matter as to how the requirement of fertiliser was met for which the loan was taken and fix responsibility for the lapse

The Committee recommend that the management should make earnest efforts to obtain contribution towards share capital from the State and Central Governments

During the oral examination the Managing Director of the Company informed the Committee that there was an embezzlement of Rs 78,000 at Hissar unit

The Committee desire that the matter be investigated, responsibility fixed and a report submitted to the Committee inter-alia stating the action taken against the officials found responsible for the embezzlement

Paragraph 6 29 02(*b*) *Secured Loan*

3 (i) In 1974 75 the Company arranged up to a maximum limit of Rs 48 lacs with the B O I for financing new projects and for meeting working capital requirements The Company started over drawing the limit from October 1979 for which penal interest amounting to Rs 1 26 lacs was paid from January 1980 to March 1982

(ii) The Company was having a current account with the State Bank of Patiala apart from a cash credit account with maximum limit of Rs 90 lacs The excess drawal of cash credit beyond Rs 90 lacs was transferred by the Bank to current account The current account itself showed overdrafts in September 1981 (Rs 6 54 lakhs) and from January 1982 to May 1982 it ranged between Rs 45,411 lakhs and Rs 38 061 lakhs An additional amount of Rs 0 34 lakhs was charged by the bank as interest

In its written reply the Department stated as under —

(i) Position with regard to borrowings from Bank of India against limit of Rs 48 00 lacs has been stated in sub para (a) Efforts are however being made to find other resources which will enable repayment of the loan

(ii) A letter of Credit No SBP/117/Inland/81011 dated 17-11 81 was obtained from State Bank of Patiala for Rs 68 70 lacs in favour of M/s Food Corporation of India Chandigarh towards the cost of procuring 2000 MT DAP for our Fertilizers and Chemical Plant Shahabad This Letter of Credit was obtained to enable us to avail two months credit from F C I which in turn would enable us to rotate the funds for further transactions and also meet the financial constraints at that time in the Corpn However, due to non sale of fertilizer in 1981 82 because of prevailing unfavourable conditions full payments could not be made to State Bank of Patiala and since the Cash Credit Limit was also exhausted the excess of limit was debited by the Bank in our Current Account as there was no other alternative available The over draft in this account has been cleared and the borrowing/operations are now within the sanctioned limit of Rs 90 00 lacs As such Rs 34 000 was charged by the Bank as interest

The Committee feel that it was mainly due to inefficient functioning and grossly under utilisation of capacity of the production units and over all mismanagement of the affairs of the Company which led to this serious financial impasse resulting in payment of penal interest on loan and over drawal of cash credit entailing additional burden of interest

The Committee recommend that the working of the Company should be thoroughly investigated by the Government and responsibility fixed for the various lapses, irregularities omissions and commissions which put the Company in financial crisis and a report submitted to the Committee

The Committee would also like to be informed about the steps taken/proposed to be taken by the Management/Department to improve the working of the Company to put it back on rails

Paragraph 6 29 02(c) Short term Loan

4 The State Govt granted eight short term loans aggregating Rs 866 lacs during March 1978 to February 1982 to the Company for purchase and distribution of agricultural inputs viz fertilizers seeds and pesticides Each loan was repayable in lump sum together with interest within a period of 6 months from the date of drawal The normal rate of interest was 5¼ per cent (5¼ per cent for loan of February, 1982) and penal rate of interest was 7¼ per cent

The Company could not repay the loans received in August 1978 (Rs 100 lakhs), November 1980 (Rs 66 lakhs) February 1981 (Rs 150 lakhs) and July 1981 (Rs 100 lakhs) and the same were adjusted out of the subsequent loans sanctioned in October 1981 (Rs 1 00 lacs) and February, 1982 (Rs 2 50 lacs) The whole amount of Rs 3 50 lakhs outstanding on 30th June 1982 was overdue for repayment (November, 1982) The total interest on the above short term loans for the period from March 1978 to June 1982 worked out to Rs 72 67 lakhs (including penal interest of Rs 21 66 lakhs) as on 30th June 1982 out of which Rs 47 67 lakhs are yet to be paid (July, 1982) The management stated (November 1982) that loans could not be paid in time due to carry over of fertilizer stocks

Out of loans of Rs 100 lakhs each sanctioned in March 1978 and August 1978 amount of Rs 90 lakhs and Rs 45 65 lakhs were kept in short terms deposits (for 3 and 6 months) and in savings bank account earning interest at 4/4½% per annum On the other hand the company was paying 7¾% interest to State Govt resulting in loss of Rs 1 45 lakhs It was also observed that the interest paid on the proportionate amount of cash credit / overdraft during the period worked out to Rs 3 55 lakhs

In its written reply the Department stated that Haryana Agro Industries Corporation had Bank borrowings to the tune of Rs 132 70 lakhs on 16 3 78 against built up stocks of fertilizers seeds and tractors etc A persual of available record indicates that Rs 1 00 crore was given by the State Govt to the HAIC and this amount was deposited as Short term deposits in the Banks No reasons are available in the office record to indicate as to why this amount was deposited as Short term deposits rather than clearing the bank over draft limits For the subsequent short term deposit in the month of August 1978, no record is available to establish that sanction for this investment was taken from the management or competent authority Only letters to the Banks are available which indicate the figures of necessary investments but no reasons or justification etc is available As such it has not been possible in the absence of record to find out reasons as to why instead of clearing the Bank limit for over draft the management decided to make short term deposits thereby resulting in the loss of Rs 1 45 lakhs as mentioned in the Audit Report This matter is now being enquired into to trace the record and to take action against the erring officials etc It may further be clarified that since 7 6 79 no short term deposits etc have been made by the Corporation and any amount which has been received from the State Govt as Short Term Loan has been deposited to reduce the Cash Credit borrowings immediately '

During the oral examination, the Managing Director of the Company stated that the deposits were made by the Accountant under the orders of the then Managing Director but no reasons had been recorded on the file for keeping the amount in short term deposit

The Committee are not satisfied with the reply of the Managing Director and desire to know the reasons for keeping the amount in short term deposit which put the company under loss of Rs 1 45 lakhs

The Committee recommend that the matter be investigated and responsibility on the concerned officials for the lapse be fixed and a report submitted to the Committee within three months

Paragraph 6 29 03 and 6 29 03 2 Working Results

6 29 03 1

5 (i) The audited accounts of the Company were received up to 1979 80 only to the end of which the Company incurred an accumulated loss of Rs 63 74 lakhs which worked out to 31 *per cent* of the paid up capital (Rs 209 66 lakhs) as on that date The Company which incurred a loss of Rs 12 90 lakhs during 1977-78 had made profits of Rs 4 26 lakhs and Rs 3 77 lakhs during 1978-79 and 1979 80 respectively

The unit wise analysis of the commercial activities of the Company during the four years upto 1980 81 is given below —

Name of the unit	Profit(+)/Loss(—)			
	1977–78	1978–79	1979–80	1980–81 (*Tentative*)
	(*Rupees in lakhs*)			
1 Farmers Service Centres	(—)1 60	(+)28 27	(+)17 92	(+)16 99
2 Cattle Feed Plant Jind	(—)0 17	(+)4 78	(+)14 36	(+)16 75
3 NPK Fertilizer Plant Shahabad	(—)4 78	(—)2 92	(+)6 10	(+)3 99
4 Food and Fruit Processing Plant, Murthal	(—)0 62*	(—)16 48	(—)16 62	(—)18 99
5 Agro Aviation Wing	(—)2 99	(—)4 82	(—)10 44	(—)1 50
6 Insecticides and Pesticides Plant Shahabad	(+)0 34	(+)0 04	(—)2 89	(—)2 40
7 Agriculture Engineering Workshop	(+)0 50	(—)0 93	(—)0 17	(—)0 14
8 Solvent Extraction Plant Kaithal**	—	—	—	(—)15 57

It may be seen from the above that the loss in the operation of Food and Fruit Processing plant Murthal registered a steep rise from Rs 0 62 lakh in 1977 78 to Rs 18 99 lakhs in 1980 81 The loss in the operation of Agro Aviation Wing which registered a steep rise from Rs 2 99 lakhs in 1977 78 to Rs 10 44 lakhs in 1979-80 has gone down to Rs 1 50 lakhs in 1980 81

6 29 03 2 Fruit and Food Processing Plant Murthal

(ii) The main reasons for the losses in the plant may be attributed to (i) under utilisation of the capacity resulting in higher overhead expenditure (ii) selling of material below cost and (iii) abnormal wastages

The State Government also observed (June 1981) while considering request of the Company for enhancement of share capital contribution that the Company was not fulfiling the objectives for which it was

*For three months (April 1978 to June 1978)

** The unit was commissioned in May 1979 and was under trial operation during the year The net expenditure of Rs 19 15 lakhs incurred during the year 1979 80 was treated as pre operational expenses constituted It was further observed by the Government that raw material needed for food and processing plant at Murthal was being brought from the other States and that most of the plants were running in heavy losses due to mismanagement and that the Company had failed to lift the allotted fertilizer although short term loan was given and that the combine harvesting work was beneficial to rich farmers only

In its written reply the Department stated that in the Audit Report for the year 1981 82 tentative figures of 1980 81 accounts have been presented which are liable to change with the final picture which is now slowly emerging from the audit under process at present The management has taken several steps enumerated below to attempt to improve performance of this Plant recently They are —

1 The Management has tightened inspection and quality checking system in the Plant

2 The General Manager of the Plant has been directed until further orders that he is not empowered to employ more than 10 persons on daily wages per day so as to curtail the wage bill

3 Breakage of bottles is being brought down by issuing strict directions to the GM of the Plant to check breakage of bottles at various stages of production and sale

4 Kiosks have been opened at Panipat Sonepat Karnal and Ambala with the intention of increasing home sales through our own outlets

5 Further action for increasing the sale of our products will be done through development of dealer net work and we are in the process of appointing dealers so as to cultivate the domestic market on regular basis The organisational pattern of the marketing structure is also being geared up

6 The National Productivity Council was recently asked to conduct an in depth analytical study of the working of this Plant Their report has been received which is under examination for the purpose of bringing about improvements in its working

Similarly, for the Haryana Agro Aviation Wing several steps have been taken to improve its working They are as follows —

1 As a result of sustained efforts the Corporation has been able to dispense with the services of 9 persons during the last one year due to which a saving of about Rs one lakh per year has been made possible

2 Further efforts are being made to economise on the transportation and T A /D A etc expenditure

3 A separate case is under consideration with the Corporation

for the purchase of 2nd hand Helicopter/Fixed Wing Air craft from the Indian Air Force on book value and there after taking up their repairs to make them air worthy

4 While the price paid for aerial spraying per acre is fixed by the Govt yet operational cost has been increasing tremendously The State Government has now been approached to increase the subsidy of Rs 66 666 to Rs 2 09 lakhs per air craft, so as to enable the Corporation to work on no profit no loss basis

During the oral examination the Managing Director of the Company stated that there are certain basic reasons for which the losses have occurred such as under utilisation of capacity over staffing and making of perishable goods etc When enquired by the Committee the Managing Director stated that the losses of the Murthal plant were to the tune of Rs 19 60 lakhs in 1981 82 Rs 8 lakhs in 1982 83 Rs 21 55 lakhs in 1983 84 and Rs 8 75 lakhs in 1984 85

The Committee observe that the plant was running in loss due to mismanagement, overstaffing, under utilisation of capacity, abnormal wastages etc The Committee further observe that the management could neither make use of the fruits and vegetables produced in Haryana for which the plant was set up nor of the vicinity of Delhi for marketing its products

The Committee recommend that the working of the plant should be thoroughly investigated and responsibility fixed for mismanagement, overstaffing, wastages, losses and lapses committed by the various functionaries of the plant and a report submitted to the Committee

Paragraph 6 29 03 3 *Agro Aviation Wing*

6 The losses are mainly due to reduction in the area of aerial spray of crops (from 1 75 lakhs acres in 1977 78 to 0 66 lakhs in 1979 80) and decrease in the availability of air crafts due to frequent accidents The reductions in loss in 1980 81 was mainly due to increase in the area of aerial spray of crop from 0 66 lakh acre in 1979 80 to 0 91 lakh acre in 1980 81 and decrease in operational expenditure due to reduction in number of aircrafts The management however attributed the loss due to lower tariff fixed by Government of India for aerial spray as compared to the cost incurred It has been observed that the cost of spraying, per acre increased from Rs 10 62 in 1977 78 to Rs 33 52 in 1979 80 whereas the rates of aerial spray fixed per acre were ranging from Rs 9 00 in 1977 78 to Rs 11 00 in 1979 80

In its written reply the Department has stated that the Corporation took up aerial spraying of crops such as cotton mustard and sugar cane etc in order to contain infestation of pests which may damage the crops that are grown in large blocks and are suitable for aerial spraying thus providing an insurance cover against wide spread pest infestation It may be mentioned here that the incidence of pest infestation varies from year to year and thus the variation in areas available for aerial spraying The main reasons for lesser acreage sprayed in the year 1979 80 are firstly serious drought condition which pre vailed during this period secondly abnormal scarcity of aviation fuel for the aircraft and also the option provided to the farmers due to which larger acreage were not available for spraying The increase in the cost of spraying during the year mentioned above can be attributed to the constant fixed expenditure distributed on le.. cr acreage How ever the main factor is lower tariff fixed by the Government which does not allow even break even in the operations even during normal years The Govt acceded to our point of view by subsidising to the extent of Rs 66 666 per aircraft per year The cost of operation has further increased inspite of reduction in the staff to the extent possible therefore the Govt has now been approached to increase the subsidy to Rs 2 09 lakhs per air craft per year

As present the Corporation is left with only one air craft for which certain staff and facilities are required which would increase only nominally by addition of more air craft thus reducing the impact of fixed overheads over each air craft As such the Corporation and the Government have a separate case under consideration for purchase of second hand helicopters/fixed wing air craft from Indian Air Force etc

The Committee recommend that the matter of getting adequate subsidy to bridge the gap between the cost of spraying and rates fixed per acre should be pursued vigorously with the Govt but at the same time the management should strive hard to control the costs by effective management and control, and increasing the area of aerial spraying by adding more aircrafts The Committee should be kept informed about the progress of acquiring of second hand helicopters/fixed wing aircrafts from Indian Air Force etc

Paragraph 6 29 04 Performance

7 The Company has so far taken up mainly the following activities —

(i) Purchase and sale of tractors spare parts fertilizer POL Metallic Bins Seeds etc

(ii) Custom Hiring services of tractors combines bulldozers to farmers and aerial spray of crops

(iii) Workshop services

(iv) Manufacture, and sale of agricultural implements and other iron and steel items N P K granulated fertilizers pesticides and insecticides etc foods and Fruit products, and Cattle and Poultry feed and

(v) Extraction of rice bran oil and sale thereof

The Company has not undertaken any scheme to promote assist finance and develope agricultural commercial and industrial enterprises such as poultry and dairy

The turnover of the company in respect of these activities for the three year upto 1979 80 are given below —

	1977–78	1978–79	1979–80
		(Rupees in Lakhs)	
Custom hiring and servicing	50 86	55 19	44 29
Sale of Tractors	126 40	165 27	53 17
Sale of fertilizers	236 83	492 34	322 42
Sale of Engines Motors Metallic Bins agricultural implements tyres & tubes spare parts etc	48 01	153 48	153 61
Sale of ingredients seeds, delicia and raw material	23 47	67 79	120 16
Total	485 57	934 07	693 65

In its written reply the Department stated that Haryana Agro Industries Corporation has for the past several years been producing poultry and cattle feed from its plant at Jind The basic work of promoting financing poultry and dairy vests with the Haryana Dairy Development Co operative Federation and the Directorate of Animal Husbandry HAIC is now involved with consolidating its existing set up so as to make it more efficient and economically viable rather than for setting up of new projects In addition it may be mentioned that the Corporation also took up the scheme of imparting training to un employed Engineers/Ex servicemen/Agricultural Graduates to help them set up Agro Service Centres in the State which would provide facilities such as custom hiring of tractors, repair and maintenance workshops and also distribution of inputs for mutual benefit of farmers and entre preneurs '

The Committee observe that there was steep decline in the tractor sales and also in the turn over of custom hiring and servicing and in the sale of fertilizers during 1979 80 as compared to earlier years

The Committee recommend that concerted efforts should be made by the Management to increase the turnover under these activities specially of sale of fertilizers for which there is demand/market in the State

The Committee further observe that the working of the Com pany is in bad shape and its financial position is extremly poor and the Management in order to improve the financial position of the Com pany should diversify the activities in profitable areas

The Committee also observe that at present the farmers in Haryana, who obtain loans from the Scheduled Banks and the P L D B for the purchase of agricultural implements/machinery are required to purchase these items from private dealers who many a time exploit the position of the farmers and it also leads to malpractices In order to safeguard the interest of the farmers and to ensure proper utilization of the loans/subsidy and also to help the Agro Industries Corporation to come out from the red the distribution of these items should be made through this Company

The Committee recommend that the State Government should consider to help this Company by entrusting to it the distribution/sale of agricultural implements/machinery to the farmers who are required to make such purchases by obtaining loans/subsidy from Government and Banks

The Committee also recommend that the State Government should instruct all the Government Departments/Corporations/autonomous bodies etc to make their purchases of agricultural items through the Agro Industries Corporation, which are available with it

Paragraph 6 29 05 Custom Services

Farmers Service Centres

8 There were 15 Farmers Service Centres as on 30th June 1982 which provide custom hiring services of tractors, combines and bulldozers and repairing facilities to farmers Besides sales of spare parts cattle and poultry feed seeds fertilizers *etc* are also channelised through the service centres

(i) The table below indicates the extent of utilisation of tractors combines and bulldozers as compared to the available capacity for the four years ending 1980 81 —

(a) TRACTORS

Year	*Fleet strength*	*Available hours as per norms*	*Utilised hours*	*Percentage of utilisation to total hours available*
1977–78	26	26 000	13 332	51 3
1978–79	26	26 000	12 363	47 6
1979–80	26	26 000	14 711	56 6
1980–81	26	26 000	14 071	54 1

The management attributed (April 1982) under utilisation of tractors to the fact that Byelarus tractors (24 held as on 30th June 1981) with the Corporation were more than 10 years old and had outlived their lives Further imported spare parts were not easily available with the result that the tractors remained idle intermittently for want of repairs

(b) COMBINES

Year	*Fleet strength*	*Acres to be covered as per norms*	*Acres actually covered*	*Percentage of coverage*
1977–78	14	9 800	8,621	88 0
1978–79	14	9 800	7 964	81 3
1979–80	14	9 800	8 142	83 1
1980–81	14	9 800	6 811	69 5
1981–82	14	9 800	7,556	77 1

The Management attributed under utilisation of combines to

—combines having outlived their lives

—prolonged rainy seasons and

—rates were higher as compared to other agencies

(c) BULDOZERS

Year	*Fleet strength*	*Available hours as per norms*	*Actual hours utilised*	*Percentage of utilisation*
1977–78	16	16 000	17 413	108 8
1978–79	16	16,000	16 025	100 2
1979–80	16	16 000	10,526	65 8
1980–81	16	16 000	10 048	62 8
1981–82	16	16 000	9 517	59 5

The Management stated (January 1983) that low utilisation of bulldozers during 1979 80 onwards was due to lack of demand

Fleet strength of 16 bulldozers include 3 bulldozers lying unutilised (2 from 1978 79 and 1 from 1980 81) in Gurgaon centre

(ii) The table below indicates working results of custom hiring services —

	1977–78	1978–79	1979–80	1980–81
	Profit(+)/ loss(—)	*Profit(+)/ loss(—)*	*Profit(+)/ loss(—) (Provisional)*	*Profit(+)/ loss(—)*
		(*Rupees in lakhs*)		
Tractors	(—)0 89	(—)1 04	(—)1 45	(—)3 83
Combines	(+)1 86	(+)2 94	(+)8 14	(+)5 40
Bulldozers	(+)6 14	(+)6 08	(+)3 54	(+)5 26
Total	(+)7 11	(+)7 98	(+)10 23	(+)6 83

The losses on custom hiring of tractors are increasing year after year due to less utilisation of tractors (due to increase in the number of tractors in the State) heavy repair and old tractors

(iii) A test check of the records of Hissar and Rohtak centres revealed that against 2 to 4 tractors available at these centres during the years 1978 79 to 1981 82 nine operators were employed in these centres during these years

This meant an extra expenditure of Rs 2 64 lakhs during the years 1978 79 to 1981 82 towards retention of surplus staff

The Department in its written reply stated as under —

In addition to the tractors being old, under utilization is also a major reason of loss from this activity in the year 1969 70 when there was a negligiable population of tractors in the state the efforts of the corporation proved to be extremely beneficial to the farmers In subsequent years the tractor population increased substantially and demand of custom hiring of tractor through the corporation went down As the tractors are no more scares in the state the custom hiring of the tractors by the corporation gradually dimi nished in importance and demand therefore the corpora tion has not added any new tractor to its fleet of tractors for custom hiring and is maintaining a skeleton fleet only for the service of farmers who may require their use on emergent basis from time to time It may also be pointed out that even though imported spare parts are not easily available yet HAIC has managed to procure them when ever necessary and maintained the present fleet of tractors in a state of readiness for work

Combines

The utilization of our combine harvestors is dependent on weather conditions existing at the time of harvesting and also the numerous combines now being operated by the private entrepreneurs We had earlier 33 combines for custom hiring which have now been reduced to a fleet of 14 combines of the same make so as to facilitates their repairs and maintenance and although the combines have outlived their lives efforts have resulted in keeping all the combines operational during all the seasons

Bulldozers

The corporation took up the custom hiring of dozer mainly for the benefit of farmers who needed to do extensive earth moving work and later the work was also extended to Govt Department/Agencies particularly handling irrigation and drainage project Almost all the dozers have outlived their lives therefore the corporation is planning to selec tively dispose of those dozers which are beyond economical repairs Initially three dozers have been identified for disposal and the corporation has already floated tenders for the purpose

The Corporation has 21 surplus tractor operators who are not utilized for tractors/dozers/combine operators as the number of these machines do not match with the number of operators available It may however be mentioned that during periods of intensive work in the field when more than single shift operation is necessary such as in the case of combine harvesting, some of the excess tractor operators are also utilized for short periods This is not a permanent solution therefore the Corporation has already approached various Govt Departments and Corporations in the State who may be able to absorb them in their Organizations So far we have not received any demand for tractor operators from any of these organizations In the meantime we are utilising the serivces of these excess tractor operators for sale of inputs such as fertilizers, seeds and pesticides from sale counters in the rural areas

During the oral examination the Managing Director of the Company stated that at present they have 24 Tractors out of which 10 are in working condition 7 are in repairable condition and 7 are absolutely out of order He further stated that in 1983 84 their utilization was 29 62 percent

The Committee desired to examine the log book of 7 tractors which are lying unserviceable but the department failed to produce the same No efforts seem to have been made by the company to make these tractors serviceable The latest position of serviceable and unserviceable tractors had not clearly and exactly been shown to the Committee The Committee observed that no register was maintained to verify the demands of the farmers

The Committee desire that the exact position of serviceable and unserviceable tractors and their log books be shown to the Committee The Committee recommend that expeditious steps should be taken by the Management to either put the tractors, combines and bulldozers in use by repairing them or dispose them off instead of keeping them idle The Committee further recommend that the Management should make concerted efforts either to make gainful use of the surplus tractor operators or get them adjusted in some other organizations The Committee also recommend that proper registers should be maintained in the centres to record the demands of farmers for hiring out those services to them

Paragraph 6 29 06 *Fertilizers*

6 29 06(i)

9 The details of quantity allocated by Department of Agriculture, Haryana, lifted vis a vis sold during the period from *Rabi* 1979 80 to *Rabi* 1981 82 in respect of urea fertilizers are given below —

Year	*Opening balance*	*Allocated*	*Lifted*	*Sold*	*Balance*
			(quantity in tonnes)		
1979 80— *Rabi*	Nil	12 432	5 070	4,000	1,070
Kharif	1 070	9 650	1 604	1 000	1,674
1980 81—					
Rabi	1 674	11 280	6 325	4,000	3,999
Kharif	3,999	7,600	4,100	2,525	5,574
1981-82—					
Rabi	5,574	24,638	6,000	3,356	8,218

In *Rabi* 1981 82 the Company lifted 6 000 tonnes of fertilizers (Urea) in spite of having an unsold stock of 5 574 tonnes as on 30th June 1981 Against this only 3 356 tonnes could be sold during the season leaving an unsold stock of 8 218 tonnes as on 28th February 1982 blocking Rs 1 68 lakhs for 5 months upto July 1982 and causing a consequential loss of Rs 6 72 lakhs on account of interest storage, *etc*

(ii) 3 571 bags(1 785 50 quintals) of Calcium Amonium Nitrate fertilizer (CAN) purchased in February 1980 for Rs 1 66 lakhs were found sub standard but were returned to the supplier only in April 1981 While returning the material was found to be weighing 1 635 55 quintals resulting in a shortage of 149 95 quintals valuing Rs 0 15 lakh Neither the fertilizer has been re placed nor the amount refunded by the supplier so far (February 1983) This resulted in blockade of funds (Rs 1 68 lakhs) for 29 months and consequential loss of interest

The Company is yet to investigate the reasons for loss in weight

(iii) 49 846 tonnes fertilizer (CAN) were received back in Shahabad Plant from different Farmer Service Centres in July 1976 October 1976 and November 1976 Out of this 2 550 tonnes were used departmentally up to May 1982 and a quantity of 47 296 tonnes valuing Rs 0 44 lakh was lying undisposed in the plant (February 1983) The material has become unfit to be used as fertilizer There is nothing on record to indicate the action taken to dispose of the material

(iv) The Government of India made an upward revision on the sale prices of various types of fertilizers with effect from 8th June 1980 and the Company also revised (9th June 1980) the prices accordingly The Company had also intimated (8th June 1980) the Farmers Service Centres telegraphically to stop the sale till further orders However 6 centres in contravention of the Company s instructions sold 4 223 bags of fertilizers of various types at old rates after issue of the instructions resulting in a loss of Rs 1 18 lakhs

The Department in its written reply stated as under —

(i) A perusal of the figures given in the Audit Report itself indicates that in the year 1981-82 (Rabi Season), even though the Corpo ration was allocated more than 24000 M T of Urea for lifting by the Government yet, the Corporation lifted only 6000 M T after judicious assessment of the market and its ability to sell this Urea through its own outlets The Corporation had also to keep in view the Government guidelines for the sale of ferti lizer through Government agencies like Hafed & HAIC who were identified agencies of the Government for the distribution of fertilizer in the State These agencies were also be act as the buffer stockists of fertilizer so as to be able to prevent exploit ation of the farmers by private agencies dealing in fertilizers

In any business organisation decisions are to be taken on the basis of assessment carried out from time to time As such the lifting of only about a quarter quantity of its allocation shows the cautious nature of the Corporation in this year s operations Several reasons can be attributed to the sudden increase or decline in the demand of fertilizer in the two seasons every year Such a business decision is to be viewed in terms of managements assessment of situation at such a time It may incidently be pointed out that the carry over stocks of Urea from 1981 82 amounting to about 168 lakhs now stand mostly disposed off through special drive & efforts of the Corporation has also started procurement and sale of fresh stocks of Urea & other fertilizers

Immediately on detection the sub standard quality of Calcium Ammonium Nitrate (CAN) supplied by M/s N F L Nangal the Corporation took up the matter with the suppliers for taking back the CAN fertilizers and was successful in this endeavour The CAN fertilizer was received as Numbers of bags but was taken back by the N F L on weighment basis It was found that there was a shortage of 149 95 Qtls and this amount stands disputed It is mentioned here that CAN fertilizer is extraordinarily hygroscopic and absorbs moisture from atmos phere during the periods of high humidity which occurs during the rainy season Due to this property of the fertilizer the Corporation has frequently observed a loss in weight of CAN fertilizer stored with them particularly during the rainy season which may be attributed to the loss in chemical in moisture condition of this fertilizer

As regards loss of interest as mentioned by the Audit it is clarified that the Corporation has retained an amount equivalent to the value of CAN fertilizer under dispute in its other transactions with the N F L Hence no loss of interest was suffered by the Corporation on this account This whole matter has been taken up with N F L and efforts will be made to get it sorted out soon

The CAN fertilizer which could not be sold from our FSCs was left in small quantities with them Since this fertilizer is susceptible to deterioration, it was thought best to transfer these quantities of fertilizer to the Fertilizer & Chemicals Plant Shahabad to find out whether it could be utilised in the manufacture of some other granulated fertilizers It was however observed that this fertilizer was not usable in granulated mixtures and hence has remained in stock with the Corporation Efforts have been continued to dispose of this fertilizer after getting its price re fixed based on nutrient contents of this as it has become sub standard It was already found that it was not usable as agri cultural fertilizer Therefore the corporation approached the State Government to give us permission for disposing it off as a non agricultural chemical The State Government directed the Corporation to obtain this permission from the Government of India which has already been done and their sanction is awaited It may also be mentioned that the quantity involved i e 47 296 M T is quite negligible in comparison to the total fertilizer handled by the Corporation Any production unfit/business organisation would have to cope with such situations in normal operations

(iv) After receiving instruction of the revised sale price of fertilizer from the Government of India the Corporation took immediate action in intimating the same to their out lets (Farmers Service Centres) from where the fertilizers were being sold to the farmers The instructions were issued through telegrams

It was suspected by the Corporation management that in six Farmer Service Centres the sale of fertilizer could have occurred at old rates which were low and shown in back date The concerned employees were immediately suspended and investigations were started Out of the six cases enquiries have been concluded in four centres where fault of any employee could not be establish ed conclusively However they were warned to be careful in watching such communications in future The remaining two cases are still under process and are expected to be finalised shortly

During the oral examination the representative of the Department stated that there are always fluctuations in trade and the purchases are made keeping that in view Secondly the fertilizer is lifted by bags and not by weight and sometimes the bags are torn It was also stated that some fertilizer was found sub standard but later on it was tested by the chemist who stated that it was fit for use It was further stated by the representative that when the price of the fertilizer was increased they sent telegrams to the centres for selling it on the rates mentioned

The Committee recommend that efforts should be made to sell the fertilizer and the stocks should not be allowed to accumulate resulting in blockade of scarce funds of the company Further the bags of fertilizer must be checked thoroughly at the time of purchase and these may also be weighed

The Committee desire that the report of the chemist in which he had stated that the fertilizer is fit for use be supplied to the Committee

The Committee recommend that responsibility of the officials be fixed for the sale of fertilizer at the old rates in spite of telegraphic information for effecting sales at revised rates and recovery should be made from them and a case in this regard be registered immediately and a report submitted to the Committee

Paragraph 6 29 07 *Seeds*

10 In case of gram seed during 1979 80 and 1981 82 and in the case of wheat in 1981 82 the Company lifted inordinately low quantities as compared to allocated quantities as given below —

Year	*Variety*	*Quantity allocated*	*Quantity lifted*
		(In Quintals)	
1979 80	Gram seed	1 750	870 16
1981 82	Gram seed	2 751	1 250 00
1981 82	Wheat	5 720	4,579 60

At the end of crop season of 1980 81 the Company had 1 544 06 quintals of paddy (62 10 quintals), wheat (1 449 60 quintals) and pulses seeds (32 36 quintals) which were sent to seed certification agency for revalidation Out of these 537 44 quintals of seeds were not certified by the certification agency as rejections due to loss of germination Of these 484 32 quintals of seeds valuing Rs 1 02 lakhs were auctioned for Rs 0 73 lakh resulting in a loss of Rs 0 29 lakh The balance 53 12 quintals (Value Rs 0 16 lakh) were transferred to Cattle Feed Plant, Jind for Rs 0 06 lakh resulting in further loss of Rs 0 10 lakh

In the written reply the Department stated that the Corporation is distributing seeds to the farmers through its several sale outlets It has not been practically possible to dispose of the total quantity of seed available at the sale centres as it is not possible to estimate the excact requirement in that area hence some quantity of seed may be left over in some varieties The left over seed cannot be sold before the next sowing season As such it has to be kept in storage for almost a year during which period some seed is liable to lose its quality and thus render the total quantity unfit as seed by the Seed Certification Agency as the viability is based on the percentage of germination and when this goes below the certain limit the whole quantity is rejected for seed purposes The rejected seed is to be disposed of as an ordinary grain which is always cheaper than the seeds The Corporation is now aware of this problem and is careful in assessing its requirement of seeds from various centres so as to minimise loss from carry over seeds

The Committee observe that the Company lifted much less quantity of seed than allocated to it But even than the Company was not able to sell the lifted quantity of seed through its centres resulting in loss of Rs 0 39 lakhs

The Committee recommend that proper planning should be made and effective control exercised by the Management regarding the purchase and sale of seeds to avoid losses in future The Committee further recommend that the Management should take measures to improve sales of seeds through the centres of the Company

Paragraph 6 29 08 *Sale of tractors*

6 29 08 (i)

11 The purchase vis a vis sale of tractors during the three years ended June 1980 is tabulated below —

Year	*Opening balance*	*Purchases*	*Sales*	*Closing balance*
		(Numbers)		
1977 78	20	229	296	16*
1978 79	14*	335	338	11
1979 80	11	122	84	49
1980 81	49	58	97	10

* The difference of 2 tractors in the closing balance of 1977 78 and opening balance of 1978 79 has not been reconciled by the Company (July 1982)

The Company stated (June 1977) that it was sole distributor in the State upto 1975 76 for sale of tractors manufactured by the Hindustan Machine Tools Limited (HMT) and thereafter private dealers were also appointed as distributors by HMT and thus this explained why the purchases and sales performances decreased during 1979 80

The management however observed (April 1982) that no organised efforts were being made by the units of the Company to promote sale of tractors

Out of the tractors purchased during 1978 79 3 tractors (value Rs 1 38 lakhs) have been lying with Rohtak Palwal and Hissar centres The model of these tractors was reported by the Management in September 1981 to be obsolete and though the Company had offered discount, none of the tractors could be sold upto November 1982

(ii) To meet the demand of the farmers for 54 tractors already registered with the Company which was included in the sales target of the ensuring year a firm order for supply of 100 (Zetor 5711) imported tractors in March/April 1978 was placed on HMT in February 1978 The Company was to get a commission of Rs 2 000 on the sale of each tractor However the HMT agreed to supply only 50 tractors during March/April 1978 provided the Company opened a letter of credit covering the cost thereof (Rs 30 25 lakhs) The Company instead of opening letter of credit as demanded opened a revolving letter of credit of Rs 5 lakhs valid upto 30th March 1978 (extended upto 30th June 1978) The HMT did not agree to this proposal and insisted (March 1978) on opening a fresh letter of credit covering cost of all the 50 tractors or to make payment through demand draft by 23rd March 1978 HMT also made it clear that in the event of payment not being received, the tractors would be diverted to other agencies

As the Company failed to comply with the terms and conditions stipulated by HMT only 8 tractors were supplied for which the revolving letter of credit was opened by the Company and the remaining tractors were diverted to other agencies 9 more tractors were supplied to parties already registered with the Company out of purchase made in September 1978 Failure to open a letter of credit as desired by HMT had thus deprived the Company of earning a commission of Rs 0 66 lakh on 33 tractors

(iii) The Company had 127 tractors of different makes during 1975 76 for custom hiring work The functioning of custom hiring activity was reviewed by the management in January 1976 and it was observed that the tractors (except Byelarus tractors) were not giving good results and may be grounded/sold Out of these 58 tractors were sold (Rs 12 66 lakhs) to entrepreneurs 5 to 8 State Government undertaking (Rs 1 48 lakhs) and 17 by public auction (Rs 1 70 lakhs) during the period April 1976—June 1976

Quotations were invited four times during the period from May 1976 to April 1980 for disposal of 23 tractors which had been grounded in 1975 76 The following rates were quoted for these tractors by various firms :—

Make	*Number of Tractor*	*Book value in April 1976*	*June 1976*	*April 1980*
			(In rupees)	
U 500	1	970	No bid	10,000
David Brown	4	34 368	33 000	21,000
U 650	18	31,115	18,000 to 20,000	10 000 (16 tractors) 16 100 (1 tractor) 13 000 (1 tractor)

Sixteen U 650 tractors were sold for Rs 10 000 each in April 1980 as against the offer of Rs 18 000 to Rs 20,000 each tractor received in June 1976 resulting in a loss of Rs 1 28 lakhs as with the lapse of time the condition of the tractors deteriorated further Reasons for which the offers received in June 1976 were not accepted were not on record The remaining 7 tractors were lying unsold with the Company (December 1982)

In its written reply the Department stated as under —

(i) The difference of two tractors in the closing and opening balance of 1977-78 and 1978 79 respectively is being looked into Tentatively, it is adjudged that in the year 1977 78 the purchase of 17 tractors and sale of 19 tractors has been omitted and thereforet does not seem to have been taken into account

With regard to the distribution of HMT tractors by the Corporation after appointment of private dealers by M/s HMT it is obvious that the increased number of sale points of HMT tractors by the private dealers would adversely affect the sale through the corpns outlets Whereas the private dealers resort to various sales techniques the Corporation has also made their best efforts for sale of these tractors through their Farmers Service Centres by providing incentive in the shape of free accessories alongwith a tractor such as hood draw bar and rear etc and Local publicity through distribution of hand bills and personal contract with the farmers is also a regular feature for promotion of sale of tractors

In the year, 1978 79 the Corporation was left with three unsold tractors in their Farmer Service Centres because of extra stocking of tractors which at that time was thought necessary in view of the short supply of tractors However the position eased considerably and the tractors became freely available with our Centres as well as with the dealers The farmers obviously chose the most recently manufactured tractors and inspite of the Corporation s best efforts these tractors were allotted to our Farmers Service Centres which did not have small Horse power tractors for transportation of fertilizers seeds and metallic grain storage bins etc to the sale centres in the interior as was being done by other Farmer Service Centres having small tractors for this purpose Therefore the three tractors are being put to good use by the HAIC itself

(ii) At the time when imported tractors booking was initiated by the HMT the HAIC asked its field agencies to obtain firm booking from the private farmers and intimate to the Headquarters About 54 tractors booking was received by the HAIC and keeping in view the good response, the management of the HAIC felt that it may be in a position to sell about 100 tractors thereby making good profit Negotiations were held with the HMT about the payment terms At a particular stage it was felt by the management that the payment could be made for 50 tractors in the initial stages and then for another 50 tractors subsequently However keeping in view the heavy financial implications involved the management decided to utilise its existing facility with the HMT of a revolving letter of credit for tractors This was also done to ensure that surplus tractors are not left with the Corporation as stock which is not sold It may further be pointed out that under the scheme during the year 1978 78 tractors were sold As such if 100 tractors had been purchased it is possible that the Corporation may have been stuck with about 22 tractors as unsold

(iii) As already pointed out by the audit, the Corporation invited quotations four times during the period from May 1976 to April 1980 for the disposal of 23 tractors which have been grounded in 1975 76 In the quotations received in June 76 the prices quoted were lower than the book value of the tractors Therefore the tractors were not disposed of at the highest quoted rates in the hope of attracting better rates later on Contrary to the expectations of the Corporation it was noticed that the choice of the farmers had in the meantime shifted in favour of easily available indigenous new tractors of various makes This choice of the farmers was also due to the easy availability of the spare parts of indigenous tractors in comparison to those of imported tractors which we were trying to dispose off It was therefore decided in April 1980 to dispose off 17 nos tractors which we thought to have fetched a reasonable price keeping in view the condition of the tractors at that time

Out of the seven remaining tractors one U 650 tractor has been brought into use by the Agro Aviation Wing of the Corporation for transportation The tenders for the balance six tractors (four David Brown and two U 650) were again invited and opened in Jan 1983 but were able to attract quotations much below the reserve price fixed then Efforts for the disposal of these tractors at reasonable price will be continued by the Corporation

The Committee are not satisfied with the reply of the Department that if the Company had purchased all the 100 tractors from HMT it would not have been in a position to sell all of them as the Company was in selling business of tractors and it would not have been difficult for it to sell these tractors

The Committee recommend that the reasons for not purchasing all the 100 tractors from HMT which deprived the Company the commission earning of Rs 0 66 lakh should be enquired into and responsibility fixed and a report submitted to the Committee

The Committee also recommend that the responsibility for the loss of Rs 1 28 lakhs suffered by the Company in the disposal of tractors should be fixed and a report submitted to the Committee

The Committee desire that the Management should take effective steps to dispose of the remaining surplus tractors at the earliest to avoid blockade of funds

Paragraph 6 29 09 Manufacture of Agricultural implements

12 The workshop in Nilokheri which was attending to assembly of tractors since 1968 was converted to manufacture agricultural implements consequent on the transfer (August 1973) of the work of assembly of tractors to HMT As on 30th June 1976 capital investment in the workshop was Rs 7 84 lakhs No production plan is drawn by the workshop and no production targets are fixed Production of implements is undertaken on receipt of orders To meet the requirements the Company also purchases agricultural implements from outside

The table below indicates the agricultural implements produced, purchased and sold during the three years up to 1979-80 —

Year	*Opening balance*	*Purchases*	*Production*	*Total*	*Sales*	*Closing balance*
				(Rupees in lakhs)		
1977 78	8 65	2 45	6 82	17 92	12 50	8 76
1978 79	8 76	1 90	5 00	15 66	12 38	7 48
1979 80	7 48		6 47	13 95	11 77	5 40

In its written reply, the Department stated that the Agro Engineering Workshop at Nilokheri is outfitted with the machine tools suitable for the fabrication of steel equipment and has therefore been used for the purpose of manufacturing fabricated agricultural implements both tractor and bullock drawn and other equipment required by the Agriculture Department Forest Department and Animal Husbandry Department such as trailers tankers cattle crush insemination crates and agricultural implements of various types

Some of the important agricultural implements are tractor mounted/tractor trailed off set disc harrows of various sizes rigid tyned/spring loaded cultivators/tillers of various sizes levellers to suit various tractors, transport boxes for tractors cagewheel for Zetor Tractors, tractor drawn trailers/tankers of various sizes and types etc The Corporation in keeping with the directions of the Government of India has also taken up the development and manufacture of selected bullock drawn and hand operated improved implements for use in the dry land areas

All the equipment produced at the Agro Engineering Workshop Nilokheri is made out of the standard raw material and conforms to laid down specifications so as to maintain high quality standards Therefore it becomes difficult to compete in the local market with small fabricators In any case, the Corporation does not intend to come in competition with the small fabricators Hence they manufacture their equipment against orders out of the necessary to avoid stocking of unsold mate ial In some instances the workshop has received orders for items other than those manufactured here In such cases the Corporation has no alternative but to procure quality material from the market and make the necessary supplies in order to maintain proper relationship with the clients It is also pointed out that several sub assemblies and parts for which the workshop is not equipped to manufacture are also obtained from the market to complete the equipment under manufacture by the Workshop

Several bought out items such as hubs rims tyres tubes bearings transmission beltings etc have also to be purchased from their respective manufacturers in order to make up the complete equipment as necessary

To make sure that we are not left with any surplus material which could not be disposed off the production plant is not drawn out and we execute production only on the basis of specific orders

During the oral examination the representative of the department stated that neither production plans are prepared nor targets fixed He further stated that the workshop prepares the material for the Government agencies as they get the orders from them At present they are preparing the accounts and there after they will be able to say whether this workshop is earning profit or suffering a loss

The Committee desire that the accounts be prepared immediately and the profit earned or loss suffered by the workshop be intimated to the Committee The Committee further recommend that for the efficient functioning of the workshop, production plans be prepared and targets should be fixed

Paragraph 6 29 10 *Repair Workshop*

6 29 10 (i)

13 A test check of 4 centres revealed that the workshop services were running in loss as under —

Unit	Expenditure including salary and wages			Income			Profit (+) Loss(—)		
	1978 79	1979 80	1980 81	1978 79	1979 80	1980 81	1978 79	1979 80	1980 81
						(Rupees in lakhs)			
Palwal	0 10	0 20	0 20			0 02	(—)0 10	(—)0 20	(—)0 18
Gurgaon	0 28	0 28	0 28	0 02		0 01	(—)0 26	(—)0 28	(—)0 27
Rohtak	0 26	0 25	0 24	0 01			(—)0 25	(—)0 25	(—)0 24
Hissar	0 05	0 03	0 04	0 07	0 03	0 01	(+)0 02		(—)0 03

The management stated (June 1982) that efforts were being made to bring the workshops on more sound footing No specific action taken how ever came to notice

(ii) The State Government decided (June 1974) to transfer to the Company 24 common facility workshops being run by Industries Department with building and plant and machinery valued Rs 6 62 lakhs free of cost subject to the stipulation that these would remain the property of the State Government and expenditure on the running would be borne by the Company The staff working in the workshops were to be absorbed by the Company Accordingly the Company took over for management 21 workshops (excluding 3 which were Leather Tanning units) during the period from July 1976 to November 1976 None of the workshops was put to use after their management was taken over

The Company incurred an expenditure of Rs 13 46 lakhs from July 1976 to June 1981 on salary to the staff of common facility workshops

Since the running of these workshops was not profitable the Company took up (January 1978) the matter with the Industries Department for taking back these units No decision has been taken so far (November 1982)

The Department in its written reply stated as under —

(i) Management has taken steps from current year to increase the utilization of tractor repair workshops by organising Free Service Camps at the FSCs for servicing and minor repairs of tractors and training the farmers in the camp for proper maintenance and operation of tractors Three such camps have already been organised at Karnal Nilokheri and Gurgaon the response was encouraging

A scheme has also been introduced for the annual contract of tractor repair/servicing at a nominal rate of Rs 300/ per tractor It will also help the Corporation in increasing the sale of genuine spare parts

(ii) The Common Facilities workshops were not running well with the Industries Department/Development Department at the time these were transferred to HAIC In the year 1976 The Corporation is however trying to make the best use of 31 employees transferred with Common Facility Workshops by training them to manage the activities being handled by the Corpo ration We have started using three of the buildings located a Naraingarh Gohana and Ateli for Fabrication of Meltalic Grain storage bins animal driven carts and sale of agricultural inputs Even though a letter has been written to the Industries Department to take back these Common Facility Workshops yet it is doubtful if they will do so since it is understood that their scheme for running such workshops is no longer in existence

During the oral examination the Managing Director of the Company stated that there are 21 workshops in which 31 persons are employed but they have no work to do

The Committee observe with concern that the workshops were kept unutilised and persons employed for these were kept idle resulting in infructuous expenditure on their wages

The Committee recommend that effective steps be taken and plans should be formulated by the management to put these workshops in use so that the services of the persons employed are again fully utilised The Committee also recommend that concerted efforts should be made by the management to make the workshop activity profitable by diversifying the activities and functions of the workshops for meeting the requirements of farmers as per recommendations made by the Committee under para 6 29 04 of this Report

Paragraph 6 29 11 N P K Fertilizer Plant Shahabad

6 29 11(a)

14 The Company set up (March 1975) a plant for granulating fertilizers with di ammonium phosphate urea potash bentonite *etc* with an installed capacity of 50 000 tonnes annually (in three shifts) at a cost of Rs 35 93 lakhs The plant was transferred on lease basis valid for 7 years to Haryana State Co operative Supply and Marketing Federation Limited (HAFED) in January 1977 which had also set up a similar plant with a view to avoid unhealthy competition but due to uneconomical proposition the lease was foreclosed and the plant was taken back by the Company in April 1978 The table below indicates the installed capacity vis a vis production for the years 1977 78 to 1981 82 —

Year	*Capacity*	*Production*	*Sales*	*Closing balance*	*Percentage of capacity utilisation*
				(*In tonnes*)	
1977 78 (May to June 1978)	12 500	331	314	73	2 6
1978 79	50 000	7 133	6 078	2 128	14 3
1979 80	50 000	5 798	6 571	1 355	11 6
1980 81	50 000	5 589	6 772	172	11 2
1981 82 (Upto May 1982)	45 000	4 871	4 358	685	10 6

The Company had not fixed any annual targets for production Capacity utilization of the plant however ranged between 2 6 *per cent* and 14 3 *per cent* in these years but labour required for filling weighing and other operations was engaged on contract basis as required The plant was to run for 300 days in a year as per project report, but it actually operated for 119 days in 1978 79 100 days in 1979 80 and 74 days in 1980 81 The under utilisation was seen to be due to lack of popularity and demand for the product Efforts made by the Management to popularise the utility of the product and to increase the sales were not on record It was also seen that the Project was set up without assessing demand from agriculturists and customer preference for the product

(*b*) The selling prices of N P K fertilizer vary with the variation in the price of a raw materials such as urea potash di ammonimum phos phate dolomite *etc* Fixed expenses including interest charges and establishment expenses are included in the cost estimates keeping in view the full capacity of the plant for fixation of selling prices

A comparison in audit however, revealed that interest charges and establishment expenses as provided in the cost estimates of N P K 12 32 16 fertilizer prepared in July 1981 were much lower vis a vis actual expenditure as per details given below —

Item	*Amount included in cost estimate*	*Actual expenditure (Base 1980 81)*
	(*Rupees per tonne*)	
Interest	71 66	213
Establishment expenses	33 40	139

(*c*) *Storage facility*

(i) Upto 1974 75 the fertilizer plant had two storage godowns having capacity of 2 000 tonnes each One godown was added in 1975 76 with a capacity of 1 000 tonnes The construction of two new god owns having capacity of 2 000 tonnes each for storing fertilizers was started by the HAFED during the period January 1977 to April 1978 when the plant was with HAFED and completed in December 1978 (cost Rs 9 22 lakhs)

The first two godowns attached to the plant started leaking in the very first rainy season (i e July 1975) An enquiry conducted by the Executive Engineer revealed that the main causes of leakage of roof were defects in design getting the work done hurriedly from cer tain agencies defective hoisting of trusses inferior sheeting work and lack of proper supervision The case was also referred to the Vigilance Department who reported (December 1977) that major cause of leakage was defects in design No action was taken by the Company on the report

The godowns were repaired (January 1980) at a cost of Rs 0 70 lakh but the leakage continued as according to management, the bitu men had melted out and the repairs done were useless and wasteful

(ii) The two godowns constructed in December 1978 were pro posed (March 1979) to be rented out to Food Corporation of India/ Haryana Warehousing Corporation at a rent of Rs 8,000 per month as the space was surplus because of low production in the plant, but, these were not rented out because the General Manager reported (January 1979) that production of fertilizers was propo ed to be increased necessitating full usage of godown space Production did not however increase and therefore the godowns remained unutilised subsequently Thus the Company is suffering a loss of Rs 0 96 lakh per annum due to non renting of godowns (Rs 3 60 lakhs from March 1979 to December 1982) The godowns remained largely unutilised

(iii) An order for the purchase of a weigh bridge of 20 tonnes capacity was placed in January 1975 for Shahabad Plant for Rs 0 95 lakh and it was received in October 1976 The work of construction of foundation for installation of the weigh bridge was got completed in December 1979 only After getting the weigh bridge installed from the supplier, the same was put to use in August 1981 and up to May 1982 only 54 trucks were weighed Since the plant mostly receives standard material in bags and sells bagged material the investment on the weigh bridge cannot be justified particularly when weigh bridge facilities are available outside at nominal rates The plant has spent Rs 1 15 lakhs on the purchase and installation of the weigh bridge without assessing properly the need for its installation

In its written reply, the Department stated as under —

'(a) The Fertilizers & Chemicals Plant, Shahabad was set up by the Corporation in pursuance of the Govt of India policy to provide balanced fertilizer to the farmers and substitute the imports by indigenous granulated mixture plants

It may be explained that the NPK fertilizers and primarily used as basal doze which is applied at the time of sowing of crops Hence 2 main periods for the application of the fertilizer in the field are during Kharif and Rabi sowing seasons during which it is used mainly for paddy and wheat crops respectively In the case of paddy the application of NPK fertilizer is limited due to availability of cheaper substitutes of straight fertilizers Therefore, the main period of application/sale of fertilizer is limited to sowing season of Rabi crop from mid October to mid December Inability of NPK granulated fertilizer of the plant at Shahabad to observe interest element for over a couple of months in investments for raw materials/finished products restricts its production to be spread throughout the year It is not possible to fix annual targets for production since production target is to match with what can be marketed Keeping in view the great demand for IFFCO product HAIC is cautious in its production schedule to make sure that it produces only that much quantity which can be easily marketed

NPK fertilizer from the Shahabad Plant comes in competition on mainly with that produced by M/s IFFCO IFFCO NPK fertilizer which attracts various Govt subsidies, facility of distribution through ECA allocation through-out the year, price retention fertilizers by the Govt of India etc, place it in much more advantageous position and the policies sale and distribution of Shahabad NPK fertilizer has to be based with reference to that of M/s IFFCO A large take over of market share by IFFCO has also adversely affected sale of Company s products

The recommendation for various grades of granulated NPK mixture are made by Agriculture Department who is also an agency to undertake extension of improved agricultural practices including the use of right fertilizer The production at Shahabad Plant is limited to the grades notified by the Govt However limited publicity through various media is also undertaken by the plant due to which HAMAMRIT brand of fertilizers have gained popularity in selected pockets of the State

(b) The sale price of the NPK 12 32 16 which is the main product of plant is being fixed by Govt of India throughout the country and for remaining grades, sale price is influenced by the rates of other competitors who are granulating fertilizer of similar grades The cost estimates are therefore being prepared on the generally accepted commercial principle i e all the variable expenses plus proportionate fixed over heads The left out fixed over heads are taken care of by the profit derived from the production

(i) The case was referred to the Vigilance Department who reported that major cause of leakage was the defect in design It appears that action against arring officers/officials for defective design/construction remained over looked on receipt of Vigilance Report but action to stop leakage was initiated The file has now been located and necessary action is being initiated

No doubt that in the inter office correspondence GM had suggested the use of godowns for own use but the Corporation had been making efforts to rent out the godown to FCI The efforts to rent out the godown were continued but due to sufficient storage capacity available with FCI in Shahabad FCI was not interested Besides an arrangement was also entered with M/s Liberty Fertilizer & Pesticides Udaipur (Rajasthan) for custom granulation of their SSP which would have fully utilized the godown space However it did not materialise due to certain restrictions under fertilizer control order Now one part of the godown having capacity of 2000 tonnes has been rented out to the Warehousing Corporation in November 1983 and efforts are being made to rent out the remaining portion also At present second part of the godown has been rented out on tonnage basis to Cooperative Sugar Mills Shahabad

It is not necessary that raw material is always available in standard weight Besides soap stone etc for pesticides plant is not received in packing For weighment of all such material as also to prevent pilferage weighment is must Weigh bridge is a basic requirement for such factories Besides from this year, custom weighing has also been started However, it is true that there was delay in installation of the weigh bridge due to transfer and retransfer of the plant to HAFED and back and in processing of this case

During the course of oral examination, the Managing Director of the Company stated that the minimum utilisation of installed capacity of the plant was 5 per cent and the maximum 14 per cent He further stated that the main constraint in increasing production was non availability of funds and that the loan liability of the Company was to the tune of Rs 8 crores including Rs 2 crores on account of interest

The Committee feel that the operation of the plant could not become viable mainly on account of meagre production and lack of effective sales drive to market the product for which the management cannot be absolved of responsibility

The Committee recommend that the working of the N P K Fertilizer plant should be investigated by the Government and responsibility for the acts of omissions/commissions, mismanagement, wastages etc should be fixed and a report submitted to the Committee

The Committee further recommend that the Government should get examined the economic viability of the plant and devise ways and means including financial help to make it profitable inter alia by improving production, sales, managerial control and by reducing overhead expenses, wastages etc

The Committee are pained to observe that despite vigilance report in December 1977 that the a major cause of leakage of roof of godowns was defective design no action was taken by the management to book the guilty officials The Committee feel that this a clear case of negligence and mismanagement with the result that the godowns could not be put to gainful use and further expenditure of Rs 0 70 lakh on their repairs proved wasteful

The Committee recommend that the entire matter should be investigated, responsibility fixed and action taken against the guilty officials and a report submitted to the Committee

The Committee observe that the two godowns constructed in December, 1978 were not rented out to Food Corporation of India and were kept unutilised resulting in loss of revenue to the Company

The Committee recommend that the matter should be investigated by the Management and responsibility fixed for the loss suffered by the Company and a report submitted to the Committee

The Committee observe that funds to the extent of Rs 1 15 lakhs were blocked in the weigh bridge without assessing properly the need for its installation

The Committee recommend that the reasons for the purchase of weigh bridge should be enquired into and responsibility fixed for the lapse and a report submitted to the Committee

The Committee further recommend that the Management should put the weigh bridge to gainful use including custom hiring failing which possibility of its disposal at competitive price be explored

Paragraph 6 29 12 *Insecticides and pesticides plant, Shahabad*
6 29 12 (*a*)

15 The pesticides and insecticides plant set up at Shahabad in 1976 77 at a cost of Rs 14 lakhs with an installed capacity of 4 000 tonnes of B H C 10% and 50 000 litres of Malathion 50% per annum commenced production during 1977 78 The Company had not fixed any annual targets for production The performance of the plant for the four years ended 1981 82 is tabulated below —

Year	*Installed capacity*		*Actual production*		*Percentage of production to installed capacity*	
	B H C 10%	*Malathion*	*B H C 10%*	*Malathion*	*B H C 10%*	*Malathion*
	Tonnes	*Litres*	*Tonnes*	*Litres*		
1978–79	4 000	50 000	151 550	1 674	3 78	3 34
1979–80	4 000	50 000	366 900	Nil	9 17	Nil
1980–81	4 000	50 000	289 000	4 000	7 2	8 0
1981–82	4 000	50 000	494 000	3,075	12 4	6 7

Capacity utilisation of the plants ranged between 3 8 *per cent* and 12 4 *per cent* and up to 8 *per cent* respectively in the case of the two plants during the four years up to 1981 82 The under utilisation of the plant was attributed to lack of demand for the products

(b) During 1980 81 the Company purchased 331 769 tonnes of soapstone powder (value Rs 0 52 lakh) required for the production of BHC 10% at rates ranging between 150 to 185 per tonne though soapstone which was available at cheaper rates had the same utility During the same period, soapstone lump was available at the rate of Rs 55 per tonne (plus sales tax at 4 *per cent*) The Company incurred an extra expenditure of Rs 0 34 lakh in the purchase of soapstone powder instead of lump Reasons for purchase of soapstone powder were not on record

(c) The particulars of production vis a vis, sale of malathion for the four years ended 1981 82 were as follows —

Year	*Opening balance*	*Production*	*Consumption for reprocessing*	*Transfer*	*Sales*	*Closing balance*
			(In litres)			
1978–79	3,494	1 674	—	113	2	5,053
1979–80	5 053	20	—	9	10	5,054
1980–81	5 054	4 000	3 723	—	—	5,331
1981–82	5 331	3 075	1 359	32	2,524	4,491

As there was no sale during the period 1978 79 to 1980 81 the Company reprocessed considerable quantity of material during 1980 81 but this material also could not be sold Again during 1981 82 there was reprocessing of old material in addition to fresh production but only a part of the material could be sold The production/reprocessing without obtaining confirmed order resulted in accumulation of stock valued Rs 1 18 lakhs as on 30th June 1982

The department in its written reply stated that in order to improve the capacity utilization of the plant the position was analysed and was placed before the Board of Directors on 19 9 83 and 30 12 83 Besides Financial Commissioner & Secretary Agriculture has also reviewed the situation so as to coordinate the activities with the Agri culture Department for bringing about improvement in the working of the plant Production of other chemicals is also being taken up in consultation with the Agriculture Department Information regarding total purchases of various types of pesticides/insecticides required in various departments is being collected and in case some balancing equipment addition is necessary to take up the supplies the same will be arranged Steps are also being taken to get the plant declared as Approved Source for supply of pesticides etc

There was a bulk order of 600 mt of B H C 10% DP which was to be supplied within a month to the Agriculture Department The soapstone is the main ingridient which constitutes 90% of the total weight of the DP The soapstone is available in the form of lumps & powder form In case of lumps it is to be grinded and then used Since time was limited and it was necessary to adhere to the supply schedule therefore it was necessary to purchase soapstone in powdered form to comply with the order The reasons for purchase of soapstone powder are on the record of the plant

Production was carried out on the basis of anticipated demand of the agriculture department for aerial spraying but order did not materialise due to change of the chemical for the use in aerial spray by the Agriculture Department The stock had to be reprocessed as acidity increased otherwise it would have corroded the containers Notice inviting tenders were also advertised through newspapers for disposal of the stocks of Malathion but no response In 1981 we got orders for supply of Malathion to the Agriculture Department Haryana Part supplies were effected by reprocessing the old stock but due to unwill ingness of the Agriculture Department for accepting old stock full quantity could not be supplied The matter has been taken up with the Kurukshetra University for investigation and suggesting whether economic recovery of re useable ingridients is possible Explanation of the GM was also asked for which has been received and is under examination

During the oral examination the Managing Director of the Com pany stated that the malathion was declared as unfit by the Agriculture Department, secondly it was very old Further the malathion manufac tured by the Company was defective and on this account their licence for manufacturing the malathion is lying suspended since 1982 He also stated that the malathion stock had been sold in May 1986 to private factories and they would lift it in June, 1986.

The Managing Director further stated that the services of the surplus staff had been utilised for other purposes

The Committee feel that the malathion had become unfit for use due to negligence of the plant authorities and recommend that responsibility should be fixed for the lapse The Committee desire that the quantity of malathion lifted by the private factories, profit/loss on this sale and quantity still lying unsold with the Company should be intimated to the Committee

The Committee desire to know the reasons for not getting restored the licence to manufacture malathion since 1982 which resulted in closure of the plant for all these years

The Committee recommend that the Management should devise ways and means either to restart the plant or dispose it of and put its staff to some gainful employment

The Committee recommend that the working of the Insecticides and Pesticides Plant should be investigated by the Government and responsibility for the various acts of omissions/commissions, mismanagement, wastages etc should be fixed and a report submitted to the Committee

The Committee further recommend that the Government should get examined the economic viability of the plant and devise ways and means to make it profitable inter alia by improving production, sales, managerial control and by reducing over head expenses, wastages etc

Paragraph 6 29 13 *Food and Fruit processing Plant Murthal*

6 29 13(*i*)

16 The plant with the rated capacity to produce 3 lakh bottles of beverages per month (mango, pineapple and orange) on single shift basis set up at a cost of Rs 56 80 lakhs went into commercial production with effect from May 1975 Against the annual rated capacity of 36 lakh bottles, the actual production was as under —

Year	*Actual Production (in lakhs of bottles)*	*Percentage of utilisation to rated capacity*
1975–76	9 17	26
1976–77	11 70	32
1977–78	22 96	64
1978–79	7 07	20
1979–80	3 84	11
1980–81	3 12	9

The Company had not fixed annual targets of production It would appear from above that the percentage of utilisation which rose to 64 in 1977 78 dropped to 9 in 1980 81 The decrease in production may be attributed to lack of demand of product There was nothing on record to substantiate that the Management had assessed the demand before taking up these projects

In order to make the plant economically viable production of canned items such as mango juice mango pulp *etc* was started (July 1976) The plant was transferred to HSIDC in April 1977 on sale basis as per the decision of the State Government and it was re trans ferred to the Company in April 1978 as there was difference of opinion in regard to the terms and conditions of sale During this period the plant suffered a loss of Rs 17 46 lakhs (unaudited figures) which has been treated as loss of the Company

In the year 1979 a Masala Plant was also added to produce various spices for domestic consumption In this year further diver sification was also done by introducing items such as vegetable in brine fruit cocktail *sarson ka saag etc* to build up export market No orders were however, anticipated or booked from foreign buyers before taking up the products The year wise production turnover and loss sustained by the plant since inception to 1980 81 are given below —

Year	*Production*	*Turnover*			
		Home market	*Export market*	*Total*	*Loss*
		(Rupees in lakhs)			
1974–75	0 06	0 04	—	0 04	2 79
1975–76	6 57	6 20	—	6 20	8 89
1976–77(Upto March 1977)	9 32	2 89	5 13	8 02	10 16
April 1978 to June 1978	7 61	7 73	—	7 73	0 62
1978–79	17 86	7 65	6 32	13 97	16 48
1979–80	26 41	8 56	16 80	25 36	16 62
1980–81	20 66	9 18	7 02	16 20	18 99
				Total	74 55

The Management has not analysed the reasons for uneconomic working of the plant with a view to take remedial action However the losses may be attributed to (i) under utilization of capacity resulting in higher overhead expenses (ii) poor demand of the products and (iii) selling of materials below cost *(ii) Purchase of mangoes*

A purchase committee was sent to Malda (Bengal) in July 1981 for purchase of *Hassina* mangoes The Committee intimated (13th July 1981) that *Hassina* mangoes were available up to 25th July 1981 at Rs 100 per quintal plus Rs 4 000 freight per truck to Murthal On 17th July 1981 the company directed the Committee to purchase the mangoes up to Rs 120 per quintal (against Rs 100) for no reasons recorded on the file The purchase committee again intimated (19th July 1981) that rates were between Rs 115 and Rs 125 per quintal plus 3 *per cent* commission and transportation charges at Rs 7,000 per truck from Malda to Murthal The purchase Committee also intimated that f o r rates were Rs 193 per quintal plus 5 *per cent* driage and spoilage

The Committee purchased in July and August 1981 1,724 83 quintals of mangoes at Malda for Rs 3 58 lakhs f o r Murthal at the rates ranging from Rs 193 to Rs 230 per quintal However if the committee had made spot purchases and transported the same by trucks to Murthal the expenditure would have been to the extent of Rs 3 20 lakhs which meant a saving of Rs 0 38 lakh

No report of the committee as to how the rate was surveyed and whether any quotation was called for was available

(iii) Mango pulp

(a) The plant purchases mangoes during the season for extraction of mango pulp The particulars of spoilage and driage of mango were as under —

Period	*Mango purchased*	*Driage and spoilage*	*Percentaege of spoilage and driage*
	(Kilograms in lakhs)		
May 1978 to August 1978	2 33	0 21	9
May 1979 to August 1979	2 79	0 26	9
May 1980 to August 1980	1 33	0 07	5
May 1981 to August 1981	2 92	0 17	6
Total	9 37	0 71	

The value of spoilage/driage during the above period worked out to Rs 1 42 lakhs The varying rate of percentage of driage and spoilage may be attributed to unscientific storage conditions

(b) A test check of accounts in respect of a few batches of mango pulp extracted revealed as under —

	June 1980 to *July* 1980	*May* 1981 to *June* 1981	*August* 1981 to *September* 1981	*August* 1981 to *September* 1981
	(*Totapuri*)	(*Totapuri*)	(*Hassina*)	(*Neelam*)
		(*In Kilograms*)		
Mango issued to production after driage and spoilage	54 100	89 997	1 58 873	18,814
Pulp extracted	26 063	40 441	90,879	6 606
		(*Per cent*)		
Percentage of pulp extracted	48	45	57	35

The recovery of mango pulp was to be maintained at 50 *per cent* according to the management but in respect of *Totapuri* it was not more than 48 *per cent* In a batch crushed during May and June 1981 the management prescribed that recovery should be 48 *per cent* of the mangoes received *i e* gross receipt without spoilage and driage The management worked out the short recovery of pulp in May and June 1981 to the extent of 7 682 10 kilograms valuing Rs 0 32 lakh The Chairman in the meeting held in December 1981 ordered to recover the amount from General Manager action regarding recovery is awaited (July 1982)

The percentage recovery of pulp in *Hassina* mangoes (Rs 2,000—2,300 per tonne) was highest and it was very low in *Neelam* (Rs 2 400 per tonne) mangoes The management is yet to analyse the possibilities of purchasing mangoes having good pulp contents as it would reduce cost price of the product

(*iv*) *Costing system*

The Murthal Plant is producing about 26 items of food and fruit products The cost estimates prepared by the plant were approved by the management for the first time in April 1982 The estimated rates were worked out taking into consideration the full capacity of plant The selling rates were fixed by taking into consideration the prevailing rates of similar items of other concerns The material was being sold either at very marginal profit or at par or at loss A few instances are given below —

Particulars	*Estimated cost price*	*Selling price*
	(*in rupees*)	
(1) Pine apple juice(850 gms)	8 72	6 00
(2) Lemon squash (680 ml)	9 50	8 00
(3) Tomato Juice(850 gms)	5 87	5 50
(4) Mango Jam(500 gms)	7 86	7 60
(5) Pine apple jam(500 gms)	7 85	7 60
(6) Tomato ketchup(450 gms)	4 49	4 25
(7) Mixed fruit Jam(500 gms)	7 53	7 60
(8) Tomato ketchup(750 gms)	7 97	8 00

Though the actual production of the unit was below its capacity, the management had neither worked out cost price based on actual expenditure nor analysed reasons of higher cost of production

(v) *Sales policy*

(a) The Company has appointed dealers for sale of beverages at various places and has obtained Rs 10 000 as security from each The goods are supplied on credit/cash basis Credits were extended without limiting the outstanding dues at any time to the extent of security obtained In some cases the agreements entered into with the dealers were not revalidated but the supplies were continued However, legal action was under process (January 1983) against 9 dealers from whom Rs 2 43 lakhs were recoverable

(b) In a departmental meeting held on 1st March 1982, it was reported that 7 lakh bottles including crates valuing Rs 8 lakhs were lying with the dealers without possibility of recovery The management decided (March 1982) to bring this matter to the notice of Board for write off No action in this matter has been taken so far(November 1982)

(vi) *Export*

As there was no good response to the products of the plant in the country and to increase the turnover, the Company started (January 1977) exporting the products (foods and fruit products) to foreign market directly as well as through State Trading Corporation of India The export of various products to different countries from 1978-79 to 1980 81 was Rs 30 14 lakhs

The following points were noticed —

(a) *Export of pineapple products*

The Company obtained through a private firm an export order for 100 tonnes each of canned pineapple jam and canned pineapple slices to be completed by November 1981, 10 *per cent* penalty was leviable on value of non executed order The firm was to supply cans and a letter of credit was to be opened after the payment for cans was made by the Company The firm supplied 2 40 lakh cans (value Rs 3 84 lakhs) in September 1981 but no payment was made by the Company due to paucity of funds with the plant In the absence of payment the letter of credit was not opened by the firm

The Company despatched (May 1982) 111 tonnes of products valuing Rs 11 22 lakhs for shipment though the firm did not open any letter of credit It had also become liable to a penalty of Rs 0 65 lakh as the Board decided not to manufacture these products further as it became uneconomical due to rise in the price of fruit *etc* The Company received the amount from the firm after adjusting Rs 0 65 lakh on account of penalty for non execution of balance order.

(b) *Returned/rejected consignments*

(i) In December 1979, the Company received an order through a firm of Bombay for supply of canned vegetables valued Rs 3 53 lakhs to a buyer of U K and a letter of credit was opened by the foreign buyer in favour of the Bombay firm The consignment was to be despatched by 28th February which was extended up to 15th May 1980

Against the above order the Company exported 1 745 cartons of *sarson ka saag* valuing Rs 1 93 lakhs by the end of the extended period of letter of credit (15th May 1980) After the expiry of the letter of credit the Company despatched (1st June 1980) to the Bombay agent the second consignment of 250 cartons (12,000 cans) valuing Rs 0 37 lakh on collection basis The cartons remained lying with the forwarding agent at Bombay and 11 820 cans (out of 12 000 cans) were received back at Murthal plant in February 1981 The Company incurred freight of Rs 3 263

Out of 11,820 cans received back 368 cans were used as samples balance quantity of canned vegetables became unfit for human consumption The case for write off and destruction of the balance cans was referred by the plant to head office in March 1982 and was awaiting approval (February 1983) Thus, the Company was put to an avoidable loss of Rs 0 40 lakh

(ii) The Company despatched 619 cartons of fruit cocktail and 790 cartons of mango to Bombay for shipment in December 1979 and February 1980 respectively after expiry of the validity periods of letter of credits opened by the foreign buyer The buyer did not extend their validity periods and the materials were brought back(July 1980) to Murthal plant resulting in an avoidable loss of transportation charges amounting to Rs 0 19 lakh

(iii) A firm of Bombay placed an order (December 1979) for supply of 400 cartons (48×450 gms) of *sarson ka saag* for export to Canada at the rate of Rs 140 per carton Instead of opening letter of credit, the firm agreed to remit 10 *per cent* payment in advance and 90 *per cent* after shipment against shipping documents

The first consignment of 200 cartons was shipped in March 1980 and the payment was duly received The firm remitted 10 *per cent* advance (Rs 2,600) in May 1980 and asked for urgent despatch of second consignment of 200 cartons The material was despatched to Bombay in June 1980 but the balance payment (Rs 0 23 lakh) was not received The firm disputed (March 1981) that material was not of good quality as stipulated in the Food and Drugs Act of Canada though its inspection was done by the department of Food Government of India and it was approved for export The firm lodged (March 1981) a claim with the Company for Rs 0 93 lakh being the cost of material and shipping charges paid on both the consignments including interest The Management had not taken any action so far (December 1982) to realise the amount due

(vii) Packing material

The food and fruit products manufactured are packed in bottles and cans and then these are packed in crates/cartons

(a) *Cans*

Production of canned juices/foods by the plant was started in July 1976 For this purpose cans of 170 450 and 850 gms are used As per the norms laid down by the plant, the maximum breakage/wastage is 1 *per cent* The actual wastage during the years 1978 79 to 1980 81 ranged between 4 3 *per cent* to 13 2 *per cent* resulting in excess consumption of cans valuing Rs 1 07 lakhs

The management is yet to investigate the reasons for excess consumption of cans

(b) *Empty beer bottles*

Mango pulp extracted is stored in the jericans and bottles The table below indicates the bottles used and broken during the three years up to 1980 81 —

Year	*Bottles used*	*Breakage of bottles*	*Percentage of breakage to bottles used*
1978 79	98 471	36 466	37
1979–80	63 085	23 500	37
1980–81	34 481	14,004	41

No norms have been laid down by the management for breakage of bottles It will be observed from above that the percentage of breakage of bottles is very high The management is yet to investigate the reasons for higher breakages

(c) *Beverages bottles*

The Company had not fixed any targets for production of beverages During 1979 80 and 1980 81 the Company purchased 0 67 lakh bottles (valued at Rs 0 67 lakh) even though there was a stock of 9 91 lakh of bottles in June 1979 and the production of beverage was 3 84 lakhs in 1979 80 and 3 12 lakhs in 1980 81 No norms for breakage of bottles with reference to production were fixed by the management but the Deputy General Manager of the Plant decided (January 1981) that the breakages should not exceed 3 *per cent*

It has, however been observed that out of 14 58 lakh of bottles purchased up to June 1981 4 82 lakh bottles (value Rs 4 82 lakhs) were broken against the production of 57 99 lakh bottles during the period 1974 75 to June 1981 resulting in excess breakage of 3 08 bottles valuing Rs 3 08 lakhs(computed at the rate of 3 *per cent* fixed in January 1981) which has not been investigated *(viii) Reprocessing/spoilage of finished Products*

The material lying unsold for considerable period is reprocessed in order to avoid total loss of material

During 1978 79 to 1981 82 (up to April 1982) 24 620 cans of beverages were reprocessed resulting in loss of Rs 0 57 lakh on account of packing material, processing charges and product loss

From July 1981 to September 1981 tomato ketchup was re processed into 350 gms bottles resulting in loss of material and reprocessing charges to the extent of Rs 0 17 lakh

The General Manager Murthal Plant submitted (March 1982) a list of finished goods valuing Rs 1 74 lakhs produced during 1976 77 to 1978 79 which were either puffed due to long storage or not sold for want of demand Items valued Rs 0 81 lakh were destroyed during October to December 1981 The material valued Rs 0 93 lakh was still lying with plant(July 1982)

(ix) Masala Plant

(a) Machines costing Rs 0 48 lakh were purchased during September 1976 to 1978 for production of ready to use spices of different varieties and the plant went into regular production in September 1979 The plant was operated for 47 days in 1979 80 and 118 days in 1980 81 The unit has a capacity to grind 1 25 lakh kgs of spices in a year (250 working days) on single shift basis Against this production was negligible as detailed below —

Year	*Capacity*	*Inputs of spices*	*Spices produced*	*Percentage of spices produced to capacity*	*Wastege and process loss*	
					quantity	*Percentage*
		(in kilogrames)				
1979 80(September 1979 to June 1980)	1 00,000	2 024	1 840	2	184	10
1980-81	1 25,000	9 443	8 731	7	712	8
1981-82	1 25 000	6,189	5 724	5	465	8

The management has not fixed any norm for wastage and process loss The management has not taken effective steps to popularise the product and increase its production and sales

(b) Red chillies cartons

The Company purchased (May 1977) 2 11 lakh cartons of 100 gms valued Rs 0 28 lakh for packing red chillies Up to May 1982, only 1 730 cartons were consumed , leaving a balance of 2 09 lakh The paper cartons are bound to become unserviceable due to passage of time

In its written reply, the Department stated as under

' The production of fruit & Vegetable is about 4 7 crores tonnes in India out of which only 60000 tonnes is being processed constituting only 0 2% The licence capacity of the fruit and vegetable processing Industry in India is about 2 27 lacs tonnes The idea of having a fruit processing plant was based on the expected increasing demand of processed fruit and vegetable product and available of raw material and intensive fruit plantation scheme of the Govt from Ambala to Rai vis a vis to creat a vegetable belt around the adjoining area of Delhi like Sonepat Gurgaon, Faridabad Rohtak etc and also to avoid approximate spoilage/wastage loss of 20% of total production of fruit and vegetables per survey conducted by the Indian Institute of foreign trade The Murthal was the ideal place for setting up of fruit and vegetable plant but results could not come upto the anticipation The Corporation has taken steps from time to time to improve its working and accordingly canning line was added in 1976 and Masala plant out of losses The low capacity utilisation may be attributed to the reasons as under —

It was anticipated that the consumer will welcome fruit beverage but it could not attract mass consumption as compared to well established brands of corbonated bev like Coca cola & Gold spot Being clientale the rotation of bott were very poor which resulted heavy clientale the rotation of bottles in the market The blockage of bottles increased the cost of collection as well as Ltd number of bottles available for refilling in the plant In the course of time the cost of cleaning also increased and inspite of the best efforts in 78 by direct retaining in Delhi mkt to take advantage of the ban on production of coca cola Extensive publicity compaign was also launched including extension of credit facilities to private dealers/retailers etc Subsequently it was found that the empties remained blocked collection cost from retailers increased tremendously As a result it was given up There has been constant violation between building up domestic make and on the other hand concertaining on export The management has now decided to lay tremendous emphasis on building up a proper domestic net work dealers for which necessary action is being taken The reasons for selling of material below cost has been that the market price of leading competitors fixes sale prices of other brand Keeping in view the existing technology of the plant our production cost were very heavy A study by the NPC has been got conducted and the management has itself also attempted a review/analysis Further necessary action is being taken

Purchase of Mangoes —The production Supervisor was sent to Malda to know the availability of Fazl Hassina mangoes and also to ascertain the rates The production supervisor intimated telegraphically on 13 7 81 that the Hassina mango is available upto 25 7 81 and the prevailing rates is Rs 100/- per qtls plus truck freight of approximately Rs 4,000/ He also intimated that the rates are increassing The Chairman of the Corpn directed the G M Murthal on 17 7 81 to depute the Dy G M to Malda for effecting the purchase of Hassina mango in order execute the export order The Dy G M was accordingly sent to Malda on 17 7 81 Mangoes were neither purchased at Rs 100/— per qtl nor at Rs 120/— per qtls

Actually the purchase were effected lay the duly authorised committee On FOR basis obtaining quotations The FOR rates for Hassina mango were intimated telegraphically as also on telephone by the committee from time to time and the sanction for effecting purchases on FOR baisis was conveyed to the committee before the purchase were actually made All the quotations are on the record of the plant The direct purchase from Malda mandi was avoided due to the following reasons —

(i) Non availability of the mango from a single committee agent (ii) Full cash payment required against the supply at Malda (iii) Detention charges of Rs 500/— per day for each truck in case of delay in collection of mango as trucks were required to be engaged from Calcutta Silliguri (iv) Non availability of man power for deputing one man atleast with each truck (v) Partly ripened mango available in the mandi resulting more percentage of driage and spoilage in transit (vi) Transit risk (vii) Fluctuation in rates Under the circumstances explained above the action of the committee was in the interest of the corpn and there was no loss

(iii) MANGO PULP

(a) Percentage of driage and spoilage depends upon the quality and the variety of mangoes Recovery of the mango pulp also depends upon the climatic condition during the year If there is proper & kindly remain recovery of pulp will be more and if there are no remains the recovery will be less We have to purchase the mangoes of different varities according to availability in the market and requirement of the customer Necessary steps have been taken with regard to better storage conditions Table itself shows reduction in spoilage/during position for prevention of further such problems temporary sheds etc have been fabricated to reduce the driage/spoilage losses

(b) The recovery percentage of pulp is under consideration by management within constraints of flavour acidity sweetness and colour etc Recovery also depends upon the weather conditions and other horticultural factors effecting the Mango crops of particular season The explanation of the G M was called to effect the recovery for which he has pointed out that the estimated recovery of 48% pulp was based on direct consumption of pulp In this case pulp was filled in beer bottles due to which recovery went down Further quality of mangoes was not upto the mark for which party was intimated and a deduction of 4070 kgs mangoes will be effected while making the final payment The payment of the party has been with held and the case of mango purchase was also placed before the BOD who authorised and the M D to call the party and settle their account for the supply of Mangoes

Sale price of various items is fixed promotions its saleability and is based on the sale rate of other standard competitors of the same products under the circumstances the profitability of the product is achieved only through mass production/capacity utilization Estimated costing is for guidance and for proper control at various levels Actual cost calculation are being done for all products produced in batches The products which do not con sistently come within the required costing are di continued till favourable situation Production of some of the products such as fruit beverage squashes etc has to be continued for consumer satisfaction/sale promotion and also as a condition of buyer in case of a bulk order or various products

(a) In order to avail the benefits of opportunity arised due to the ban of coca cola it was decided to penetrate in tl e market directly and to save the dealers margin also resultant the old dealers of Delhi issued instruction to their Banks to stop payments as such legal action are under process

(b) In the Board of Directors meeting held on 19 9 83 and again on 30 12 83 while showing the analysis is and review the following position has been brought out Empty bottles and crates lying with parties —

Sr No	*Particulars*	*qty*	*Value*
1	Recoverable	5748×24+11	Rs 1 61 lacs
2	Non recoverable (distributed to parties/dealers but could not be recovered)	5498×24+7	Rs 1 54 lacs
3	With held by the parties legal cases in progress	9438×24 +6	Rs 2 64 lacs

It is not possible to initiate legal action for recoveries of empties as given at Sr No 2 as legal action may bring additional loss

(a) Non opening of the L/S did not effect the recovery in any way as part did not stop the payment except cost of empty cans and penalty according to terms of agreement The material was despatched to the party with the approval of B O D as no other alternate for disposal of this consi gnment was possible Legal notice to the firm has also been issued to save the penality

(b) (i) The entries consignment could not be despatched due to non availability of lables which were to be supplied by the party The firm requested to delivery the goods at Bombay against payment Accordingly the material was despatched The party refused to make the payment to our clearing agent/Sales Officer due to non sale of earlier consignment tried to dispose of the material at Bombay but no buyer could be available Therefore material was to be brought back There was no domestic mkt of this product not any export order could be obtained With the passage of time product has become unfi for use The case was placed before the B O D in their meeting dated 19 9 83 and 30 12 83 where in destrubtion of 11 237 cans valued at above 36,500 have been approved under the supervision of Central Excise Staff

(ii) The order for supply of one lacs cans of fruit cocktail was received from STC which was supplied A repeat order was received for 34 000 cans The consignment was sent to Bombay but the ship nominated by GDR did not lift the consignment and letter on validity period of L/C expired which was not extended due to some dispute with STC Therefore there was no other alternate except to bring it back The material was sold in the Indian market Besides an order for supply of 8000 cartons of Mango Juice was also obtained from STC for supply to Hodedah 2500 the lithographed Delician cans of 170 gms posted with STC lables 2500 cartones were supplied The second consignment of 790 cartones was again sent to Bombay but in the mean while Foreign Buyer cancelled the order and the consignment was brought back Such like problems to take place in any business venture and have to be accepted as unavoidable part of business dealing

(iii) The material was sent to the party in good faith The material was of right quality and was exported under F P O quality certificate But the party provided us a photocopy of letter of the Canadian Authorities regarding inferior quality of our products The case has been examined from legal angle but it has not considered a fit case to be persued court of law However party s claims if any regarding this deal will be contested

(a) Mainly three sizes of cans i e 170 gms and 850 gms are being used The processing loss of cans comes to 12% in 170 gms 2 26% in 450 gms and 187% in 860 gms The higher percentage of loss in 170 gms cans was due to the reasons that these were built up can and were lying in plant for 3 years During storages some cans were rusted and damaged Now it has been brought down below 2%

(b) Pulp stored Jerry cans is required to be preserved with chemical therefore such pulp cannot be used in canning The alternative is to preserved the Pulp in OTS cans or beer bottles Preservation in OTS cans is costly therefore pulp is being preserved in beer bottles The life of beer bottles is not more than four filling because of that processing The average breakage is less than 25% which is taken care of in the cost estimate

(c) The bottles were purchased to cater the market The 9 91 lacs bottles were including about 7 lacs bottles which were lying with the dealers in the market as also given in the A G S review page No 163

The re processing is in evitable to save the total loss of left out/return goods The case of destruction of unfit material was placed before the Board of Directors as 19/9 and 30 12 83 who have approved the destruction of material valuing about Rs 0 74 lacs under the supervision of Central Excise Staff and writing of the material valued about Rs 0 81 lac already destroyed under the supervision of central Excise staff

(a) Production is being carried strictly against demand to avoid losses of interest and inventory Machinery is in use

(b) The cartones were purchased on the basis of anticipated demand and lesser cost for more quantity and these are being utilised in production The cost was about 13 paise per carton where as now cartones are costing about paise 25 per carton

During the course of oral examination the Managing Director of the Company stated that before setting up this plant no viability report was prepared and that the object of utilisation of fruits and vegetables produced in Haryana by this plant was also not achieved He further stated that upto 1984 85 the cumulative loss suffered by the plant was to the tune of Rs 155 64 lakhs He also stated that the plant was incurring continuous losses and there was no demand for its products in the market and that it has been decided to sell it to Haryana Breweries Limited

The Committee observe that investment of Rs 57 lakhs was made in the plant without even first conducting a viability study and that no efforts were made to utilise the fruits and vegetables produced in Haryana by the plant as envisaged while setting it The Committee were concerned that year after year the Company was incurring losses which have reached to about three times of the investment

The Committee feel that bad planning incorrect product mix, poor utilisation of capacity inadequate marketing arrangements lack of cost and quality control and grossly inefficient management led to huge losses and miserable plight of this plant which could have been avoided if timely corrective action had been taken by the Government

The Committee recommend that instead of keeping the plant idle thereby incurring unproductive expenditure on salaries and wages of employees etc, the Government should get examined the ways and means of putting the plant to gainful use by introducing some product mix in demand in the market, failing which the hiring out of the plant or its disposal should be expedited to stop further losses

Purchase of mangoes and pulp

During the course of oral examination, the Managing Director stated that for the purchase of defective mangoe and pulp recovery was being made from the concerned Managing Director who was also placed under suspension and that some amount of the supplier firm was also withheld

The Committee recommend that the amount of loss suffered by the Company in the purchase of mango and pulp should be recovered from the suppliers/officials found responsible for the loss under intimation to the Committee

Costing system

The Committee feel that the Company should have a costing system to have effective control over cost of its products and also to help them in decision making for going in for production of certain items in preference over other items keeping in view the economics of cost of production

Sales Policy

The Committee recommend that the Management should investigate the cases of allowing of credit sales without obtaining security and entering into agreement resulting in non recovery of dues and bottles and crates from dealers and fix responsibility for the lapses and submit a report to the Committee within three months

The Committee further recommend that all out efforts should be made by the Management to recover the outstanding amounts from the dealers including through legal process which should be expedited and Committee be kept informed about the progress in the matter

The Committee also recommend that the Management should prescribe adequate control systems, policies, rules and regulations so that such type of irregularities in sales could be avoided

The Committee also recommend that the enquiry against the General Manager should be expedited and the final out come and action taken should be intimated to them

Export of pineapple products

The Committee feel that the Company could not supply the pineapple products for export as before accepting the order the Management had not assessed its profitability and this resulted in payment of penalty due to not completing the order

The Committee recommend that responsibility for the lapses resulting in payment of penalty should be fixed under intimation to the Committee

Reformed/rejected consignments

(i) The Committee observe that the main reason that the Company could not export full consignment of *sarson ka saag* to U K was that despatches to Bombay were made after the expiry of the validity of letter of credit which resulted in loss of Rs 0 40 lakh to the Company

The Committee recommend that the reasons for not supplying the

full consignment with in the stipulated time should be investigated and a report submitted to the Committee

The Committee observe that when the consignment could not be exported due to expiry of validity of letter of credit, the Management did not make enough efforts to dispose of the material in home market or by export to some other country The Committee feel that it should not have been difficult for the Management to sell this small quantity of export quality material provided earnest efforts were made in right direction

The Committee recommend that the responsibility should be fixed for not taking prompt action for the disposal of the material after it could not be exported, and responsibility be fixed for the loss under intimation to the Committee

(ii) The Committee observe that the Management should not have despatched the fruit cocktail and mango consignment to Bombay for shipment after expiry of the validity period of letter of credit opened by the foreign buyer without first getting the validity of letter of credit extended

The Committee recommend that the responsibility for the lapse and also for not despatching the material within the validity period of letter of credit be fixed and a report submitted to the Committee

(iii) The Committee recommend that responsibility for handing over the consignment of sarson ka saag to the Bombay firm for export to Canada without first receiving the payment should be fixed under intimation to the Committee The Committee should also be kept informed about the progress in the matter of recovery of Rs 0 23 lakh from the firm

Packing material

The Committee observe that the excess breakage/wastage of cans valuing Rs 1 07 lakhs during 1978 79 to 1980 81 was mainly due to negligence and mismanagement of the plant officials and lack of adequate control by the management The Committee feel that this was also a reason for increase in cost of production of the product

The Committee recommend that responsibility for excess breakage/wastage of Cans be fixed and a report submitted to the Committee The Committee also recommend that the Management should take effective steps to control the breakage/wastage of Cans and keep them below the prescribed norms

Empty beer and Beverages bottles

The Committee feel that the breakage of bottles was abnormally high and recommend that the reasons for such high breakages be investigated and responsibility be fixed for the loss under intimation to the Committee

The Committee also recommend that the Management should prescribe norms for the breakage of bottles and ensure tight control to keep the breakages within the norms

Reprocessing/spoilage of finished products

The Committee observe that materials after production were kept for a considerable period and then reprocessed by incurring extra expenditure and then destroyed resulting in considerable loss to the Company The Committee are convinced that there is something basically wrong with the Management and functioning of the plant They see no reason as to why the products were kept for long periods and not sold/disposed of earlier even at discount to avoid blockade of funds and total loss later on

The Committee recommend that all such cases of products as were kept for long times, reprocessed and then destroyed should be investigated by the Management and responsibility be fixed for the lapses and a report submitted to the Committee

The Committee also recommend that in future the Management should ensure proper control over the production and marketing of various products and no item should be allowed to remain unsold in stock for long period & resulting in total loss to the Company

Masala Plant

The Committee feel that there is demand for ready to use spices of different varieties in the market but the management failed to take advantage of that The Committee observed that the utilisation of the capacity of the plant was extremely poor and wastage was also very high

The Committee recommend that the Management should fix responsibility for excessive wastages and in future ensure that the wastages remain within the norms, which should be fixed without delay

The Committee also recommend that effective steps should be taken by the Company to popularise its 'masalas' and the utilisation of the capacity of the plant should be brought to the optimum level and suitable arrangements be made for the marketing of the product

Paragraph 6 29 14 Transfer and Retransfer of Plants

17 The State Government in consultation with the Company decided in November 1976 to transfer for Cattle Feed Plant Jind (Book Value Rs 34 87 lacs) and N P K Fertilizer Plant Shahabad (Book Value Rs 35 93 lacs) to HAFED which had also set up similar Plants at Rohtak (Cattle Feed Plant) and Taraori (N P K Fertilizer Plant and Insecticides & Pesticides Plant) with effect from January 1977 on lease with a view to avoid unhealthy competition The annual lease money including interest was fixed at Rs 7 50 lacs on adhoc basis The lease money was revised in August, 1977 to Rs 11 00 lacs per annum including interest which was also on adhoc basis The company

lodged a claim (April 1979) for the balance amount of Rs 4 37 lacs which has not been settled so far (December 1982) If depreciation and interest on investment (at 16 % per annum according to he Company) were taken into account the lease money would work out to Rs 21 41 lacs as against the adhoc amount of Rs 11 00 lacs fixed in August 1977

In its written reply the Management/Department stated hat there were several pending/disputed issues including trucks payment of D A P lease case etc with HAFED The matter had been taken up to reconcile and settle the issues

During the course of oral examination the Managing Director of the Company stated that now Rs 4 37 lakhs remains to be recovered from HAFED

The Committee recommend that the settlement of account with HAFED should be expedited and the recovery of Rs 4 37 effected quickly under intimation to the Committee

Paragraph 6 29 15 *Solvent extraction plant Kaithal*

6 29 15 (*i*)

18 The Company took up the setting up of a solvent extraction plant at Kaithal in 1975 and the plant was commissioned in May 1979 (against the target date of 15th October 1976) at a cost of Rs 58 lakhs It was under trial operation up to 30th June 1980 The projected capacity of the plant on three shift basis was 6 000 tonnes per annum for processing of rice bran The Company had not fixed any annual targets for production

The table below indicates the installed capacity to process rice bran rice bran actually processed actual production of rice b ran oil and deoiled rice bran and sales thereof during the three years ending 1981 82 —

Year	*Installed capacity*	*Rice bran processed*	*Percentage of rice barn processed to installed capacity*	*Rice bran oil and deoiled rice baran available for sale*	*Sales*
	(*in tonnes*)			(*in tonnes*)	
1979–80	6 000	1 999*	33 32	1 979	2 071
1980–81	6 000	3 328	55 47	3 455	3 248
1981–82	6 000	3 442	57 37	3 573	3 293

*During trial operation period

The production losses(provisional) and total losses for the three years up to 1981 82 are given below —

Year	Total expenditure	Total revenue realised	Total loss	Under recovery of	
				Variable overheads	Fixed overheads
			(Rupees in lakhs)		
1979–80	44 72	25 57	**	—	—
1980–81(provisional)	56 56	34 86	21 79	5 99	15 80
1981–82(provisional)	62 49	44 92	17 57	1 66	15 91

The reasons for not achieving the installed capacity as projected and for the heavy losses were attributed by the management (March/November 1982) to —

(a) Non maintenance of vacum continuously due to under utilisation of plant capacity

(b) shortage of raw material for want of funds and

(c) short supply of power

(ii) Purchase of rice bran

The plant placed two orders for purchase of 2 000 quintals of rice bran (*Sella* variety) and 600 quintals of rice bran (raw) on 15th February 1980 on a firm of Kaithal Against this 1 000 quintals rice bran (*sella* 500 quintals raw 500 quintals) valuing Rs 1 15 lakhs were received

The material supplied by the firm was not according to approved sample as per the test reports of the chemist of the plant The oil contents in the rice bran (raw) ranged between 7 36 *per cent* to 9 06 *per cent* and in rice bran (*sella*) between 8 36 *per cent* to 10 55 *per cent* as against 13 08 *per cent* for raw and 16 96 per cent for *sella* respectively as per the samples approved by the purchase committee The sub standard material was accepted without any proportionate reduction the price This resulted in extra payment of Rs 0 48 lakh

The reasons for accepting the sub standard material were not on record

(iii) Consumption of hexane

As per cost estimates 15 litres of hexane are required to process one tonne of rice bran However the actual consumption of hexane during 1980 81 and 1981 82 (up to June 1982) was in excess by 50 435 litres over the norm fixed (value Rs 2 39 lakhs)

**The net expenditure of Rs 19 15 lakhs incurred during the year was treated as pre operational expense

The management has not analvsed the reasons for excess consumption of hexane

(iv) *Shortage of hexane*

A test check of the stock register for the year 1979 80 revealed that there was a shortage of 13 043 litres of hexane valuing Rs 41 215 The stock register showed a book balance of 23 080 litres of hexane on Ist May 1980 whereas actual balance in the plant was 8,537 in mother tanks and 1500 litres in circulation

Further a quantity of 4 094 litres of hexane was short accounted for in the stock register during 1979 80 to 1981 82

These shortages have neither been investigated nor written off in the accounts

(v) *Unauthorised rebate to a party*

The Company allows credit up to 30 days on the sale of rice bran oil The Company sold 9 320 tonnes of rice bran oil valuing Rs 54 522 to a firm of Nuh in January 1982 The party pledged (January 1982) a demand draft for Rs 81 324 15 as security with the Company Later on the party tried to obtain the draft back without payment and a complaint against the party was lodged (February 1982) by the Company with the Police However the case was settled(March 1982) by allowing an unauthorised rebate of Rs 13 239 74 to the party on account of moisture contents being more than 2 *per cent* It may be mentioned that the plant authorities allowed this rebate without checking the moisture contents

(vi) *Cake breaking machine*

The Company was using ejector for creating vacum in the system The project authorities suggested replacement of the system by vaccum pump called Rotavac System which would save 40 *per cent* furnace oil It was proposed that the Cake breaker machine (value Rs 0 45 lakh) fitted in the plant which was lying idle (since inception) and for which there were no chances of use, should be exchanged with the Rotavac System with marginal adjustment of prices in cash The new machine (value Rs 0 47 lakh) received in December 1980 was commissioned in January 1981 However the cake breaker machine was not returned to the supplier and was still lying idle resulting in the blocking up of funds(Rs 0 45 lakh) besides loss of interest thereon

The Department in its written reply stated as under —

(i) The construction of Plant was started in 1976 but due to floods in the area during July to September, 1976 progress was very slow The work was started in full swing in October 1976 In the month of November 1976 Government decided to transfer this Plant to HAFED Plant was again transferred back to the Corporation in 1978 and the construction work was expedited No objection certificate for inflamable material/explosive was received from D C, Kurukshetra in August, 1978 On the basis of the certificate Corporation applied for licence to obtain Solvent(Hexane) which could be arranged in February 1979 and trial production was carried out in the year 1979 80

In the initial year of its operation the Plant faced various difficulties such as —

(a) There was frequent power tripping/failure resulting into heavy evaporation of Hexane due to non maintenance of vaccum continuously To overcome this problem, generating set was installed in January, 1981 to maintain continuous vaccum in the system

(b) Plant was also closed from February, 1981 to May, 1981 due to the non availability of Hexane (due to the break of war between Iran & Iraq) The prices of petroleum products also increased to two folds during the period

(c) There was slump in rice bran oil market from June, 1981 onwards due to heavy imports of tallow which replaced rice bran oil in soap industries This resulted into very heavy losses and compelled the management to close the Plant for four months i e upto the end of October 1981

The Corporation has taken steps to reduce the fuel expenses and has got converted its oil fired boiler into Husk Fired Boiler with a cost of Rs 1 00 lac approximately Operation of Husk Fired Boiler has been started in the year 1983 The use of Husk Fired Boiler has reduced the cost of fuel by 80% which is the major constituent of the cost of production

(i) The management is making efforts to improve the functioning of the Plant

(ii) It could not be ascertained whether the supply was of inferior quality or not due to mixed storage of Rice Bran in the Godown The Chemist of the Plant certified on the bills Quality of Rice Bran conforms with the sample supplied Therefore payment was realeased to the party The then G M and the Chemist of the Kaithal Plant have since left the employment of our Corporation

(iii) Management has analysed/investigated the reasons and have taken the following steps to prevent losses of the Hexane —

(a) Frequent power tripping/failure were resulting into abnormal Hexane loss The Plant has been provided with diesel generating set to maintain continuous power supply to the Plant

(b) The vaccum pump was also installed to maintain continuous vaccum

These steps have reduced the consumption of Hexane from 40 litres to 20 litres Further efforts are being made for maximum utilization of capacity which will further reduce the Hexane loss

(iv) The case was investigated by a committee It was found that the then G M Plant tried to mislead the management by showing less consumption in the hope of getting better results in the future and then adjusting the over consumption The G M has resigned and is no more with the Corporation

The shortage of 4094 litres was due to temperature variation of filling point and at receiving point However Hexane is transported in sealed tankers and the seal is removed by a committee at the plant As such there is no chance of pilferage The entries in R G 16 Register (Stock Register) are being done on the basis of corresponding volume at 15°C for Excise purpose For illustration in Excise G P No 1323 dated 8 2 83 12000 litres at normal temperature are 11756 litres at 15°C for Excise Purpose Entry is required in the books at 11756 litres If is not correct to take the difference as shortage

(v) A's per market conventions/standards Rice Bran Oil is being accepted having moisture and sediments upto 2% without any rebate If moisture and sediments are more than 2% then rebate is allowed on pro rate basis as under —

(a) 2% to 3% moisture and sediments single rebate of 1%

(b) above 3% moisture and sediments double rate i e 2% The consignment which was supplied to the party was the left out and sweeping of the storage tank As such moisture and sediment was above 20% therefore rebates was allowed

(vi) The Cake Breaker Machine is being utilized when cake is used as raw material for extracting oil

The Committee observe that as per the initial reports of the Chemist the quality of the rice bran purchased from the Kaithal firm was not according to the approved sample and the acceptance of the inferior quality of rice bran resulted in extra payment of Rs 0 48 lakh to the supplier which could have been avoided if there had been proper laid down procedure for purchase inspection and testing of rice bran Since the Chemist and the General Manager of the plant had left the employment of the Company it may not be possible to fix responsibility for the loss

The Committee recommend that the Management should lay down a sound purchase procedure and prescribe adequate safe guards to avoid recurrence of such losses in future

The Committee also recommend that the Management should ensure that the excess consumption of hexane (50 435 litres) valuing Rs 2 39 lakhs over the norm fixed during 1980 81 and 1981 82 was not on account of short receipt/pilferage/negligence of the staff operating the plant and, if so, responsibility be fixed under intimation to the Committee

The Committee are not convinced by the reply of the depart ment that rice bran oil supplied to the firm of Nuh was left over and sweeping of the storage tank which contained moisture content more than 20 per cent as in support no evidence/document was produced before the Committee The Committee feel that no purchaser would have accepted such inferior grade oil without first testing the sample and settling the rebate

The Committee recommend that the unauthorised allowance of re bate of Rs 13,239 74 given to the firm should be investigated and responsibility fixed for the loss

The Committee observe that the 'Rotavac system machine (value Rs 0 47 lakh) was to be purchased in exchange of Cake breaker Machine(value Rs 0 45 lakhs) but instead the Management kept both the machines

The Committee feel that after the purchase of Rotavac machine there was hardly any use of old Cake breaker Machine & its return to the supplier would have avoided blockade of funds

The Committee recommend that the reasons for not returning the Cake breaker machine should be investigated and responsibility be fixed for the lapse The Committee also desire to know the total number of hours the Cake breaker machine' was used in each year during 1980 81 to 1986 87

The Committee observe that the solvent extraction plant was working much below the capacity and was incurring persistently heavy losses

The Committee recommend that the working of the plant should be investigated in order to fix responsibility for the acts of omission/com mission and mismanagement and a report submitted to the Committee

The Committee further recommend that the Government should get examined the economic viability of the plant and devise ways and means to make it profitable inter-alia by improving production, sales, managerial control and by reducing overhead expenses, wastages etc

Paragraph 6 29 16 Cattle feed Plant Jind

6.29 16(i)

19 The plant set up at a cost of Rs 45 35 lakhs went into

commercial production in July 1974 with an installed capacity of 36,000 tonnes per annum on three shifts basis The company had not fixed any annual targets for production The actual production for the years 1978 79 to 1981 82 against the installed capacity is given below —

Year	*Installed capacity*	*Production*	*Percentage of production to installed capacity*
		(In tonnes)	
1978–79	36 000	4,830	13 42
1979–80	36 000	6,572	18 26
1980–81	36 000	8,459	23 50
1981–82	36,000	7 353	20 42

Reasons for under utilisation of capacity have not been investigated by the management so far (February 1983)

(ii) The products manufactured are sold on cash basis to private parties and also on credit to Government Departments but with a view to boost up sales credit was also allowed even to the private parties with effect from 1st September 1975 The credit sale to private parties continued up to the end of 1976 and a sum of Rs 0 64 lakh was still outstanding (July 1982) on this account

(iii) Physical verification of stock conducted in June 1981 revealed shortages valued Rs 0 59 lakhs The shortages are yet to be investigated by the Management (February 1983)

The Department in a written reply stated that ' the Credit facilities were allowed to even private parties in 1975 76 But incidently Jind Plant was transferred to HAFED in 1976 77 and received back in 1978 resulted into total disruption in the sale net work Besides small manufacturer also come up in 1978 which are producing sub standard feed and are supplying at much lower rates There is also competition with reputed firms like Hindustan Lever Tata, Godrej Bhandari etc and also with HAFED for supplies to Govt /Co op Department These reputed manufacturers are located in surrounding States i e Punjab U P Delhi H P etc where there is no sales tax on feed where as there is 8% sales tax and 2% surcharge putting our plant into dis advantage position —

It is also mentioned that HAIC was one of the main supplier of Feed to Rajasthan & U P Dairy Federation but in 1981 82 four Plants in Rajasthan and two in U P of these organisation Animal Husbandry are the bulk consumer but due to shortage of funds with there their demand is also reduced from 1978 79 to 1982 83 There was acute shortage of electricity even though there was heavy demand of feed from Rajasthan However now a Generator valued at Rs 7 00 lakh has been installed to overcome this difficulty

The position of old recoveries are as under —

		(Rs in lakhs)
1	From Milk Societies	0 05
2	From Panchayat Department	0 26
3	From Government Department	0 26
4	From Private Parties	0 07
	Total	0 64

This experiment of affecting credit sale to private was operative only for about a year and stands dis continued since then

The shortage of Rs 59 000 is negligible as compared to the turn over of the year 1980 81 of this Plant which was about Rs 110 lakh Such shortages are unavoidable due to storage processing handling etc The total shortage due to driage/processing loss etc comes to 1 6% approximately (Total quantity processed 8700 M T shortage 135 MT) which is well within the permissible limit of 4%

The Committee observe that the utilisation of the capacity of the plant was very poor which ranged from 13 2 to 23 5 per cent during the four years upto 1981 82

The Committee recommend that the Management should take con crete steps to increase the production of the plant and also make proper planning for the sale of the products The Committee further recommend that the Management should enforce tight control on the functioning of the plant to minimise shortages/wastages

Paragraph 6 29 17 *Projects Pending Execution*

6 29 17(*a*) *Guar Gum Plant and Straw/Mill Board Plant*

20 The Company decided (September 1975) to set up Guar Gum Plant at Bhiwani and Straw/Mill Board Plant at Pehowa Two pro ject reports were got prepared by the consultant of Jaipur at a cost of Rs 10 000 but due to change in the management and subsequent action taken by the Chairman cum Managing Director in 1976 77 the Company could not take up these projects Again a sum of Rs 10,000 was spent (September 1981) for getting revised project prepared by a firm of Chandigarh The Board of Directors constituted (December,

1981) a committee of three members to study the viability of the projects The committee was still to submit its report to the Board(February, 1983)

(b) *Battery Plant Panipat*

The Project report prepared (September 1974) by a consultant of Jaipur at a cost of Rs 10 000 for the setting up of a battery plant at Panipat involving a capital cost of Rs 2 14 lacs was approved by the Board in 1974 for implementation Production of battery was done at small scale from 1973 74 to 1976 77 (451) batteries were manufactured and the batteries were consumed in the centres of the Company The Company has not so far (December 1982) taken action to set up the plant for want of funds

(c) An expenditure of Rs 0 44 lacs was incurred during 1974 75 towards Solvent Extraction Plant Project (Rs 27 500) and Cement Project (Rs 16 202) None of the projects had been executed so far (November 1982)

In its written reply the Department stated that ' in view of the present unsatisfactory financial condition of the Corporation the management has considered the keeping in obeyance of any investigation/taking up of any new project and instead concentrate on the improvement and consolidation of Corporation through its present activities As soon as the Corporation is in a position to take up a new project with its own resources the investigation and preparation of projects for implementation in the immediate future could be taken up so as to be in tune with the condition existing at that time

The Committee constituted by B O D to review is also being requested to give their report

Due to financial constraints the Corporation did not take up the battery project The machinery such as charges etc costing about Rs 10 000 is being utilized in our service workshops

(Solvent Extraction Plant, Kaithal) Payment was made and the Plant has been set up As regards cement project nothing is available on records to ascertain the payment made Efforts are being made to do the needful

The Committee desire that the reports on the economic viabilities of the projects should be got expedited The Committee recommend that before taking up any new venture the Management should thoroughly examine its economic viability to avoid any further losses

Paragraph 6 29 18 *Agro Aviation Wing*

6 29 18 (i)

21 The scheme of aerial spray of crops was introduced in Haryana in 1966 and till 1975 it was got done by Govt from privat operators The work done by them was not found satisfactorye and

the work was entrusted (May 1975) to the Company To start with 5 Basant Agricultural Aircrafts costing Rs 6 50 lacs each were purchased in May 1975 The aerial spray of crops is done at the instance of the Agriculture Department The first deployment was done in July 1975 Four out of five aircrafts crashed one in August 1976, another in March, 1980 and the third and the fourth in August, 1981

The amount reimbursed (Rs 11 70 lacs) by the insurance company towards the first & second aircrafts were not utilized for purchasing new aircrafts with the result that the working capacity of aerial spray had been affected adversely The yearly targets of spraying having thus been gradually declining year after year (150 thousand acres in 1977 78 to 40 thousand acres 1981 82) resulted in non achievement of the purpose of the project

As on 30th June 1981 an amount of Rs 0 71 lacs was outstanding towards charges of aerials spray from the concerned departments including Rs 0 38 lac due from Agriculture Department for over spraying done The matter is stated to be under correspondence

(ii) The Aviation Wing is in carrying heavy losses since its inception as given below —

Year	*Number of Aircrafts*	*Expenditure*	*Income*	*(Loss)*
			(in lacs)	
1975–76	5	14 18	3 23	10 95
1976–77	5	20 20	18 19	2 01
1977–78	4	18 59	15 60	2 99
1978–79	4	22 55	17 73	4 81
1979–80	4	22 13	11 70	10 43
1980–81	3	17 20	15 70	1 50

The management attributed the loss mainly to the fact that the charges fixed by the Govt of India for aerial of crops were much less as compared to the cost incurred by the Company

(a) The fuel consumption on ground runs of the aircrafts excluding fuel consumption of ferry and other flight during July 1980 to April 1981 was to the extent of 10% as against a maximum of 10% for all non revenue flights including ferry and test flights

(b) A consignment of 3 000 litres of aviation fuel (Value 0 21 lacs) was received from the Indian Oil Corporation on 26th September 1980 In the stock register this consignment was shown as transferred to Aviation Clubs of Karnal and Hissar on the same date whereas in fact, no fuel was transferred A complaint was lodged against the store keeper with the police in November, 1981 Further developments are awaited

(iii) The table below indicates the value of opening balance, purchases consumption and closing balance of spare parts of aircrafts during the three years ended 1979 80 —

Year	*Number of aircrafts held (year end position)*	*Opening balance*	*Purchases*	*Consumption*	*Closing balance*
		(Rupees in lakhs)			
1977–78	4	3 80	2 67	1 99	4 48
1978–79	4	4 48	6 38	3 81	7 05
1979–80	4	7 05	8 01	3 87	11 39
1980–81	3	11 39	0 49	0 89	10 99

It would appear that huge purchases were made though the consumption was far less resulting in blockade of the Company s funds

For the operation of the aircrafts, the Company had 3 Pilots, 3 Agro Aviation Engineers and 29 other staff in 1976 77 Inspite of the crash of the aircrafts from time to time the position of the crew and engineers remained the same while other staff was reduced from 29 to 16 in June 1982 The total expenditure on staff during 1980 81 and 1981 82 was Rs 2 76 lakhs and Rs 3 91 lakhs respectively

The Department in its written reply stated that 'the Corporation is left with only the one Aircraft and is almost achieving the targets of 40 000 acres by aerial spraying State Govt has already constituted a committee for the procurement of two used Helicopters from Indian Air Force The Committee has submitted its report recently which is being processed

The Corporation has recently taken over the entire accounts under its control and the accounts are under reconciliation for further necessary action

The B O D has been informed about the losses incurred Nine employees have left the Corporation and 17 employees are still on roll The Govt has been approached to increase the subsidy from Rs 66 666 to Rs 2 09 lacs per Aircraft per year to meet out the losses

Steps are being taken to minimise the fuel consumption

The total account of Aviation Fuel is being reconciled

The Corporation was maintaining a fleet of 4 aircrafts for aerial spraying purpose Spare parts were taken from M/s H A L (A Government of India Undertaking) To meet any exigency sufficient spare parts are to be kept in the stores Most of the spare parts were taken from the H A L on credit as such there was no blockade of funds

The strength of the employees has already been reduced to the extent possible disrupting the operations

During the course of oral examination the Managing Director of the Company stated that out of Rs 0 71 lakh outstanding for aerial spray Rs 0 21 lakh was on account of over spraying done which has been booked under expenditure He further stated that the spare parts were purchased on the advice of Civil Aviation Department and now these are not disposable

The Committee desire to know whether it was ensured by the Government that crash of four aircrafts, one after another , was not due to inexperience of pilots, poor maintenance of aircrafts or due to fault of ground staff/engineers

The Committee feel that if the amount of Rs 11 70 lakhs received from the insurance company was used for the purchase of aircrafts, the situation now prevailing would not have arisen and they could have also made use of the spare parts lying with the Company The Committee desire to know as to why the amount received from insurance company was not used for purchasing air crafts and who was responsible for this and how was this amount utilised

The Committee recommend that the management should fix respons ibility for the over spraying and recover the amount from the officials found responsible for the lapse and that the recovery of balance due amount should be expedited from the concerned departments

Besides, the recommendations contained under para 6 29 03 3 of this Report, the Committee recommend that the Management/Government should take some concrete action to cover more and more crop area under aerial spray by acquiring aircrafts/helicopters and for gainful use/disposal of spare parts lying unused with the Company The Committee suggest that the unwanted spare parts may be offered for buy back to Hindustan Aeronatics Limited

Paragraph 29 19 *Agro Training Centre*

6 29 19 (i)

22 An Agriculture training centre was established (January 1973) at Nilokheri for imparting training to un employed engineers technical personnel and diploma holders for setting up Agro service centres As per Government of India s instructions (December 1971) the Company was to undertake a programme of imparting training to selected entrepreneurs for three to four months The cost of training was to be met by Government of India During January 1973 to March 1980 219 entrepreneurs were imparted training (no entrepreneur was imparted training after March 1980) Against the expenditure of Rs 6 27 lakhs the Government of India reimbursed Rs 3 57 lakhs The balance of Rs 2 70 lakhs was yet to be reimbursed (November 1982) The scheme was transferred to State Government in 1979 80 but the training centre was not thereupon closed The Company incurred Rs 0 90 lakh during 1980 81 and 1981 82 on staff salaries and incidentals though no entrepreneur was imparted any training during this period The expenditure of Rs 0 90 lakh was yet (December 1982) to be recovered from the State Government

(ii) As per instructions (December 1971) of Government of India the entrepreneurs getting training must set up an agro service centre In case an entrepreneur does not do so the cost of training was recoverable from him A test check of records revealed that out of 237 entrepreneurs who were imparted training up to March 1980 only 128 entrepreneurs had established the centres Cost of training amounting to Rs 1 63 lakh (Rs 1 500 per head) was, thus recoverable from the remaining 109 entrepreneurs who had not established the centres The Management was yet (December 1982) to recover the amount

(iii) As per clause 4 3 of the scheme formulated by the Government of India for the establishment of agro service centres every entrepreneur who registers himself with the company for obtaining advance from financial institutions at subsidised rates was required to pay Rs 100 as registration fee 128 entrepreneurs, after training opened agro service centres but the registration fee had not been recovered from any of them so far (December 1982)

(iv) During 1975 76 the Company sold 58 old tractors to 40 entrepreneurs on hire purchase basis at the book value of Rs 12 66 lakhs As per agreement executed with the entrepreneurs the first instalment of Rs 3 60 lakhs was to be paid by them in October 1976 and the balance in six half yearly instalments alongwith interest thereon An amount of Rs 2 04 lakhs has been recovered from the entrepreneurs so far (March 1982) leaving a balance of Rs 14 78 lakhs (including interest up to March 1982)

In its written reply , the Department stated as under —

(i) The scheme was transferred from Government of India to State Government in April 1979 Therefore the matter was taken up with the State Government for reimbursement, which is under process with the Director Agriculture However the staff has been put to other work of A E W Nilokheri There is no loss of salary

(ii) This was a normal training scheme and even though the bond was there yet its legality is a matter which need to be checked up Moreover we are given to undetrstand that some trainees have not set up service centre keeping in view the changed economic situation

The entrepreneurs were unemployed and keeping in view of their financial position it is not practically possible to recover the amount from the trainee s

(iii) This seems to be an ommission but the reasons of the ommission are not possible to be ascertained The most reasonable cause seems to be the poor condition of the un employed entrepreneurs It may be more expensive to persue recovery

(iv) Corporation made the best efforts to effect recoveries Notices were issued to the entrepreneurs and to their guarantors but limited success could be achieved Legal advice has been sought to enforce recoveries

The Committee recommend that the recovery of expenditure of Rs 0 90 lakh on the salary of staff from the State Government should be expedited.

The Committee desire to know whether there was any shortcoming in the training system which did not attract the trainees after completion of training to open Agro service-centres

The Committee desire to know whether any surety/guarantee was obtained from the entrepreneurs before handing over tractors to them and if not who was responsible for this lapse

The Committee recommend that effective steps should be taken to recover the outstanding amounts from the defaulting entrepreneurs and the Committee be kept informed about the progress of recovery

6 29 20 *Sundry Debtors*

6 29 20(a)

23 The position of sundry debtors of the Company for the three years up to 1979 80 is tabulated below —

Year	*Sales including hiring*	*Sundry debtors*	*Percentage of sundry debtors to sales*
		(Rupees in lakhs)	
1977 78	4,85 57	55 30	11 4
1978 79	9 34 07	66 12	7 0
1979 80	6,93 64	83 61	12 0

The company has not laid down any policy for credit sales

(b) A test check of the records of some of farmer service centres revealed that though the centres are not allowed to make credit sales/hiring on credit, yet the same is being effected The debts outstanding recovery at the end of the years from 1978 79 to 1980 81 were as given below —

Unit	**Debtors**		
	1978 79	1979 80	1980 81
		(Rupees in lakhs)	
Palwal	2 85	3 65	5 87
Gurgaon	5 02	7 96	7 99
Rohtak	3 63	4 15	Not available

It may be seen from the above that the debtors are increasing year after year Reasons for giving credit facility by the units and non realisation of amounts are yet to be investigated by the Company The entire amount is doubtful of recovery as these are small amounts due from various private parties (about 12 000 parties) outstanding for many years, most of them from 1969 70 onwards No age wise details are available

The Department, in its written reply stated that ' the most of the debtors are more than 5 years old Lot of confusion has been caused in the accounts of 1976 77 due to transfer and re transfer of various plants and closure of some of the FSCs/Units Credit sales are not allowed but keeping in view some exceptional business activities where trade practices require extension of this facility credit sales have been effected The supplies to Government Departments are also made on credit Recently trained staff has been obtained on deputation from the Finance Department for the purpose of reconciliation and recoveries

After reconciliation efforts will made to effect recoveries failing which responsibility will be fixed for necessary action

The Committee desire that the Management should formulate policy regarding sales on credit and the circumstances of effecting credit sales by the units should be investigated and responsibility fixed for the lapses

The Committee recommend that the Management should make concerted efforts for recovery of the maximum outstanding dues from the debtors and a cell should be created for effecting recovery expeditiously and the Committee be kept informed about the progress made in this regard

The Committee also desire that the reconsideration of the credit sales and debtors be made quickly and responsibility be fixed for the acts of omission and commission resulting in non recoveries of dues

Paragraph 6 29 21 *Inventory Control*
6 29 21(*i*)

24 The table below shows the comparative position of inventory vis a vis sales of the company at the close of each of the three years up to 1979-80 —

Description	1977 78	1978 79	1979 80
		(*Rupees in lakhs*)	
(a) Raw material and stores	55-57	1 05 85	1,08 33
(b) Work in progress	2 57	7 63	1 45
(c) Finished goods	1,18 83	1,20 72	1,29 01
(d) Goods in transit	1 68	19 42	0 71
Total	1 78 65	2,53 62	2 39 50
Sales	4 34 71	8 78 78	6,49 36

The stock in trade represented 4 9 month's sales in 1977 78, 3 5 month s sales in 1978 79 and 4 4 month s sales in 1979 80

(ii) The stock position of spare parts, vis a vis, sales thereof for the three years ending June 1980 is given below —

Year	*Closing balance*	*Sales of spare parts*
	(Rupees in lakhs)	
1977-78	36 83	11 99
1978 79	31 10	7 50
1979 80	29 84	5 23

The stock of spare parts represented 37 month s sales in 1977 78 49 months sales in 1978 79 and 68 month s sales in 1979 80

The above spare parts included spare parts valued Rs 16 lakhs (approximately) lying in various centres imported during the period from 1971 to 1974 The management observed (April 1982) that most of the parts are dead and in spite of offering discount the demand was very poor This had resulted in blockade of Company s funds to the tune of Rs 16 lakhs and consequent loss of interest

(*iii*) *Shortages*

The following cases of shortages were noticed —

Serial number	*Name of Centre*	*Period*	*Particulars of item*	*Value (Rupees in lakhs)*	*Remarks*
1	Farmer Service Centre Gurgaon	1979 80	Poultry feed	0 06	The case was under investigation (December 1982)
2	Farmer Service Centre, Gurgaon	1977 78 to 1980 81	P O L	0 58	Out of these shortages a case of shortage valued Rs 0 30 lakh was under investigation (December 1982)
3	Farmer Srvice Centre Palwal	—	Shortage of material	0 24	(i) One official from whom sum of Rs 0 05 lakh on account of shortage is recoverable was no longer in service since 1977 78 (ii) Shortage of Rs 12 303 against a salesman appointed on daily wages under investigation by the Police (December 1982)
4	Farmer Service Centre Hissar	1976 77	Shortages of credit sales	0 47	The amount on account of shortages/under sale are outstanding against 8 salesmen since 1976 77

In a written reply the Department stated that ' the inventories are mainly of Fertilizer, tractor and spare parts Fertilizer is lifted against

Government allocations and rotate twice in a year Spare parts worth 16 00 were lying since long due to transfer of tractor assembly plant to HMT There fore it represent equaivalent to 4 4 not taken into account than inventories are well within the generally accepted norms in the business

The inventory of spare parts is of very slow moving nature Committee has already been formed to dispose of these spare parts at the earliest

Remarks

The Case was under investigation (Dec, 1982)	Inquiry is under progress
Out of these shortages and case of shortage valued Rs 0 30 lac was under investigation (Dec 1982)	The enquiry has been assigned to Chief Engineer on 24 10 83 The efforts are being made to fix the norms of Corporation and the shortages are coming in each year
(i) One official from whom sum of Rs 0 05 lac on a account of shortage is recoverable was to no longer in service since 1977 78	Record is being traced for necessary action
(ii) Shortage of Rs 12 303 against a salesman appointed on daily wages under investigation by the police (Dec 1982)	Police has filed court case in the court of Sh V S Malik and first date was 10 10 83 for appearing in the Court
The amount on account of shortage/under sales are outstanding against 8 salesmen since 1976 77	Record is not available and we are trying to locate the same

The Committee recommend that the Management should take immediate steps to dispose of the dead and obsolete spare parts to reduce the blockade of scarce funds

Regarding cases of shortages and misappropriation the Committee recommend that these cases should be investigated and responsibility fixed and recovery effected from the officials at fault The Committee desire that suitable steps should also be taken by the Management to stop recurrence of such cases in future

Paragraph 6 29 22 *Accounts Manual*

25 The Company is having multifarious activities and a number of units/plants the accounts of which are being maintained by the respective units and consolidated at headquarters However no accounting manual has been prepared so far though the Company is functioning from March 1967

The Department in its written reply stated that preparation of Accounting Manual was being taken up now that additional staff from the Haryana Finance Department had been posted in the Corporation

The Committee desire that the preparation of the Accounting Manual should be expedited which is essential for keeping effective control over the finances of the Company

Paragraph 6 29 23 Other Points of Interest

6 29 23(i) *Outstanding recovery against ex chairman*

26 Terms and conditions for the use of vehicles and payment of travelling allowance to the Chairman of State Public Sector Undertakings were prescribed by the State Government from time to time An amount of Rs 0 33 lakh is outstanding against a Chairman (November 1978 to July 1979) for use of vehicles and travelling allowance paid beyond prescribed limits The Company demanded (August 1982) payment from the incumbent but settlement was still awaited (December 1982)

Similarly, an amount of Rs 0 66 lakh was recoverable from another Chairman (September 1979 to February 1982) on account of use of vehicle and travelling allowance paid beyond prescribed limits The Company stated (Jule 1982) that the matter was under correspondence with the State Government

(ii) *Execution of work without work order*

In July 1976 the Company undertook the job of supply and erection of angular trusses for Municipal Committee Karnal without settling any terms and conditions and the work was completed in October 1976 The bill for Rs 0 91 lakh towards the construction and erection charges was sent in December 1976 The amount in question had not been recovered from the Municipal Committee (July 1982) There is nothing on record to indicate that any formal agreement/work order was placed on the company

(iii) *possible misappropriation of cash*

A purchase committee visited Delhi in February 1978 and made certain purchases of spare parts from various sources including NAFED As per records of the Company spare parts valued Rs 10 289 60 were purchased from NAFED on cash basis while the NAFED adjusted it as credit sales in their books The case was under investigation (November 1982)

(iv) As per accounts of Cattle Feed Plant Jind there was a balance of Rs 47 510 97 in the saving bank account with State Bank of Patiala Chandigarh as on 31st December 1980 whereas as per the pass book of the Bank the balance was Rs 17 510 97 which along with interest was merged in Head Office accounts in January 1981 The difference of Rs 30,000 was yet to be reconciled (June, 1982)

(v) *Non utilisation/disposal of tractor*

One Polish make tractor (Ursus 385) was purchased (May 1976) by the Company from Asia 1972' exhibition for Rs 1 25 lakhs for its own use In June 1976 it was decided to sell the tractor as it was no more required by the Company It has not been disposed of so far (July 1982) tender bids received thrice were for Rs 50 000 (July 1976) Rs 1 00 000 (February 1978) and Rs 1 00 000 (April 1980) but were found to be too low

Besides blockade of funds the tractor is deteriorating in condition with the efflux of time

The Department in its written reply stated as under—

"(i) The notice was issued to the Ex Chairman which has been received un delivered Case is being examined to take further necessary action

Legal case has been filed on to effect the recovery

(ii) The work was executed under the verbal order of the Deputy Com missioner Efforts are being made to recover the amount

(iii) The Vigilance has enquired the matter and had indicted Mr Daksh Kumar A O The Vigilance Department had also lodged the F I R with U T Police, Sh Daksh Kumar is under suspension

(iv) Mr Daksh Kumar A O has been charge sheeted and the matter is at present with enquiry officer

(v) The tractor has since been sold for Rs 1 25 lacs"

During the oral examination the Managing Director of the Company stated that the recovery against one ex Chairman worked out to Rs 347 50 which being time barred could not be effected and had been written off by the Board of Directors Regarding revcovery of Rs 0 66 lakh against another ex Chairman the Managing Director stated that they won ex parte civil suit filed against the ex Chairman but no recovery could be effected in the absence of the correct address of the ex Chairman

The Committee observe that it was mainly due to negligence and in effective control on the part of the management that the ex Chairman was allowed to misutilise the Company s vehicles without effecting recoveries from him The Committee recommend that responsibility of the officers who allowed the ex Chairman to misutilise the vehicle should be fixed and report submitted to the Committee

The Committee recommend that effective steps be taken by the Manage ment to avoid recurrence of such irregularities in future and the execution of decree against the ex Chairman should be expedited

The Committee recommend that the recovery of Rs 0 91 lakh from Municipal Committee, Karnal should be made under intimation to the Com mittee

The Committee recommend that the possible misappropriation of Rs 10 289 60 should be thoroughly investigated and action taken against the guilty official and recovery effected The Committee further recommend that the difference of Rs 30,000 pertaining to cattle Feed Plant, Jind be reconciled within three months and if misappropriation is proved then action, be taken against the official found guilty and recovery of the amount be effected under intimation to the Committee

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