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COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)

(Ninth Legislative Assembly)

TENTH REPORT
ON

THE AUDIT PARAGRAPHS CONTAINED IN THE REPORT OF THE
COMPTROLLER AND AUDITOR-GENERAL OF INDIA FOR THE YEAR ENDED
31ST MARCH, 1989 NO. 3 (COMMERCIAL) ON THE ANDHRA PRADESH
AGRO-INDUSTRIES DEVELOPMENT CORPORATION LIMITED

(Presented to the Legislature on 18-3-92)

ANDHRA PRADESH LEGISLATURE (ASSEMBLY) SECRETARIAT
PUBLIC GARDENS, HYDERABAD - 500 486.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1991-92)

[Constituted on the 8th October, 1991]

CHAIRMAN:

1. Sri J.K. Reddy

MEMBERS:

2. Smt. Mary Ravindranath
3. Sri Ambati Rambabu
4. Sri B. Vedavyas
5. Dr. K. Madan Mohan Reddy
6. Sri Gurunath Reddy
7. Sri P. Kista Reddy
8. Sri K. Rambhupal Reddy (upto 11-1-1993)
9. Sri J. Sriranganayakulu
10. Sri A. Sudarshan
11. Dr. S. Venugopalachari
12. Sri K. Ramachandra Raju
13. Sri G. Appala Suryanarayana
14. Sri Ch. Vidyasagar Rao
15. Sri Mohd. Virasat Rasool Khan

LEGISLATURE SECRETARIAT:

- | | |
|-----------------------------|------------------------|
| 1. Sri A.V.G. Krishnamurthy | .. Secretary |
| 2. Smt. M.V.S. Jayalakshmi | .. Joint Secretary |
| 3. Sri A. Venkata Rao | .. Assistant Secretary |
| 4. Sri J.S.R. Murthy | .. Section Officer |

ACCOUNTANT-GENERAL'S OFFICE

1. Sri J.C. Jagannadham .. Accountant-General
(Audit-II)
2. Sri K. Ramachandran .. Deputy Accountant -
General
3. Sri V.Balakrishna Murthy .. Audit Officer
4. Sri A.V.G.V.Prabhakara .. Section Officer
Rao

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings (1991-92) having been authorised by the Committee present this Report on the Andhra Pradesh Agro-Industries Development Corporation Limited.

The Committee held two sittings to record the oral evidence.

The Committee met on 28-12-1992 considered and approved the Draft Report.

The Committee wishes to express their thanks to the Secretary to Government, Food and Agriculture Department, the Managing Director and other officials of the Andhra Pradesh Agro-Industries Development Corporation Limited for the co-operation they have extended.

The Committee places on record their appreciation of the assistance rendered to the Committee by the Accountant-General (Audit-II) Andhra Pradesh, the Deputy Accountant-General and other Officers and staff of the Accountant-General's Office and also the Secretary, Legislature, Officers and staff in the examination of the general working and audit paras relating to the Andhra Pradesh Agro-Industries Development Corporation Limited and in preparation of this Report.

Hyderabad,

Dated 28th December,
1992.

J.K. REDDY,
Chairman,
Public Undertakings Committee.

RECOMMENDATIONS OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS

(9th Legislative Assembly)

REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF
INDIA FOR THE YEAR ENDED 31ST MARCH 1989
NO. 3 (COMMERCIAL)

ANDHRA PRADESH AGRO-INDUSTRIES DEVELOPMENT
CORPORATION LIMITED

1. Introduction:

1.1 The A.P. State Agro-Industries Development Corporation Limited incorporated in March 1968 with State and Central Governments equity participation, mainly with a view to promote agro based industries and to distribute agricultural inputs to farmers, was transferred to State sector with effect from 1st April 1979 following the decision of the National Development Council.

1.2 The working of the Company was earlier reviewed by the Comptroller and Auditor-General of India in Audit Report for 1984-85 (Commercial) which was discussed by this Committee in 1988 and its recommendations thereon contained in its 18th Report were presented to the 8th Legislative Assembly on 31st March 1989. However, the Company submitted its action taken notes on the Report of the Committee only in June 1992, i.e., after more than three years, that too after the Committee desired to discuss the action taken by the Management/Government on the recommendations.

1.3 The Committee is not happy for the unduly long time taken by the Company to submit the Action Taken Notes. The Committee recommends that the Company and the Government should submit Action Taken Notes in respect of this Report by June 1993, without fail for examination and consideration of the Committee.

1.4 The Committee noted that the Company finalised its accounts only up to 1986-88 and the accounts for 4 years from 1988-89 to 1991-92 were in arrears and that although the Statutory Auditors for certification

of accounts for 1988-89 were appointed by Central Government in March 1992, the Statutory Auditors are yet (October 1992) to complete their audit for certification.

1.5 The Committee is very unhappy at the abnormal time taken by the Company at each stage of finalisation. The Committee takes a serious view of the inordinate delay and recommends that the Company should chalkout a time frame for compilation and finalisation of accounts at the rate of atleast 2 to 3 years accounts in one year, so that the arrears could be cleared. The Committee desires to be kept informed of the progress made in this regard.

1.6 The Committee is happy to note that the loss of Rs.336.10 lakhs accumulated up to 1976-77 has been brought down to Rs.83.27 lakhs by the end of 1988-89 (provisional). However, the profits earned by the Company for the respective years have come down from Rs.25.27 lakhs in 1986-88 to a meagre Rs.1.10 lakhs in 1988-89, mainly due to heavy expenditure on major overhaul of bulldozers and provision towards damaged fertilisers and shelf-life expired pesticides.

1.7 The Committee desires that the Company should in future make allout efforts to ensure to dispose of the fertilisers and pesticides before expiry of their shelf-life and before they are damaged, in order to avoid losses.

2. Trading in Calcium Ammonium Nitrate (CAN):

2.1 The Company procured 10,746 tonnes of CAN from Steel Authority of India Limited (SAIL) and 8,555 tonnes from National Fertilisers Limited (NFL) during January to September 1985. The Company's decision to go in for purchase of CAN even from January as against June in earlier years, was influenced by non-steady supplies during season (August-November) and offer of transport rebate of 30 paise per tonne per Km., which was not offered by SAIL earlier. The fact of CAN being highly hygroscopic (shelf-life being 6 months)

and possibility of reduction in nutrient content and quantity during storage were however not considered. The Company could dispose of only 9685 tonnes (including 990 tonnes already in stock) before the season was over, leaving a balance of 10,606 tonnes due to failure of monsoon and extension by SAIL of special rebate of Rs.60 per tonne apart from transport rebate of 30 paise per tonne per Km.to private dealers from September 1985. By this time, the Company completed its procurement by paying higher cost and availing a lower rebate and this made the private dealers price more competitive. The Company had not considered any arrangement with the suppliers (SAIL) to ensure protection in case of downward revision of price or extension of special rebates offered by SAIL to dealers, before going in for bulk purchase. Thus, purchase of CAN much in advance of requirement and without considering the possible reduction in nutrient content and quantity due to long storage resulted in loss of Rs.19.17 lakhs. (Paragraph 2.C.7(i)).

2.2 In its written statement, the Company stated that in earlier years CAN was short supplied and therefore there was uproar by farmers and public representatives that CAN was not supplied in time, and hence pre-seasonal purchases were made to make available stocks during the sowing season - August to November. These steps were taken with the sole intention of meeting the farmers requirements in time. However, due to bad agro climatic conditions, the off-take was poor and the stock remained for long period.

2.3 The Committee, however, noticed that out of the stock of 578 tonnes of CAN at the end of May 1989, 149 tonnes were sold in July 1991, 151 tonnes were held in stock as on 31st March 1992 and the balance 278 tonnes became liquid and thus not useable.

2.4 Depositing before the Committee, the Vice-Chairman and Managing Director (VC & MD) while confirming the availability of 150 tonnes of CAN in stock, (with deteriorated weight on account of weather, floods etc.) stated that the Regional Manager who was incharge of the godown must have monitored the situation and it was a mistake on his part for not doing so.

2.5 The Committee is not happy the way in which the matter was dealt with by the Company. The Committee

is not satisfied with the explanation putforth by the Company for procuring the fertilisers right from January 1985 when the season commenced only from August, particularly when the shelf-life of the fertiliser was known to the Company to be of 6 months only. Due to long storage, the fertiliser deteriorated in quality as also in quantity by the time the sales commenced. Added to this, additional discounts and other benefits extended by SAIL to private dealers made the Company's price not competitive. The Company did not also ensure that SAIL did not sell at a price less than the procurement price by the Company by obtaining an undertaking from SAIL. The Committee also noticed that the concerned officer did not take proper care or precaution with this type of fertilisers. All these only show lack of business acumen on the part of the Management of the Company and least concern for the financial interest of the Company.

2.6 The Committee, therefore, desires the Company to ensure to avoid such procurements much in advance of requirement. Even if it becomes necessary to procure fertilisers in advance, the Company should keep the shelf-life of the fertilisers in mind before such procurement is made.

2.7 Further, the Committee also noticed that the Company did not initiate action against the Regional Manager, who was found to have committed a mistake in not properly monitoring the deteriorating situation in the quality of the fertilisers to the Headquarters of the Company. The Committee recommends that suitable procedures and guidelines should be laid

down by the Company for procurement of such chemical fertilisers to avoid loss on account of deterioration in quantity and quality on account of vagaries of weather conditions. Whenever the supplier is following dual pricing policy, the Company should take adequate care to see that the price offered to the Company is comparable and competitive to avoid any loss financially. The Committee desires that the Company initiates investigation into the whole transaction and fixup responsibility at all levels.

2.8 The Company is holding about 150 tonnes of the fertilisers evenafter more than 7 years of its procurement. The Committee directs the Company to dispose of these stocks immediately before they are further deteriorated.

2.9 The Committee would like to have a report on the above recommendations from the Company/Government by June 1993.

3. Sale of agricultural inputs under subsidy:

3.1 During Rabi season of 1986-87, the Company undertook distribution of agricultural inputs to the farmers effected by floods in East Godavari, West Godavari, Krishna and Nellore districts at a subsidy of 50 per cent of actual cost subject to a maximum of Rs. 100 per acre. The Government was to reimburse the subsidy on the Company preferring claims duly furnishing permits issued by Government and the related sales invoices. Audit observed that subsidy of Rs. 6.12 lakhs was disallowed, while claims for Rs. 2.50 lakhs were not preferred by the Company, resulting in a total loss of Rs. 8.62 lakhs.

[Paragraph 20.7 (iii)]

3.2 The Committee observed that a case of disallowance of the subsidy claim of Rs. 1.40 lakhs preferred by the Company in West Godavari District (Achanta)

was under investigation by the Police department. Similarly, a case of disallowance of the Company's claim for Rs. 1.59 lakhs in Kanigiri, Nellore District was under investigation by CBCID. In respect of both these cases, the investigation reports are awaited from the Police/CBCID.

3.3 Since the cases relate to 1986-87, the Committee directs the Government to expedite the investigation reports and settle the long pending issues. Since the Company was not at fault in these cases, the Government may consider release of disallowed subsidy along with interest.

3.4 The Committee observed that dues from the Department of Agriculture/Co-operative Societies have been accumulating year after year mainly due to making supplies on credit basis. The Committee recommends that the Company may supply the fertilisers and pesticides strictly on cash basis. In exceptional cases the Company may however effect supplies on credit only after obtaining security/surety for an equal value.

4. Trading in Zinc Sulphate and Para-Z:

4.1 The Company had been purchasing Zince Sulphate from Paramount Agro Chemicals(Private) Limited (PAC) a Joint venture of the Company, without, however, comparing prevailing market price. The price paid from July 1984 was Rs. 6,100 per tonne, which was, as reported by one of the Regional Managers of the Company, higher by atleast Rs. 1,000 compared to the market price. The Company, however, did not take any action to get the prices reduced.

4.2 Further, the Regional Manager, Kurnool reported in May 1985 about the sub-standard material supplied to a dealer at Rayadurg. At that point of time, the Company was holding 345 tonnes of Zinc Sulphate valued Rs. 21.16 lakhs, against which the Company

should have withheld Rs. 9.23 lakhs due to PAC. Instead, the Company released this amount to PAC in June 1985 and went ahead with sales. The Company sold 175 tonnes up to March 1986 and thereafter sales were stopped. Subsequent chemical analysis conducted revealed that only 20 out of 170 tonnes were conforming to the specifications regarding zinc content. The actual content of zinc varied between 5 and 21.8 per cent as against 21 per cent specified under Fertiliser (Control) Order 1985. In July 1989, the Company was holding a quantity of 161 tonnes valued Rs. 9.85 lakhs for destruction.

[Paragraph 2C.7 (iv)]

4.3 In its explanatory notes, the Company explained that PAC was promoted by the Company as a Joint Venture for producing Zinc Sulphate, that in the initial years since the production was low its cost of production was high and that the Company purchased Zinc Sulphate at the cost so notified by the PAC. The Company also informed that it was contacting the Zinc Sulphate manufacturers for the disposal of existing stocks of 157.34 tonnes based on the percentage of Zinc content in the cost of the material.

4.4 The Committee, however, observed that the Company failed miserably in supplying Zinc Sulphate to the farmers on two counts one in supplying at rates higher than those prevailing in the market and the other in supplying sub-standard material. The Committee noticed that the Company was more concerned in helping its joint venture than in the interests of the farmers.

4.5 The Committee is at lost to understand as to why the Company did not take immediate action to get the Zinc Sulphate available with all the districts tested in May 1985 itself immediately after receiving a report from Kurnool region. Instead, the Company went ahead with supplies of the sub-standard Zinc Sulphate to the farmers till March 1986. When the balance quantity of 170 tonnes was got tested and on

finding that almost the whole lot was sub-standard, supplies to farmers was stopped. The Committee would like the Company to investigate into the reasons and circumstances under which 175 tonnes of sub-standard quality was allowed to be sold during the one year from May 1985 to March 1986 and fix up responsibility for this grave irregularity. The Committee directs the Company to furnish a Report by June 1993 on the failure of the persons concerned to take immediate action on receiving the report from the Regional Manager, Kurnool.

4.6 The Committee also noticed that a quantity of 157.34 tonnes of Zinc Sulphate procured as early as in 1984 is yet to be disposed off, mainly because of the fact that there are no takers for this sub-standard material. The Company has not properly explained the system, prevailing in the Company, of testing the quality of fertilisers/pesticides procured before they are supplied to the farmers. The Committee strongly recommends that the Company should evolve a suitable system of testing the products immediately on receipt and before they are supplied to the farmers.

4.7 At the request of PAC in June 1985, the Company tookup marketing of its new product 'Para Z', a soil micro-nutrient. However, the Central-Government by a notification dated 23rd July 1985 brought the product under the purview of Fertiliser (Control) Order 1957, whereby fixation of selling price, prescribing standards of nutrient content, quality control etc., were brought under the control of Government. To end of July 1985, the Company purchased 140 tonnes and effected sale to the extent of 56 tonnes. Instead of suspending trading in Para-Z pending compliance with the requirements of the order and despite receipt of a report in August 1985 from its Guntur Regional Manager that as analysed by the Agriculture Department, Para-Z contained only traces of Zinc the Company

continued to place indents with PAC and effect sales till January 1986. The chemical analysis got done by the Company at BCO Laboratory in June 1986 confirmed that the content was less than 1 per cent as against specification of 10.5 per cent. In all, the Company procured 430 tonnes valued Rs. 21.59 lakhs, of which 177 tonnes was sold for Rs. 8.83 lakhs leaving a balance of 253 tonnes valued Rs. 12.76 lakhs. The Company released Rs. 6.02 lakhs in August 1985 due to PAC evenafter it was aware of the fact that the Para-Z supplied by it was not conforming to the specifications. The Government directed the Company in March 1988 to destroy the stocks of Para-Z. Taking zinc content at 1 per cent, the cost of Para-Z as per cost data furnished by PAC (Zinc content assumed at 10.5 per cent) at the time of introduction of the product in June 1985 worked out only to Rs. 2,202 per tonne, against which the Company purchased at Rs. 4,975 per tonne, and sold at Rs. 5,125 per tonne. Thus procurement of sub-standard Para-Z resulted in extra expenditure of Rs. 11.92 lakhs.

4.8 In a written statement, the Company informed that out of the total purchase value of Rs. 21.59 lakhs and against actual amount of Rs. 8.83 lakhs payable to PAC, only Rs. 6.02 lakhs was paid and that the godown rent etc., paid by the Company will be adjusted out of the balance amount of Rs. 2.81 lakhs payable to PAC.

4.9 In his deposition before the Committee, the VC and MD informed the Committee that the balance quantity of 253.885 tonnes of Para-Z was destroyed, that the main products viz., Zinc Sulphate and Para-Z having been found to be sub-standard, the joint venture had been closed, that the Company filed a case against the promoter of PAC for cheating and that the stake of the Company in the Joint venture was Rs. 12.10 lakhs (equity: Rs. 4.00 lakhs and value of sub-standard zinc sulphate: Rs. 8.10 lakhs).

4.10 The Committee is unhappy about the whole transaction right from the promotion of the joint venture; the prices charged by the joint venture were more than the market prices and what was supplied by it was of sub-standard quality. Ultimately, both the

higher prices and sub-standard material had, to a large extent, to be borne by the farmers. The Committee feels that the Company, which was incorporated to lookafter and work for the welfare of the farmers failed in fulfilling the objective. The Committee urges that the Company should take all adequate steps in future to come up to the responsibility imposed on it and instil confidence in its clients, namely the farmers. The Committee recommends that the Company should ensure that all necessary safeguards are adequately provided for to take care of the interests of the Company as also the farmers, before embarking on a new scheme/project.

5. Unauthorised Financial Assistance to the Joint Venture:

5.1 The Company paid in August 1985 an advance of Rs. 5 lakhs to PAC to enable it to clear a consignment of imported zinc ash by obtaining an irrevocable bank guarantee for Rs. 5.25 lakhs valid up to 31st July 1986, which could be invoked up to 30th September, 1986. The advance of Rs. 5 lakhs was repayable within 3 months from the date of its release with interest of 19 per cent per annum. The loan agreement with PAC also provided to enable the Company to deduct 20 per cent of the bills of PAC for the supply of stocks to the Company. The Company recovered Rs. 0.50 lakh from the bills in August 1985 and granted extension of time of 6 months for repayment of the balance amount of loan. Due to default in repayment of loan, the Company invoked the bank-guarantee in April 1986 (within the period of validity of the guarantee), which was not honoured by the bank. The VC and MD also informed the Committee that when the Company invoked the Bank Guarantee on 4th April 1986, the same was not honoured by the bank and that the suit filed by the Company against PAC and the bank in September 1986 is pending in the High Court.

[Paragraph 2C.7 (v)]

5.2 While deposing before the Committee, the VC and MD informed that the Managing Director sanctioned the loan as per the powers delegated to him.

5.3 The Committee however observed that the power delegated to the Managing Director was only for trade advance, while the advance sanctioned in the instant case was towards working capital, which was ultra-vires the powers so delegated. The Committee recommends that in future, the Company/Managing Director should restrain from taking any steps which are in violation of provisions of the Memorandum/Articles of Association/Companies Act/delegation of powers.

5.4 The Committee is surprised to note an incident where Bank Guarantee was not honoured when it was invoked. The Committee strongly feels that the Company had not taken adequate steps to recover the amount and there had also been abnormal delay on the part of the Company in pursuing the case. This shows negligence on the part of the officials of the Company and carelessness on the part of higher officials in managing the funds of the Company. The Committee would like to have a report in this regard from VC and MD as to ascertain who was responsible for such a long delay and action taken thereon. The Committee would like to have a report by June 1993.

6. Agro Vikraya Seva Kendras:

6.1 Government entrusted the Company in December 1984, with distribution of fertilisers to farmers directly by opening retail centres in the villages to eliminate middlemen and ensure quality at reasonable prices. Accordingly, the Company decided in November 1986 to open sale points called Agro Vikraya Seva Kendras (Kendras) atleast one in each of the 1100 mandal headquarters in a phased manner over a period of three years. However, by end of March 1989 only

491 Kendras were opened. No Kendra was opened in Adilabad and Visakhapatnam districts. As per the Management Information Reports, the sales through the Kendras during 1988-89 accounted for 77 per cent of the total turnover. Profitability of business activity of the Kendras was not being reviewed periodically. The only review conducted was for the period from 1st April to 30th September 1988, according to which 77 out of 343 Kendras functioning at the end of September 1988 were running in losses. The Kendras were manned by commission agents who were required to render daily account of receipts and issues of stocks and remittances to Regional Offices. The suggestion of the Board in November 1986 that the services of Agro Service Entrepreneurs who were earlier trained by the Company to be utilised on sale points was not utilised by the Company. Despite detailed working instructions to the Kendras to render daily accounts to Regional Offices, there was failure to render such accounts regularly and shortages of stock and short account of cash by the kendras occurred.

6.2 In the Audit Report it was pointed out that as at the end of March 1989 there were 15 cases of misappropriation of stocks/cash involving Rs. 11.47 lakhs by the Kendras. In three cases, the agents were allowed to continue operations even after detection of defalcations and shortages. Delays between 1 and 51 days in sending bank drafts (Rs. 156.79 lakhs) to Regional Manager Offices were noticed in 5 Regional Offices resulting in loss of interest. The Company incurred an expenditure of Rs. 9.27 lakhs towards commission on bank drafts in 5 out of 11 Regional Offices, even by delay in remittances also, which could have been avoided had the company taken steps to remit the sale proceeds direct to Head Office account instead of routing through Regional Offices.

[Paragraph 2C.7 (vii)]

6.3 In its explanatory notes, the Company informed that at present there are 467 Kendras in the State and that in Adilabad and Visakhapatnam Districts there is no Kendras since candidates with required bank guarantee is not coming forward to setup Kendras in these two districts.

6.4 The Committee observed that other organisations like HACA are asking for a security deposit of only Rs. 15,000 to Rs. 20,000, whereas the Company is insisting on Rs. 1,00,000 as security deposit.

6.5 While deposing before the Committee, the VC and MD explained that earlier title deeds were used to be taken as security, but due to certain practical problems in obtaining the title deeds, the Board decided to have Rs. 50,000 as bank guarantee. Subsequently when the rates of fertilisers have gone up it was made Rs. 1,00,000. However, in backward areas only Rs. 50,000 is being insisted as bank guarantee.

6.6 The Committee feels that the amount of the bank guarantee asked for by the Company is not comparable with other organisations like MARKFED and HACA and therefore recommends that the Company may consider to reduce the amount of bank guarantee to be furnished for setting up Kendras, atleast in drought prone areas like Adilabad, and other backward areas. The fact that there is no dealer of the Company functioning in Adilabad and other backward districts indicates that the farmers of those areas are not being served by the Company. The Committee therefore directs the Company to appoint one agent in each constituency to start with, which will automatically develop in course of time.

6.7 The ultimate aim of the Company is to see that the stocks are not misappropriated by the agents. For this either bank guarantee or cash security equivalent to the value of stocks is necessarily to be obtained. Instead of issuing stocks worth more than the bank guarantee, the Company should ensure that stocks with higher value than the bank guarantee are not issued to the agents at a time.

6.8 The Committee was informed that the Company has been storing its products in hired godowns at various places. The VC and MD informed that the Company has taken up construction of godowns in Vijayawada and Visakhapatnam and that construction of smaller godowns at vital points would be taken up.

6.9 The Committee suggests that the Company may take up construction of godowns preferably at such places where hired godowns are used, in order to save rent on the hired godowns. Such godowns, to the extent they are not fully occupied, may be made available to others on rent for storing their products.

6.10 In its explanatory notes, the Company explained that the sales and stocks with the Kendras were being reviewed at the end of each month; the profit and loss was not however, being reviewed on monthly basis as the business was a seasonal one and that most of the Kendras were breaking even, excepting few, which were not self-sufficient.

6.11 The Committee would, however, like the Company to review the working of all the Kendras regularly, identify the loss making Kendras and go into the reasons for their making losses and to solve the problems they are facing, so that they will also come out of red.

6.12 In his deposition before the Committee, the VC and MD informed that so far recoveries to the tune of Rs. 3.00 lakhs have been made and still Rs. 11.00 lakhs is due from the Kendras. The VC and MD explained that although the Company is holding title deeds in respect of the 15 court cases, it is trying to recover the dues from these Kendras through Courts.

6.13 The Committee noticed that all these 15 cases pertaining to the years 1985 to 1987 and even after about 5 years, the Company could not make significant progress in recovering the dues from the Kendras.

The Committee feels that the Company did not take the required interest in taking action in recovering the dues and that there was no proper initiative from the Company's side. The Committee also feels that filing cases in the Courts for recovery is not the end in itself, but it being the starting point, the Company should vigorously pursue the cases so that the cases reach finality. In this aspect the Standing Counsel will have to be motivated to get the cases decided early by the Courts. The Company should also guide and instruct the Standing Counsel suitably.

6.14 In its explanatory notes, the Company informed that the suggestion of Audit for direct transfer of funds from the Kendras to Head Office has been examined and found that there are some practical problems such as the Regional Office, which is the monitoring agency, will not be knowing about the remittances by Kendras and balance outstanding thereof.

6.15 The Committee opines that the Kendras can obtain Demand Drafts in favour of the Head Office, record the particulars in the accounts of the Regional Office and send them to the Head Office. The Committee directs the Company to formulate a working arrangement in this regard. The Committee recommends that the Company shall examine this aspect and report to the Committee by June 1993 on the action taken by it.

7. Trading in Pesticides:

7.1 The Company has been formulating pesticides in its pesticides formulation units and has also been purchasing pesticides for sale. Audit observed that due to improper and incorrect assessment of demand in the market for pesticides, 740 tonnes of dust valued Rs. 17.39 lakhs and 52,858 litres of liquids valued Rs. 69.45 lakhs were held by the Company at the end of March 1989.

7.2 The actual formulation of dusts ranged between 7 and 13 per cent in Kurnool unit and 17 to 37 per cent in Khammam unit during the three years upto 1988-89, while formulation of liquids in Kurnool unit was only 1 to 6 per cent. While the men and machinery of these two units were lying idle due to very low production, the Company resorted to purchase of pesticides for trading (liquid pesticides purchased during 1988-89 alone amounted to Rs. 188.38 lakhs.)

(Paragraph 20.8)

7.3 In its explanatory notes, the Company explained that the low production in these two units was mainly due to the ban imposed by Government of India on production of DDT, non-supply of Carbaryl Tech to Khammam unit by Union Carbide, Bhopal after the accident in December 1984 and severe drought conditions prevailing in the State in 1984-85 and 1985-86. The Company also explained that at present most of the Kendras are better established and have become popular and hence the Company started increasing the production and sale of own pesticides.

7.4 The Committee observed that the Formulation units have been working only at around 10% of the installed capacity. It feels that unless the units work at 70% level of production, they are not viable. The Committee also feels that if the Company cannot run the units at 70% level of production, it would be better for the Company either to give them on lease basis or to dispose them off outright. The Committee fails to understand as to why the Company is not producing to the full capacities, when there is vast demand for pesticides in the market. The very purpose of establishing the unit at Kurnool is defeated, if it does not utilise the plant even to the extent of 50%. The Company should take serious view of the situation and produce more to meet the requirements of the farmers. The Committee finds that there is adequate demand and there is enough capacity to meet that demand, the production is very less. The Company

should take a decision to run the units to serve the agricultural farmers even if it leads to loss for sometime. The Committee observes that the VC and MD has not been able to explain properly the reasons for keeping the production at low level. The Committee recommends that the Company may identify crop-wise, season-wise and year-wise details of the pesticides and fertilisers required by the market and produce them to meet the market demand. The Company should aim atleast at 3,00,000 litres of liquids i.e., at 50% of the installed capacity of 6,00,000 litres for production in order to meet the farmers demand atleast partly.

7.5 The Committee desired to have a report from the VC and MD on this issue and the VC and MD promised to submit a report soon. The Committee noticed that even as of now the promised report has not been received from the VC and MD. The Committee views it seriously and directs the VC and MD to submit the note within a month.

8. Violation of Insecticides Act 1968:

8.1 As per provisions of the Insecticides Act, 1968, time-expired pesticide (time mentioned on the label) should be destroyed as per the guide lines issued by Central Insecticide Board. Contrary to these provisions, the Company formulated 42.786 tonnes of dust and 14,337.5 litres of liquid pesticides valuing Rs. 1.76 lakhs and Rs. 11.29 lakhs respectively during the three years ending March, 1989. Further, 3,320 litres of Chloropyriphos 20 Emulsifiable Concentrate valued Rs. 3.32 lakhs, the life of which had expired in February/March 1986, the formulation date being February/March 1984, was reprinted in September 1986 giving the same batch numbers with fresh manufacturing date and expiry date, thus giving 2 years further life and despatched in September 1986 to Regional Manager, Kakinada for sale. Similarly 35.600 tonnes of life-expired BHC 10% dispersible

powder of 50 Kg., packs valued Rs. 0.42 lakh was repacked in September 1987 giving fresh manufacturing and expiry dates, which was contrary to the provisions of the Insecticides Act and the false statement given in the label was a cognizable offence.

[Paragraph 2C.8 (iii)]

8.2 In its explanatory notes, the Company argued that the restamping was done after the product was certified by the Government Insecticides Laboratory, Ananthapur on 11th September 1986 and that this was done keeping in view the commercial interests of the Company and also ensuring supply of quality product to the cultivators. The Company added that the quality of the product was accepted by the field and there were no complaints about the quality of the material so supplied.

8.3 The Committee is not prepared to accept the argument of the Company that reprinting was done after the approval by the Laboratory. The pesticide which lost its potency after the expiry of the prescribed period of two years, cannot get extension of life by another two years under any circumstances. The Committee fails to understand as to how the Company could ensure the quality of the pesticides, life of which had already expired. The Committee could not but come to the conclusion that the Company kept in view more of its commercial interests than the interests of the farmers. The fact, however, remains that there was violation of the provisions of Insecticides Act in restamping, relabeling etc. The Committee directs that the Company should restrain from such cognizable offences in future.

9. Life Expired Technical and Formulated Pesticides:

9.1 The shelf-life of the pesticides being 2 years from the date of its formulation, the marketing personnel of the Company were required to take steps to liquidate the stocks within the expiry date as no reformulation of time-expired pesticide was allowed under the provisions of Insecticides Act. The Company

had 43.529 tonnes of dusts valuing Rs. 1.74 lakhs, 8503.3 litres of liquid pesticides valuing Rs. 6.46 lakhs and 3.570 tonnes of technical pesticides valuing Rs. 1.10 lakhs at the end of March 1989 the life of which had expired. The request of the Company of September 1988 to formulate shelf-life expired products was turned down by the Director of Agriculture in September 1988 on the ground that date-expired stock should be destroyed as per guidelines issued by Government of India under Insecticides Act, 1968. This has resulted in a loss of Rs. 9.30 lakhs to the Company on account of holding stock of stale pesticides. [Paragraph 2 C.8 (iv)]

9.2 In its explanatory notes, the Company stated that due to severe drought in 1984-85 and 1985-86 the off-take of pesticides was low and hence the Company was left with large quantities of undisposed finished products, unused raw materials etc. In the preceding years the Company was reformulating the expired pesticides but stopped from 1989 due to the awareness of the violation of provisions in the Act. At present the Company is going cautiously in indenting and selling the products within the expiry of shelf-life without leading to a loss to the Company.

9.3 While admitting the violation of provisions of the Insecticides Act up to 1989, the VC and MD explained during his deposition before the Committee that earlier no record was maintained to note the expiry dates of various pesticides, that there was no proper monitoring of the expiry dates and hence they could not be sold before the expiry of their shelf life, that the custodians of the stocks were not aware of the expiry dates and came to know of the actual expiry dates after expiry of their shelf-life; physical verification was conducted in April 1992 and it was found that all the stocks were there. The VC and MD further stated that a register is presently being maintained to note the expiry dates and physical verification checks are also being conducted periodically.

9.4 The Committee observed that the custodians of the pesticides were responsible for the loss and it was only due to lack of proper supervision by higher authorities and proper understanding about the shelf life of the pesticides, the Company had to incur loss. The Committee also noticed that these pesticides

imported from foreign countries were very costly materials and due to gross negligence on the part of the custodians of the pesticides, the pesticides could not be used before expiry of their life thus causing loss to the Company.

9.5 In reply to a query whether the custodians were responsible for the loss caused to the Company and if so, whether any responsibility was fixed and action taken against those responsible, the VC and MD informed the Committee that the Company had not investigated into this issue to fix responsibility.

9.6 The Committee is of the view that the loss caused to the Company was solely attributable to the custodians who were responsible for handling and maintaining the stocks of pesticides and therefore directs the Company to cause an inquiry to fix up responsibility and take action to recover the loss from those found responsible.

9.7 The Committee also recommends that the Company should evolve a suitable monitoring system to ensure disposal of the stocks before the expiry of their life, duly identifying such stocks atleast 3 to 4 months before the date of such expiry.

9.8 The Committee would like to have a report on the action taken by the Company by June 1993.

10. Processing of Fruit Products:

10.1 Fruit Preservation and Processing Unit at Anantharajupet:

The Fruit Preservation and Processing Unit at Anantharajupet taken over, by the Company in 1973 from the Department of Agriculture had an installed capacity of 250 tonnes per annum for the processing of fruit pulps, squashes, crushes, jams and ready to serve beverages processed from mango, orange, pineapple etc. The actual production during the three years

upto 1988-89 was only 37.68, 66.37 and 60.70 tonnes representing utilisation of 15.07, 26.55 and 24.28 per cent of installed capacity respectively. The unit has been incurring losses continuously right from its takeover, mainly due to low level of production on account of poor sale of the products resulting in non-recovery of overhead charges to full extent. There were no dealers in the State to sell its products and the product has not received adequate publicity.

10.2 With a view to capture export market, the Company tookup in October 1982 a scheme for increasing the installed capacity of the unit to 1000 tonnes at an estimated cost of Rs. 20.50 lakhs, revised to Rs. 41.55 lakhs in May 1985. As per the projections made in the scheme, the unit was expected to earn profits even from the first year of its operation and would pay back within a period of 8 years. Audit, however, observed that the scheme of expansion was not properly planned and executed with the result the additional capacity was not available to the Company evenafter six years of commencement of the work. The Company had spent Rs. 19.14 lakhs upto March 1989.

[Paragraph 2C.9 (1)]

10.3 In its explanatory notes, the Company explained that though the capacity is 250 tonnes per annum, the mango season is only for about 75 to 90 days and therefore, in terms of mango pulp, it can produce only 50 to 60 tonnes per season. Further, as the machinery has become old, it is not capable of operating to its full capacity. The Company has also informed in its explanatory notes that on the expansion scheme, the Company has so far spent Rs. 19.50 lakhs, and that although the main unit was ready to take production, the auxillary connections like streamline and various connections have not been taken up and that the main unit was however tested during 1989 by obtaining a provisional licence and a trial order of 20 tonnes from Agro Foods Punjab Limited was successfully executed indicating that the main unit was capable of operating to its installed capacity of one tonne per hour. The Company also informed that it has planned for improving the advertisement campaign through posters, paper advertisement, banners, bus paintings, bus back panels, stickers etc., and an amount of Rs. 4.90 lakhs was provided in 1990-91, while Rs. 2.00 lakhs was provided in 1991-92. With this plan, the physical turnover of

squashes, crushes and jams was expected to improve to one lakh bottles per year from 1990-91 onwards. The Unit however could achieve a production of 75,862 bottles during 1990-91 and based on this performance, it was planned to enhance the physical turnover to two lakh bottles during 1992-93.

10.4 The VC and MD explained to the Committee, during his deposition, that the old machinery had outlived its life and hence expansion became necessary, that the total capacity of 1000 tonnes can be achieved only by resorting to exports of basic pulps keeping in view the changing trend of market for pulp requiring bulk packing. The MD admitted that there was absolutely no problem in production but the problem was only in exporting, where the price offered by the foreign consumers was not acceptable to the Company. The VC and MD further informed that a target of Rs. 80.00 lakhs with a margin of Rs. 7.00 lakhs was fixed for 1992-93.

10.5 The Committee fails to understand as to why the Company had gone in for expansion of the capacities when the utilisation of the then existing installed capacity of 250 tonnes per annum was only around 30 to 40 tonnes and even before having a firm tie-up for exports. As already pointed out, the scheme of expansion was not properly planned and executed with the result the additional capacity was not available to the Company even after 3 years of going into commercial production. The Committee observed that even after the expansion in 1989, the production was only 80.91, 77.19 and 159.93 tonnes respectively in 1989-90, 1990-91 and 1991-92. The main reason for the underutilisation of the capacities is the inability of the Company to enter the foreign market with competitive quality and price. As the VC and MD admitted the viability of the unit lies in the export of basic pulps, the Committee feels that unless the Company takes adequate suitable measures to capture foreign market, the very purpose of expansion of the

unit will be defeated and the capital expenditure of Rs. 19.50 lakhs so far incurred on the expansion scheme will become unfruitful.

10.6 The Committee was informed by the VC and MD that the new boiler plant was proposed to be commissioned within a fortnight, i.e., by about 15th of August 1992. The Committee would like to have a report on commissioning the boiler plant and its performance.

10.7 The Committee would like to have a report about the achievement of the target of 2 lakh bottles during 1992-93. In case there is any shortfall in the achievement, the Committee would like the Company to analyse the reasons and constraints for such shortfall and take appropriate remedial measures and report to the Committee by June 1993.

10.8 Ready to Serve Beverage Bottling Unit, Hyderabad:

The Company set-up in August 1975 in its Head Office premises at Hyderabad a hand operated Ready to Serve Beverage Bottling Unit for bottling 0.42 lakh crates per annum. In November 1978, the unit was converted into semi-automatic unit at a cost of Rs. 2.50 lakhs with a capacity of one lakh crates per year. The unit manufactures beverages under the brand name 'APSA'. As against the installed capacity of one lakh crates per annum, the actual production was only 0.05 lakh, 0.08 lakh and 0.03 lakh crates accounting for an achievement of 5, 8 and 3 per cent respectively of the installed capacity during the three years upto 1988-89. Consequently the working of the unit resulted in loss in these years. The Committee on Public Undertakings in its Fifth Report (1980-81) observed that the Company should go in for publicity of its products to step up the demand. The company however, had not evolved a sustained aggressive advertisement campaign for its products with the result the demand of its products had not stepped-up.

The Company has also not developed proper dealership net work. One dealer appointed for twin cities in January 1979 stopped the business in May 1984 on personal grounds. The next dealer appointed in November 1986 stopped the business in August 1987 on the ground that the quality of beverages was poor. Again the Company appointed a dealer for twin cities only in 1990-91. Similarly, a dealer was appointed for the first time for Kurnool in November 1988 and after the expiry of his term in 1989 no dealer was appointed. The dealer appointed in November 1986 failed to lift the guaranteed quantity, but the Company did not take any action to make good the loss of Rs. 1.97 lakhs sustained by it although provided for in the agreement. Instead the Board of Directors of the Company decided to close the issue and to drop further action against the dealer.

[Paragraph 2C.9 (2)]

10.9 In its explanatory notes, the Company stated that the bottling equipment purchased in 1978 never worked to its full capacity, as the production was limited to market demand only. The production during the three years upto 1991-92 was 4,328, 12,901 and 13,432 crates and that in 1992-93 it is planned to improve the market atleast to 30,000 crates with the help of the distribution network and also with improved advertisement campaign. The Company appointed dealers in twin cities, Kurnool and Guntur Districts. The Company also made advertisement campaign through stickers, sale point danglers, wall posters, banners, bus panels etc. and these steps resulted in a positive trend in increasing the product off-take.

10.10 The Committee observed that the main draw back in the poor performance of the bottling unit was the mere absence of publicity to the product and lack of proper advertisement campaign. While viewing seriously the repetitive failure of the Company, the Committee reiterates its recommendation made earlier in its Fifth Report of 1980-81 and directs the Company to give a serious thought to the aspect of stepping up the much needed advertisement and publicity campaign and bring the unit to a viable

proposition. The Committee suggests that the Company may consider opening its stalls at various places like SBI Head Office, Gagan Vihar Complex, ESI hospitals, Jubilee bus stand, Railway stations etc., which are really potential areas for marketing such products. The Committee also recommends that the Company may approach the Government to come to its help in making available the Government agencies for giving wide publicity to its product. The Committee suggests that the Government may direct its various publicity agencies to give the required publicity to the product of the Company.

10.11 The Committee also noticed that the Company has not all along been serious in appointing adequate number of dealers for various areas. The Company has not properly explained the reasons for this shortcoming. The Committee also observed that while in the case of private bottling manufacturers, dealers are treating it as a matter of prestige to obtain the dealership and are ready to pay huge security deposits, in the case of the Company, dealers are not coming forward to take dealership with the requirement of even the payment of only the cost of the bottles in advance, leave alone payment of security deposits. The Committee strongly feels that since any amount of advertisement campaign will not bear anticipated results if the dealer network is not developed adequately and simultaneously, the Company should immediately make allout efforts to develop its dealer network throughout the State, to stay in this highly competitive market.

10.12 The Committee is not agreeable with the argument of the Company that the spirit behind the

incorporation of the penalty clause in the agreement is only to encourage the dealer to do better business but not to punish him. The Company may think of encouraging a dealer by giving any amount of incentive, so long as the performance of the dealer is upto the expectation. But when there is a failure on the part of the dealer in adhering to the terms and conditions of the agreement, the Company should take necessary action as provided for in the agreement, without showing any consideration, particularly when the Company is put to loss on account of such failure on the part of the dealer. In the instant case, the Committee noticed that actually the performance of the dealer was not upto the mark, while the quality of the product was qualitatively competitive in the market and still the Company decided to close the issue. The Committee directs the Company to re-examine the whole issue and submit a report by June, 1993.

11. Promotion of Agro Based Industries:

11.1 Despite the advice of an expert committee, management audit team of Administrative College and a consultant on Corporate Plan, the Company did neither evolve any long term plan nor developed any machinery capable of identifying potential projects for implementation and monitoring of the performance. The Company approached the State Government in July, 1987 to issue guidelines relating to promotion and establishment of agro-based industries but no guidelines were issued upto March, 1989. The role of the Company was thus limited to only financing certain industries promoted by other agencies like Andhra Pradesh State Financial Corporation (APSFC) and Andhra Pradesh Industrial Development Corporation Limited (APIDC).

11.2 Out of 7 Joint Ventures, in which the Company had a stake, 3 were in operation, one was in the stage of implementation (since went into commercial production in May 1991), while the remaining four units were running in losses. None of these units has declared any dividend so far. (Paragraph 2C.10)

11.3 In its explanatory notes, the Company stated that it did not have any refinancing facility like APSFC or APIDC, that in the absence of this facility, the Company has been participating only in the equity of certain agro-based industries subject to availability of funds and that recently the State Government have taken positive steps and the proposal for food processing industries is under review of the Government. The Company also informed that it has submitted proposals for strengthening the projects wing for effective discharge of its role as the promotional agency for food processing industries.

11.4 During his deposition, before the Committee, the VC & MD informed that the Government had not yet issued the required guidelines.

11.5 The Committee fails to understand as to what guidelines are actually required by the Company. While expressing its unhappiness over the delay on the part of the Government in issuing the guidelines, the Committee recommends that the Government should issue the required guidelines without any further delay, duly taking into account the present needs of the farmers.

12. **Hyderabad Chemicals and Fertilisers Limited, Hyderabad:**

12.1 The Hyderabad Chemicals and Fertilisers Limited incorporated in 1942 became a subsidiary of the Company in 1978, with equity participation of Rs. 41 lakhs in the unit, had been running in losses and the accumulated losses at the end of December, 1986 stood at Rs. 526 lakhs, mainly due to fall in the prices of Sulphuric Acid which was being offered by Hindustan Zinc Limited at cheaper rates which was a bye-product for them. The Board of the unit decided in January, 1986 to suspend the operations temporarily and approach the State Government to permit the unit to declare lay-off with effect from 1st February, 1986. However, the State Government directed the unit in January, 1987 to go in for voluntary liquidation and directed the Company to meet immediate requirement of the unit and sanctioned a loan of Rs. 20 lakhs to meet salaries and other liabilities of the unit. The Government also directed the Company to release

Rs. 26.50 lakhs out of its surplus funds kept in deposits. A liquidator was appointed in June, 1987 and by the end of April, 1989 the amount advanced by the Company to the unit stood at Rs. 195.16 lakhs apart from equity contribution of Rs. 41 lakhs.

(Paragraph 2C. 10(1))

12.2 In its explanatory notes, the Company informed that Sri S.R. Patnaik who was appointed as liquidator in June, 1987 could not complete the liquidation for more than two and half years due to various suits pending in different courts and ultimately could not continue as liquidator due to non-availability of funds for liquidation expenses and also due to his ill-health and resigned in February, 1990.

12.3 The Committee was informed that the Government has not appointed a liquidator thereafter. The Committee recommends to the Government to appoint a liquidator and finalise the issue without any further delay.

RECOMMENDATIONS OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
(9th Legislative Assembly)

ACTION TAKEN NOTES ON THE RECOMMENDATIONS OF COPU
CONTAINED IN ITS 18TH REPORT PRESENTED TO VIII LEGIS-
LATIVE ASSEMBLY ON 31ST MARCH, 1989

REPORT OF THE COMPTROLLER AND AUDITOR-GENERAL OF INDIA
FOR THE YEAR ENDED 31ST MARCH, 1989-No.3 (Commercial)

**ANDHRA PRADESH AGRO INDUSTRIES DEVELOPMENT
CORPORATION LIMITED**

Underinvoicing of Sale of Fertilisers:

In para 7.02 of the Report of the comptroller and Auditor-General of India for the year 1982-83 (Commercial), Government of Andhra Pradesh, a short realisation of Rs. 55.06 lakhs on account of sale of fertilisers at a price lower than the revised price was pointed out.

In its Eighteenth Report presented to Eighth Legislative Assembly on 31st March 1989, the Committee on Public Undertakings after recording evidences on the above para recommended that-

9. The Committee feels that absence of adequate internal controls had given scope to the officials for committing the alleged frauds and desires suitable systems and internal checks should be prescribed to prevent further losses.

The Committee recommends that Government should examine these cases *de novo* and take appropriate action after considering the circumstances etc., as explained by the individuals concerned.

10. The Committee was not happy with the way the departmental enquiries are conducted in connection with sale of 1192.9 tonnes in Nalgonda District. The case should have been entrusted to C.B.C.I.D., immediately after noticing the case. The Committee desires that Government may entrust the enquiry to ACB/CBCID and the main terms of reference should be marketing of fertilisers.
11. The Committee also desires that the enquiries by A.C.B. may be completed expeditiously and culprits brought to book. The Committee may be

informed of the further developments in these cases.

Although the earlier Committee directed the Company to furnish a report on the developments in the case, no report was furnished till the present Committee desired to examine the action taken by the Company on their earlier recommendations made in the above report. In a written reply to the recommendations, the Company only noted the Committee's recommendations regarding introduction of a suitable system to prevent all further losses of under invoicing. The Company has also stated that with a view to ensuring that there is no fraud committed and no collusion by the field staff of the Corporation, suitable steps have been taken to verify the closing stocks at all sales outlets in order to fix the price according to the revised rate as indicated by the Government of India.

The Company, in its written reply, further stated that the entire sale of fertilizers made not only in Nalgonda District but also in all other regions of the Corporation during July, 1981 were investigated by A.C.B. These investigations revealed fraudulent sales transactions in all the regions. Criminal cases were filed in the Special Court for A.C.B. cases during April, 1988 against the concerned Marketing Officer of Nalgonda and also against 9 Regional Managers besides the Former General Manager (AC). The criminal cases are reported to be pending trial in the Special Court. The Company further informed the Committee, in its written reply, that the departmental enquiry against the 9 Regional Managers was completed and the Enquiry Officer found them guilty of the charges framed against them excepting on the charge of extending unauthorised credits to the dealers beyond the credit limits prescribed by the Head Office. The Board of the Company, after examining the Enquiry Report and other material on record, came to a provisional conclusion to award the 9 Regional Managers with a major punishment. The VC & MD of the Company has been authorised by the Board to issue Show Cause Notices indicating the financial loss. The Company reported, in their written reply, that further action in the matter is under process.

During the deposition before the Committee, the VC & MD stated that a thorough check by the Internal Audit was made and as a result of which, the short realisation was worked out to Rs. 40 lakhs and odd. The Company could not give the correct figure of

short realisation. On being asked whether the stocks were sold, the VC & MD replied that on a particular date there was price hike but the stocks were sold at the pre-hike rate instead of at the higher rate. Criminal Cases against the guilty persons are going on. The departmental enquiry was completed and responsibility was fixed by the Enquiry Officer on all the 9 Officers. Some data required to give major punishment to the Regional Managers as decided by the Board is being collected.

On the Committee requesting the VC & MD to read out the concluding portion of the Enquiry Report, the VC & MD read as follows:

"Regional Managers are guilty of selling fertiliser stock at pre-hike price after 11.7.1981 contrary to the directions issued by the Corporation, resulting in financial loss whether the sale is effected by themselves or by the Marketing Officers. Similarly they are guilty of antedating or altering D.Os., D.Cs. whether it is done by themselves or by Marketing Officers. Their defence that they and the Marketing Officers acted as per the instructions of General Manager, Agro Chemicals is not tenable and acceptable. As responsible senior officers incharge of specific regions, it is their duty to follow the instructions of the Head Office and see that others too follow them. They cannot shift the blame on officers above and below them taking the role of post offices. Further, when they delegate authority, it is their responsibility to see that the delegates also act promptly since delegation does not mean passing on the buck and abdicating responsibility. They cannot also take shelter under the guise that their action resulted in financial gain to the Corporation. Even if their actions are taken genuine

they cannot be accepted since they were contrary to the clear instructions of the Corporation. There is no evidence whatsoever to show that the Managing Director ever approved such action in the face of written instructions of the Corporation at sale price of various fertilisers and raising of supplementary invoices. Further, even when they got an opportunity to rectify the mistake committed and realise the price dues based on the head office instructions and the dealership agreements entered into, they failed to do so. Their plea that they kept the head office informed cannot stand to reason. It is their duty to obtain specific orders when written instructions are violated. But the influence of the GM Agro Chemicals on the action of RMs and MDs in this regard is to be taken into account for a final decision to be taken. In this connection it is also to be remembered that GM Agro Chemicals has already admitted in the evidence before the enquiry officer that he issued directions to RMs to sell stock at pre-hike prices 12:32:60 and mentioned that selling IFFCO 12:32:60 and SPIC Urea had the oral approval of the MD. He supported the deeds of RMs and MDs and took no action as per his own submission. It is therefore, not too much to conclude that the GM Agro Chemical's hand was there in every transaction and there was no evidence to show that in these actions there was the approval of the MD. This is undoubtedly a mitigating factor, but that does not absolve the RMs of their responsibility. I hold the charge as proved to this extent."

The Committee desired to know the evidence furnished by the GM (AC) for which the VC & MD replied that the GM stated that he did not issue any instructions to sell fertilisers at pre-hike rate except in the case of IFCO 12:32:60 which had the oral concurrence of MD. No action was taken by the GM as he considered that there was no malafide intention on the part of the RMs and MDs. However, the then MD deposed before the A.C.B. that he did not give any oral instructions in this regard. The VC & MD further stated that the A.C.B. had filed Charge Sheets against the guilty persons and the case is pending before the Special Court. The GM (AC) who is also found guilty has left the organisation.

Noticing that the 9 RMs have been reinstated in service while A.C.B. cases are pending against them, the Committee enquired the VC & MD as to how they are reinstated. In his reply, the VC & MD stated that the delinquent officers were suspended in 1987 and on their approach the High Court directed that the officers should not be kept under suspension for such a long time and ordered their reinstatement pending departmental enquiry. Accordingly, they were reinstated in June/July, 1991. The VC & MD added that on their reinstatement, they are not given crucial posts.

On the Committee pointing out that the GM in his statement mentioned the name of the MD on whose oral instructions the GM had instructed the RMs to sell IFFCO 12:32:60 at pre-hike price, the VC & MD stated that such a permission was given after one month of the price hike but the 9 RMs sold the stocks earlier.

The Committee found that on an earlier occasion the House Committee had also gone into the matter and desired that it should be informed of the further developments of the case. The Committee regrets to note that the Company had not informed the same to the House Committee. Neither the Company tendered any information about this case to the Committee as was earlier recommended in 1989. The Committee takes a serious view of the failure of the Company in not following the directions of the previous Committee.

The Committee deplores the inordinate delay in conducting the enquiry in this case. The Committee

gains the impression that the Regional Managers alone cannot order the sale of the fertilisers at the pre-hike price. The Committee feels that the involvement of officers at higher as well as lower levels cannot be ruled out. The Committee desires to know conclusively whether the then MD gave oral instructions or not for the sale of IFFCO 12:32:60 at a lower price. The Committee cannot but express that the whole issue was irresponsibly dealt with and a few officers were found guilty with a view to protecting higher officers. The replies given by the VC & MD were found by the Committee to be ambiguous and not convincing.

The Committee, therefore, directs that the Government should go through this case once again and conduct a detailed enquiry and submit its findings at the earliest. The Report of the findings may be submitted to the Committee by June, 1993.