

**UNFRUITFUL EXPENDITURE ON
ESTABLISHMENT OF SPECIFIC PATHOGEN
FREE SHRIMP SEED MULTIPLICATION
CENTRE- (NFDB)**

**MINISTRY OF AGRICULTURE (DEPARTMENT OF ANIMAL
HUSBANDRY, DAIRYING & FISHERIES)**

**PUBLIC ACCOUNTS COMMITTEE
(2015-16)**

THIRTY THIRD REPORT

SIXTEENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2065

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**MINISTRY OF AGRICULTURE (DEPARTMENT OF ANIMAL
HUSBANDRY, DAIRYING & FISHERIES)**



Presented to Lok Sabha on: 22.12.2015

Laid in Rajya Sabha on: 23.12.2015

**LOK SABHA SECRETARIAT
NEW DELHI**

December 2015/ Agrahayana 1937 (Saka)

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- *I. Minutes of the 2nd sitting of Public Accounts Committee (2015-16) held on 19.06.2015
- II. Minutes of the 17th sitting of Public Accounts Committee (2015-16) held on 21.12.2015

*Not appended to the cyclostyled copy of the report

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2015-16)

Prof. K.V. Thomas - Chairperson

MEMBERS

LOK SABHA

2. Shri S.S. Ahluwalia
3. Shri Sudip Bandyopadhyay
4. Shri Ranjit Singh Brahmpura
5. Shri Nishikant Dubey
6. Shri Gajanan Kirtikar
7. Shri Bhartruhari Mahtab
8. Shri Ramesh Pokhriyal "Nishank"
9. Shri Neiphiu Rio
10. Shri Dushyant Singh
11. Shri Janardan Singh Sigriwal
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar Udasi
15. Dr. P. Venugopal

RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. Shri Anil Madhav Dave
19. Shri Vijay Goel
20. Shri Bhubaneswar Kalita
21. Shri Shantaram Naik
22. Shri Sukhendu Sekhar Roy

SECRETARIAT

1. Shri A.K. Singh - Additional Secretary
2. Shri T. Jayakumar - Director
3. Smt. Anju Kukreja - Under Secretary

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2015-16) having been authorised by the Committee, do present this Thirty-third Report (Sixteenth Lok Sabha) on **“Unfruitful expenditure on establishment of Specific Pathogen Free shrimp seed Multiplication Centre- (NFDB)”** based on Para No. 2.1 of the C&AG Report No. 23 of 2013 related to the Ministry of Agriculture (Department of Animal Husbandry, Dairying & Fisheries).

2. The above-mentioned Report of the Comptroller and Auditor General of India was laid on the Table of the House on 13th December, 2013.

3. The Public Accounts Committee (2015-16) took up the subject for detailed examination and report. The Committee took evidence of the representatives of the Ministry of Agriculture (Department of Animal Husbandry, Dairying & Fisheries) on the subject at their sitting held on 19th June, 2015. Accordingly, a Draft Report was prepared and placed before the Committee for their consideration. The Committee considered and adopted this Draft Report at their sitting held on 21st December, 2015. The Minutes of the Sitzings form Appendix I and II to the Report.

4. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part- II of the Report.

5. The Committee thank their predecessor Committee for taking oral evidence and obtaining information on the subject.

6. The Committee would like to express their thanks to the representatives of the Ministries of Agriculture (Department of Animal Husbandry, Dairying & Fisheries) for tendering evidence before them and furnishing the requisite information to the Committee in connection with the examination of the subject.

7. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
21st December, 2015
30 Agrahayana, 1937 (*Saka*)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.

PART - I

Introductory

India is one of the world's top shrimp producing countries and it exports *Penaeus monodon* culture on a commercial scale. It was realized that due to shortage of quality shrimp broodstock, the shrimp industry was finding it difficult to produce disease free seed of *Penaeus monodon* of the desired quality in the required quantity. In order to overcome this problem, All India Shrimp Hatcheries Association (AISHA) suggested for setting up a Specific Pathogen Free Multiplication Centre (SPF-MC) in India as a joint programme. In this regard Ministry of Agriculture (MOA) decided in a meeting chaired by Union Minister of Agriculture on 27th June 2006, to set up a Specific Pathogen Free Multiplication Centre (SPF-MC) in India as a joint programme by importing quality seed of *Penaeus monodon* from reputed international companies for the purpose of supplying it to the Shrimp farmers in the country. In the same meeting it was decided that the proposals of M/s MOANA Technologies a leading company in Hawaii, USA which was implementing the largest breeding programme for genetic improvement of *P. monodon* may be considered for setting up of a Multiplication Centre in India by import of Pedigree and disease free stock developed by them.

A detailed presentation on proposed SPF-MC for production of seed was given by the firm in December, 2006. In February, 2007, a Due Diligence Team comprising of the then AS&FA, Department of Animal Husbandry, Dairying & Fisheries (DADF); Chief Executive, National Fisheries Development Board (NFDB); Director, Central Institute of Brackishwater Aquaculture (CIBA) and Director (Technical), Coastal Aquaculture Authority (CAA) visited Kona and Honolulu in Hawaii, USA to verify the technology and its commercial success etc. and to work out the required details in connection with the establishment of a Multiplication Centre for production of SPF seed of *P. monodon* through transfer of technology from M/s MOANA Technologies, Hawaii, a subsidiary of M/s MOANA Hongkong Limited.

After inspecting the various facilities, the team came to the conclusion that M/s MOANA Technologies was a leading company working on SPF *P. monodon* with a

large base population of over 200 families and has a sufficient expertise in domestication and genetic improvement as well as selective breeding of this species. The Team was convinced of the level of technology and capability of M/s MOANA Technologies' Hawaii to deliver goods in setting up a Multiplication Centre for supply of P. monodon seed.

National Fisheries Development Board (NFDB) an autonomous body under the administrative control of MOA, entered (March 2008) into an agreement with M/s MOANA Hong Kong Ltd. (also referred to as MOANA, a holding company of MOANA Technologies, USA) and M/s MOANA Technologies India (Pvt.) Limited (MTIPL-JVC), a joint venture company in India. The terms of agreement, inter-alia, provided as under:

- (i) The goal is to establish local production and supply of high quality seed of P. monodon for the Indian shrimp farming sector based on grand-parent stocks developed by MOANA and parent stock supplied on a continuous basis from MOANA Nucleus Breeding Centre (NBC) in Kona, Hawaii, USA.
- (ii) The local production of such seed will be executed by a Joint Venutre Company (MTIPL-JVC) in India with MOANA Hongkong Ltd. (MHKL) holding majority shares and managing the JVC.
- (iii) The local production of such seed implies a complete MC facility for which NFDB had agreed to invest in terms of this Agreement. This contribution by NFDB underlines the commitment of the Government to the sustainability of the project.
- (iv) The project is expected to supply approximately 3 billion post larvae per annum by 2014 at the proposed MC facility and Satellite Production Centres (SPCs).
- (v) NFDB will invest in settling up a complete MC Facility as an infrastructure (capital asset). The MC Facility is a 40 ha. Area in Srikakulam District of Andhra Pradesh would need an estimated US \$ 5.2 million investment in the infrastructure excluding the land cost.
- (vi) NFDB will entrust MOANA for the concept design and supervision of construction and commissioning of the MC on turnkey basis.

- (vii) MOANA will charge US\$6,00,000 for design and supervision, which shall be paid in the following sequence:
 - US\$3,00,000 after signing Agreement and upon submission of conceptual drawings.
 - US\$2,40,000 on acquisition of land and submission of final blue prints of drawings.
 - US\$60, 000 on successful commissioning of the MC.
- (viii) MOANA will participate in supervising the quantity and progress of the construction and will propose corrective measures accordingly.
- (ix) Majority share holding in the MTIPL-JVC shall be held by MOANA.
- (x) MOANA shall hold 60 percent of shares and 20 percent share each shall be held by the other two Indian partners.
- (xi) Licensing out the SPF-MC facility so constructed to MTIPL-JVC on yearly payment of five percent license fee of the NFDB investment (facilities and land).
- (xii) The term of license will begin at the commencement of the operation and run for eight years.

Audit scrutiny revealed that NFDB made the payment of US\$5,40,000 to MOANA in March 2008 after the submission of conceptual drawings and final blue prints of drawings by the firm. CPWD submitted proposal (August 2009) and revised proposal (December 2009) for the project work for setting up of SPF-MC at estimated cost of ₹ 47.12 crore in the land acquired at a cost of ₹ 2.85 crore in Srikakulam District, Andhra Pradesh. However, due to non-furnishing of acceptance for payment of five percent license fee by MTIPL-JVC i.e. the Indian JV on the revised estimate, NFDB did not sanction for calling of tenders for construction of the SPF-MC.

NFDB issued legal notice (July 2001) against MOANA for not respecting the terms and conditions of the agreement. In response, M/s MTIPL (August 2011) and MOANA (November 2011) blamed each other for the delay in establishment of Multiplication Center. Further, no fruitful efforts were made by NFDB to get over the stalemate.

Audit examination of the records of NFDB revealed that though an amount of ₹ 5.82 crore was incurred on various activities relating to the establishment of SPF-MC, the facility had not been set up till April 2013. Further scrutiny disclosed the following shortcomings in the award of work:

- Responding to a single proposal, the project was awarded to MOANA after evaluating the technical capabilities but without assessing its financial capabilities. The auditor of MOANA, M/s Ernst & Young, Hong Kong, which conducted the audit of the Financial Statements of MOANA from 18.11.2005 (date of incorporation) to 31.12.2009, gave (December 2011) disclaimer of opinion and observed that the company's ability to continue ongoing concern basis was doubtful.
- The agreement did not provide for any performance related security to ensure performance of the terms of agreement and for safeguarding the interests of the government in the event of default by MOANA. As per the agreement MOANA in addition to providing of drawings was required to perform supervision of the construction and commissioning of SPF-MC. The decision to make payment of 90 percent of the agreed amount upon mere submission of the drawings without construction and commissioning of SPF-MC and without any security was injudicious.
- No date for completion of and operation of SPF-MC was mentioned in the agreement.
- Neither any time-frame for MTIPL-JVC to sign the licence agreement nor any penalty clause in the event of not signing the agreement was included in the agreement.

In reply, the Ministry while admitting (March 2012) the delay attributed the same to unforeseen developments between MOANA and MTIPL. The Ministry further stated that proposal of MOANA was critically reviewed at MOA/NFDB and it was felt that obtaining technology from the MOANA would be beneficial. Further as on the date of

signing of agreement there was no room for doubting the financial health of the organization. The Ministry further stated that their efforts were on, to facilitate further dialogue between NFDB and MOANA or to put the acquired land to alternate use.

In this regard, the Audit observed that no due diligence about financial health of the partner was carried out before the execution of the agreement. The fact remains that nothing concrete had emerged out of the dialogue and the land was not put to alternate use as of April 2013. Thus, despite spending ₹ 5.82 crore (including ₹ 2.17 crore paid as consultancy fees to foreign company) on various aspects of the facility, the envisaged SPF-MC could not be established and the intended benefit of supplying disease free seed to the Indian shrimp farmers remained unfulfilled even after a lapse of seven years of decision.

Therefore, concluding an agreement without ensuring parties' financial capabilities coupled with injudicious decision to make 90 *per cent* payment to the firm on submission of drawings, led to non-establishment of the project even after lapse of seven years, rendering the expenditure of ₹ 5.82 crore unfruitful. The objective of supplying disease free *Penaeus monodon* seed to Indian shrimp farmers also remains unachieved.

On being asked about the reasons for such shortcoming in the award of work for setting up a Specific Pathogen Free Multiplication Centre (SPF-MC) in India, the Ministry of Agriculture (Department of Animal Husbandry, Dairying and Fisheries) in their written replies stated as follows:

"At the outset, it is stated that the observation of the Audit that concluding an agreement without ensuring parties financial capabilities coupled with injudicious decision to make 90 per cent payment to the firm on submission of drawings is not acceptable because, it is not true that the Agreement was concluded without ensuring party's financial capabilities. In substantiation, it is mentioned that, in February, 2007, a Due Diligence Team headed by the then Financial Advisor, DADF, as constituted by the Department of Animal Husbandry, Dairying and Fisheries (DADF), Ministry of Agriculture visited the facilities of M/s MOANA Technologies, Hawaii (at Kona and Honolulu), USA. The other members of the team comprised the then Chief Executive (i/c), NFDB; the then Director, Central

Institute of Brackish Water Aquaculture (CIBA) and the then Deputy Commissioner, DADF. After inspecting various facilities, the team concluded that M/s MOANA Technologies was a leading company working on SPF *P. monodon* with a large base population of nearly 200 families and has sufficient expertise in domestication and genetic improvement as well as selective breeding of this species. The Team was convinced of the level of technology and capability of M/s MOANA Technologies, Hawaii to deliver goods in setting up a Multiplication Centre for supply of *P.monodon* seed. Thus, the Ministry observed due diligence in signing the Agreement for setting up a Specific Pathogen Free Multiplication Centre (SPF-MC) to M/s MOANA Technologies, Hawaii, USA.

Further, the contention that 90 % payment was made was injudicious decision is also contested and hence untenable. As per the Agreement, the total amount payable to M/s MHKL is US\$ 6,00,000 in three instalments; 50% after signing the Agreement and submission of conceptual drawings; 40% on acquisition of land and submission of final blue prints of drawings and 10% on successful commissioning of MC. Accordingly, the payment was made in two installments on occurrence of the first two events, which worked out to ₹ 2,17,35,000/- at the then conversion rate of ₹40.25 per US Dollar. Such being the fact, it is not a right conclusion that the decision of making 90% payment to the party was injudicious. Furthermore, the Audit's observation that expenditure of ₹ 5.82 crore was unfruitful is also not acceptable for the reason that an amount of ₹ 2,17,35,000/- was made to M/s MHKL as per Agreement and an amount of ₹ 2.85 crore was paid to the Revenue Department of Govt of Andhra Pradesh for purchase of land. These two events were the basic steps to go ahead with the Project.

Further, the context to be understood here is that, when the entire shrimp industry was under severe stress and the farmers were losing their crops due to white spot syndrome virus, Specific Pathogen Free monodon was suggested to be the only alternative for tiding over this situation at that point of time. Therefore, the situation demanded going for import of technology for SPF *P. monodon*. M/s MOANA Technologies was selected after detailed indepth discussions between NFDB and MOANA Technologies Ltd. Therefore, the agreement was made in the National interest, where the Government had to come to the rescue of the shrimp farmers, who faced the brunt of the White Spot Syndrome. Parallely, the Ministry also permitted for a Jump Start Programme, and under this programme 19.20 million disease free PL shrimp seeds were made available to the farmer and thereby the success for establishing Multiplication Centre was proved beyond doubt and farmers were convinced about usefulness of genetically improved shrimp seed.

It is emphasised here that the NFDB, duly followed the procedures as indicated by the Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture signed the Agreement with M/s MOANA Technologies for transfer of the designs of the SPF Shrimp Multiplication Centre in India after having the same duly vetted by the Ministry of Law and getting the concurrence of Integrated Finance Division (IFD). It is emphasised here that the NFDB, duly followed the procedures as indicated by the Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture signed the Agreement with M/s MOANA Technologies for transfer of the designs of the SPF Shrimp Multiplication Centre in India after having the same duly vetted by the Ministry of Law and getting the concurrence of Integrated Finance Division (IFD).

The Agreement vetted by the Ministry of Law and concurred by the Integrated Finance Division (IFD) was put to operation with the receipt of conceptual drawings, designs of blue prints and acquisition of land for which the expenditure was made. Further, the land required for the Multiplication Centre was acquired in Srikakulam District of Andhra Pradesh.. Both these account for ₹ 5.02 crore and presently both the design drawings of the Centre and the land are in possession of the NFDB and hence there is no unfruitful expenditure."

The Committee sought to know about the objectives behind setting up such a centre and whether those objectives have been achieved or not. In response the Ministry of Agriculture (Department of Animal Husbandry, Dairying and Fisheries) in their written replies submitted as follows:

"The main objective behind setting up SPF *monodon* seed multiplication centre was to ensure that quality broodstock for production of disease free shrimp seed of *Penaeus monodon* is made available to shrimp hatcheries for production of disease free seed for supply to farmers, thereby, the export oriented shrimp industry could be revived. The objectives envisaged for setting up of such centre included:-

1. Ensuring the supply of Pathogen-free Genetically Improved Post Larvae (PL) of *P.monodon*;
2. Rearing of PL into broodstock level in a multiplication facility to be created;
3. Breeding of the broodstock so developed in selected Indian hatcheries to produce PL and supply to shrimp farmers for culture operations under the guidance of M/s MOANA Technologies; and
4. Transfer of Technology for addressing the needs of shrimp farmers in the country.

Acquisition of land for setting up of the proposed Multiplication Centre was paramount and basic requirement to be fulfilled. Accordingly, land measuring 97.45 acres was acquired at Mulapolam village in Srikakulam District, Andhra Pradesh through the State Government. Further, the Technical Drawings and Blue Prints of the

Multiplication Centre (MC) obtained from M/s MHKL are presently available with NFDB. Estimates for construction of the Multiplication Centre were also got prepared by the CPWD. The main aim being supply of Specific Pathogen Free Genetically Improved Post Larvae (PL) of *P.monodon* to farmers, a Jump Start Programme for production and supply of SPF Genetically Improved shrimp seed started and required protocols for broodstock management; breeding and seed rearing were established. A total of 19.22 million disease free shrimp seed was produced and supplied to farmers, pending construction of MC. This also validated the performance of the SPF Shrimp seed in the country."

When asked to provide statistical data or inputs on availability of disease free shrimp breed stock, shortage and the requirement before deciding to set up SPF-MC, the Ministry of Agriculture (Department of Animal Husbandry, Dairying and Fisheries) submitted the following details:

"*Penaeus monodon* is an indigenous penaeid shrimp species and the wild brood stock was found to be infected with White Spot Syndrome Virus (WSSV) and acted as carrier to an extent of more than 60% of population. WSSV disease outbreak was widespread in India since 1995 and for the last 20 years it is continuing. This impacted the cultured tiger shrimp production very severely. Therefore, production of disease free seed of *P. monodon* attained utmost importance. There were about 300 shrimp hatcheries in the country with a total capacity of about 15 billion post larvae per year. By 2000, most of the hatcheries were not operational due to the non-availability of disease free brood stock. The seed production levels also reduced to 4-5 billion post larvae/annum. The area under culture reduced and more than 40,000 ha of shrimp farms were under disuse during the early 2000. The total brood stock required was about 100,000. In India, there was no SPF shrimp brood-stock development facility in 2008. A table showing the data of Shrimp production in India is given below:

Shrimp production in India (Source: MPEDA)

	<i>Penaeus monodon</i>		<i>Litopenaeus vannamei</i>		TOTAL	
Year	Area under culture (ha)	Production in tonnes	Area under culture (ha)	Production in tonnes	Area under culture (ha)	Production in tonnes
1989-90	65100	35500	-	-	65100	35500
1990-91	68227	40000	-	-	68227	40000
1991-92	70700	47000	-	-	70700	47000

1992-93	82540	62000	-	-	82540	62000
1993-94	100700	82850	-	-	100700	82850
1994-95	118983	70573	-	-	118983	70573
1996-97	135582	70686	-	-	135582	70686
1997-98	141591	66868	-	-	141591	66868
1998-99	141837	82634	-	-	141837	82634
1999-00	144625	78860	-	-	144625	78860
2000-01	145960	97096	-	-	145960	97096
2001-02	157400	102940	-	-	157400	102940
2002-03	152 080	115 520	-	-	152 080	115 520
2003-04	155 517	112 778	-	-	155 517	112 778
2004-05	136 393	125 668	-	-	136 393	125 668
2005-06	140 682	143 170	-	-	140 682	143 170
2006-07	149 630	144 347	-	-	149 630	144 347
2007-08	122 078	106 165	-	-	122 078	106 165
2008-09	108 789	75 997	-	-	108 789	75 997
2009-10	102 260	95 919	283	1731	102543	97650
2010-11	113852	118573	2930	18247	116782	136820
2011-12	115342	135778	7837	80716	123179	216494
2012-13	93110	123303	22715	147516	115825	270819
2013-14	72177	76798	57267	250507	129444	327305

Four overseas players were carrying out Tiger shrimp SPF work apart from M/s MOANA Technologies, Hawaii, as available on the global websites. All of them were contacted regarding the status of their project. Only M/s MOANA Technologies Ltd., Hawaii had claimed the completion of their project and their readiness to establish Multiplication Centre in India. A Due-Diligence study of the project site was done before deciding on the issue."

The chronology of events that were happened since the decision of establishing SPF-MC till 25th June, 2015 as provided by the Ministry is given as under:

Date	Events happened
16 th January, 2006	An Inter-action meeting under the Chairmanship of the Hon'ble Union Agriculture Minister was held at Chennai. One of the recommendations was on the brood stock of shrimp and was perceived that there is a need for import of Specific Pathogen Free (SPF) shrimp stocks from identified sources and to do the needful
27th June, 2006	Hon'ble Union Agriculture Minister took a meeting with the senior officers of Ministry and ICAR, New Delhi in connection with the establishment of Multiplication Centre (MC) for Specific Pathogen Free seed of Black Tiger shrimp (P.monodon)
1st February, 2007	Ministry sent communications to four different companies viz; M/s Kenneth E Corpn, Madagascar, M/s C.P.Group, Bangkok, M/sCentex Shrimp, Thailand and M/s Nigel Preston, Australia and sought their willingness to set up and operate the facility of MC of SPF monodon.
5-8th February, 2007	A Due Diligence Team constituted by the DAHD&F in connection with the Technology of SPF shrimp P.monodon and Establishment of Multiplication Centre (MC) visited M/s MHKL, Hawaii, USA.
24th February, 2007	The 2 nd GB of NFDB met at New Delhi under the Chairmanship of Hon'ble Union Agriculture Minister, noted the proposal relating to obtaining technology of SPF shrimp monodon seed and establishment of a Multiplication Centre (MC) in India with an Agreement with M/s MOANA Technologies, Hawaii, USA by investment from the NFDB and also taking up an early Jump start programme by obtaining the SPF-seed from the company.
20th March, 2007	5th meeting of the Executive Committee of NFDB after due deliberations approved the proposal and asked the CE, NFDB to take necessary follow up action
2nd April, 2007	Revised MoU received from M/s MHKL
4th April, 2007	Further changes suggested in MoU by the DAHD&F
20th April, 2007	Finalized version of draft MoU prepared by the DAHD&F
25th April, 2007	Finalized draft MoU as agreed by M/s MHKL received in the DAHD&F with the acceptance of NFDB

9th May, 2007	Draft MoU was referred to Ministry of Law
11th May, 2007	Ministry of Law advised to extensively revise the MoU into a proposed Agreement along with various queries seeking clarification
21st May, 2007	NFDB was asked to consider the suggestions of Ministry of Law to redraft an Agreement
5 th June, 2007	In the 6 th meeting of EC of NFDB, the progress of project was brought out in terms of requisitioning the Govt. of Andhra Pradesh for about 100 acres of land at Srikakulam District
10 th July, 2007	NFDB was registered under Andhra Pradesh Registration of Societies Act, 2001- clarifications received from NFDB
12 th July, 2007	Draft Agreement received from NFDB in the Ministry and examined
17 th July, 2007	Draft Agreement referred to Ministry of Law for legal vetting
1 st August, 2007	Executive Committee of NFDB agreed for acquisition of land for MC and depositing a sum of Rs.1.60 crore with Govt of Andhra Pradesh
10 th September, 2007	Vetted Agreement received from Additional Government Consul with suggestions to add a few provisions and for specifying physical milestones for release of 2 nd installment to M/s MHKL
26 th September, 2007	Suggestions of Ministry of Law examined in the DAHD&F-communication sent to Ministry of Finance regarding clearance from FDI angle
1 st October, 2007	Communication sent to M/s MHKL seeking their consent to certain additional incorporations and changes in the draft Agreement
15 th October, 2007	Response received from M/s MHKL was examined in the DAHD&F and NFDB and decided to call M/s MHKL along with Joint Venture Partners for detailed discussions in the Ministry to arrive at consensus on the Agreement
10 th September, 2007	Vetted Agreement received from Additional Government Consul with suggestions to add a few provisions and for specifying physical milestones for release of 2 nd installment to M/s MHKL
26 th September, 2007	Suggestions of Ministry of Law examined in the DAHD&F-communication sent to Ministry of Finance regarding clearance from FDI angle

1 st October, 2007	Communication sent to M/s MHKL seeking their consent to certain additional incorporations and changes in the draft Agreement
15 th October, 2007	Response received from M/s MHKL was examined in the DAHD&F and NFDB and decided to call M/s MHKL along with Joint Venture Partners for detailed discussions in the Ministry to arrive at consensus on the Agreement
5 th November, 2007	Detailed discussions held with M/s MHKL and Joint Venture Partners and NFDB in the DAHD&F
5 th November, 2007	Ministry of Finance has clarified that 100 % FDI is permitted in Aquaculture under automatic route and that M/s MHKL did not have any previous joint venture of technology transfer / trade agreement in the same field in India
16 th November, 2007	Revised (finalized) version of draft Agreement prepared on the basis of the suggestions of the Ministry of Law and on the basis of decisions taken at the meeting held on 05-11-2007.
29 th November, 2007	8 th meeting of the Executive Committee of NFDB approved the draft MoU placed for consideration and signing of the Agreement by NFDB
5 th January, 2008	The GB of NFDB in its 3 rd meeting concurred with the proposal and satisfied with the progress of the proposal
10 th March, 2008	NFDB has taken possession of 97.45 acres land at Mulapolam Village, Sompeta Mandal of Srikakulam District of Andhra Pradesh from the Revenue Department, Government of Andhra Pradesh
20 th March, 2008	Agreement signed by M/s MOANA Hongkong Ltd.(MHKL), MOANA Technologies India (Pvt.) Ltd. (MTIPL) and NFDB
20 th March, 2008	M/s MOANA Hong Kong Ltd. Submitted conceptual drawings
20 th March, 2008	M/s MOANA Hong Kong Ltd. Submitted final blue prints of the drawings of the project
30 th May, 2008	NFDB issued Notification inviting expression of interest for construction of MC published in newspapers
9 th September, 2008	Ministry reviews the progress of implementation of the programme in a meeting with C.E., NFDB, and MD, MTIPL

6-10 th January, 2009	A team lead by the Chief Executive, NFDB visited Thailand and Vietnam to ascertain the facilities available in this regard
7 th December, 2009	In the 14 th Executive Committee meeting of NFDB, CE, NFDB, brings out facts that MHKL is facing some administrative and financial problems. Further, their subsidiary MTIPL is also having internal problems and is in the process of reconstitution.
	The Executive Committee constitutes committee to look into technical and financial aspects of the present arrangement and other possible options for implementation of SPF project in case the project cannot be implemented through MHKL and MTIPL. The committee members include Joint Secretary(Fisheries),DADF, Advisor(Agriculture), Planning Commission, GOI, CE,NFDB; Director (Finance),DADF, Chairman, MPEDA, Member-Secretary, Coastal Aquaculture Authority.
	CPWD submits the preliminary estimate of Rs. 51.02 crore
22 nd December,2009	CPWD submits revised estimate at Rs. 47.12 crore after excluding avoidable components.
31 st July,2009	NFDB held meetings to take stock of the progress of the MC programme and the outstanding issues with MHKL for smooth implementation
	Ministry requested NFDB to send fortnightly reports on the progress of implementation of the MC project and JSP for monitoring the progress of agreed actions
	CE, NFDB informing the Ministry about receipt of consent letter for payment of 5% annual lease amount/license fee on revised project cost in accordance with Agreement.
4 th January,2010	First meeting of the committee decides to give time limit up to 31 st January, 2010 to MHKL for resolving all the pending issues and come up with clear strategy to implement the project and, to depute a team comprising of officials from NFDB,CAA and MPEDA to inspect the Jump-Start facilities of M/s MOANA Technologies(India) Private Ltd.

3 rd March,2010	<p>Second meeting of the committee attended by Mr. Dries Agneessens, Advisor to the Board, M/s MHKL.</p> <p>Meeting decides:</p> <ul style="list-style-type: none"> (i) Continuation of setting up of SPF-MC project with technical collaboration of MHKL as per the existing Agreement. (ii) MHKL should inform NFDB about its financial position through duly audited statements. (iii) Completing the restructuring of the MTIPL without any further delay. (iv) To go ahead with the tendering process with the CPWD. (v) For implementation of Jump start programme, MHKL may go for some limited arrangement with M/s Santir Aqua and however, MHKL can also explore possibility for alternate arrangement for the future continuation of JSP, may be at a different site.
12 th April,2010	<p>Joint Secretary (Fisheries), DADF convened meeting at NFDB, Hyderabad to review the development and further progress. The meeting was attended by Mr. Ronald Everaert, Advisor to the Board, M/s MHKL, Mr. M. Sudarsan Swamy, Managing Director, MTIPL, Sri Ashok Nanjappa, Chief Executive, The Waterbase Ltd., Chennai, Sri Radha Krishnan, Superintendent Engineer (P&A), CPWD, Hyderabad, Sri G.C.Kabi, Superintendent Engineer (P&A), CPWD, Hyderabad and Sri Adi Pratap Kumar, Executive Engineer, VCD, CPWD, Visakhapatnam.</p> <p>The following decisions taken:</p> <ul style="list-style-type: none"> (i) NFDB will go ahead with construction of the entire SPF-MC in one go (ii) M/s MHKL come up with suggestions/ modalities on Jump Start Programme within two weeks from 12th April, 2010 (iii) M/s MHKL will sort out and resolve all the problems with the partners of MTIPL without any further delay. (iv) M/s MHKL to issue a letter explaining the financial condition of the company within two days (v) A team to visit MOANA's Nucleus Breeding Center at Hawaii, USA for technical appraisal and evaluation and to Belgium to ascertain the partnership of Belgium Government in MHKL.

20 th April, 2010	<p>15th Executive Committee meeting of NFDB examines various issues and suggests:</p> <ol style="list-style-type: none"> 1) NFDB to go ahead with construction of SPF-MC. 2) To obtain an undertaking from Government of Belgium extending their financial support to the MHKL in executing the project in India 3) CPWD to be permitted to go ahead with the tendering process and to issue notification. 4) To obtain audited accounts from M/s MHKL regarding financial credentials. 5) Scientific team to visit MOANA's Nucleus Breeding Center at Hawaii, USA for technical appraisal and evaluation. 6) To workout a plan-B option in case MHKL dissociates with NFDB after completion of MC project well in advance 7) Committee constituted during 14th EC meeting for looking into the technical and financial aspects of the present arrangement shall meet quickly 8) Secretary, DADF, Additional Secretary &FA, DADF authorized to take decision based on recommendations of the sub-committee.
7 th May, 2010	<p>3rd meeting of the committee held and unanimously agreed to recommend to proceed with the construction of the project and for giving administrative approval and expenditure sanction to CPWD. Further decided to continue the jump start program undertaken by MTIPL and that committee of members from NFDB, CIBA, CAA and MPEDA will thoroughly review issues related to seed production and distribution</p>
24 th July, 2010	<p>M/s MHKL reported that they have entrusted Ernst & Young , Belgium to prepare audited accounts for MOANA Belgium without waiting for the audited accounts of MTIPL and will provide audited statement by 12th August, 2010.</p>
25-30 th October, 2010	<p>A four member delegation led by the AS&FA, DAHD&F visited the facilities of MOANA's Nucleus Breeding Centre at Hawaii, USA for in-depth evaluation and Appraisal of facilities</p>
19 th April, 2011	<p>18th Executive Committee meeting of NFDB decided to take immediate action against M/s MHKL by issuing legal notice to M/s MHKL and MTIPL. And that a decision for utilization of land acquired will be taken later.</p>

11 th July, 2011	Legal notice issued to M/s MHKL and MTIPL
4 th August, 2011	MTIPL denies all the allegations and affirms that MTIPL is not liable for legal action proposed in the legal notice.
17 th August, 2011	M/s MHKL replies that they would reply to legal notice within a period of two months.
15 th November 2011	NFDB sends reminder to M/s MHKL
23 rd November, 2011	NFDB receives reply from M/s MHKL stating that they neither defaulted nor failed to fulfill any of the contractual obligations contained in the agreement dated 20-03-2008.
8 th January, 2012	MHKL vide email dated 8 th January, 2012 addressed to the Joint Secretary (Fisheries) comes forward to discuss the solutions to the problems they could contemplate in India on how to bring the MOANA Shrimp to India within the shortest possible timeframe and sought for an appointment.
10 th February, 2012	MHKL vide email dated 10 th February, 2012 has furnished their audited statement of accounts upto December, 2009 and they are pursuing to establish the Multiplication Centre.
27 th February, 2012	In 20 th Executive Committee meeting of the NFDB at New Delhi, EC advises the Joint Secretary (Fisheries) to facilitate the further dialogue between NFDB and MOANA and based on the outcome of the dialogue a decision may be taken either to continue with the project through MHKL or to look for other alternative avenues.
7 th May, 2012	Chief Executive, NFDB receives an email from Mr. Dries Agneessens, M/s MOANA Hong Kong Ltd on 7 th May, 2012 under copy to the Joint Secretary (Fisheries), DAHD&F, M/o Agriculture, New Delhi with a request to finalize a date for a meeting between NFDB and the new management of M/s MOANA in order to update on the situation / evolution of M/s MOANA and the proposed approach to bring the SPF P. monodon shrimp seed to India.
1 st June, 2012	A dialogue was organized at NFDB, Hyderabad on 1 st June, 2012 so as to take a decision either to continue with the project through M/s MOANA Hong Kong Limited (MHKL) or to look for alternatives in the presence of Joint Secretary (Fisheries), Member Secretary, CAA, Director, CIBA, Chief Executive, NFDB, Sr. Executive Director (SP), NFDB and three officers from M/s MOANA viz Mr. Walter Coppens,

	Manager-CEO, Mr. Roose LUC, MOANA Technologies LLC, Mr. Dries Agneessens, MOANA (Asia) Ltd.
	<p>After detailed discussions the following two different options were considered for an early resolution of the issues:</p> <ol style="list-style-type: none"> 1. MOANA would take up the construction of the MC in the land acquired by NFDB. They may engage an Indian partner for construction and operation of the MC; however, the primary responsibility for the entire project would vest in MOANA. If this option is exercised, the terms and conditions of the agreement could be renegotiated. 2. If option No. 1 is not acceptable, the entire set of drawing and designs of the Multiplication Centre obtained from M/s MOANA by the NFDB should be taken back by M/s MOANA and the payment made by NFDB in this regard refunded. The NFDB shall undertake not to use any copies of these designs and drawings for any purpose. <p>Joint Secretary (Fy) concluded the dialogue that M/s MOANA should take an early decision in this matter and convey it to NFDB to facilitate introduction of SPF shrimp seed in the country.</p>
27 th July, 2012	A reminder through e-mail was sent to M/s MOANA for communicating their reply at an early date.
20 th July, 2012	21 st Executive Meeting of the NFDB decides to constitute a Committee under the Chairmanship of Joint Secretary (Fy) comprising members from MPEDA, CAA, DDG (Fy), CIBA and NFDB to look into the issue in detail and to suggest next course of action to be taken in a time bound manner and submit a report within a month.
7 th August, 2012	CE, NFDB receives a reply through e-mail from M/s MOANA requesting to arrange for a meeting to resolve the misunderstandings and for satisfactory resolution before making any proposal. Copy of the said e-mail was sent to Ministry for information and advice on further course of action.
13 th August, 2012	A Committee was constituted under the Chairmanship of Joint Secretary (Fy) and all members were intimated on 13 th August, 2012. JS (Fy) was also requested to fix the date for the said meeting.
24 th September, 2012	First meeting held under the Chairmanship of Joint Secretary (Fy) at his chamber. Meeting was attended by Dr.A.G.Ponniah, Director CIBA, Dr.M.Surya Prakash, CE, NFDB, Shri P.Mohana Sundaram, Director, MPEDA, Shri Sam Thampi Raj, Project Director (RGCA) and Shri B.Vishnu Bhat, FDC.) .

16 th November, 2012	<p>In the 22nd Executive Committee of the NFDB, the Additional Secretary and Financial Advisor (AS & FA), DAHD&F, opines that the Committee constituted under the Chairmanship of JS (Fy) as per recommendation of 21st EC should initiate action to immediately settle the issues associated with the project.</p> <p>Further, the Chairman suggests that discussions with MHKL should aim to decide either of two options arrived at in the first meeting held on 1st June, 2012 at NFDB, Hyderabad. In case MHKL has some other option they should clearly spell it out before the meeting of the Committee. Chairman asked the JS (Fy) to accordingly inform the MHKL.</p>
28 th November, 2012	<p>M/s MHKL through their e-mail proposed to refund the said amount over a period of four years starting at the signing of a formal settlement Agreement with the NFDB as a gesture of Good will to solve all issues between both parties once and for all</p>
18 th January, 2013	<p>23rd Executive Committee meeting of NFDB, the Joint Secretary (Fy) briefed that he held an informal meeting with the Officials of MHKL while he was on an official visit to Chennai who have agreed in principle to refund the amount paid to them as per their own schedule spread over 3-4 years.</p> <p>Chairman stated that the Committee constituted for this purpose may critically examine their offer in consultation with AS&FA and suggest appropriate course of action to protect the government inter</p>
25 th March, 2013	<p>24th Executive Committee meeting of the NFDB directed the Committee constituted for the purpose to invite M/s MOANA Technologies to have a final discussion with the Committee Members within 15 days and to evolve comprehensive settlement agreement by engaging a legal professional and submit to the Ministry for approval.</p>
12 th April, 2013	<p>A meeting was convened between members of Committee constituted and representatives of MOANA. After deliberations, the following recommendations were made during the meeting held on 12-04-2013.</p> <p>a) MOANA would refund the entire amount to NFDB in single installment that was received by them in execution of the contract with NFDB dated 20th March, 2008 and 25th March, 2008. Since the payment was made to MOANA in Indian rupees, the refund too would be in Indian rupees equivalent to the amount received by them.</p> <p>b) On receipt of the refund from MOANA, NFDB agrees to terminate the agreement as per the provisions of Article 12. The conceptual drawings and blue prints of the project given to NFDB will be returned to MOANA.</p>

	<p>Committee recommends that since MOANA has already gone through the process of selection as a dependable source and undergone two rounds of due diligence of Nuclear Breeding Centre (NBC) in Hawaii, USA for SPF <i>P.monodon</i>, there is no need for further due diligence and selection by the Govt of India. However, the facilities which will be identified and used as Multiplication Centres (MC) for SPF <i>P.monodon</i> from MOANA would undergo the normal procedure of inspection and approval of the competent authority in India.</p>
17 th April, 2013	<p>MOANA replied by mail on 17-04-2013 that above recommendations will be taken up by them with their management and give further information.</p>
26 th May, 2013	<p>NFDB receives reply from M/s MHKL in respect of the minutes of the meeting held on 12th April, 2013. Contents of the reply are reproduced below:</p> <p>“points mentioned in the minutes are only a recommendation to be put to our Board for approval. The minutes are not any express or implied acceptance of the contents mentioned therein.</p> <p>We would like to reiterate our point of view that we can only consider to go forward if and when MOANA would be in a position to obtain the permission to import, market and sell in India the Black Tiger Shrimp developed by us on wholesale basis. In order to be able to do this we understand we have to wait until all guidelines to regularize the importation of the <i>P. monodon</i> shrimp are finalized by the proper authorities.</p> <p>We hope NFDB can help speed up the process and keep us informed of the progress in this matter on a timely basis.”</p>
13 th June, 2013	<p>Ministry received communication from NFDB that in response to the minutes of the meeting held on 12th April, 2013 at NFDB, a reply was received from M/s MOANA vide their letter dated 26th May, 2013.</p>
15 th May, 2013 and 27 th January, 2014	<p>25th and 26th Executive Committee meetings of NFDB discussed MOANA issue and was decided that all related issues can be discussed only after receiving a formal proposal from M/s MOANA.</p>

28 th August, 2014	<p>A meeting was convened under the Chairmanship of Joint Secretary (Fisheries) and based on the discussion on technical and other aspects the following decisions were agreed upon in the meeting.</p> <p>(i) NFDB may go ahead for construction of the MC facility on the site selected for the purpose based on the conceptual designs and blue print already obtained from MHKL</p> <p>(ii) Since the efforts to resolve the deadlock for going ahead with MHKL seem to have failed, NFDB may seek legal advice to go for termination of the agreement on 'as is where basis' . Once, the agreement is terminated, NFDB should go ahead on its own for alternative options to build and operate the facility to make use of the land and design already procured through investment by the Board.</p> <p>(iii) A Technical Committee to be headed by Fisheries Development Commissioner (FDC) will examine whether the concepts and designs provided by MHKL for SPF <i>P.monodon</i> could also be used for any alternative species of shrimp.</p>
13 th May, 2015	<p>The technical committee constituted by the Department under the Chairmanship of Fisheries Development Commissioner held its meeting and after detailed deliberations, it was unanimously agreed that as far as possible, the design should be used for setting up of multiplication centre for SPF <i>P.monodon</i>. Alternatively, the design and land could be used for (i) setting up of multiplication centre for export oriented shrimp species, <i>Litopenaeus vannamei</i> / (ii) selective breeding programme for <i>Penaeus indicus</i> with suitable modifications in design on PPP mode, or (iii) for production and culture of fin fishes.</p>
25 th June, 2015	<p>A team of officers of NFDB in the presence of the officers from District Administration and Department of Fisheries visited the land acquired for establishment of SPF Shrimp Seed Multiplication Center (MC) at Mulapolam Revenue village, Sompeta Mandal, Srikakulam District, Andhra Pradesh for making arrangements for demarcation and fencing of land acquired.</p>

Apprising the Committee about the salient features of the Joint Programme the Ministry of Agriculture (Department of Animal Husbandry, Dairying and Fisheries) in their written replies submitted as follows:

"The salient features of the envisaged collaboration programme included:-

1. Supply of Pathogen-free genetically improved Post Larvae (PL) of *P.monodon* to India, which will be raised as brood stock in India in a multiplication facility to be created.
2. Breeding these brood stock in selected Indian hatcheries to produce PL;

3. Supply of PLs to farmers for culture operations under the guidance of M/s MOANA Technologies; and
4. Transfer of Technology for addressing the needs of shrimp farmers in the country.

In addition, the proposal also included a Jump Start Programme (JSP) Pending Construction of the Multiplication Centre”.

When the Committee desired to know the factors that were taken into account while selecting the single firm M/s MOANA Technologies, Hawaii, USA for the project and why tenders from other firms were not invited in this case, the Ministry in their written replies stated as follows :

"M/S MOANA Technologies Pvt. Ltd., Hawaii was the owner of the Selectively bred, Specific Pathogen Free, *Penaeus monodon* parent stock which was free from the following pathogens : White Spot Syndrome Virus (WSSV); Infectious Hypodermal and Hematopoietic Necrosis Virus (IHHNV); Hepatopancreatic Parvovirus (HPV); Monodon Baculovirus (MBV); Baculoviral Mid-gut Necrosis virus (BMNV); Baculovirus penaei (BP) Virus; Spawner Mortality Virus (SMV); Yellow Head Virus (YHV); Gill Associated Virus (GAV); Taura Syndrome Virus (TSV); Mourilyan Virus (MoV); Infectious Myonecrosis Virus (IMNV); Laem-Singh Virus (LSNV); Necrotizing Hepatopancreatitis (NHP)-type intracellular bacteria; Other Pathogenic Rickettsia-type Intracellular Bacteria; Highly Pathogenic Luminescent *Vibrio* sp (e.g. *Vibrio harveyi*); Pathogenic, Invasive Protozoa such as Gregarina, Microspora, or Acetosporea; all Life Stages of Obligate Metazoan Parasites such as Nematoda and Cestoda.

The stock was genetically improved with selective breeding for growth with three distinct lines. The heritability values for growth were in the range of 0.4 to 0.5 and shown good improvement over the years. The inbreeding was very low. It was settled that M/S MOANA Technologies would provide the design of the Multiplication Centre and assist the Indian Counterparts to build the MC.

As desired by the then Financial Advisor, DADF, Companies who had the wherewithal to produce SPF brood stock of *P. monodon* were identified including M/s MOANA Technologies. Letters were sent by the Ministry to four other companies requesting their willingness to be involved in the proposal to set up a SPF Shrimp Seed Multiplication Centre in India. (namely, Dr. Nigel Preston, CSIRO, Cleveland, Australia; Centex Shrimp, Bangkok, Thailand; Mr. Kenneth E. Corpron, Immeuble SCIM, Madagascar; C.P.Group, Bangkok, Thailand). No other company responded to the letters sent by the Ministry. Thus, in this regard, M/s MOANA Technologies, a leading company in Hawaii (USA) which was

implementing the largest breeding programme for genetic improvement of *P.monodon* was identified for setting up of a Multiplication Centre in India.

This was further evidenced by the visit of the NFDB Team sent by the DADF to Thailand and Vietnam during January, 2009, to ascertain the status of the Multiplication Centres being commissioned by the M/s MOANA Technologies. This also shows that M/s MOANA only had the capabilities for designing and establishing a SPF-Monodon Multiplication Centre in different parts of the world.

As explained supra, all the prescribed procedures were followed in identifying M/s MOANA Technologies for the purpose"

When asked about the level at which the single tender was approved and whether any notice inviting tender was issued , the Ministry replied as follows :

"As per the provisions of the Bye-laws (8.1) of NFDB (an autonomous body under DADF), the Governing Body of the NFDB headed by the Hon'ble Union Agriculture Minister is empowered to consider and decide on the programme of activities of the Board and to add new schemes to ongoing activities of the Board. Accordingly, the GB in its meeting agreed to the proposal relating to obtaining the technology of SPF- Shrimp (*P.monodon*) seed and establishment of a Multiplication Centre in India for production of about 3 billion post-larvae every year, with an agreement with the M/s MOANA Technologies, Hawaii, USA.

It was not a single tender in as much as 'Expression of Interest' was invited from the following companies also :

- 1) Dr. Nigel Preston, CSIRO, Cleveland, Australia;
- 2) Centex Shrimp, Bangkok, Thailand;
- 3) Mr. Kenneteh E. Corpron, Immeuble SCIM, Madagascar;
- 4) C.P.Group, Bangkok, Thailand.

None of the above companies responded. Meanwhile, the Due Diligence team constituted by the Department of Animal Husbandry, Dairying and Fisheries (DADF), Ministry of Agriculture visited the facilities of M/s MOANA Technologies, Hawaii (at Kona and Honolulu), USA in February, 2007 and recommended that M/s MOANA Technologies was a leading company working on SPF *P. monodon* with a large base population of nearly 200 families and has a sufficient expertise in domestication and genetic improvement as well as selective breeding of this species. The Team was convinced of the level of technology and capability of M/s MOANA Technologies, Hawaii to deliver goods in setting up a Multiplication Centre for supply of *P.monodon* seed. It was also evident from both the biological and engineering points of view the company had the proprietary Intellectual

Property in this regard. Hence M/s MOANA Technologies was selected in the national interest."

The salient provisions of the agreement entered into with M/s MOANA Technologies, Hawaii, USA and its partner M/s MOANA Technologies India (Pvt.) Limited a Joint Venture Company in India (MTIPL-JVC) as provided by the Ministry are as follows :

- (i) MOANA shall maintain its majority share holding through the period of the Agreement.
- (ii) MOANA shall equip MTIPL-JVC with best technology, technical staff and help in education the farmers about MOANA's seed.
- (iii) MOANA shall be responsible in case of technology default and the JVC will be responsible for any financial default.

Audit examination of the proposal revealed that responding to a single proposal, the project was awarded to MOANA after evaluating the technical capabilities but without assessing its financial capabilities. The auditor of MOANA, M/s Ernst & Young, Hong Kong, which conducted the audit of the Financial Statements of MOANA from 18.11.2005 (date of incorporation) to 31.12.2009, gave (December 2011) disclaimer of opinion and observed that the company's ability to continue ongoing concern basis was doubtful.

On being asked as to why the Ministry did not carry out study on the financial health of the firm and its partner, M/s MOANA Technologies India (Pvt) Limited (MTIPL-JVC), a joint venture company in India, before awarding the work, the Ministry stated as follows:

"It is not correct that the Ministry did not carry out the study on the financial health of its partner. As a matter of fact, in February, 2007, a Due Diligence Team was constituted by the Department of Animal Husbandry, Dairying and Fisheries (DADF), Ministry of Agriculture for visiting the facilities of M/s MOANA Technologies, Hawaii (at Kona and Honolulu), USA. The team comprised of both financial and technical experts and was headed by the then Financial Advisor (FA), DADF; (other members being Chief Executive (i/c), NFDB; Director, Central Institute of Brackish water Aquaculture (CIBA) and Deputy Commissioner, DADF). While the technical members looked into the technical aspects, the Financial Advisor looked into the financial aspects of M/s MOANA Technologies, Hawaii, USA"

Audit further observed that the agreement did not provide for any performance related security to ensure performance of the terms of agreement and for safeguarding the interests of the Government in the event of default by MOANA.

In this regard when asked by the Committee as to why no clause related to performance security was incorporated in the agreement and was it not injudicious of the Ministry to make payment of 90 percent of the agreed amount upon mere submission of the drawings without construction and commissioning of SPF-MC and without any security, the Ministry in their written replies submitted as follows:

"Necessary performance indicators and clauses had been incorporated in the Agreement. It must be emphasized that the terms were improved in every aspect from the first draft, pertaining to: 3.3: payment of 50% payable at signing and 50% after three months' 'modified to '50% payable after signing of agreement and on submission of conceptual drawings, 40% payable on acquisition of land and submission of final blue prints of drawings; 10% on successful commissioning of MC'; 2.4 Production of approximately 3 billion post-larvae per annum by 2014; 5.3 Developing objective set of criteria for selection of hatcheries for production of post-larvae; 5.4.2 Commissioning of more MC facilities with the same design; 6.1 Certification of the parent stock and seed produced at the MC and SPCs , also for new and emerging pathogens.

A Specific clause was incorporated regarding performance security in the Agreement. As per the said clause, at para no. 7.1.6 of the Agreement vetted by the Ministry of Law and concurred by the IFD, M/s MHKL has given the warranty that it has authority to bind its Affiliates with performance of the agreement and shall be liable for any non-performance or under-performance by any of its Affiliates. The payment of 90% of the agreed amount was made strictly as per the Agreement which was vetted by the Law Ministry, because the firm has submitted the Conceptual Drawings and Blue Prints for construction of MC. The said payment was towards the M/s MHKL fees for design and Blue prints only and not for construction and commissioning of MC."

Audit also observed that no date for completion of and operation of SPF-MC was mentioned in the agreement. While explaining the reasons thereof, the Ministry responded as follows:

"It is not correct that no time line was mentioned in the Agreement. A specific clause of time-line at Para 8 was incorporated in the Agreement with M/s MOANA

Hong Kong Ltd. and MOANA Technologies India (Private) Ltd., which is reproduced below :

- a) Zero date : Date of signing the Operating Agreement
- b) One Month: Design hand over by MOANA for starting Tender procedure by NFDB subject to acquisition of land.
- c) Three Months: Construction Contract awarding and start Multiplication Centre construction subject to completion of related formalities.

Under the clause Goal and Principles, at para 2.4 of the Agreement, the target was fixed for supply of approximately 3 billion PL per annum by 2014 at the proposed MC facility."

Audit scrutiny also revealed that neither the time-frame of MTIPL-JVC to sign the license agreement nor any penalty clause in the event of not signing of the agreement was included in the agreement. In response thereto, the replies of the Ministry are as follows:

"The Clause 5.1 of the Agreement stipulates license fee amount, the term of the license, etc. The license agreement will have to be signed when the NFDB licenses out the MC facility after completion of the construction of the MC.

All the necessary performance indicators had been incorporated in the Agreement. Apart from improvising the conditions from the first draft to the final one, duly vetted by the Ministry of Law and concurred by the IFD, a Subcommittee of the EC also improvised the terms of license fee amount from 3% of the investment to 5%; and the terms of licence for a period of 8 years from the proposed 10-15 years. Also a penalty clause of increasing the license fee to 10% per annum for under performance was included in 5.1.2 of the Agreement."

The Ministry while admitting (March 2012) the aforesaid Audit Observations the NFDB and MOANA had attributed the delay to unforeseen developments between MOANA and MTIPL. The Ministry further stated that the proposal of MOANA was critically reviewed at MOA/NFDB and it was felt that obtaining technology from the MOANA would be beneficial. Further as on the date of signing of agreement there was no room for doubting the financial health of the organization. They also stated that their efforts were on, to facilitate further dialogue between NFDB and MOANA or to put the acquired land to alternate use.

The Committee sought to know as to whether any action had been initiated against the concerned and whether the amount paid to the MOANA along with penalty recovered from them for not establishing the project even after lapse of seven years. In response thereto, the Ministry furnished the following :

"It is incorrect to state that the Ministry had accepted the Audit observation. As a consequential action, legal notices were issued to both MHKL and MTIPL on 11th July, 2011. Subsequently, a dialogue was organized at NFDB, Hyderabad on 1st June, 2012 in the presence of three officers from M/s MOANA viz Mr. Walter Coppens, Manager-CEO, Mr. Roose LUC, MOANA Technologies LLC, Mr. Dries Agneessens, MOANA (Asia) Ltd. so as to resolve the issue for continuance or otherwise of the project. After detailed discussions the following two options were considered for an early resolution of the issues:

1. MOANA would take up the construction of the MC in the land acquired by NFDB. They may engage an Indian partner for construction and operation of the MC; however, the primary responsibility for the entire project would vest with M/s MOANA. If this option is exercised, the terms and conditions of the agreement could be renegotiated.
2. If option No. 1 is not acceptable, the entire set of drawing and designs of the Multiplication Centre obtained from M/s MOANA by the NFDB should be taken back by M/s MOANA and the payment made by NFDB in this regard refunded. The NFDB shall undertake not to use any copies of these designs and drawings for any purpose. M/s MOANA vide their e-mail dated 28th November, 2012 expressed their willingness to refund this amount over a period of four years starting after signing of a formal settlement agreement with the NFDB as a gesture of goodwill to solve all issues between both parties once and for all. A meeting was again convened on 12th April,, 2013 with the representatives of MOANA at NFDB, Hyderabad. After deliberations, the following recommendations were made:
 - a) MOANA would refund the entire amount to NFDB in single installment that was received by them in execution of the contract with NFDB dated 20th March, 2008 and 25th March, 2008. Since the payment was made to MOANA in Indian rupees, the refund too would be in Indian rupees equivalent to the amount received by them.
 - b) On receipt of the refund from MOANA, NFDB agrees to terminate the agreement as per the provisions of Article 12. The conceptual drawings and blue prints of the project given to NFDB will be returned to MOANA.
 - c) It was also recommended that since MOANA had already gone through the process of selection as a dependable source and undergone two rounds of due diligence of Nuclear Breeding Centre (NBC) in Hawaii, USA for SPF *P.monodon*, there is no need for further due diligence and selection by the Govt of India. However, the facilities which will be identified and used as Multiplication

Centres (MC) for SPF *P.monodon* from MOANA would undergo the normal procedure of inspection and approval of the competent authority in India.

- d) However, the Ministry is still in the process of having dialogue with M/s MOANA for continuation of the project. Since the Multiplication Centre facilities are essential to the country for domestication of high value species to maintain sustainability of fish production and export earnings, it is therefore essential that the Department proposed to go ahead for construction of the MC facility on the site selected for the purpose based on the designs and blue print.
- e) It is necessary to revive the breeding and culture of native species like *P. monodon* and *P. indicus* that have huge international markets and sustain the export earnings from shrimp. It has been fully appreciated that the country needs a facility as projected and the Department proposes to have M/s MOANA Hong Kong Limited (MHKL) to develop the MC."

Apprising the Committee about the current status of the SPF-MC project, the Ministry submitted as follows :

"At present, NFDB owns two assets, namely, (i) 97.45 acres of land in Srikakulam District of Coastal Andhra Pradesh and (ii) Technical customised drawings and blue prints of the MC, which are still relevant. It is proposed to go ahead with the project in the same land acquired.

A meeting was convened on 28th August, 2014 at DAHD&F under the Chairmanship of the then Joint Secretary (Fisheries) and based on the discussion on technical and other aspects the following decisions were agreed upon in the meeting.

i) NFDB may go ahead for construction of the MC facility on the site selected for the purpose based on the conceptual designs and blue print already obtained from MHKL.

(ii) Since the efforts to resolve the deadlock for going ahead with MHKL seem to have failed, NFDB may seek legal advice to go for termination of the agreement on 'as is where is basis'. Once the agreement is terminated, NFDB should go ahead on its own for alternative options to build and operate the facility to make use of the land and design already procured through investment by the Board.

(iii) A Technical Committee to be headed by FDC will examine whether the concepts and designs provided by MHKL for SPF *P.monodon* could also be used for any alternative species of shrimp.

Accordingly, the Technical Committee on 13th May, 2015, constituted by the Department mainly to examine as to whether the concepts and designs provided

by M/s MHKL for setting up multiplication centre for SPF *P. monodon* could be used for any alternative species of shrimp met under the Chairmanship of the Fisheries Development Commissioner and after deliberations took the following decisions :

- Unanimously agreed that as far as possible, the design should be used for setting up of Multiplication Centre for SPF *P.monodon*.
- Alternatively, the design and land could be used for :
 - (i) setting up of multiplication centre for export oriented shrimp species, *Litopenaeus vannamei* , or
 - (ii) selective breeding programme for *Penaeus indicus* with suitable modifications in design on PPP mode, or for production and culture of fin fishes."

The Committee further desired to know that in the event of M/s MOANA and MTIPL not being able to commission the project, had the Ministry explored the possibility of opting for another firm for timely completion of the project. In this regard, the reply of the Ministry is as follows:

"The Department took various steps by holding several meetings to decide whether or not the project should be continued through M/s MHKL .As a result of deliberations and the decisions taken during the course of various meetings, it is proposed to go ahead for construction of the MC facility on the site selected for the purpose based on the designs and blue print obtained from M/s MHKL. In view of this decision the question of opting for another firm does not arise."

When asked as to whether the Ministry had done monthly/quarterly review of the progress of the project and if so, why no action was initiated to ensure speedy implementation of the same, the Ministry apprised the Committee as follows :

"The Executive Committee of the NFDB which meets once in 3 months effectively reviewed the progress of the project and for speedy implementation of the same. The delay in implementation of the project was due to multiple problematic issues such as: (i) reduced volume of *P.monodon* at National and Global level; (ii) shift of the farming towards *vannamei*; and (iii) consideration of utilisation of facility for the other species of shrimp. The global changes in the shrimp were beyond anticipation. However, development of sustainably genetically improved technology was essential to address the issue of promotion of culture of *P.monodon* which is a native species of India. Tiger shrimp being the largest sized attracts premium value in international mark Therefore, the circumstances do not warrant any action for fixing responsibility."

The Committee have been informed by the Ministry that the cost of the project which was initially estimated at approximately ₹ 21 crore was revised to approximately ₹ 51.02 crore in 2009. When asked about the reasons for such a huge cost escalation, the Ministry stated as under :

"The preliminary revised estimates of ₹ 47.12 crore made by CPWD in 2009 may increase abnormally due to increase of rates with time overrun. Hence, there would be cost overrun also, as there was delay in initiation of the construction by seven years. During a meeting held on 30-10-2006 under the Chairmanship of AS&FA, DAHD&F the cost of the project was roughly estimated which was at a very initial stage. Subsequently, the Executive Committee of NFDB which met on 29/12/2008 at Hyderabad decided to entrust the construction works to the CPWD. As per the preliminary estimate prepared by the CPWD, the cost of MC project was estimated at ₹ 51.02 crore. However, CPWD revised the estimates in, 2009 to ₹ 47.12 crore after excluding avoidable components.

Specific reasons for huge cost escalation reported are due to enhancement of cost index as on 1st October, 2007, provision of DSR rate, inclusion of additional essential equipments & machineries, staff quarters etc."

While observing that the Executive Committee of National Fisheries Development Board (NFDB) suggested ascertaining the technical, financial and administrative capabilities of both MOANA Hong Kong Ltd. (MHKL) and MOANA Technologies India Pvt. Ltd. (MTIPL) for operating the project raising doubt on the future of the project , the Committee desired to know as to whether any action has been initiated in this regard by the Ministry. In response the Ministry submitted as follows:

"As per the decision taken in the 15th Executive Committee meeting held at New Delhi on 20th April, 2010 a delegation of senior officers under the Chairmanship of Additional Secretary & Financial Advisor, DADF, have visited MOANA's facilities of Nucleus Breeding Center at Kona and PCR Diagnostic Laboratory at Honolulu, Hawaii, USA during 25-29 October, 2010 for an in depth evaluation and appraisal of their facilities. The terms of reference for the due diligence team include:

- a) To study the relationship between the MOANA, Hawaii, MOANA Marine Biotech and MOANA Hongkong Ltd.;
- b) To assess the infrastructure facilities (i) production of SPF brood stock, defining the diseases for which the brood stock is specifically pathogen free (ii) Transfer of the PLs of the SPF P. monodon brood stock to India for the temporary Jump-Start programme and the future permanent programme, (iii) monitoring the programme- both in India and in Hawaii;

- c) To assess the expertise available with the unit for the ability to transfer the technology directly;
- d) To gather information with regard to the performance level of the brood stock being developed at the Multiplication Centre with regard to its fecundity, no. of spawning and selection of performers based on genetic requirements;
- e) To assess the capabilities and the commitment for any crisis management in the event of unexpected infections, mortalities, non-performance of the brood stock along with definite plan of action for the project with specific time frames and production targets; f) To appraise the financial and managerial strength of the company.

The Committee made the following recommendations:

1. The SPF and genetic improvement programme being carried out by MHKL at Nucleus Breeding Centre in Hawaii is progressing well and it would be advantageous for India to continue the programme in view of the potential benefit of *monodon* SPF seed to the farmers;
 2. Certain technical shortcomings were observed with regard to construction of backup facilities and positioning the required quantitative genetics expert;
 3. The MHKL is under severe financial difficulty though it is making all efforts to mobilise funds and they should inform the NFDB by end of December, 2010 and thereafter every month until the start of MC construction with regard to financial status;
 4. There are internal disputes within MTIPL;
 5. It may not be desirable to construct MC facility in India by investing nearly ₹50 crore in one phase, with all these uncertain conditions. Therefore, it may be worthwhile to take up the MC in phases. Initially the MC may be built to produce one billion seed and depending upon the demand for the seed, the facilities can be added on later; and related aspects.
- These were considered in the 17th EC meeting on 30th December, 2010 and 18th EC Meeting on 19th April, 2011. It was decided to issue legal notice to the company and also ensure utilisation of land for the purpose."

The Ministry further stated that the Advocate of NFDB had also opined to terminate the contract with MHKL forthwith and issue legal notice to MHKL for claiming all the investment in various ways to facilitate MHKL to implement the project which they could not do so. The Committee desired to know about the action ,if any ,has been initiated in this regard. In response, the Ministry submitted as follows :

"As per the decision taken by the Executive Committee of the NFDB in its 18th meeting held on 19-4-2011, in consonance with the advice of the Advocate of NFDB, a legal notice was issued to M/s MHKL and MTIPL-JVC on 11-7-2011 duly making it clear that the whole Agreement would be terminated by invoking

clause 10 of the Agreement, if they failed to attend to the pending issues as pointed out in the legal notice. Subsequently, M/s MHKL vide email dated 8th January, 2012 expressed to come forward to discuss the matter to resolve the problems and requested for an appointment.

Legal notices were issued to both MHKL and MTIPL on 11th July, 2011. Subsequently, a dialogue was organized at NFDB, Hyderabad on 1st June, 2012 in the presence of three officers from M/s MOANA viz Mr. Walter Coppens, Manager-CEO, Mr. Roose LUC, MOANA Technologies LLC, Mr. Dries Agneessens, MOANA (Asia) Ltd. so as to resolve the issue for continuance or otherwise of the project. After detailed discussions the following two options were considered for an early resolution of the issues:

3. MOANA would take up the construction of the MC in the land acquired by NFDB. They may engage an Indian partner for construction and operation of the MC; however, the primary responsibility for the entire project would vest with M/s MOANA. If this option is exercised, the terms and conditions of the agreement could be renegotiated.

4. If option No. 1 is not acceptable, the entire set of drawing and designs of the Multiplication Centre obtained from M/s MOANA by the NFDB should be taken back by M/s MOANA and the payment made by NFDB in this regard refunded. The NFDB shall undertake not to use any copies of these designs and drawings for any purpose.

M/s MOANA vide their e-mail dated 28th November, 2012 expressed their willingness to refund this amount over a period of four years starting after signing of a formal settlement agreement with the NFDB as a gesture of goodwill to solve all issues between both parties once and for all.

A meeting was again convened on 12th April, 2013 with the representatives of MOANA at NFDB, Hyderabad. After deliberations, the following recommendations were made:

(a) MOANA would refund the entire amount to NFDB in single instalment that was received by them in execution of the contract with NFDB dated 20th March, 2008 and 25th March, 2008. Since the payment was made to MOANA in Indian rupees, the refund too would be in Indian rupees equivalent to the amount received by them.

(b) On receipt of the refund from MOANA, NFDB agrees to terminate the agreement as per the provisions of Article 12. The conceptual drawings and blue prints of the project given to NFDB will be returned to MOANA.

It was also recommended that since MOANA had already gone through the process of selection as a dependable source and undergone two rounds of due diligence of Nuclear Breeding Centre (NBC) in Hawaii, USA for SPF *P.monodon*, there is no need for further due diligence and selection by the Govt of India. However, the facilities which will be identified and used as Multiplication Centres

(MC) for SPF *P.monodon* from MOANA would undergo the normal procedure of inspection and approval of the competent authority in India."

One of the terms of reference for the four member delegation headed by the Additional Secretary and Financial Advisor of DADF who visited the Hawaii Island in USA was to appraise the financial and managerial strength of the company. When asked by the Committee as to why the delegation had failed miserably even to notice the audit findings of M/s Ernst & Young, Hong Kong given in 2011 that the company's ability to continue on going concern was doubtful and report accordingly. Why the project was continued thereafter, the Ministry in their written replies submitted as follows :

"The four member delegation headed by the Additional Secretary and Financial Advisor of DADF who visited the Hawaii Island in USA to appraise the financial and managerial strength of the company, stated that the MHKL is under severe financial difficulties though it is making all efforts to mobilise funds. They should inform NFDB by the end of December, 2010 and after every month until the start of MC construction with regard to the financial state so that the government can take appropriate interim and long term decisions. Subsequently, MHKL vide email dated 10th February, 2012 has furnished their audited statement of accounts up to December, 2009.

Legal notices were issued to both MHKL and MTIPL on 11th July, 2011. Subsequently, a dialogue was organized at NFDB, Hyderabad on 1st June, 2012 in the presence of three officers from M/s MOANA viz Mr. Walter Coppens, Manager-CEO, Mr. Roose LUC, MOANA Technologies LLC, Mr. Dries Agneessens, MOANA (Asia) Ltd. so as to resolve the issue for continuance or otherwise of the project. After detailed discussions the following two options were considered for an early resolution of the issues:

5. MOANA would take up the construction of the MC in the land acquired by NFDB. They may engage an Indian partner for construction and operation of the MC; however, the primary responsibility for the entire project would vest with M/s MOANA. If this option is exercised, the terms and conditions of the agreement could be renegotiated.

6. If option No. 1 is not acceptable, the entire set of drawing and designs of the Multiplication Centre obtained from M/s MOANA by the NFDB should be taken back by M/s MOANA and the payment made by NFDB in this regard refunded. The NFDB shall undertake not to use any copies of these designs and drawings for any purpose.

M/s MOANA vide their e-mail dated 28th November, 2012 expressed their willingness to refund this amount over a period of four years starting after signing of a formal settlement agreement with the NFDB as a gesture of goodwill to solve all issues between both parties once and for all.

A meeting was again convened on 12th April,, 2013 with the representatives of MOANA. At NFDB, Hyderabad. After deliberations, the following recommendations were made:

c) MOANA would refund the entire amount to NFDB in single installment that was received by them in execution of the contract with NFDB dated 20th March, 2008 and 25th March, 2008. Since the payment was made to MOANA in Indian rupees, the refund too would be in Indian rupees equivalent to the amount received by them.

d) On receipt of the refund from MOANA, NFDB agrees to terminate the agreement as per the provisions of Article 12. The conceptual drawings and blue prints of the project given to NFDB will be returned to MOANA.

It was also recommended that since MOANA had already gone through the process of selection as a dependable source and undergone two rounds of due diligence of Nuclear Breeding Centre (NBC) in Hawaii, USA for SPF *P.monodon*, there is no need for further due diligence and selection by the Govt of India. However, the facilities which will be identified and used as Multiplication Centres (MC) for SPF *P.monodon* from MOANA would undergo the normal procedure of inspection and approval of the competent authority in India"

While providing a copy of the Report submitted by the four Member team visited the Hawaii Island in USA, indicating the details regarding when this Report was came to light, what was the opinion of the Government thereon and what was the financial condition of the company, the Ministry submitted as follows:

"The report of the delegation was placed before the Executive Committee of the NFDB and as per its decision, the NFDB called for the latest financial audited accounts of the company with profit and loss statement with all schedules. As per the opinion of the delegation, the MHKL was under severe financial difficulties though it was making all efforts to mobilise funds. The report further stated that they should inform NFDB by the end of December, 2010 and after every month until the start of MC construction with regard to the financial state so that the Government can take appropriate interim and long term decisions."

On being asked as to why the Ministry had failed miserably to get ₹ 5.82 crore paid to M/s MOANA merely on submission of drawings, even though project was not established even after seven long years, the Ministry stated as follows:

"It is incorrect to state that the Ministry has failed miserably to establish the project. As per the Agreement, duly vetted by Ministry of Law and concurred by the IFD, the total amount payable to M/s MHKL was US\$ 6,00,000 in three installments at 50% after signing the Agreement, and submission of conceptual drawings, 40% on acquisition of land and submission of final blue prints of

drawings and 10% on successful commissioning of MC. Accordingly, the payment was made in two installments on occurrence of the first two events, which worked out to ₹ 2,17,35,000 at the then conversion rate of ₹ 40.25 per US Dollar as per record. Such being the fact, it is not correct that the NFDB paid ₹ 5.82 crore merely on submission of drawings. The payment made to MHKL was not in excess of what was due to be paid as per the Agreement.

The land of 97.45 acres in the District of Srikakulam, Andhra Pradesh acquired at the cost of ₹ 2.85 crore through the Revenue Department of the Government of Andhra Pradesh is in possession of the NFDB. This land has been identified with scientific inputs such as analysis of the ocean currents along the coast surveyed by M/s MOANA Technologies in collaboration with the National Institute of Oceanography. Further, the Jump Start programme produced over 19.2 million of SPF *monodon* post larvae that was distributed to the farmers, validating the performance of the SPF seed in India. The NFDB Team that visited Thailand and Vietnam during January, 2009 duly brought out the performance of the Company with regard to establishment of the Multiplication Centre. With all these checks and performance indicators in place, the question of fixing responsibility does not arise."

In their Meeting held on 12th April, 2013 the Executive Committee recommended that MHKL would refund the entire amount to NFDB in a single installment that was received by them in execution of the contract Agreement with NFDB. In this regard, the Committee desired to know as to whether the MHKL had refunded the amount. The response of the Ministry is given as under:

"As per the recommendation of the meeting held on 12th April, 2013 at NFDB, Hyderabad in the presence of two representatives of M/s MHKL, the MHKL agreed in principle in the said meeting itself to refund the amount paid to them. However, on receipt of the proceedings of the said meeting M/s MHKL vide their letter dated 26th May, 2013 communicated that "points mentioned in the minutes are only a recommendation to be put to our Board for approval. The minutes are not any express or implied acceptance of the contents mentioned therein. We would like to reiterate our point of view that we can only consider to go forward if and when MOANA would be in a position to obtain the permission to import, market and sell in India the Black Tiger Shrimp developed by us on wholesale basis. In order to be able to do this we understand we have to wait until all guidelines to regularize the importation of the *P. monodon* shrimp are finalized by the proper authorities. We hope NFDB can help speed up the process and keep us informed of the progress in this matter on a timely basis."

Legal notices were issued to both MHKL and MTIPL on 11th July, 2011. Subsequently, a dialogue was organized at NFDB, Hyderabad on 1st June, 2012 in the presence of three officers from M/s MOANA viz Mr. Walter Coppens, Manager-CEO, Mr. Roose LUC,

MOANA Technologies LLC, Mr. Dries Agneessens, MOANA (Asia) Ltd. so as to resolve the issue for continuance or otherwise of the project. After detailed discussions the following two options were considered for an early resolution of the issues:

7. MOANA would take up the construction of the MC in the land acquired by NFDB. They may engage an Indian partner for construction and operation of the MC; however, the primary responsibility for the entire project would vest with M/s MOANA. If this option is exercised, the terms and conditions of the agreement could be renegotiated.

8. If option No. 1 is not acceptable, the entire set of drawing and designs of the Multiplication Centre obtained from M/s MOANA by the NFDB should be taken back by M/s MOANA and the payment made by NFDB in this regard refunded. The NFDB shall undertake not to use any copies of these designs and drawings for any purpose.

M/s MOANA vide their e-mail dated 28th November, 2012 expressed their willingness to refund this amount over a period of four years starting after signing of a formal settlement agreement with the NFDB as a gesture of goodwill to solve all issues between both parties once and for all.

A meeting was again convened on 12th April, 2013 with the representatives of MOANA. At NFDB, Hyderabad. After deliberations, the following recommendations were made:

- e) MOANA would refund the entire amount to NFDB in single installment that was received by them in execution of the contract with NFDB dated 20th March, 2008 and 25th March, 2008. Since the payment was made to MOANA in Indian rupees, the refund too would be in Indian rupees equivalent to the amount received by them.
- f) On receipt of the refund from MOANA, NFDB agrees to terminate the agreement as per the provisions of Article 12. The conceptual drawings and blue prints of the project given to NFDB will be returned to MOANA.

It was also recommended that since MOANA had already gone through the process of selection as a dependable source and undergone two rounds of due diligence of Nuclear Breeding Centre (NBC) in Hawaii, USA for SPF *P.monodon*, there is no need for further due diligence and selection by the Govt of India. However, the facilities which will be identified and used as Multiplication Centres (MC) for SPF *P.monodon* from MOANA would undergo the normal procedure of inspection and approval of the competent authority in India."

In this regard, the Committee have further been informed that the Chief Executive, NFDB was instructed by the Chairman of the EC to take the following measures for speedy implementation for the project and resolution of the issues:

- (i) NFDB should call the management of MHKL and MTIPL and discuss the execution of the project immediately duly fixing the milestones, along with representatives of this Ministry.
- (ii) Monthly reports from M/s MHKL regarding the progress of the project has to be sent to the Ministry regularly.

- (iii) A technical committee consisting of representatives for NFDB, CIBA, CAA should meet at the site on a periodic basis for reviewing the progress of the project.
- (iv) A high level team should visit the Nucleus Breeding Centre of MOANA at Hawaii soon and submit a detailed report about the financial, technological and infrastructural capabilities of the firm to run the MC facility once it is completed.
- (v) To work out alternative plan and option well in advance in case MHKL dissociates with NFDB after completion of the MC project.

Audit scrutiny also revealed that the land to the extent of 97.45 acres acquired at Srikakulam District in Andhra Pradesh at a cost of ₹ 2.85 crore was not put to alternate use as of April, 2013 as the envisaged SPF-MC could not be set up. Upon asking as to whether the Ministry had alternate plans for the utilisation of land the Ministry provided the following details :

"As there has been no decision to give up the project, there are no plans for utilizing the land for any alternative purpose. In other words, it is emphatically stated that the land acquired at Srikakulam District is proposed to be utilised for the purpose for which it was acquired. The land was acquired for the specific purpose of construction of MC and since the construction is yet to commence, the purpose of utilization of the land cannot be either altered or it can be said that the land is unutilized in as much as the land is awaiting utilization for the purpose for which it was acquired.

In this regard, a Technical Committee headed by FDC examined whether the concepts and designs provided by MHKL for SPF *P.monodon* could also be used for any alternative species of shrimp. The technical committee met under the Chairmanship of the Fisheries Development Commissioner on 13th May, 2015, and after deliberations took the following decisions:

- Unanimously agreed that as far as possible, the design should be used for setting up of multiplication centre for SPF *P.monodon*.
 - Alternatively, the design and land could be used for:
 - (i) Setting up of multiplication centre for export oriented shrimp species, *Litopenaeus vannamei* , or
 - (ii) Selective breeding programme for *Penaeus indicus* with suitable modifications in design on PPP mode, or
 - (iii) For production and culture of fin fishes.

Further, on 25th June, 2015, a team of officers of NFDB in the presence of the officers from District Administration and Department of Fisheries visited the land

acquired for establishment of SPF Shrimp Seed Multiplication Center (MC) at Mulapolam Revenue village, Sompet Mandal, Srikakulam. District, Andhra Pradesh for making arrangements for demarcation and fencing of land acquired."

PART -II

OBSERVATIONS AND RECOMMENDATIONS

1. The Committee note that due to shortage of disease-free shrimp brood stock, Ministry of Agriculture decided on 27 June 2006, to set up a specific Pathogen Free Multiplication Centre (SPF-MC) in India as a joint programme by importing quality seed of *Penaeus monodon* from reputed international companies. The primary objective of setting up of SPF-MC in India was an extremely well –intended, the purpose being to produce disease'- free seed of black tiger shrimp (*Penaeus monodon*) and to supply them to shrimp farmers who were facing acute shortage of disease-free shrimp breed stock. In the same meeting it was decided that the proposal of M/s MOANA Technologies, Hawaii, USA (the firm) of bringing the seed to India may be considered.

2. A detailed presentation on proposed SPF-MC for production of seed was given by the firm in December 2006. This was followed by a visit (February 2007) of Due Diligence Team constituted by Ministry of Agriculture (MOA) to inspect the facilities of the firm in USA to assess the level of technology and to work out other details in connection with the establishment of SPF-MC. The team recommended (February 2007) establishment of SPF-MC in India by the firm. National Fisheries Development Board (NFDB) an autonomous body under the administrative control of MOA, entered (March 2008) into an agreement with M/s MOANA Hong Kong Ltd. (also referred to as MOANA, a holding company of MOANA (Technologies, USA) and M/s MOANA Technologies India (Pvt.) Limited (MTIPL-JVC), a joint venture company in India.

3. The terms of agreement *inter-alia* provided for

- Establishment of a complete SPF-MC facility by NFDB on a 40 hectare area in Srikakulam district in Andhra Pradesh as per the conceptual design of MOANA, at an estimated investment (excluding land cost of US\$5.2 million (₹21 crore.)

- NFDB will entrust MOANA for the concept design and supervision of the construction and commissioning on turnkey basis of the SPF-MC.
- Total payment of US\$ 6,00,000 to the MOANA (US\$ 3,00,000 after signing of agreement and on submission of conceptual drawings, US\$ 2,40,000 on acquisition of land and submission of final blue prints of drawings and balance US\$ 60,000 on successful commissioning of SPF-MC).
- Majority shareholding in the MTIPL-JVC would be held by MOANA, however, MTIPL-JVC was answerable for financial default, if any, and MOANA shall be responsible and liable only in respect of technology default.
- Licensing out the SPC-MC facility so constructed to MTIPL-JVC on yearly payment of five percent license fee of the NFDB investment (facilities and land).
- The term of license will begin at the commencement of the operation and run for eight years.

4. The Committee observe that NFDB made the payment of US\$ 5,40,000 to MOANA in March 2008 after the submission of conceptual drawings and final blue prints of drawings by the firm. CPWD submitted proposal (August 2009) and revised proposal (December 2009) for the project work for setting up of SPF-MC at an estimated cost of ₹ 47.12 crore in the land acquired at a cost of ₹ 2.85 crore in Srikakulam District, Andhra Pradesh. However, due to non-furnishing of acceptance for payment of five percent license fee by MTIPL-JVC i.e. the Indian JV on the revised estimate, NFDB did not sanction for calling of tenders for construction of SPF-MC. NFDB issued legal notice (July 2011) against MOANA for not respecting the terms and conditions of the agreement. In response, M/s MTIPL (August 2011) and MOANA (November 2011) blamed each other for the delay in establishment of Multiplication Center. Further, no fruitful efforts were made by NFDB to get over the stalemate.

5. Audit examination of the records of NFDB revealed that though an amount of ₹5.82 crore was incurred on various activities relating to the establishment of SPF-MC, the facility had not been set up till April 2013. Further scrutiny by Audit disclosed the following shortcomings in the award of work:

- Responding to a single proposal, the project was awarded to MOANA after evaluating the technical capabilities but without assessing its financial capabilities. The auditor of MOANA, M/s Ernst & Young, Hong Kong, which conducted the audit of the Financial Statements of MOANA from 18.11.2005 (date of incorporation) to 31.12.2009, gave (December 2011) disclaimer of opinion and observed that the company's ability to continue on going concern basis was doubtful.
- The agreement did not provide for any performance related security to ensure performance of the terms of agreement and for safeguarding the interest of the Government in the event of default by MOANA. As per the agreement MOANA in addition to providing of drawings was required to perform supervision of the construction and commissioning of SPF-MC. The decision to make payment of 90 percent of the agreed amount upon mere submission of the drawings without construction and commissioning of SPF-MC and without any security was injudicious.
- No date for completion of and operation of SPF-MC was mentioned in the agreement.
- Neither any time-frame for MTIPL-JVC to sign the licence agreement nor any penalty clause in the event of not signing the agreement was included in the agreement.

6. The Committee find that the Ministry of Agriculture (Department of Animal Husbandry, Dairying and Fisheries) in their meeting held on 27th June 2006, felt that, M/s MOANA Technologies, was a leading company in the world for development of SPF brood-stock of P. mondon and it was decided therein to

consider the proposal of M/s MOANA Technologies, Hawaii, USA, including visit of team of officials from the Ministry to their facility at Hawaii. Further, in the 3rd EC meeting held on 28.11.2006, it was decided to invite the company for a detailed presentation and a team of officials would visit the facilities of the company in Hawaii to carry out due diligence for the project. The company gave a presentation on 01.12.2006. The letters stated to have been sent to four other companies on 1st February, 2007, wherein, it was mentioned by the Ministry, that they were in the process of negotiating with the agencies who have the required expertise and are willing to set up and operate the SPF-MC facility with assured quality of the product. Further, the Due Diligence Team of Department of Animal Husbandry, Dairying & Fisheries (DADF), was deputed to MOANA Technologies, Hawaii, USA, from 5th to 8th February 2007, i.e. within four days of issuance of letters to other four companies and without waiting for their response. Keeping in view the above facts the Committee are constrained to conclude that selection of M/s MOANA Technologies was in fact pre-decided and calling for proposals from the other four companies was only a mere formality. However, explaining the reasons for selecting only M/s MOANA Technologies for this purpose the Ministry submitted that, from both the biological and engineering points of view the said company had the proprietary intellectual property in this regard and hence was selected in the national interest. This contradicts the Ministry's earlier reply that letters were sent to other four companies for the same purpose, which evidently shows that even the other four companies also had the technical expertise to set up SPF-MC. The Committee take a serious note of the inaction displayed by the Ministry in this matter. The Committee would like the Ministry of Agriculture to look into all the circumstances and facts which restrained them to consider the other four companies for the same project and apprise the Committee thereof within two months of the presentation of this Report to Parliament.

7. The Committee further find that responding to a single proposal, the project was awarded to MOANA after evaluating the technical capabilities of the company but without assessing its financial capabilities. The Committee are

again perturbed to find that in February 2007 a Due Diligence Team was sent to inspect the facilities of the firm in USA to assess the level of technology and to work out other details in connection with the establishment of SPF-MC. However, the team did not, at any stage, talk/mention about the financial health of the company. No due diligence about financial health of the MOANA was carried out by the Ministry before the execution of the agreement and the provision for payment of 90 percent of contract amount on mere submission of conceptual drawings was loaded in favour of MOANA. The fact that the Independent Auditor M/s Ernst and Young, Hong Kong had conducted audit of Financial accounts of M/s MHKL since incorporation 18.11.2005 onwards to 31.12.2009, indicates that there were no audited Financial statements of M/s MHKL before signing the Agreement on 20.03.2008. Hence, no such Financial Report existed before award of work. The above information vindicates the fact, that Ministry/NFDB had not assessed the financial capabilities of the executing company before concluding the agreement. The Committee are also distressed to find that though the Report of the M/s Earnest and Young came to light in 2011, the Ministry had neither taken it seriously nor tried to make any sincere effort to ascertain the financial strength/position of the company and gone ahead the project with the same company till date. Further, the Ministry have furnished an evasive reply on this aspect as the reply did not contain the reasons for not considering the financial capability of the company. The Committee therefore desire to be apprised of the reasons thereof and action taken by the Ministry to remove the same.

8. The Committee note that the agreement did not provide for any performance related security to ensure performance of the terms of agreement and for safeguarding the interests of the Government in the event of default by MOANA. As per the agreement MOANA in addition to providing of drawings was required to perform supervision of the construction and Commissioning of SPF-MC. Therefore, the decision to make payment of 90 percent of the agreed amount upon mere submission of the drawings without construction and commissioning of SPF-MC and without any security was injudicious. However, the Ministry have submitted that a specific clause was incorporated regarding performance

security in the Agreement. As per the said clause, at Para No. 7.1.6 of the Agreement vetted by the Ministry of Law and concurred by the IFD, M/s MHKL has given the warranty that it has authority to bind its affiliates with performance of the agreement and shall be liable for any non-performance or under performance by any of its Affiliates. Further, as regards the payment of 90 percent of the agreed amount upon mere submission of the drawings, the Committee have been informed that the payment was made as per the Agreement which was vetted by the Law Ministry. The said payment was towards the M/s MHKL fees for design and Blue prints only and not for construction and commission of Multiplication Centre (MC). In this regard, the Committee are of the opinion that the Agreement did not provide for any performance related security, required as per Rule 158 of General Financial Rules 2005, which would be binding on M/s MOANA Hong Kong Ltd, to ensure performance of the terms of agreement and for safeguarding the interests of the Government. The clause as mentioned in the agreement had no consequential bearing to protect the interests of the Ministry, in the event of disputes arising between MHKL and MTIPL-JVC. Further the Committee believe that on account of non-initiation of the project after payment of 90 percent of the agreed amount, National Fisheries Development Board, Hyderabad had to take recourse to issuing legal notices on both MHKL and MTIPL-JVC which proves that the said clause was ineffective and the Board could not rein in on the disputes between MOANA and MTIPL-JVC despite making payment of 90 percent of the agreed amount by the Board. The Committee are perturbed to note the flaws in the agreement between MOANA and MTIPL indicates that MOANA shall be responsible in case of technology default and the MTIPL-JVC will be responsible for any financial default. This flaw in the agreement helped MOANA to wash of its hands from the loss to the Government of India. Taking note of the fact that this project was meant to benefit the shrimp farmers in the country, the Committee consider it unfortunate that no security clause was incorporated in the agreement to realize the objectives of the project. The Committee, therefore, need to emphasize that in case of continuance of the project, suitable security

clause be incorporated in the revised agreement to ensure accountability of the company in case of delay.

9. The Committee are again constrained to observe that no date for completion of and operation of SPF-MC was mentioned in the agreement. The Committee further find that neither any time-frame for MTIPL-JVC to sign the licence agreement nor any penalty clause in the event of not signing the agreement was included in the agreement. According to Ministry a specific clause of time-line at Para 8 was incorporated in the agreement with MHKL and MTIPL-JV which is reproduced below:

- (a) Zero date: Date of signing the operating Agreement.
- (b) One month: Design hand over by MOANA for starting Tender procedure by NFDB subject to acquisition of land.
- (c) Three months: Construction contract awarding and start Multiplication Centre construction subject to completion of related formalities.

Under the clause Goal and Principles, at para 2.4 of the Agreement, the target was fixed for supply of approximately 3 billion PL per annum by 2014 at the proposed MC facility.

Keeping in view the above, the Committee feel that construction contract awarding and start of Multiplication Centre construction was subject to completion of related formalities. The related formalities also include furnishing of acceptance for lease amount on the revised estimated cost of SPF-MC, by MTIPL and documentary evidence about their financial status by MHKL. This was evident from NFDB, Hyderabad, letter dated 28.02.2012, on the issue, wherein, it was admitted that there was delay in construction of SPF-MC, due to unforeseen developments between M/s MHKL and MTIPL-JVC. It was also stated that, execution of works was not taken up by CPWD, as NFDB had not accorded Administrative approval and Expenditure sanction for calling tenders, since MHKL and MTIPL did not furnish their acceptance for lease amount on the revised estimated cost and MHKL did not furnish the documentary evidence about their financial status. The Committee, therefore, feel that non-inclusion of

timelines for these specific interrelated issues in the Agreement also led to non-establishment of SPF-MC. Thus, taking note of the inordinate delay in setting up and operation of SPF-MC due to aforesaid reasons, the Committee recommend that in future such agreement needs to be addressed threadbare to ensure completion of such projects within the barest possible time.

10. Further on the issue of review of the progress of the project, the Committee have been informed that the Executive Committee of the NFDB which meets once in 3 months effectively reviewed the progress of the project and for speedy implementation of the same. However, the Ministry attributed the delay in implementation of the project to multiple problematic issues such as (i) reduced volume of *P.monodon* at National and Global level; (ii) shift of the farming towards *vannamei*; and (iii) consideration of utilisation of facility for the other species of shrimp. Notwithstanding the EC meetings held in this regard to watch the progress of the project, the fact remains that, SPF-MC, was not set up even after a lapse of seven years of entering into Agreement (Mach 2008) with MHKL and MTIPL-JVC. Thus, the Committee are of the firm view that the review of the project by Executive Committee was not done effectively. Had the Executive Committee done the review regularly and more effectively, such an inordinate delay could have been avoided. In this regard, the Committee would like to be apprised of the details of the number of sittings held by the Executive Committee so far, issues discussed during those sittings, measures suggested by the Committee for timely implementation of the project and steps initiated by the Ministry to implement the same.

11. The Committee are anguished to note that as there has been no decision to give up the project, there are no plans of the Ministry for utilizing the land of 97.45 acres acquired at Srikakulam District in Andhra Pradesh at a cost of ₹ 2.85 crore for any alternative purpose. In this context, the Committee have been apprised that a Technical Committee in their meeting held on 13th May, 2015 took the following decisions:

- As far as possible, the design should be used for setting up of multiplication centre for SPF *P.monodon*.
- Alternatively, the design and land could be used for:
 - (i) Setting up of multiplication centre for export oriented shrimp species, *Litopenaeus vannamei*, or
 - (ii) Selective breeding programme for *Penaeus indicus* with suitable modifications in design on PPP mode, or
 - (iii) For production and culture of fin fishes.

Further, on 25th June, 2015, a team of officers of NFDB in the presence of the officers from District Administration and Department of Fisheries visited the land acquired for establishment of SPF Shrimp Seed Multiplication Center (MC) at Mulapolam Revenue village, Sompeta Mandal, Srikakulam District, Andhra Pradesh for making arrangements for demarcation and fencing of land acquired.

The Committee are unable to understand why such demarcation and fencing of land was not done till June, 2015 i.e. before being pointed out by the Committee. This implies that no sincere efforts have been made by the Ministry for utilization of the land for other alternative purposes despite leaving it vacant for such a long period. However, several alternative steps have now been suggested by the Technical Committee for utilizing the land. The Committee would like to point out that the Ministry should have considered these steps prior to being pointed out by Audit. The Committee, deplore that though alternatives were explored, the land acquired was not put to use as of June 2015, to achieve the intended objective of setting up a SPF-MC. The Committee would therefore, recommend that such measures be implemented expeditiously with a view to optimum utilization of the land acquired.

12. The Committee find that a legal notice was issued to M/s MHKL and MTIPL-JVC on 11.07.2011 duly making it clear that the whole Agreement would be terminated by invoking clause 10 of the Agreement, if they failed to attend to the pending issues. Subsequently, M/s MHKL vide e-mail dated 8th January, 2012 expressed to come forward to discuss the matter to resolve the problems. Thereafter, a dialogue was organized at NFDB, Hyderabad on 1st June, 2012 with

the officials of M/s MOANA so as to resolve the issue for continuance or otherwise of the project. The following two options were considered for an early resolution of the issues:

- (i) MOANA would take up the construction of the MC in the land acquired by NFDB.
- (ii) If option No. 1 is not acceptable, the entire set of drawing and designs of the Multiplication Centre obtained from M/s MOANA by the NFDB should be taken back by M/s MOANA and the payment made by NFDB in this regard refunded. M/s MOANA vide their e-mail dated 28th November, 2012 expressed their willingness to refund the amount over a period of four years. A meeting was again convened on 12th April, 2013 with the representatives of MOANA at NFDB, Hyderabad. After deliberations, it was recommended that MOANA would refund the entire amount to NFDB in single installment. On receipt of the refund from MOANA, NFDB agrees to terminate the agreement as per the provisions of Article 12 and conceptual drawings and blue prints of the project will be returned to MOANA. While expressing their displeasure over the fact that the amount paid to MOANA was not refunded and the project was not initiated, though several options were explored in the Meetings, the Committee desire that as suggested either the amount paid to the MOANA be obtained from them or the project be completed expeditiously without further loss of time. The Committee would like to be apprised of the progress made in this regard within one month of the presentation of this Report to Parliament.

13. The Committee are perturbed to find that M/s MHKL, was registered only on 18.11.2005, i.e. twenty seven months before signing of the Agreement (March 2008). Further, there was no reason/justification regarding the judiciousness of paying 90 percent of the amount at the stage of submission of designs. Further, the land purchased in Srikakulam District, still lies unutilized. The fact remains that despite spending an amount of ₹ 5.02 crore for conceptual drawings, designs

of blue prints and land, the intended objective of setting up a SPF-MC could not be achieved, even after more than seven years of decision for entering into the Agreement with MHKL and MTIPL in March 2008. The Committee are again astonished to note that goal of the project to supply approximately 3 billion post-larvae per annum by 2014 remained unachieved.

In the light of the aforesaid shortcomings, the Committee desire that the Ministry should seriously ponder and look into the whole issue afresh for such an inordinate delay in execution/completion of the project since expenditure of ₹ 5.82 crore (including other Miscellaneous expenditure) spent for the project, was so far unfruitful.

The Committee further desire the Ministry to chalk out a detailed plan for the time bound execution of the project so as to ensure early setting up of SPF-MC to facilitate supply of disease free seeds of *Penaeus monodon* to shrimp farmers in the country.

NEW DELHI;
21st December, 2015
30 Agrahayana, 1937 (*Saka*)

PROF. K.V. THOMAS
Chairperson,
Public Accounts Committee.
