

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

TWENTY-FIFTH REPORT

On

JUTE CORPORATION OF INDIA

Shortcomings in the functioning of J.C.I.

(MINISTRY OF INDUSTRY)



**[Presented to Lok Sabha
on 2-4-1979]**

**LOK SABHA SECRETARIAT,
NEW DELHI**

March, 1979/Chaitra, 1901 (S)

Price : Rs. 2.56

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ON PUBLIC UNDERTAKINGS (1978-79) ON
JUTE CORPORATION OF INDIA LTD. -
SHORTCOMINGS IN THE FUNCTIONING OF
JCI.

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COMMITTEE ON PUBLIC UNDERTAKINGS
LIST OF MEMBERS

(1978-79)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri T. N. Khanna—*Senior Financial Committee Officer.*

*Elected w.e.f. 26-12-1978 vice Shri Deorao Patil died.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Twenty-fifth Report on Jute Corporation of India—Shortcomings in the functioning of J.C.I.

In order to examine the various aspect of the functioning of Jute Corporation of India in depth the Committee held as many as 30 sittings during 1977-78. The Committee have already presented six reports on the subject of Jute Corporation of India viz., Third Report on 'Jute and Exploitation of Jute Growers'; Eighth Report on 'Government's Unfair Pricing Policy for raw jute'. Twelfth Report on 'Back to Back Arrangement for sale of jute to Jute Mills', Thirteenth Report on 'Procurement and Marketing of Jute by Jute Corporation in India', Fourteenth Report on 'Organisational Matters' and Sixteenth Report on 'Economic Offences committed by Jute Trade and Jute Industry'. This Report deals with some of the shortcomings in the functioning of J.C.I.

Publicity aspect has been utterly neglected by the Jute Corporation. The expenditure on publicity is insignificant and publicity leaflets are printed and issued only in September|October each year which is well after the commencement of the Jute season when their distribution can hardly serve any purpose. Jute Corporation also enters the market very late when the small jute growers, to meet their pressing demands of finance, sell most of their produce to private traders. Even in the limited number of centres which the JCI has the staff of the Corporation indulge in malpractice of not purchasing jute directly from the growers. While purchasing jute from middlemen bogus cash memos are prepared by the JCI staff in the names of different farmers in order to show on record that jute has been purchased from growers. Poor Jute growers are also cheated by the officials of JCI in other ways like downgrading of their jute, under weighment and deductions on account of moisture etc.

Preferential treatment was given by JCI to certain mills in the sale of jute. Jute was supplied to National company at concessional rates, much lower than the rates at which jute was supplied to other mills. Imported Jute was supplied to Sri Ram Jute Mills

and Sri Ambica Jute Mills. Deliveries were continued without verifying whether payment against earlier deliveries had been made or not although jute was agreed to be supplied on cash and delivery terms. Special accommodation was shown by JCI particularly to M/s. Kinnison Jute Mills by delaying the deposit of cheques with the Bankers. Needless accommodation to certain mills was given by accepting post-dated cheques.

The Committee have pointed out various shortcomings in the functioning of Jute Corporation and have given valuable suggestions with the hope that the Management|Government will take suitable remedial measures to bring about improvement and ensure that the J.C.I. is able to fulfil the objectives for which it was set up.

The Committee wish to express their thanks to all official and non-official organisations for placing before them the material and information they wanted in connection with the examination of Jute Corporation of India.

The Committee considered and adopted the Report at their sitting held on 21st March, 1979.

NEW DELHI;
 March 27, 1979.
 Chaitra 6, 1901 (S)

JYOTIRMOY BOSU,
 Chairman,
 Committee on Public Undertakings.

REPORT

SHORTCOMINGS IN THE FUNCTIONING OF THE JUTE CORPORATION OF INDIA LTD.

CHAPTER I

Procurement of Jute by J.C.I.

In the Third Report (Sixth Lok Sabha) of the Committee on 'Jute Corporation of India—Jute and Exploitation of Jute Growers' it was stated that the primary object of setting-up the Corporation was to ensure for the growers a better price than what he was getting by a process of elimination of the many tiers of intermediaries then operating in the jute market. It was envisaged that in course of time the Jute Corporation would save the growers from the clutches of these middlemen by making arrangements to buy jute directly from the jute growers and by building up its direct relationship with them. It was, however, found that JCI could not make a significant impact on the internal market of raw jute which is regrettable. It was noted that during 1975-76 the JCI could purchase only 9.82 per cent of the total production of jute and mesta in the country through cooperatives and through their own Departmental purchase Centres.

1.2. In their Thirteenth Report on 'Jute Corporation of India—Procurement and Marketing of Jute' the Committee further noted that the Departmental Purchase Centres of JCI are located in the secondary markets and both in the matter of number and location, the Departmental Purchase Centres are woefully inadequate to provide facilities to the actual growers for selling their stock of jute and mesta to Jute Corporation of India.

1.3. Apart from the facts stated above the following factors have also been responsible for a gap between the JCI and the growers as a result of which the grower has not been able to benefit at all so far from the operations of the Corporation:—

- (a) Practically publicity is given by the JCI;
- (b) very late entry of JCI into the market;
- (c) Malpractices indulged in by the staff of the JCI especially at its Departmental Purchase Centres; and
- (d) Irregularities in the appointment of Private Agents and Malpractices indulged in by the Agents.

1.4. These matters are accordingly discussed in detail in the succeeding paragraphs.

(a) Inadequate Publicity to the Procurement Programme:

1.5. Most of the non-official witnesses have told the Committee during evidence that the Jute Corporation of India does not publicise their procurement programmes. One of such witnesses has stated that publicity pamphlets which are issued for distribution among the farmers are never actually distributed. The Study Groups of the Committee who visited some jute growing areas in almost all the States where jute is produced also did not come across any pamphlet whatsoever distributed by the JCI in regard to its activities in the area.

1.6. The Committee accordingly called for details about the number of publicity leaflets issued by the JCI during each of the last 3 years, the dates when these were published, total expenditure incurred by JCI on publicity about its activities in the field of purchase of jute including publicity done through All India Radio and Cinema slides etc.

1.7. The statement below gives the details of publicity leaflets printed and issued:—

Year	No. of leaflets	Date of placing order for leaflets	Date of receipt of leaflets	
1	2	3	4	
974-75	Bengali	1,12,000	23-7-1974	14-8-74
	Hindi	36,000		26-9-74
	Assamese	34,000		19-8-74
	Telugu	10,000		3-10-74
	Oriya	8,000		26-9-74
		2,00,000		
975-76	Bengali	12,000	16-8-1975	23-9-75
	Hindi	2,800		29-9-75
	Assamese	4,000		1-10-75
	Telugu	1,200		
	Oriya	800		
		20,800		

1	2	3		4
1976-77	Bengali	18,000	2-9-1976	14-9-76
	Hindi	10,000		16-9-76
	Assamese	12,000		20-9-76
	Telugu	5,000		15-10-76
	Oriya	5,000		15-9-76
		50,000		
1977-78	Bengali	18,000	24-8-77	30-8-77
	Hindi	10,000		7-9-77
	Assamese	12,000		8-9-77
	Telugu	5,000		10-9-77
	Oriya	5,000		13-9-77
				14-9-77
				20-9-77
				26-9-77
		50,000		

1.8. It would appear from the above statement that the leaflets were received back from the printers when the jute season had already concerned and sometimes these were received even as late at the end of the September when the market was already saturated with the peak arrivals.

1.9. In regard to delay in the printing of leaflets the Management have stated as follows:—

“In the recent period, the Corporation was required to confine itself only to price support operations and, as such, the leaflets had to contain the minimum prices that were prescribed by the Governments. The Corporation could, therefore, bring out the leaflets only after the relevant notifications were issued by the Government. The dates

of notifications of minimum prices for raw jute were as follows:—

Season	Date of Gazette Notification
1974-75	6-9-74
1975-76	18-7-75
1976-77	20-8-76
1977-78	10-8-77

1.10. The following statement gives the details of meagre expenditure on publicity through leaflets, radio, cinema slides etc.:—

Year	Nature of Publicity	Amount spent	Total amount spent during the year
1974-75	Leaflets	11,685	23,868
	Commercial Broadcasting	8,188	
	Advertisement in Souvenir	3,995	
1975-76	Leaflets	2,000	6,825
	Cinema Slides	3,174	
	Advertisement in small local papers and exhibition souvenir	1,651	
1976-77	Leaflets	28,477	41,794
	Commercial Broadcasting	12,375	
	Advertisement in small local papers and exhibitions	10,970	
1977-78	Leaflets	4,449	23,017
	Commercial Broadcasting	17,675	
	Advertisement in Souvenir (Till date)	865	

(The amounts being insignificantly small, their percentages to the total expenses of the Corporation, running into crores, have not been worked out.)

1.11. It has been stated that the number of pamphlets printed in 1975-76 was smaller than in other years because some of the leaflets issued in the previous year were available for use during this year also.

1.12. The Committee enquired about the reasons for the insignificant expenditure on publicity. In a note submitted to the Committee, the Ministry have stated as follows:—

“During the last three years, the JCI could operate only for price support and as such general publicity that the Corporation would buy jute from the growers would create difficulties if the growers brought the jute when the market prices were higher than the minimum prices. In fact complaints were reported to have been received by the Government of West Bengal that one time when the market prices were high leaflets were distributed on behalf of some cooperatives indicating minimum prices which was harmful to the interest of the growers. The Corporation, therefore, had to limit itself to the distribution of leaflets only during the period when price support operation was called for. Hence, the expenditure on publicity by the JCI has been insignificant when compared to its total expenditure.”

1.13. From the figures made available to them regarding publicity pamphlets and total expenditure of Jute Corporation of India on publicity, the Committee cannot but conclude that the publicity aspect has been utterly neglected by the Corporation. On the basis of the experience of the study groups of the Committee during their extensive tours to jute-growing areas, the Committee are inclined to agree with the complaints made to them that even the limited number of publicity pamphlets issued by the Jute Corporation are not being actually distributed to the growers properly.

1.14. As admitted by the Management, the expenditure on publicity is insignificant as compared to the total overheads of the Corporation. Also, the publicity leaflets are printed and issued only in September/October each year which is well after the commencement of the jute season when their distribution can hardly serve any purpose.

1.15. The Committee would, therefore, suggest that a well-thought out publicity plan should be prepared and launched every year well in advance by the Corporation in order to ensure that right at the time of harvesting of their jute crops, the growers are fully aware of the operations of the JCI and connected facilities available to them in the area for selling their produce directly to the Corporation.

(b) Late entry by JCI in the Market

1.16. It has also been brought to the notice of the Committee that the Jute Corporation of India enters into the market for the purchase of jute at a late stage of the jute season by which time most of the stock of jute is purchased by the private traders. As a result, jute growers are actually not able to benefit from the minimum price support operations of the JCI.

1.17. The Committee asked the JCI to furnish the dates on which jute started arriving in the markets, and the dates on which purchases were started by JCI in different States during 1975-76 and 1976-77.

1.18. The JCI has furnished the following information:—

Sl. No.	State	Approximate period of commencement of arrivals in up-country markets		Date of commencement of purchase by J.C.I.	
		1975-76	1976-77	1975-76	1976-77
1	West Bengal	Late-June	Late-June	19-7-75	27-7-76
	(a) North				
	(b) Semi-Northern	Mid-July	Early-July	22-8-75	6-8-76
	(c) South	End July	Mid-July	15-9-75	18-8-76
2	Assam	End-June	Mid-June	1-8-75	15-7-76
3	Tripura	Early-July	End-June	28-7-75	7-8-76
4	Bihar				
	(a) Kishanganj and adjoining areas	Early-July	End-June	13-8-75	17-8-76
	(b) Others	End-July	End-July	13-8-75	26-7-76
5	Orissa	Mid-August	Mid-August	9-9-75	28-8-76
6	Andhra Pradesh				
	(a) 1st crop	Early-July	Early-July	24-9-75	16-8-76
	2nd crop	End-Oct.	End-Oct.		

N.B.: In Andhra Pradesh the 2nd crop accounts for 80% of the total production.

1.19. The statement above makes it amply clear that JCI always entered the market much after the Commencement of the Jute arrivals in the up-Country markets.

1.20. In this regard the Management have stated as follows:—

“The jute and mesta growing areas are spread over more than 7 States and the sowing period in each is different depending mainly on weather conditions. It is therefore, difficult to indicate the actual date of commencement of arrivals. The statement given above shows their approximate period of commencement of arrivals and the actual date of commencement of purchase operations by the JCI, State-wise, during 1975-76 and 1976-77. It may be mentioned that in both these years the JCI could operate only when the prices ruled within our price ceiling i.e., within Rs. 5 per quintal above the statutory minimum levels.”

1.21. The Committee note that as against the arrivals of jute in the markets in the month of June/July, the JCI has, during the last three years been entering the field of purchase mostly in the later half of August by which time the small jute growers, to meet their pressing demands of finance, sell most of their produce to private traders.

1.22. The Committee feel that the real objective of ensuring remunerative prices to the jute growers, for which the Jute Corporation of India was set up, cannot be achieved unless the Jute Corporation is in a position to buy jute at the peak arrival time immediately after raw jute begins to be brought by the growers to the markets for sale.

1.23. The Committee strongly stress that the procurement operations of JCI should be taken up in right earnest from the start of the jute season and so oriented that there is no complaint from any corner about the growers having to resort to distress sales to private traders due to delay on the part of JCI in entering market. The Corporation should also ensure that their procurement operations are at full swing at the time of festivals like Juja and Id when the demands of the growers, pressing as they are, generally compel them to dispose of their jute at whatever prices are offered to them.

(c) MALPRACTICES AT D.P.Cs OF THE J.C.I.

1.24. In regard to the various malpractices indulged in by the staff of JCI, the Ministry have *inter alia* stated as follows:—

“In view of the nature of the business and the scattered location of the purchase centres, there is scope for the staff to

indulge in malpractices in the purchase of jute. These malpractices are possible in the following areas:

- (1) in the assessment of the quality and moisture condition of the unassorted jute brought for sale.
- (2) in weighment;
- (3) in payment of the price fixed;
- (4) in showing preferred treatment to favourite sellers particularly in time of heavy offers."

1.25. The State Governments' spokesmen and non-official witnesses have stated during evidence that even at such places where the Corporation is able to purchase jute direct from the growers, the staff of the JCI indulge in malpractice by refusing to purchase the jute from the growers on one pretext or the other. The AITUC in their Memorandum submitted to the Committee have stated as follows:—

"The growers come a long way to sell their produce at DPCs. After waiting for hours, they sometimes are informed that their quality is substandard or is of low grade. Sometimes they are told that jute is wet. Some agents then come forward and purchase it at a lower rate. Poor growers find no other alternative but to sell at reduced price."

1.26. The Committee have also been informed by a non-official witnesses during evidence that JCI purchases jute from middlemen but bogus cash memos are prepared in the name of different farmers in order to show in the record that jute has been purchased from growers. Payment is made through bearer cheques but the names of drawees are, on many occasions fictitious.

1.27. During evidence the Agriculture Commissioner of West Bengal Government also stated that while selling jute 'Fariahs' bring some names of genuine farmers and added:

"I have seen the JCI agents taking down those names as if the purchases were made from them."

1.28. The various malpractices alleged to be followed at the D.P.Cs of the JCI are accordingly discussed below:—

(i) *Issue of fictitious vouchers:*

1.29. During evidence of representatives of JCI, the Committee desired to know if many of the vouchers, which are identified as vouchers from growers, were fictitious or forged. The Managing

Director stated "we cannot definitely say that these are fictitious or not but there is ample scope for that." The Chief Marketing Officer also stated that they have no way of either confirming whether the vouchers are genuine or otherwise.

1.30. In reply to a question, whether bearer cheques were often drawn in favour of fictitious names, the Managing Director stated that these were drawn in the names that the sellers gave. Asked if the Management had ever verified whether these people ever existed, the Managing Director stated, "we have not".

The OSD of JCI also admitted that "the present system is not perfect and it can be abused."

Asked whether any complaints had been received by the Management about the issue of fictitious vouchers and the action taken on such complaints, the Managing Director stated some complaints had been received by the Corporation to the effect that some fictitious vouchers had been made out to show that jute had been purchased from growers. The witness added "we are investigating the cases, some of which are in an advanced stage of investigation."

1.31. As a means to identify the genuine jute growers, it has been suggested to the Committee that the services of the staff of JCI could be utilised to prepare a national register of jute growers, so as to distinguish them from the Fariahs and middlemen operating in the jute trade. In this regard, the Managing Director of JCI stated it was very difficult thing to do. He was not sure if the JCI staff could cover all the jute growing areas because JCI had markets only in a limited number of places.

(ii) *Downgrading and underweighment of Jute at the time of purchase*

1.32. The Committee are informed that the jute growers are deprived of the support price fixed by Government as upper grade jute procured by JCI is accepted as lower grade jute and bills are prepared for quantities lesser than those actually purchased. Jute is purchased from the growers in an unassorted form but when it is sold to the mills, it is always issued in an assorted form.

1.33. During evidence, the Managing Director confirmed that jute is always brought by the growers in a mixed form. The grade content in each bundle is estimated by the Purchase Officers who fix prices accordingly. This unassorted jute is then assorted into various grades according to ISI standards and is sold to the mills.

1.34. The Committee enquired if while purchasing jute any indication was made in the Purchase Register about grading. The OSD stated "we do not make a mention of grading in the Register." He added "at the time of purchase, grading is done by subjective method."

1.35. Asked as to why grading of jute was not indicated in the Register against the consignment at the time of purchase, the witness replied "it is difficult to indicate that precisely at the time of purchase. We only make a rough estimate of the grade proportion and we give price to the grower on that basis. Then it is sorted into different grades."

(iii) *Deductions on account of moisture*

1.36. The Committee are informed that JCI uses Moisture Meter at the time of purchasing jute from growers and deductions in the amount are made if moisture content is 16 per cent or more. This practice scares away the jute growers from selling their jute to the JCI and they go to private traders who do not use any Moisture Meter.

1.37. During the evidence the Managing Director stated in this regard:—

"We take 16 per cent as the moisture content in Jute, in normal atmospheric conditions. If the moisture content in a particular sample of jute is as high as 23 or 24 per cent., the differences may be deducted. That may be 6 or 8 per cent depending on the excess moisture in it."

1.38. The witness added that this practice could possibly scare away some growers but it was a very scientific procedure.

1.39. As regards use of moisture by private traders, the OSD stated that in determining the moisture content the universal practice was to feel the fibre by the hand, and take the small. The witness added that in the process the traders could cheat the growers also by deducting more money for moisture. This method of testing moisture was being followed by JCI also, but where there was dispute about the moisture content then the moisture meter was being used.

1.40. The Committee desired to know about the number of cases of disputes in regard to moisture content of jute purchased by the

JCI during 1975-76 and 1976-77 and how these disputes were settled. The Management have in a written note, stated as follows:—

“Where the moisture content in jute exceeds the specified limit, a proportionate deduction in price is made while making purchases. The total number of cases where such deduction was made in 1975-76 and 1976-77 have since collected from our field offices and the particulars are given in the table below:—

Year	Total number of cases where deduction in price was made on account of excess moisture.
1975-76	10,975
1976-77	34,355

While the majority of these cases were settled amicably, the actual number of cases where dispute arose and where such disputes were settled with the aid of moisture meter are not available as no such records are maintained.”

1.41. It has been suggested to the Committee that in order to check and avoid adoption of malpractices at the DPCs of the JCI popular Committees consisting of representatives of Kisan Sabhas, should be attached to each DPC.

1.42. The Committee desired to know the reaction of the JCI to this suggestion. The JCI stated in a written note furnished to the Committee that this matter came up for discussion at the 60th meeting of the Board held on 31.8.77 when the Managing Director informed the Board that Dr. Asok Mitra, Finance Minister of West Bengal, had suggested that the JCI might get in touch with and involve the Kisan Sabhas in its purchase operations. The Managing Director had asked for guidance from the Board in this regard as such involvement might assume political complexion. It was pointed out by one of the Directors that in many areas there were various Kisan Organisations and, though they belonged to different political parties, they did not have any difference of opinion in the matter of ensuring fair prices to growers and fair dealings to them. Chairman of the Board agreed that there was no harm in constituting broad based local Committees headed by local officials such as District Magistrates and Deputy Magistrates.

1.43. The Management have informed the Committee that action on the above is being taken by them.

1.44. The Committee are unhappy that even in the limited number of centres which the JCI has the staff of JCI indulge in the malpractice of not purchasing jute directly from the growers. The allegation that JCI officials refuse to purchase jute from farmers on one pretext or the other as a result of which the farmers are compelled to sell their jute to private traders at lower rates is a very serious one and needs to be thoroughly investigated with a view to imposing proper punishment on those found guilty in the matter.

1.45. In regard to the allegation that while purchasing jute from the middlemen bogus cash memos are prepared by the JCI staff in the names of different farmers in order to show on records that jute has been purchased from the growers, the Committee are not convinced with the statement of the Chief Marketing Officer that they had no way of confirming whether vouchers issued by the JCI staff were genuine or otherwise.

1.46. The Committee desire that the complaints that are pending with the JCI in this regard should be thoroughly investigated and exemplary punishment is awarded in proven cases of indulgence.

1.47. The Committee also recommend that the Government should issue necessary directives to the Corporation so that its procurement is restricted mostly to the growers and the co-operatives.

1.48. In this context, the Committee also feel that the suggestion for opening a national register of jute growers in the different jute growing States deserves to be seriously considered by the Government so that each and every farmer could get a certificate which besides helping the Corporation in identifying the growers, could also be beneficial in several other ways like distribution of credit, inputs and other such facilities. The services of the staff of JCI, during lean months of the JCI's procurement operations could, in the opinion of the Committee, be utilised in the opening and maintenance of such a register.

1.49. As regards alleged cheating of poor jute growers by the officials of JCI in other ways like down-grading of their jute, underweighting and deductions on account of moisture etc., the Committee recommend that popular committees consisting of represen-

tatives of growers organisations should be formed without delay in order to exercise proper vigil and prevent the malpractices. The Committee also recommend that periodical surprise checks by supervisory staff of the J.C.I. should be made at all D.P.Cs of the Corporation where complaint/suggestion books should also be kept for the help of the jute growers coming to sell their jute.

1.50. In regard to the use of Moisture Meters at the D.P.Cs of the JCI, which are stated to have the effect of scaring away of jute sellers from the D.P.Cs the Committee would suggest that the jute growers should be educated through issue of leaflets and otherwise about the utility of such meters and their usefulness to the growers against exploitation by private traders. The Committee would also suggest that till such time as the growers get psychologically adjusted to the use of such meters, the D.P.Cs of the JCI should restrict their use only in cases of dispute in regard to the extent of moisture content in the jute offered for sale, and that too after convincing the seller about the utility of the meter for an amicable settlement of the difference of opinion in the matter.

(d) Appointment of Agents

1.51. To supplement its prices purchase operations, the Jute Corporation of India had to appoint private purchase agents in 1971-72, 1973-74 and 1976-77. According to the information furnished to the Committee, no advertisements were issued to invite applications for appointing such purchase agents during 1971-72 and 1973-74. In 1976-77, however, advertisements were issued on two occasions, viz., in seven newspapers on 31.8.1976 and 11 newspapers on 22.9.1976 (two insertions).

1.52. In all 16 agents were appointed in 1971-72, 36 in 1973-74 and 9 in 1976-77.

1.53. As to the criteria adopted for selection of agents during 1973-74, the Chief Marketing Officer of Jute Corporation of India has informed the Committee during evidence that "the State Governments were asked to recommend some names and on the basis of their recommendation the appointments were made."

1.54. As against the above quoted assertion of the Chief Marketing Officer, the Officer on Special Duty of the Jute Corporation of India has stated during evidence that:—

"Not all the agents were appointed on the recommendations of the State Governments. In fact, not a very detailed scrutiny was made in appointing them."

1.55. From the written information furnished to the Committee they find that while the number of applicants recommended by the State Governments was 'nil' during each of the years 1971-72 and 1976-77, in 1973-74 only four agents (out of a total of 36 appointed by the JCI) had been recommended by the State Governments.

1.56. Representations have been made to the Committee that the appointment of these agents was done in an improper manner and there was lot of favouritism involved in their selection. Particular mention has been made about appointment of two firms of Calcutta, namely M/s. Maheshwari Brothers and M/s. Gouri Shankar Bhagawati Prasad as purchase agents of the Corporation in Andhra Pradesh. Apart from the complaints of favouritism in the appointment of these firms as agents of the Corporation, it has also been alleged that these agents indulged in a number of malpractices and they were also helped by the Chief Marketing Officer of the Jute Corporation of India in purchasing large quantities of jute by stopping or cutting down purchases by the Departmental Purchase Centres of the Jute Corporation of India in the areas where these agents were operating. In regard to the malpractices of these two agents, the Committee are informed that even though purchases made by them were beyond one crore of rupees from different villages, there was no variation shown in the price of jute purchased by them on a single day. Purchases were also made from all the growers at a uniform rate and no proper receipt was obtained. Further, the grading out-turn and other details of purchases were not reported to the Corporation as required under the agreement between them and the Jute Corporation of India. No variation was made between the weight of loose jute purchased and the jute baled therefrom. Nor any acceptable records were produced showing the details of labour charges paid for assortment and baling. Variation was found in figures shown in the consolidated purchase returns sent to the Corporation and those shown in the baled jute stock registers. Bales were found to be repacked and upgraded by changing the markings on bale tickets.

1.57. The Officer on Special Duty of the Jute Corporation of India has admitted during evidence that "though they had purchased from different growers, grade out-turn was the same. There is no indication on their books."

1.58. The Committee are also informed that the jute purchased at one place (Parvatipuram) was at a price below the support price. Out of 198 growers in 21 villages whose names were given only 12 growers could be traced. All of them, however, denied to

have sold any jute to either of the two private agents. The remaining 186 growers named by the agents were non-existent. The Certificates had been obtained from each of the 21 village heads supporting this position.

1.59. It has also been alleged that the Chief Marketing Officer of the Corporation (Shri Yagnik) had a holiday in the hotels in Andhra Pradesh at the expenses of the said two agents. The Committee accordingly called for details of the Chief Marketing Officer (Shri Yagnik) going on holiday and the particulars of his stay and payments of bills relating to his stay.

1.60. In the information furnished by the Chief Marketing Officer the Committee find that from 9th April to 20th April, 1974, he had visited Andhra Pradesh on 12 days' casual leave and details in respect thereof are given below:

Dates and types of leave	Period of leave	Purpose of leave	Place of stay	Amount charged	Mode of payment
9-4-74 to 20-4-74 Casual	12 days (including 2nd Saturday and Sunday)	Rest on medical advice and pilgrimage	Waltair 6 days and Tirupati 2 days	Approx. Rs. 1050 at Sun N' Sea Hotel in Waltair; Rs. 50 at Devasthanam Cottage, Tirupati	Paid in cash. Bill and receipt not retained.

1.61. During evidence, the Committee also desired to know as to how these private traders of Calcutta, had been appointed as agents of the Jute Corporation of India in Andhra. The Chief Marketing Officer (Shri Yagnik) stated in reply that it was done on the basis of recommendation of the State Government. The witness added that *ex-post facto* approval of the Managing Director of Jute Corporation of India had been taken in the matter.

1.62. In this connection, the Managing Director of the Corporation stated during evidence:—

"If I remember correctly this file has already been submitted to the Committee. I joined in October, 1973 and it was early November or so when the file was put up to me via the then Finance Director. Apparently the appointment had already been made and approval was being asked to be formally regularised. The Finance Director raised objection but he said that since they have already

been appointed, it can be accepted and I had also said in the same vein."

1.63. The Chief Marketing Officer has also informed the Committee during evidence that the owners of these two firms are brothers but the families are not living together. The witness added:—

"Whether they are operating or living together.....that is not what was being looked into. Then Sir, the situation is so bad that I was alone looking after the total department and at that time the pressure of work was so much and there were complaints....."

1.64. The Committee are surprised to note that in 1973-74, two private firms (M/s. Maheshwari Brothers and Gouri Shankar Bhagawati Prasad) of Calcutta were appointed as agents of the Jute Corporation of India for purchase of jute in Andhra Pradesh.

1.65. In view of the serious allegations, also involving the Chief Marketing Officer (Shri R. R. Yagnik) of Jute Corporation of India, in respect of the appointment of these agents and also the malpractices indulged in by them during their purchase operations on behalf of the Jute Corporation of India, the Committee recommend that all these allegations should be thoroughly investigated in order to pin-point the lapses and to fix responsibility for each of them, with a view to take suitable action in the matter. Pending investigation Shri Yagnik should be shifted from the present position and should not be allowed to handle purchase, sale and delivery of jute.

1.66. The Committee would in particular demand a thorough probe into the non-existence of 186 growers, out of 198 in 21 villages whose names have been shown by the private agents as sellers of jute to them, and the denials by the other 12 growers about their having sold any jute to either of the two agents. In the opinion of the Committee, the incorporation of such fictitious names in the records of the agents amounts to a criminal breach of trust which requires to be thoroughly investigated and followed up by launching necessary prosecutions against the persons concerned.

1.67. In regard to the criteria generally adopted by the Corporation in making appointment of private agents, the Committee feel concerned at the contradictions in the statements made in this regard during evidence by the Chief Marketing Officer and by the Officer on Special Duty of the Corporation. While the former has asserted that

appointments were made on the basis of recommendations of the State Governments the latter has stated that "not all the agents were appointed on the basis of recommendations of the State Governments." The position as stated by the Officer on Special Duty is also confirmed from the fact that during 1973-74 only four private agents (out of a total of 36 appointed by the Corporation) were recommended by the State Governments. The Chief Marketing Officer has thus misled the Committee for which the Committee would like his explanation to be obtained and incorporated in the Action Taken reply to this observation of the Committee.

1.68. In regard to the principle of appointment of private agents, the Committee would suggest that instead of appointing private agents, who are reported to have indulged in various types of malpractices, the JCI should have their purchases made through co-operatives who may in turn enroll small and marginal farmers as their members.

CHAPTER II

SALE OF JUTE TO MILLS

2.1. The Committee find that the back-to-back arrangements proved a failure because it resulted in huge amounts of outstandings against jute mills and when the Board of JCI decided finally to discontinue the back-to-back arrangements on 31.5.76, the amounts of outstandings stood at Rs. 16.17 crores. In the 1976-77 crop season, the Board adopted a cautious approach and decided to sell the jute procured by JCI only against guaranteed terms of payment. On scrutiny of JCI's sale of jute to mills after the back-to-back arrangement was abandoned, certain cases have come to the notice of Committee in which irregularities had occurred. Such cases are discussed below.

(a) Sale of Jute to National Company during 1976-77.

2.2. In September, 1976 JCI entered into an agreement with the National Company and agreed to meet the entire requirement of the mill i.e. around 30,000 bales at the minimum Calcutta landed prices fixed by the Jute Commissioner. The payment was agreed to be made by the Company 60 days after sight through confirmed and irrevocable letter of credit. The Company also agreed to pay storage charge at the rate of Re. 0.50 per quintal on the entire stock held by the Corporation on the mill's account from January, 1977, onwards.

2.3. In a note submitted to the Committee, Jute Corporation of India has stated that the main consideration that weighed with the Corporation when the deal was negotiated was that the Corporation would be able to make use of the large godown space available with the mill which would reduce pressure on the limited godown space of JCI and would also enable the Jute Corporation of India to increase its turnover, save on carrying costs and reduce its overheads.

2.4. The Company did not open letter of credit in time, letter of credit for Rs. 90 lakhs was opened by end of November, 1976 for supply of jute for 4 months from November, 1976 to February, 1977. The value of letter of Credit being less than one third of the value of jute indented.

2.5. Because of the delayed opening of L/c, the Corporation could not achieve its original objective for which the deal was negotiated, as it did not get any relief in regard to godown space during the purchasing period, the turnover was adversely affected and it had to incur heavy carrying costs for more than two months.

2.6. It has been stated that in view of the inability of the Company to open the L/c and as a large quantity was involved in the deal, JCI cancelled the deal after obtaining legal advice. But as the Company protested, fresh negotiations were held and limited quantities were agreed to be supplied on concessional terms as compared to other mills.

2.7. The details of the quantities sold to National Company the price charged to that Company as compared to those charged to others are given below:—

Date of Sale	Qty. in Qtls.	Sales to National Company Price W ₅	
		For national Company	For other Mills
23-9-76	50,200	180.50	..
19-1-77	(a) Against Bill Discounting		
	12,900	198.75	205.75
	12,000	207.60	216.92
	<u>24,900</u>		
	(b) Against L/C		
	18,000	202.20	209.50
		203.10	216.92
	11,000	211.05 (April)	220.63
	21,200		
	23,750	214.00 (May)	224.34
	<u>73,150</u>		

2.8. The matter regarding sale of 1976-77 Jute to National Company was discussed by the Board of Directors for the first time at their meeting held on 13-4-1977. The deal was adversely commented upon by some of the Directors and the following main points were raised:—

1. The reasons stated for the sale of jute at the minimum price involving a loss were not convincing. The advantage to be gained by way of additional storage was also not substantial.

2. It was incumbent on the part of the management that, in an important matter involving a large amount of loss or deviatous from the standard practice, the Board should have been consulted.
3. It was the decision of the Board that all jute purchased would be kept in buffer stock for sale only in the off-season. The National Company had been given a preferential treatment and thus an irregularity had occurred.
4. Sale of jute to the National Company after cancelling the first agreement at a concessional rate involving a loss to the Corporation was not justified.

2.9. During evidence the representative of Jute Corporation of India admitted that JCI agreed to meet the entire requirement of the National Company for 1976-77 and the actual quantity and the grades of jute to be supplied were not specified. It was a running contract linked with their consumption. It was also admitted that the jute was sold at the minimum Calcutta price against 60 days letter of credit.

2.10. The Committee enquired as to how such an offer could be made. The Managing Director stated as follows:—

“Perhaps, there would have been difficulty in really supply- ing their jute all through the season. There was a sug- gestion from the Jute Commissioner that in view of the fact that the National Company might go into the market and buy at below the minimum price, the Jute Corporation could possibly supply them jute at the minimum price.”

2.11. Asked if interest for 60 days of letter of credit was not provided in the contract, the Finance Director stated:—

“This deal was entered into with a conscious decision to give them jute at a concessional rate, at a lower rate, than at the rate which we would have supplied to the mills in general.”

2.12. The Committee enquired as to why the deal was not brought to the notice of the Board.

The Managing Director stated “not every deal passes through the Board.” Asked if there was an authority above the Board who did this sort of thing, the witness stated: “Usually, the Committee of Operation has been empowered by the Board.”

2.13. The Committee enquired if JCI had the approval of the Committee of Operations (COP).

"No formal COP meeting was held."

2.14. The Committee take a very serious note of the fact that the Executives of Jute Corporation of India bypassed the Board of Directors as well as the Committee of Operations and entered into a deal with the National Company and agreed to meet their entire requirement of raw jute at concessional rates, much lower than the rates at which jute was supplied to other mills. They are surprised to note that even after the agreement was cancelled after obtaining legal advice, the JCI continued to supply jute at concessional terms as compared to other mills. The Board of Directors felt that this was not justified.

2.15. The Committee are informed that the Corporation could not achieve its original objective for which the deal was negotiated as it did not get any relief in regard to godown space during the purchasing period, the turnover was adversely affected and it had to incur heavy carrying costs for more than two months. The Board of Directors have rightly pointed out that the reasons stated for the sale of jute at the minimum price involving a loss were not convincing and that it was incumbent on the part of the Management that, in an important matter involving a large amount of loss and deviation from standard practice, the Board should have been consulted.

2.16. The Committee further note that the Management flouted the decision of the Board that all jute purchased should be kept in buffer stock for sale only in the off-season. They entirely agree with the observation of the Board that the National Company had been given a preferential treatment and thus an irregularity had occurred.

2.17. The Committee recommend that the matter should be thoroughly investigated with a view to fix responsibility.

(b) Case relating to a letter of credit opened by M/s. J. K. Jute Mill, Kanpur in favour of Jute Corporation of India Limited.

2.18. During scrutiny of the material furnished to the Committee relating to transactions between the Jute Corporation of India and certain jute mills, a case has come to the notice of the Committee where bills valued at about Rs. 30 lakhs (plus interest) due from

M/s. J. K. Jute Mills to the Jute Corporation of India were pending, in spite of the fact that these related to supplies of Jute made to M/s. J. K. Jute Mills on the guarantee of an irrevocable revolving (without recourse) letter of credit opened by the said Mill in favour of the Corporation with the Punjab National Bank.

2.19. The brief facts of the case are as follows:—

1. At the request of J. K. Jute Mill Co. Ltd. Kanpur, the Head Office of Punjab National Bank sanctioned a L. C. revolving documentary limit of Rs. 10 lakhs. The Kanpur Branch of the Punjab National Bank intimated the Calcutta Branch (Barbourne Road) of the Bank accordingly, and the Calcutta Branch opened a letter of credit in favour of the Jute Corporation of India.
2. The letter of credit was not to revolve for more than 8 times and total negotiations were thus not to exceed Rs. 80 lakhs.
3. The Jute Corporation of India started despatch of jute to the Jute Mills and got payment from Punjab National Bank, Calcutta after furnishing to the Bank the invoices, R. R., etc. as per terms of the letter of credit. The letter of credit thus revolved 5 times without any trouble.
4. When the Jute Corporation of India submitted their sixth lot of papers to the Bank for clearance of payment no payment was forthcoming from the Bank.
5. In the meantime, the Jute Corporation of India had supplied to the Bank documents for two further consignments, but since these were to be cleared, as per terms of the L. C. only after the earlier bill had been cleared, these were kept pending by the Bank after obtaining concurrence of the Jute Corporation of India to that effect.

2.20. It was in these circumstances that an amount of above Rs. 30 lakhs became outstanding from the Bank (acting on behalf of the J. K. Jute Mill) to the Jute Corporation of India.

2.21 In order to find the reasons for withholding of payments by the Bank, the Committee heard the Chairman of the Punjab National Bank in the presence of Managing Director of Jute Corporation of India. During evidence, it transpired that the real cause of the dispute was that according to the records of the Bank, the letter of credit issued to the Jute Corporation of India contained condition that the Calcutta Branch of the Bank would not clear

the dues of Jute Corporation of India unless and until they got payment from party, whereas the contention of Jute Corporation of India was that there was no such clause in the letter of credit as received by them from the Calcutta Branch of the Bank. A copy of the letter of credit as furnished by the JCI to the Committee is given in Appendix I.

2.22. In this connection, the Chairman, Punjab National Bank, stated during evidence:—

“We may be given an opportunity to go through this original letter of credit that this Branch passed on. I am told, they generally put a stamp. One of the checks is whether that stamp was put or not because the original letter is not with us. We have got only a copy.”

2.23. In the written note furnished by the Punjab National Bank (through the Ministry of Finance on 27-1-78) to the Committee after evidence, it was *inter alia*, stated:—

“In all 11 bills for Rs. 50.18 lacs were negotiated under the LC opened and the LC had revolved 7 times. Bills worth Rs. 9.69 lacs presented by the Corporation were returned on 27-8-77 by Branch office Barbourne Road, Calcutta as the previous bills of the aggregate value of Rs. 10 lacs negotiated on 11th August, 1977 were still outstanding. The letter of credit in the meantime expired.

Though we are not legally bound to retain bills beyond those already negotiated and paid, keeping in view the interest of a sister public sector concern we had contacted and persuaded the J. K. Jute Mill to honour their commitment. Out of the four bills for 9.75 lacs received on collection basis from the Jute Corporation of India bills for Rs. 2.50 lacs have since been paid by the J. K. Jute Mill Co. The Company has assured that they will retain other bills also.”

2.24. The written note from the Punjab National Bank did not make any specific mention of the dispute relating to the condition in the letter of credit mentioned in Paragraph 2.21 above. The note, however, stated:—

“8. * * * * * However, in the light of allegations being made by the Jute Corporation of India, we are investigating the matter in detail. If any officer of the Bank is found at fault suitable action shall be taken.”

2.25. On the 21st February, 1978, the Ministry of Finance, Department of Economic Affairs, (Banking Division), were asked by the Committee to furnish the result of the investigations referred to in the Note received from the Punjab National Bank.

2.26. In their reply dated 5th May, 1978 the Ministry of Finance (Department of Economic Affairs) Banking Division have stated as follows:—

“Punjab National Bank has since informed this Department that through the good offices of the Punjab National Bank an amount of Rs. 9.69 lakhs due from J.K. Jute Mills Ltd. to Jute Corporation of India on account of bills drawn by the latter on the former has since been paid to Jute Corporation of India. As regards action against the staff is concerned, the matter is receiving the bank's attention.”

2.27. The Committee note that the terms and conditions of the letter of credit as sent to the Jute Corporation of India by the Punjab National Bank, Calcutta, differ from the terms and conditions of the letter of credit in the records of the Bank. The Committee feel that this may not merely be a case of negligence, and that this has all appearances of a conspiracy.

2.28. The Committee accordingly recommend that the inquiry being made by the Bank into the matter should be completed without further delay and if the result of the enquiry so warrants, necessary prosecutions should be launched not only against the erring officers of the Bank but also against the persons of the JK Jute Mills involved in it. The Committee would like to be informed of the result of the probe suggested by them and further action taken by Government in the matter, without delay.

(c) Sale of Jute to Naffarchandra Jute Mills Ltd.

2.29. As a result of certain sales on credit made to the Naffarchandra Jute Mills, an amount of Rs. 28.28 lakhs became outstanding from the said Mills as on 15-11-77. The Committee have been informed that when the Mill failed in their payments on the basis of contract, JCI requested the Union Bank of India, who had their account, to persuade the mill to pay JCI's dues in accordance with the directives of Reserve Bank of India dated 19-4-74 and 1-6-74. As a result the mill proposed to pay Rs. 3 lakhs per month from January, 1976. They paid Rs. 2 lakhs in December, 1975 and Rs. 2 lakhs in January, 1976 but failed to keep up their instalments, upon which JCI approached the Union Bank of India again. In August,

1976 they further proposed to pay Rs. 3 lakhs by 15th of every month without any condition. This was insisted upon in view of the past failure of the mill to keep up instalments. The Company did not pay the instalment in October, 1976 they informed JCI that the mill was under lock out. On 19-11-76 JCI intimated the position to Union Bank of India with the information that they had heard of a proposal regarding change of management of the mill and requested that arrangements may be made for realisation of their dues in case any party approached the bank with such a proposal. Copy of this letter was also sent to the Ministry. JCI have since then received proposal for settlement of their dues from the new management, which were under consideration before JCI's Board of Directors.

2.30. The Committee, during evidence, asked if JCI consulted lawyers before ownership changed hands to ensure that the dues were paid to JCI. The Director of Finance, JCI replied in the negative. Asked if that was not the right moment to consult the lawyers and then go to the court to get a stay order till the dues were paid, the witness stated "the status of my demand does not change with the change of management."

2.31. In regard to the steps taken by the Management to realise the dues the witness stated as follows:—

"We informed their Bank with copy to the Government that the Mill was changing hands. We wrote to the UBI in November, 1976 that the total amount outstanding from the Mill was Rs. 27.50 lakhs as on 15-11-76; that we have got information to the effect that the present ownership is making an arrangement of transfer and sale of the Mill; that they may come up to the UBI for approval and that they may kindly take steps for the realisation of our dues in case they come up with such an arrangement."

2.32. Asked if the Bank took any action in the matter, it was stated that the Bank had not replied and did not take any action.

2.33. The Committee note that as a result of certain sales on credit made to the Naffarchandra Jute Mills an amount of Rs. 27.50 lakhs became outstanding as on 15.11.1976 when JCI got information to the effect that the ownership was making an arrangement of transfer and sale of the Mill. They are surprised to note that the

Management of JCI did not take proper legal steps to ensure that dues were paid. It has been stated that JCI requested the Union Bank of India to take steps for the realisation of dues. The Committee feel that the matter should have been vigorously pursued with the Bank.

2.34. The Committee regret to note that the Union Bank of India did not take any prompt action to realise the dues of JCI. They recommend that firm action should be taken against those responsible for such a serious lapse in the Bank.

(d) Sale of Jute to Kinnison Jute Mill

2.35. During evidence, the Committee were informed that Rs. 103 lakhs were outstanding against Kinnison Jute Mill upto 1976. The outstanding amount was Rs. 90.74 lakhs on 30.6.1977.

2.36. The Managing Director, Jute Corporation of India, stated as follows:—

“Out of the purchase worth Rs. 96 lakhs they did not pay anything at that time. What happened in 1976-77 was that they had this outstanding amount against the earlier supply. Then they asked for more Jute to be given on a letter of credit. We refused to deliver any jute unless a satisfactory payment schedule was arrived at. They then approached the Ministry and we received a letter from the Ministry that we may deliver them two months' jute and that they will later on submit a payment programme. Even after receiving that letter I refused to deliver the jute for which I was pulled up by the Ministry.”

2.37. The Managing Director added that he delivered the jute only after he received instructions from the Ministry.

2.38. The Managing Director further stated that before the instructions were issued by the Government, the Director (Finance) was vehemently against any jute supply. Asked if the OSD raised any objection the witness replied in the affirmative.

The Committee enquired if the mill adhered to the terms of sale. The Managing Director stated “as regards payment, they did not adhere to do like many other mills.”

2.39. In regard to the recovery of outstandings the OSD informed the Committee that the matter was referred to arbitration. The total amount involved in the reference made to the arbitrator was Rs. 84.71 lakhs. JCI got an award of Rs. 46.52 lakhs in their favour. The award for the balance amount had yet to be given. JCI incurred Rs. 2,400 as legal expenses.

2.40. Auditors Report to the Members of the Kinnison Jute Mills company for the year ending 31.3.1976 indicated that the company had been mismanaged, funds of the company had been diverted for the use of other public limited company, the Statutory requirement of land in respect of the worker's requirements had not been met, legitimate dues of Government, shareholders, workers and suppliers of various items required in the running of jute mills had not been paid.

2.41. During evidence of the representatives of the Ministry of Industry the Committee enquired as to why the Ministry had issued a directive to JCI to supply Jute to Kinnison Jute Mills when JCI had refused to deliver Jute unless a satisfactory payment schedule was arrived at.

2.42. The additional Secretary of the Ministry stated:

"The task that I was given was limited. That was, to what extent the closed mills can be reopened or continued or closure prevented. The point made by the Department of Company Affairs was that the Management was overhauled and they had been finding difficulty for raising enough finance from the banking system. They were requesting that the JCI may be asked to supply raw jute without insisting on clearance of past arrears. The suggestion made in the letter to which reference was made was that for a period of 2 months the JCI may be permitted to supply the jute requirements of the mill against cash payment. In this period they may come to an understanding about the manner in which arrears could be cleared. I was looking at it from that angle only."

2.43. The Committee pointed out that the auditors' report on Kinnison Jute Mill was most disturbing and it was necessary for the Ministry to know the assets and liabilities of Kinnison Jute Mill. The witness stated "the question was about reviving and restarting the mill and providing employment. The Department of Company Affairs had looked into the affairs and they had intervened to super-

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sede the Board and appoint Mr. Kumaramangalam and the other group."

2.44. The witness further said "what was suggested in this letter was not giving credit but supply against cash payment without insisting on clearance of past arrears; it was a very limited thing; and if this was not done the possibility of Kinnison closing down was there; this was a temporary palliative to avoid closure."

2.45. The Committee feel that it was most inappropriate for the Ministry of Commerce to issue directive to the JCI to make further supply of jute to Kinnison Jute Mill without insisting on the payment of huge arrears. It was for the Government to take other measures to see that the Mill was not closed down. The Public Enterprises should be allowed to function on sound commercial lines without interference of the kind that happened in this case, from Government.

2.46. The Committee also recommend that vigorous steps should be taken to recover the outstanding dues from the Mill.

**(e) Supply of Imported Jute to Shri Ram Jute Mills and
Shri Ambica Jute Mills**

2.47. Imported jute and mesta was sold to Shri Ram Jute Mill on cash against delivery terms after keeping an advance deposit of Rs. 6 lakhs, to be adjusted against the last delivery. The sale was made on CAD (Cash and Delivery) terms, but the mill failed to keep up the payment schedule. In case of Shri Ambica also the sale was made on CAD terms.

2.48. The quantity and value of imported jute and mesta sold to Shri Ram Jute Mills and Shri Ambica Mills are given below:

Name of the Mill	Quantity in bales	Value in Rupees
1. Shri Ram Jute Mills	6,517	19,95,345.00
a. Shri Ambica Jute Mills	3,500	9,97,500.00

2.49. In a note submitted to the Committee JCI has stated that in both the cases deliveries were continued without verifying whether payment against earlier deliveries had been realised or not.

2.50. The Committee feel that preferential treatment was given by JCI to Shri Ram Jute Mills and Shri Ambica Jute Mills in the supply of imported jute. They are astonished to find that in both the cases deliveries were continued without verifying whether payment against earlier deliveries had been made or not although jute was agreed to be supplied on cash and delivery terms.

2.51. The Committee recommend that the matter regarding supply of imported jute to both the mills should be thoroughly investigated with a view to pinpoint lapses. They also recommend that adequate steps should be taken to recover the dues from the mills.

CHAPTER III

FINANCIAL MATTERS

3.1. During the course of scrutiny of written information furnished to the Committee and during evidence, certain inadequacies/irregularities in the procedures adopted by the Jute Corporation of India in financial matters have come to the notice of the Committee. Certain important aspects in this regard are discussed in the succeeding paragraphs.

(a) Delay in Presentation of Cheques

3.2. The Staff Association of the Jute Corporation of India brought it to the notice of the Committee that cheques received from mills by the JCI in payment for supplies made to the mills were deliberately kept pending and presented to the bank after long intervals.

3.3. The Committee, therefore, called for information in respect of cheques received by the J.C.I. but not presented to banks by the next working day in keeping with normal business practices. From the information received, the Committee found that delay in presentation of cheques to the banks was a normal practice with the management of Jute Corporation of India. It also came to the notice of the Committee that sometimes the period of delay in presentation of cheques went upto 60 days. i.e. a cheque No. 41774 for Rs. 2265.60p. received from M/s. Kinnison Jute Mill on 29-1-74 was presented to the Bank on 28-3-74. During the 1975-76 also long delays were found in the presentation of cheques issued by the above mentioned mill as will be seen from the following two instances out of a long list of such cases pertaining to that year:

Cheque No.	Amount	Date of receiving	Date of Deposit
152645	1,00,000.00	22-11-75	3-12-75
197985	1,09,119.88	24-3-76	20-4-76

3.4. The representative of the Jute Corporation of India has assured the Committee during evidence that interest from the mills on outstanding payments is charged upto the date of clearance of the cheques and as such even by delaying the deposits of cheques in the banks no financial loss has to be suffered by the J.C.I.

3.5. Notwithstanding the fact that delayed deposit of cheques by the Jute Corporation does not result in any loss of interest to the Corporation, the Committee feel extremely unhappy about the existence of the practice of delaying the deposits of cheques. On a perusal of some of the instances of long delays in presentation of cheques, the Committee cannot help feeling that such special accommodation has been shown by the J.C.I. particularly to M/s Kinnison Jute Mills which belong to Bird & Co Group with which the former Managing Director was connected earlier. The Committee accordingly suggest that this aspect should be probed into and responsibility fixed in the matter.

3.6. The Committee expect that in future, the working of the Accounts Department of the Corporation should be so organised that all cheques received by the Corporation are duly deposited with Bankers of the Corporation by the next day without fail.

(b) Acceptance of Post-dated Cheques.

3.7. It has also come to the notice of the Committee that the Jute Corporation of India had been accepting post-dated cheques from a particular mill (JK Jute Mill). In particular, the Committee considered the case of 14 such cheques received in 1977, the dates of receipt of which from the JK Jute Mills were not even known to the Corporation.

3.8. During evidence, it was admitted by the Finance Director of the Jute Corporation of India that no receipts were given by the Corporation in the case of these cheques. The witness also admitted

that the same was a mistake. The Committee desired the Managing Director to examine the matter in detail to fix responsibility and to furnish the Committee with a note showing action taken in the matter. The Comprehensive note, dated 24-1-1978 received from the Managing Director of the Corporation is reproduced below:—

“In the season 1976-77, the JCI procured over 8 lakh bales and a decision was taken by the Board to sell this jute only against guaranteed terms of payment. Accordingly circulars were sent to all Jute Mills inviting indents. On an application from J. K. Jute Mills Ltd., Kanpur, it was decided to allot 40,000 Qtls. of jute including about 1,400 Qtls. of U.P. jute to this mills. The mill opened a L/C for a total value of Rs. 80 lakhs with a revolving limit of; Rs. 10 lakhs in February, 1977. As a general policy, the Corporation while selling jute of 1976-77 crop had been pressurising the mills to clear the old outstanding dues. The purpose was to realise as much old dues as possible, and at the same time to ensure timely payment against fresh sales, which were to be on guaranteed terms of payment. Since, at the time of sale to J. K. Jute Mills, the old outstanding dues were about Rs. 34 lakhs and the value of fresh jute sold was about Rs. 80 lakhs, it was decided that despatch instructions would be on the basis of roughly 2.5 times the value of old dues cleared. Accordingly by end of March 1977, against a payment of a little over Rs. 6 lakhs despatch instructions were issued for 6,800 Qtls. valued at about Rs. 15 lakhs. At this point of time, when the old dues stood at about Rs. 28 lakhs and value of undelivered balance at about Rs. 65 lakhs, J. K. Jute Mills were asked to give a definite payment programme against the old dues so that the JCI could also phase out its deliveries against the fresh sale to them. In response, J. K. Jute Mills indicated that they would pay Rs. 16 lakhs during April and May, 1977 in four equal instalments. keeping silent about the balance Rs. 12 lakhs. Cheque for Rs. 1.52 lakhs out of the proposed payment was sent by the Mills, under cover of letters dated 19-4-1977.”

Acceptance of Post-Dated Cheques:

A representative of J. K. Jute Mill Ltd., came to Calcutta around the middle of April, 1977 and personally handed over 14 cheques worth Rs. 6.53 lakhs to the Marketing Division being balance of the instalment for the month of April. The exact date of the receipt of the cheques is not recorded in the files, nor did the representative of

J. K. Jute Mills Ltd. appear to have asked for a receipt for the cheques, but the period of receipt of cheques can be pinpointed from the notings in the file to be after 12-4-1977 and before 20-4-1977 but nearer to the latter date. Since there was neither a covering letter with the cheques (having been handed over personally), nor an official receipt was granted, the Finance Division, while preparing the post-evidence replies to the Committee on Public Undertakings, put the date as "unknown" without trying to find out the date. Immediately after the receipt of the cheques, S/Shri R. K. Chowdhuri, Director Finance and S. K. Bhattacharya, Officer-on-Special Duty, informed me that the cheques were to be presented, one each day, on consecutive dates, starting from 23-4-1977. I agreed to the proposal and delivery instructions were issued for jute valued at about Rs. 20 lakhs. I was not, however, told at that point of time that the cheques were post-dated ones. I have explained this fact in a subsequent paragraph. The procedure was repeated thrice, on 9.5.1977, when 16 cheques worth Rs. 8.07 lakhs, on 10-6-1977 when 8 cheques worth Rs. 4.05 lakhs and on 20-6-1977 when 13 cheques worth Rs. 6.23 lakhs were handed over, but all under covering letters on these occasions.

Realisation against post-dated cheques

All cheques mentioned above were presented to the Bank on due dates and duly credited to the JCI account. There was some delay in the actual credit, but this was due to the fact that these were out-station cheques. Interest was, however, calculated upto the date of actual credit as per bank advice and, therefore, the JCI was not a loser on this account. Details of presentation and credit of the 14 cheques at Serial Nos. 1—14 which have been verified from Pay-in-Slips and Bank Statements, are given below:

Sl. No.	Cheque No.	Date	Amount (Rs.)	Recd. on	Presented to Bank on	Credited to JCI Bank A/c on	Remarks
1	2	3	4	5	6	7	8
1	412626	23-4-77	57021.49	On a	25-4-77	3-6-77	Delay due
2	412627	25-4-77	54127.48	day	25-4-77	3-6-77	to out station
3	412628	26-4-77	51839.11	between	25-4-77	19-5-77	Cheques.

1	2	3	4	5	6	7	8
4	412629	27-4-77	49348.58	13-4-77	27-4-77	20-5-77	Interest charged
5	412630	28-4-77	50316.61	and	28-4-77	23-5-77	
6	412631	30-4-77	36653.50	20-4-77	30-4-77	19-5-77	up to the date of credit.
7	412632	2-5-77	49540.92	as	2-5-77	18-5-77	
8	412633	2-5-77	37318.40	stated	2-5-77	18-5-77	
9	412634	3-5-77	41971.55		3-5-77	18-5-77	
10	412635	3-5-77	38937.00	earlier	3-5-77	18-5-77	
11	412636	4-5-77	39545.94		4-5-77	19-5-77	
12	412637	5-5-77	40447.32		5-5-77	13-6-77	
13	412638	6-5-77	52244.38		6-5-77	3-6-77	
14	412639	7-5-77	53562.72		7-5-77	3-6-77	

Advisability of accepting Post-dated cheques

The basic thing for consideration was that J. K. Jute Mills Ltd. were unable to pay their entire old outstanding dues at a time and requested for facility to pay about Rs. 50,000 per day, almost every day, by issuing separate cheques to be presented on different dates, but handing these over to the Corporation at a time in advance. Once this was agreed to, it was immaterial whether these were cheques all of the same date but presented one every day or the cheques were of different dates and presented on the due dates. Under the Negotiable Instruments Act, a post-dated cheque can be also presented before the date on the cheque at the risk of being refused payment, but is a perfect tender if presented on or after the date of the cheque. In the latter case in the event of cheque getting dishonoured, the drawee has the right to take the same legal action as in the case of dishonouring of normal cheques. In other words, on the date mentioned on a post-dated cheque, the cheque becomes a normal one. Since the Finance Division was aware of this position, the Director (Finance) did not make a specific mention to me (as mentioned earlier) about the cheques being post-dated.

Conclusion:

Apart from the matter of acceptance of post-dated cheques, advisability of which has been discussed in detail earlier, the other discrepancy of the date of acceptance of cheques at Sl. Nos. 1—14 being "unknown" has also been explained. While it has to be admitt-

ed that both the procedures of accepting current cheques for presentation later and accepting post-dated cheques are slightly uncommon, these procedures are fairly widely adopted in the trade. The position in case of the JCI was that it had difficulty in realising old outstanding and here was an opportunity to do so. Subsequent events proved that the Corporation, by accepting post-dated cheques, was able to realise practically the entire old outstandings from J.K. Jute Mills, Ltd., and, therefore, it turned out to be a very effective policy. The decision to accept the cheques was a considered and joint one and after going through the case, there does not appear to be any need for action at this stage.

3.9. The Committee consider it an undesirable practice to accept post-dated cheques showing needless accommodation to the Jute Mills. They recommend that the matter should be examined and action as found necessary should be taken.

C. Quarterly Financial Report

3.10. One of the methods for having a continuous appraisal of performance and inefficiency of each public undertaking is the submission of Quarterly Financial Report by each Corporation to the Ministry concerned. In August, 1963, the Bureau of Public Enterprises, while revising the form of the said Financial Quarterly Reports, impressed upon all Ministries to ensure "that the Report pertaining to each quarter reaches the Government by the end of the month following the close of the quarter, after being placed before the Board of Directors (if there is no Board meeting the Report can be placed before the Board after submission to Government)".

3.11. From the information furnished to the Committee by the Jute Corporation of India, it came to the notice of the Committee that during the last one year, no monthly/quarterly Report had been submitted by the Chairman and the Financial Controller to Government.

3.12. The Committee also called for factual information in this regard from the Ministry of Industry, and their written reply to the same is reproduced below:—

During the last one year no monthly/quarterly Report had been submitted by the Chairman and the Financial Controller to Government.

3.13. The Committee also called for factual information in this regard from the Ministry of Industry, and their written reply to the same is reproduced below:—

“Quarterly financial report for the quarters ending 30th September, 31st December, 1975 and 31st March, 1976 were circulated by JCI among the members of the Board of Directors and copies thereof were sent to the Ministry of Commerce also. Since the Corporation’s financial year ends in June, their report for the quarter ending 30th June, 1976 was included in their Annual Accounts for the year 1975-76, finalisation of which was considerably delayed because of a dispute with the industry over the basis of fixation of final prices of jute supplied to the mills under the ‘Back to Back Arrangement’. The Annual Accounts for the year 1975-76 were sent to the Ministry on 5th July, 1977, along with the Agenda papers for the meeting of the Board of Directors, in which they were to be considered.

Quarterly reports for the quarters ending 30th September, 1977 and 31st December, 1977 have not been received so far. However, even though these quarterly reports have not been received, the performance of the Corporation was kept under review by the Board of the JCI, in which the Government is well represented.

It may be mentioned that the Corporation’s accountability to the Government is ensured through the Government’s nominees on the Board of Directors.”

3.14. The Committee accordingly discussed this matter during evidence on 4th January, 1978 and the reasons for irregular submission of Quarterly Reports were thus explained by the Finance Director:

“I had to submit a quarterly report. It was submitted in 1975. The quarterly reports of 1976-77, I have not submitted. In August, 1976, I submitted my last quarterly report to the Office of the Member, Audit Board and *ex-officio* Director, Commercial Audit. In June, I close my books of account. Then in June, I submitted the complete account for the whole year. Then again I could not submit the account because of some dispute.”

3.15. On this matter, the Managing Director stated during evidence:—

“I have no comments to make on this. This should have been sent.... Apart from saying that this was a lapse on our part, I cannot say anything.”

3.16. The Committee are greatly concerned to note that there have been serious lapses on the part of the Jute Corporation of India in the matter of submission of Quarterly Financial Reports, for which both the Managing Director and the Finance Director jointly are responsible and their action cannot but be deprecated.

The non-submission of the Quarterly Reports on a regular basis, would undoubtedly give rise to a suspicion that there was something to hide.

3.17. The Committee would accordingly suggest that the compilation and submission of the Quarterly Financial Reports should be so organised that the Report pertaining to each quarter reaches the Government by the end of the month following the close of the quarter as required under the existing direction of Government.

D. Appointment of Auditors

3.18. Jute Corporation of India has got three kinds of auditors (i) Statutory auditors appointed on the advice of the C&AG, (ii) Government Auditors and (iii) the Internal Auditors appointed by the Board of Directors.

3.19. Jute Corporation of India had a small internal audit cell consisting of one Deputy Financial Manager and two Assistants which was operating till April, 1974. Then the Board of Directors decided to hand over the internal audit to an outside agency and accordingly M/s. S. R. Batliboi Co. were appointed as auditors. The monthly expenditure on the internal audit cell was Rs. 3,000, whereas the fees paid to the outside agency was Rs. 7,500 per month.

3.20. During evidence the Managing Director stated:—

“The Management very strongly pleaded for an internal audit, but the Board over-ruled this at that time and insisted on having an external agency.”

3.21. At the time of renewal of the appointment of external auditors for the second time the management pleaded that the internal audit cell staffed by the employees of J.C.I. would be more useful and less expensive. But the Board rejected these arguments and decided to continue the existing arrangements.

3.22. The Committee feel that the internal audit work should be handled by a properly staffed cell of the Corporation.

(e) Profit on Exports lying idle in Current Account

3.23. During evidence the Finance Director informed the Committee that JCI had a separate account in the United Commercial Bank from exports of raw jute. In that account Rs. 83 lakhs had accumulated. JCI had some dispute with the Bank. The Bank had not credited about Rs. 16 lakhs for the goods which JCI exported to African countries on letters of credit basis. It took over a year to settle the dispute. About Rs. 23 lakhs was in the State Bank.

3.24. The Committee enquired if JCI was getting any interest on current account, the witness replied in the negative. Asked if interest was being paid by JCI on overdrafts, the witness replied: "of course".

3.25. The Committee enquired about the loss suffered by the Corporation in terms of interest on the money that was lying in the Bank if the rate of interest was 18 per cent. The Managing Director stated: 'Approximately Rs. 12 lakhs'.

3.26. Asked as to who was responsible for that, the Finance Director stated:—

"The Management is ultimately responsible. We have not gone into that. We have not done any exercise."

3.27. The Committee take a serious note of the fact that JCI allowed to accumulate at a time nearly one crore rupees in the Banks in the current account. It has been admitted by the Finance Director that the Management is ultimately responsible for the loss of interest amounting to about Rs. 12 lakhs. The Committee recommend that responsibility for the lapse should be fixed. They also recommend that clear guidelines should be laid down for depositing

the public money in Banks so as to ensure that an amount exceeding a prescribed limit is not allowed to remain in the current account for more than a week.

f. Tax liability on account of Export of Jute

3.28. The total tax liability of JCI for export of raw jute was stated to be Rs. 103 lakhs. During evidence, the representative of JCI informed the Committee that the Sales-Tax Advocate advised that this was a liability of a contingent nature and this might be provided in the accounts. However, no such provision in the accounts was made by JCI.

3.29. The witness stated that the matter was sub-judice. The last hearing was in April, 1976. They had obtained Stay-order. West Bengal Government could not do any thing till the High Court passed an order. JCI took the stand that the Raw Jute Amendment Act of 1967 did not receive the assent of the President of India. The learned judge directed the Advocate General to furnish with the facts. This had not been done so far.

3.30. The Committee take a serious note of the fact that no provision for tax liability on account of export of raw jute was made by JCI in spite of the advice of their Sales-Tax Advocate. They need hardly stress that such irregularities should be avoided so that the accounts give a true picture of affairs of the Corporation.

CHAPTER IV

D. MISCELLANEOUS MATTERS

(a) Misappropriation of Jute by Khardan Co. Ltd.

4.1. With a view to bringing price stability to the jute market and maintain a steady supply of raw jute to the mills, a raw jute buffer scheme was evolved. Under the scheme, the jute mills were to provide the storage space at their cost while the carrying cost represented by interest and insurance were to be shared between the industry, the Government of India and the JCI in the ratio of 60: 30: 10. The scheme was to be operated by the JCI on a no-profit-no-loss basis under the guidance of a Joint Committee on buffer stock with the Jute Commissioner as Chairman, with the representatives of the Industry and the JCI as members of the Committee. Initially, it was decided that the jute to be imported by the JCI from Bangladesh under Balance Trade and Payment Arrangement was to be put in the buffer stock. As per the allocations under the scheme, a quantity of 4,381 bales valued at Rs. 10.60 lakhs were deposited in the godowns of Khardah Mill Company during the period between June, 1974 to April 1975. This quantity was to be taken over ultimately by Khardah Mill on payment. The Corporation also kept 3,432 bales of unsold jute imported between June 1973 and October, 1973 on the understanding that the Corporation would pay the rent and other charges to the mill. Out of this the JCI lifted 1,416 bales leaving balance of 2,016 bales. This quantity was confirmed by the mill Company by their letter dated 17-10-1974.

4.2. On receiving information that the mill Company had unauthorisedly taken out JCI's jute for its own use officers of the JCI visited the godowns on 22nd and 23rd April, 1975 for physical verification and it was found that there was a shortage of 3,375 bales valued at Rs. 8.05 lakhs from the buffer stock and 1,251 bales valued at Rs. 5.43 lakhs from the JCI's own stock of jute kept in their godowns. The verification was made in the presence of the mill Company's officials.

4.3. As the Company failed to pay for the jute taken out immediately, the Corporation was forced to make two complaints i.e. one in regard to buffer stock jute and the other in regard to JCI's own jute. On the basis of the police report, the Magistrate issued a warrant for the arrest, under I.P.C. Sec. 1208 and Sec. 406, of three directors and three officers of Khardah Mill. The High Court ad-

mitted a writ petition filed by one of the Directors and granted an injunction. This injunction was vacated on 18-3-1976. An appeal against the order vacating the injunction was rejected by the Appellate Bench on 8-4-1976.

4.4. The question of recovery of the value of the misappropriated jute from the mill could not be proceeded with earlier as the Company was also one of the petitioners in the High Court for injunction. In the meanwhile, the management of the Company has been taken over under the I(DR) Act and negotiations are going on with the new management with a view to making the company acknowledge the value of the misappropriated jute as debt.

4.5. During evidence, the Committee were informed that no evidence has yet been recorded. It is a police case and police have been going very slowly in the matter. There has been delay even in filing the charge-sheet. The complaint was lodged in April, 1975 and the Company was charged sheeted on 28th May, 1977.

4.6. The Committee pointed out that it was mandatory for JCI to inspect the jute that was kept by JCI in various mills. It was stated that in 1976-77, an inspector had been permanently posted in each Mill until such time the jute was taken out of the godowns. Four or five mills were under the charge of an Assistant Marketing Manager who visited the mill regularly till the stocks were sold. The OSD stated that in 1975 this system was not there.

4.7. The Committee note that about Rs. 13.48 lakh worth of jute kept by JCI in the godown of Kharda Co. Ltd. during 1974-75 was misappropriated by the Company. They are surprised to note that the Corporation did not make any arrangements for regularly inspecting the jute kept in the godowns of the mills. An Inspector was permanently posted at each mill only after this misappropriation case involving huge amount came to the notice of the Management.

4.8. The Committee regret to note that the losses have not been recovered so far. They find that even after the case was registered by the Police the matter has proceeded at a very slow pace.

4.9. The Committee recommend that the case should be pursued vigorously and the matter should be taken up with the Government of West Bengal in order to recover the value of the misappropriated jute from the mill and at the same time get the culprits punished.

4.10. In their Thirteenth Report on Jute Corporation of India—Procurement and Marketing of Jute by JCI the Committee have recommended that adequate steps should be taken to assess the total

requirement of godown space—the subsequent years and to plan the construction of such godowns in a phased manner. The Committee need hardly stress that the Corporation should learn from the past experience and avoid using the godowns of the mills for creating a buffer stock.

(b) Hiring of Taratola Godown

4.11. Two godowns including canopies and quarters having a total area of 89,355 sq. ft. at Taratola Road, Calcutta, were hired from Poddar Services Limited, Calcutta, @60 paise per sft. per month. The possession of one godown was taken on 11-10-1976 and the other on 26-10-1976 and they were released on 30-11-1977. Particulars of rent paid are as under:—

October 1976 and November 1976	. Rs.	76,036.95
December 1976 to November 1977	. Rs.	6,43,356.00
		7,19,392.95

4.12. In regard to the hiring of Taratola Godown JCI has stated as follows:—

“The inadequacy of storage space was one of the major constraints which stood in the way of procurement operation of the JCI during 1976-77 season. With fall in prices towards end-September/early-October 1976 there was mounting pressure on the JCI to increase its pace of procurement from all quarters including the State Governments. The JCI by then had secured some mill and press godowns through the good offices of the jute Commissioner who had to invoke the DIR but the space secured was not adequate. Even the response received to advertisements issued in press for godown space was very poor. Offers for 2/3 godowns in the dock area were received for which the rent demanded ranged between 60 paise and 75 paise per sq. ft., but on inspection they were found to be unsuitable.

At this stage, Poddar Services Ltd. came up with a proposal to let out the two godowns mentioned above. As the two godowns had a total covered area of over 89,000 sft. with a storage capacity of about 50,000 bales and as they were found otherwise suitable for storage purpose, negotiations for hiring were started with Poddar Services Ltd. Shri Poddar of Poddar Services Ltd. initially de-

manded a very high rent on the ground that the two godowns, located as they are in the dock area, would fetch a rent higher than those in other areas. The matter was brought to the notice of Shri S. K. Roy, the then Chairman of JCI and eventually after a joint discussion in his room on 27-9-76 it was agreed to take the two godowns on a monthly rental @ 60 paise per sft. for a period upto 30-9-1977. Subsequently, negotiations were made to renew the godowns for a further period, but as Poddar Services Ltd. did not agree to extend the tenancy on the same terms the godowns were released with effect from 30-11-1977."

4.13. The Committee enquired about the rents paid and the rates that were paid for a number of godowns in Calcutta. JCI as stated as follows:—

"There are no similar godowns in the dock area in the possession of the JCI, but particulars of three other smaller godowns taken on hire in Calcutta and Howrah, viz., at Manicktala, Belgharia and Sibpur and the rent paid for each are given below:—

Place	Covered area	Rent per sft. per month
	sft.	p.
1. Manicktala	10,836	40
2. Nimta (Belgharia)	10,123	30
3. Sibpur	19,513	45

4.14. Of the above three godowns, 1 and 3 have already been released. Our enquiries indicated that the CWC had taken on hire a godown in a adjoining area (near Majherhat Railway Station) in 1974 at 50 p. per sft."

4.15. Asked if the Fire Services had given any advice for the release of the godown, it was stated that the Fire Services, Government of West Bengal, did not ask for release of the godowns. The advice given by them was as under:—

"It appears that the godowns are not structurally unsuitable, but the water source is only approachable beyond the

public road and this is also subjected to monsoon rain. The Jute Corporation of India Ltd. authority has no direct control over the tank and the godown is not provided with installation as already mentioned in other cases."

4.16. The Committee find that the Taratola godown was not only hired by JCI exorbitant rates but it was also not fit to be hired because it was lacking in necessary fire extinguishing arrangements. JCI did not renew this godown another year only when the Director of Fire Services advised them to release this godown. The Committee recommend that before hiring of godowns the Central Warehousing Corporation and other Central or State Government Organisations having Warehousing space to offer should invariably be consulted and it should be ensured that the godowns are hired at the prevailing market rates and that they are structurally suitable in all respects.

4.17. The Committee have already stressed that JCI should assess the total requirement of godown space in the subsequent years and should plan the construction of godowns in a phased manner as to ensure that adequate storage capacity is available for maintaining buffer stock.

C. Loss of Jute in Fire in Belvedere Godown

4.18. A total of 29,007 bales (35,187,62 quintals) were kept in stock in the Belvedere Jute Godowns. Taking cost, interest, warehousing charges, etc. the total value of the stock was Rs. 75.21 lakhs approximately. The total quantity of jute kept in the Belvedere godown was burnt. It was fully insured. The admitted claim on the basis of ruling market rates as on the date of fire was Rs. 75.83 lakhs. During evidence the O.D.C., JCI informed the Committee that JCI got more compensation as the market value had gone up.

4.19. The Committee enquired if any instructions had been issued, for taking adequate precautions, the witness stated "we had given instructions to the Assistant Marketing Manager and the people on the spot—day guards and night guards". The witness added "we had issued written instructions after the fire incident. . . . Prior to that the instructions were verbal."

4.20. In a note submitted to the Committee the JCI have stated that a Committee was appointed to make an enquiry into the loss of jute in fire. The Committee submitted its report on 9-1-1978. The

Committee, however, unable to arrive at the exact cause of fire and recommended that the case should be referred to the CBI. JCI have further stated that although it was rather late, action was being taken accordingly.

4.21. The Committee regret to note that the entire quantity of about 29 thousand bales of jute worth Rs. 75.21 lakhs kept in the Belvedere godown was burnt in fire. They are surprised to note that no written instructions had been issued to the security staff and others concerned for keeping the necessary vigil. The Committee appointed by JCI Management to make an enquiry into the loss of fire has recommended that the case should be referred to the C.B.I. The Committee would like to be informed about the results of investigations conducted by the C.B.I.

NEW DELHI;
March 27, 1979

Chaitra 6, 1901 (Saka)

JYOTIRMOY BOSU,
Chairman,

Committee on Public Undertakings.

APPENDIX I
(Vide Para 2.21 of the Report)
PUNJAB NATIONAL BANK
BRABOURNE ROAD, CALCUTTA.

Reference: Credit

Dated: 22-2-1977

No. ILC/6/77

Jute Corporation of India Ltd.,
1, Shakespeare Sarani, Calcutta-17.

Dear Sir,

Reg: Our B.O. Generalganj, Kanpur
L/Credit No. 1/77.... dated 10-2-77

At the request of M/s. J. K. Jute Mills Co. Ltd. Kamla Tower, Kanpur we have to inform you that we|our above office have opened a confirmed Irrevocable and without recourse *Revolving* letter of Credit to the extent of Rs. 10,00,000/- (Rupees Ten lakhs only) in all|outstanding at any one time valid in Calcutta|until 31-5-1977 and available against your *sight* Draft(s) drawn on Messrs J. K. Jute Mills Co. Ltd. Kamla Tower, Kanpur and accompanied by the following documents:-

1. Signed Invoice in duplicate.
2. Railway Receipt|Delivery Order..... basis made to order and endorsed|blank endorsed in favour of PUNJAB NATIONAL BANK EVIDENCING DESPATCH OF:-
Raw Jute—from TD 4 to TD 8 and From W-4 to W-8 and mesta variety.

.....

From any centre of Jute Corporation of India to Kanpur (J. K. Jute Co. Ltd.) located at UP, Bihar, Assam and West Bengal, one or more drawings

Additional Conditions: (1) L/C will be effective from 10-3-77 and it expires on 31-5-77; (2) The L/C is not to revolve for more than eight

times and total negotiations not to exceed Rs. 80 lacs; (3) Discounting charges will be levied as per Bank rules; (4) Tenor of bills Demand decy. Bills accompanied by R/Rs and/or T/Rs drawn by Jute Corporation of India. Invoices of JCI to be countersigned by Sarvashri Budmal Parikh or Ghandhyam Das Kachwal, the signature of which is duly attested.

Sight Draft drawn under this credit must contain the clause "DRAWN UNDER PUNJAB NATIONAL BANK, B.O. Generalganj, Kanpur L|Credit No. 1|77dated 10-2-77. At the time of negotiation of documents under this credit this advice must be produced for necessary endorsement at the back. Documents drawn and presented strictly in accordance with the terms of this credit will be duly honoured by us.

Yours faithfully:
Sd|- Illegible
Manager.
Sd|- Illegible
Accountant

APPENDIX II

Summary of Conclusions|Recommendations of the Committee on Public Undertakings contained in the Report

S. No.	Reference to Para No. in the Report	Summary of Conclusions Recommendations
(1)	(2)	(3)
1	1.13 to 1.15	From the figures made available to them regarding publicity pamphlets and total expenditure of Jute Corporation of India on publicity, the Committee cannot but conclude that the publicity aspect has been utterly neglected by the Corporation. On the basis of the experience of the study groups of the Committee during their extensive tours to jute-growing areas, the Committee are inclined to agree with the complaints made to them that even the limited number of publicity pamphlets issued by the Jute Corporation are not being actually distributed to the growers properly.

As admitted by the Management, the expenditure on publicity is insignificant as compared to the total overheads of the Corporation. Also, the publicity leaflets are printed and issued only in September|October each year which is well after the commencement of the jute season when their distribution can hardly serve any purpose.

The Committee would, therefore, suggest that a well-thought out publicity plan should be prepared and launched every year well in advance by the Corporation in order to ensure that right at the time of harvesting of their jute crops, the growers are fully aware of the operations of the

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JCI and connected facilities available to them in the area for selling their produce directly to the Corporation.

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| 2. | 1.21 | The Committee note that as against the arrivals of jute in the markets in the month of June July, the JCI has, during the last three years, been entering the field of purchase mostly in the later half of August by which time the small jute growers, to meet their pressing demands of finance, sell most of their produce to private traders. |
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| | 1.23 | |

The Committee feel that the real objective of ensuring remunerative prices to the jute growers, for which the Jute Corporation of India was set up, cannot be achieved unless the Jute Corporation is in a position to buy jute at the peak arrival time immediately after raw jute begins to be brought by the growers to the markets for sale.

The Committee strongly stress that the procurement operations of JCI should be taken up in right earnest from the start of the jute season and so oriented that there is no complaint from any corner about the growers having to resort to distress sales to private traders due to delay on the part of JCI in entering the market. The Corporation should also ensure that their procurement operations are at full swing at the time of festivals like Puja and Id when the demands of the growers, pressing as they are, generally compel them to dispose of their jute at whatever prices are offered to them.

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| 3. | 1.44 | The Committee are unhappy that even in the limited number of centres which the JCI has the staff of JCI indulge in the malpractice of not purchasing jute directly from the growers. The allegation that JCI officials refuse to purchase jute from farmers on one pretext or the other as |
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a result of which the farmers are compelled to sell their jute to private traders at lower rates is a very serious one and needs to be thoroughly investigated with a view to imposing proper punishment on those found guilty in the matter.

In regard to the allegation that while purchasing jute from the middlemen bogus cash memos are prepared by the JCI staff in the names of different farmers in order to show on records that jute has been purchased from the growers, the Committee are not convinced with the statement of the Chief Marketing Officer that they had no way of confirming whether vouchers issued by the JCI staff were genuine or otherwise.

The Committee desire that the complaints that are pending with the JCI in this regard should be thoroughly investigated and exemplary punishment is awarded in proven cases of indulgence.

4. 1.47 The Committee also recommend that the Government should issue necessary directives to the Corporation so that its procurement is restricted mostly to the growers and the co-operatives.
5. 1.48 In this context, the Committee also feel that the suggestion for opening a national register of jute growers in the different jute growing States deserves to be seriously considered by the Government so that each and every farmer could get a certificate which besides helping the Corporation in identifying the growers, could also be beneficial in several other ways like distribution of credit, inputs and other such facilities. The services of the staff of JCI, during lean months of the JCI's procurement operations could, in the opinion of the Committee, be utilised in the opening and maintenance of such a register.
6. 1.49 As regards alleged cheating of poor jute growers by the officials of JCI in other ways like

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| | | down-grading of their jute, underweighting and deductions on account of moisture etc, the Committee recommend that popular committees consisting of representatives of growers organisations should be formed without delay in order to exercise proper vigil and prevent the malpractices. |
| 7. | 1.49 | The Committee also recommend that periodical surprise checks by supervisory staff of the J.C.I. should be made at all D.P.Cs of the Corporation where complaint/suggestion books should also be kept for the help of the jute growers coming to sell their jute. |
| 8. | 1.50 | In regard to the use of Moisture Meters at the D.P.Cs of the JCI, which are stated to have the effect of scaring away of jute sellers from the D.P.Cs, the Committee would suggest that the jute growers should be educated through issue of leaflets and otherwise about the utility of such meters and their usefulness to the growers against exploitation by private traders. The Committee would also suggest that till such time as the growers get psychologically adjusted to the use of such meters, the D.P.Cs of the JCI should restrict their use only in cases of dispute in regard to the extent of moisture content in the jute offered for sale, and that too after convincing the seller about the utility of the meter for an amicable settlement of the difference of opinion in the matter. |
| 9. | 1.64 | The Committee are surprised to note that in 1973-74, two private firms (M/s. Maheshwari Brothers and Gouri Shankar Bagawati Prasad) of Calcutta were appointed as agents of the Jute Corporation of India for purchase of jute in Andhra Pradesh. |
| | 1.65 | In view of the serious allegations also involving the Chief Marketing Officer (Shri R. R. Yagnik) of Jute Corporation of India, in respect |
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of the appointment of these agents and also the malpractices indulged in by them during their purchase operations on behalf of the Jute Corporation of India, the Committee recommend that all these allegations should be thoroughly investigated in order to pin-point the lapses and to fix responsibility for each of them, with a view to take suitable action in the matter. Pending investigation Shri Yagnik should be shifted from the present position and should not be allowed to handle purchase, sale and delivery of jute.

10. 1.66 The Committee would in particular demand a thorough probe into the non-existence of 186 growers, out of 198 in 21 villages whose names have been shown by the private agents as sellers of jute to them, and the denials by the other 12 growers about their having sold any jute to either of the two agents. In the opinion of the Committee the incorporation of such fictitious names in the records of the agents amounts to a criminal breach of trust which requires to be thoroughly investigated and followed up by launching necessary prosecutions against the persons concerned.
11. 1.67 In regard to the criteria generally adopted by the Corporation in making appointment of private agents, the Committee feel concerned at the contradictions in the statements made in this regard during evidence by the Chief Marketing Officer and by the Officer on Special Duty of the Corporation. While the former has asserted that appointments were made on the basis of recommendations of the State Government the latter has stated that "not all the agents were appointed on the basis of recommendations of the State Governments." The position as stated by the Officer on Special Duty is also confirmed from the fact that during 1973-74 only four private agents (out of a total of 36 appointed by the Corporation)
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		were recommended by the State Governments. The Chief Marketing Officer has thus misled the Committee for which the Committee would like his explanation to be obtained and incorporated in the Action Taken reply to this observation of the Committee.
12	1.68	In regard to the principle of appointment of private agents, the Committee would suggest that instead of appointing private agents, who are reported to have indulged in various types of malpractices, the JCI should have their purchases made through cooperatives who may in turn enroll small and marginal farmers as their members.
13	2.14 to 2.17	The Committee take a very serious note of the fact that the Executives of Jute Corporation of India bypassed the Board of Directors as well as the Committee of Operations and entered into a deal with the National Company and agreed to meet their entire requirement of raw jute at concessional rates, much lower than the rates at which jute was supplied to other mills. They are surprised to note that even after the agreement was cancelled after obtaining legal advice, the JCI continued to supply jute at concessional terms as compared to other mills. The Board of Directors felt that this was not justified.
		The Committee are informed that the Corporation could not achieve its original objective for which the deal was negotiated as it did not get any relief in regard to godown space during the purchasing period, the turnover was adversely affected and it had to incur heavy carrying costs for more than two months. The Board of Directors have rightly pointed out that the reasons stated for the sale of jute at the minimum price involving a loss were not convincing and that it was incumbent on the part of the Management that, in an important matter involv-

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ing a large amount of loss and deviation from standard practice, the Board should have been consulted.

The Committee further note that the Management flouted the decision of the Board that all jute purchased should be kept in buffer stock for sale only in the off-season. They entirely agree with the observation of the Board that the National Company had been given a preferential treatment and thus an irregularity had occurred.

The Committee recommend that the matter should be thoroughly investigated with a view to fix responsibility.

14 2.27
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The Committee note that the terms and conditions of the letter of credit as sent to the Jute Corporation of India by the Punjab National Bank, Calcutta, differ from the terms and conditions of the letter of credit in the records of the Bank. The Committee feel that this may not merely be a case of negligence, and that this has all appearances of a conspiracy.

The Committee accordingly recommend that the inquiry being made by the Bank into the matter should be completed without further delay and if the result of the enquiry so warrants, necessary prosecutions should be launched not only against the erring officers of the Bank but also against the persons of the JK Jute Mill involved in it. The Committee would like to be informed of the result of the probe suggested by them and further action taken by Government in the matter, without delay.

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The Committee note that as a result of certain sales on credit made to the Naffarchandra Jute Mills an amount of Rs. 27.50 lakhs became outstanding as on 15-11-1976 when JCI got information to the effect that the ownership

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was making an arrangement of transfer and sale of the Mill. They are surprised to note that the Management of JCI did not take proper legal steps to ensure that dues were paid. It has been stated that JCI requested the Union Bank of India to take steps for the realisation of dues. The Committee feel that the matter should have been vigourously pursued with the Bank.

The Committee regret to note that the Union Bank of India did not take any prompt action to realise the dues of JCI. They recommend that firm action should be taken against those responsible for such a serious lapse in the Bank.

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| 16 | 2.45 | The Committee feel that it was most inappropriate for the Ministry of Commerce to issue directive to the JCI to make further supply of jute to Kinnison Jute Mill without insisting on the payment of huge arrears. It was for the Government to take other measures to see that the Mill was not closed down. The Public Enterprises should be allowed to function on sound commercial lines without interference of the kind that happened in this case, from Government. |
| 17 | 2.46 | The Committee also recommend that vigorous steps should be taken to recover the outstanding dues from the Mill. |
| 18 | 2.50
2.51 | The Committee feel that preferential treatment was given by JCI to Shri Ram Jute Mills and Shri Ambica Jute Mills in the supply of imported jute. They are astonished to find that in both the cases deliveries were continued without verifying whether payment against earlier deliveries had been made or not although jute was agreed to be supplied on cash and delivery terms. |

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		The Committee recommend that the matter regarding supply of imported jute to both the mills should be thoroughly investigated with a view to pinpoint lapses. They also recommend that adequate steps should be taken to recover the dues from the mills.
19.	3.5	Notwithstanding the fact that delayed deposit of cheques by the Jute Corporation does not result in any loss of interest to the Corporation, the Committee feel extremely unhappy about the existence of the practice of delaying the deposits of cheques. On a perusal of some of the instances of long delays in presentation of cheques, the Committee cannot help feeling that such special accommodation has been shown by the J.C.I. particularly to M/s Kinnison Jute Mills which belong to Bird & Co. Group with which the former Managing Director was connected earlier. The Committee accordingly suggest that this aspect should be probed into and responsibility fixed in the matter.
20	3.6	The Committee expect that in future, the working of the Accounts Department of the Corporation should be so organised that all cheques received by the Corporation are duly deposited with Bankers of the Corporation by the next working day without fail.
21	3.9	The Committee consider it an undesirable practice to accept post-dated cheques showing needless accommodation to the Jute Mills. They recommend that the matter should be examined and action as found necessary should be taken.
22	3.16 3.17	The Committee are greatly concerned to note that there have been serious lapses on the part of the Jute Corporation of India in the matter of submission of Quarterly Financial Reports, for which both the Managing Director and

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the Finance Director jointly are responsible and their action cannot but be deprecated.

The non-submission of the Quarterly Reports on a regular basis, would undoubtedly give rise to a suspicion that there was something to hide.

The Committee would accordingly suggest that the compilation, and submission of the Quarterly Financial Reports should be so organised that the Report pertaining to each quarter reaches the Government by the end of the month following the close of the quarter as required under the existing direction of Government.

23 3.22 The Committee feel that the internal audit work should be handled by a properly staffed cell of the Corporation.

24 3.27 The Committee take a serious note of the fact that JCI allowed to accumulate at a time nearly one crore rupees in the Banks in the current account. It has been admitted by the Finance Director that the Management is ultimately responsible for the loss of interest amounting to about Rs. 12 lakhs. The Committee recommend that responsibility for the lapse should be fixed. They also recommend that clear guidelines should be laid down for depositing the public money in Banks so as to ensure that an amount exceeding a prescribed limit is not allowed to remain in the current account for more than a week.

25 3.30 The Committee take a serious note of the fact that no provision for tax liability on account of export of raw jute was made by JCI in spite of the advice of their Sales-Tax Advocate. They hardly stress that such irregularities should be avoided so that the accounts give a true picture of affairs of the Corporation.

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26	4.7 to 4.9	<p>The Committee note that about Rs. 13.48 lakh worth of jute kept by JCI in the godown of Kharda Co. Ltd. during 1974-75 was misappropriated by the Company. They are surprised to note that the Corporation did not make any arrangements for regularly inspecting the jute kept in the godowns of the mills. An Inspector was permanently posted at each mill only after this misappropriation case involving huge amount came to the notice of the Management.</p> <p>The Committee regret to note that the losses have not been recovered so far. They find that even after the case was registered by the Police the matter has proceeded at a very slow pace.</p> <p>The Committee recommend that the case should be pursued vigorously and the matter should be taken up with the Government of West Bengal in order to recover the value of the misappropriated jute from the mill and at the same time get the culprits punished.</p>
27	4.10	<p>In their Thirteenth Report on Jute Corporation of India—Procurement and Marketing of Jute by JCI the Committee have recommended that adequate steps should be taken to assess the total requirement of godown space in the subsequent years and to plan the construction of such godowns in a phased manner. The Committee need hardly stress that the Corporation should learn from the past experience and avoid using the godowns of the mills for creating a bufferstock.</p>
28	4.16	<p>The Committee find that the Taratola godown was not only hired by JCI at exorbitant rates but it was also not fit to be hired because it was lacking in necessary fire extinguishing arrangements. JCI did not renew this godown for another year only when the Director of Fire Services advised them to release this</p>

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		godown. The Committee recommend that before hiring of godowns the Central warehousing Corporation and other Central or State Government organisations having warehousing space to offer should invariably be consulted and it should be ensured that the godowns are hired at the prevailing market rates and that they are structurally suitable in all respects.
29	4.17	The Committee have already stressed that JCI should assess the total requirement of godown space in the subsequent years and should plan the construction of godowns in a phased manner as to ensure that adequate storage capacity is available for maintaining buffer stock.
30	4.21	The Committee regret to note that the entire quantity of about 29 thousand bales of jute worth Rs. 75.21 lakhs kept in the Belvedere godown was burnt in fire. They are surprised to note that no written instructions had been issued to the security staff and others concerned for keeping the necessary vigil. The Committee appointed by JCI Management to make an enquiry into the loss of fire has recommended that the case should be referred to the C.B.I. The Committee would like to be informed about the results of investigations conducted by the C.B.I.

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MINTO ROAD, NEW DELHI, NEW DELHI-110001.