

**TEA TRADING CORPORATION OF
INDIA LIMITED—SETTING UP OF A
JOINT VENTURE COMPANY, EXPORT
CONTRACTS AND IRREGULAR
PAYMENT OF ADVANCES**

MINISTRY OF COMMERCE

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1993-94**

TENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

**TWENTY EIGHTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1993-94)
(TENTH LOK SABHA)**

**TEA TRADING CORPORATION OF INDIA
LIMITED—SETTING UP OF A JOINT VENTURE
COMPANY, EXPORT CONTRACTS AND
IRREGULAR PAYMENT OF ADVANCES**

(MINISTRY OF COMMERCE)

[Action taken by Government on the recommendations contained in the
3rd Report of the Committee on Public Undertakings (Tenth Lok Sabha)]



*Presented to Lok Sabha on 17.3.1994
Laid in Rajya Sabha on 17.3.1994*

**LOK SABHA SECRETARIAT
NEW DELHI**

March- 1994/Phalguna, 1915 (Saka)

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CORRIGENDA TO THE 28TH REPORT OF
 COMMITTEE ON PUBLIC UNDERTAKINGS
 (1993-94) ON TEA TRADING CORPORATION
 OF INDIA LTD.

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<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1	3	4	Export contract	Export contracts
3	7	5	prima-facie	Prime; facie
5	17	8	manger	manager
6	-	10	discounted	discontinued
8	-	12 (from bottom)	fall to	fail to
11	-	11 (from bottom)	on tea	of tea
14	-	14 (from bottom)	by appointed	be appointed
19	-	16	of CBI	to CBI

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1993-94)

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2. Smt. P.K. Sandhu—*Deputy Secretary*
3. Shri P.K. Grover—*Under Secretary*

* Ceased to be a Member of the Committee consequent on appointment as Minister in the Council of Ministers w.e.f. 17th February, 1994.

** Elected w.e.f. 12.8.1993 *vice* Shri Sunil Basu Ray ceased to be Member w.e.f. 9.7.1993 consequent on his retirement from Rajya Sabha.

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (1993-94)**

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3. Shri Chetan P.S. Chauhan
4. Shri R.K. Dhawan
5. Shri V. Narayanasamy

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Twenty Eighth Report on Action Taken by Government on the recommendations contained in the Third Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Tea Trading Corporation of India Limited—setting up of a joint venture company, Export Contracts and Irregular Payment of Advances.

2. The Third Report of the Committee on Public Undertakings (1991-92) was presented to Lok Sabha on 12th March, 1992. Replies of Government to all the recommendations contained in the Report were received on 15th December, 1993. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 27th January, 1994. The Committee also considered and adopted this Report at their sitting held on 27th January, 1994.

3. An analysis of the action taken by Government on the recommendations contained in the Third Report (1991-92) of the Committee is given in Appendix-II.

NEW DELHI;
March 15, 1994
Phalguna 24, 1915 (Saka)

VILAS MUTTEMWAR,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the Recommendations contained in the third Report (Tenth Lok Sabha) of the Committee on Public Undertakings on TTCI-Setting up of a Joint Venture Company, Export Contract and Irregular Payment of Advances which was presented to Lok Sabha on 12th March, 1992.

2. Action Taken notes have been received from Government in respect of all 17 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/observations that have been accepted by the Government:—

Sl. Nos. 4, 6, 7, 8, 10, 11, 14, 15, 16 and 17.

(ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's replies:—

Sl. Nos. 1, 3 and 12.

(iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee:—

Sl. No. 2.

(iv) Recommendations/observations in respect of which final replies of Government are still awaited:—

Sl. Nos. 5, 9 and 13

3. The Committee are constrained to point out with regret that after presentation of the Third Report (Tenth Lok Sabha) in March, 1992 it took the Ministry of Commerce more than twenty months in furnishing action taken replies. The action taken replies were required to be submitted by 11th September, 1992 but the same were furnished to the Committee only on 15th December, 1993 and that too after repeated reminders and two DO letters written to the Secretary. The Committee deprecate the inordinate delay in furnishing the action taken replies and the casual manner in which the Ministry have treated the recommendations of the Committee. They, therefore, convey their displeasure to the Secretary, Ministry of Commerce. Surely, the Committee expect greater attention of the Ministry in accepting and implementing their recommendations. They, therefore, desire that the Ministry must take due care in future and furnish action taken replies within the stipulated time.

4. The Committee desire that final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously after getting the same vetted by Audit.

5. The Committee will now deal with the action taken by Government on some of their recommendations:—

A. Resignation of CMD, TTCI

Recommendation Sl. No. 2, Para 1.55

6. The Committee had expressed concern over the fact that although as a result of the investigation made by the Ministry the then Chief Executive of TTCI appeared to be *prima-facie* at fault, yet no departmental enquiry was instituted against him. He was instead allowed to resign quietly on 15th April, 1985 and the case was referred to CBI only on 16th April, 1985, i.e. one day after his resignation was accepted. While not being convinced with the Ministry's assertion that this was done to avoid protracted departmental action the Committee had opined that there was some nexus between the then Chief Executive of TTCI and the officials of the Ministry. The Committee had, therefore, recommended that the circumstances under which his resignation was accepted should be looked into afresh and responsibility on officers fixed.

7. The Ministry in their reply have stated that the circumstances relating to the acceptance of the resignation of the then Chairman and Managing Director of TTCI have been looked into again. The letter of resignation was received in the Ministry of Commerce on 5th January, 1985 in which the CMD had expressed his desire to resign w.e.f. 15th April, 1985, and had also applied for Earned Leave to run concurrently with the notice period. This was approved by the Ministry of Commerce on 15th January, 1985 with the approval of the then Commerce Minister and a formal Memorandum in this regard was issued on 22nd January, 1985. It has been stated that from the records available it was found that the complaints were received from the Financial Adviser and Chief Accounts Officer of TTCI dated 15th February, 1985 regarding irregular and excessive expenditure and improper transaction involving the then Chairman-cum-Managing Director. A decision was taken on 23rd February, 1985 to conduct confidential scrutiny to find out if a *prima-facie* case existed. Considering the seriousness of the allegations the then Commerce Secretary had ordered on 12th March, 1985 that two officers from the Ministry should go to Calcutta and see the records. The Officers after visiting the Calcutta Office of TTCI submitted a report to the Commerce Secretary on 9th April, 1985 recommending further enquiry by the CBI. The Ministry of Commerce also specifically examined the question whether the earlier decision to accept the resignation of the then CMD w.e.f. 15th April, 1985 should be reviewed. A conscious decision was taken not to do so and allow him to resign w.e.f. 15th April, 1985 as previously decided. The Ministry

have also furnished extracts from a note dated 9th April, 1985 of the then Additional Secretary which was also put up to the then Commerce Secretary and the then Commerce Minister. The note brings out that it had been found by the Joint Secretary and another officer of the Ministry that there was a *prima-face* case to proceed with an enquiry in the case of certain allegations. The note, therefore, recommended that these allegations should be referred to the CBI for further enquiry. The Additional Secretary had recorded on the note that the further enquiries being recommended were likely to be protracted and it would be cheaper to the Public Exchequer to accept the resignation of the then CMD of TTCI w.e.f. 15th April, 1985. However, instructions could be issued to the TTCI that the settlement of his claims of Pay, Provident Fund and other dues may be held over until the completion of these enquiries which may devolve certain recoveries from him.

8. After approval of the then Commerce Secretary and the then Commerce Minister, the Department of Personnel were requested on 15th April, 1985 to handover the probe to CBI. The final report of the CBI was received in the Commerce Ministry in January, 1991 which indicated that they have left it to the TTCI to take further action at their own level. The Ministry have further stated that in view of the foregoing position, the decisions taken by them earlier were correct and there was no question of any nexus between the then CMD of TTCI and officials of Ministry of Commerce. Fixation of any responsibility on any officer of the Ministry for accepting the resignation did not therefore arise.

9. From the reply furnished by the Ministry, it is evident that considering the seriousness of the allegations made against the then CMD, TTCI, the officers of the Ministry who visited the Calcutta office recommended further enquiry by the CBI. In spite of this the Ministry did not deem it fit to review their earlier decision to accept his resignation w.e.f. 15th April, 1985. From the note submitted by the Joint Secretary of the Ministry the Committee also observe that the allegations against the then CMD were of a serious nature. But the officials of the Ministry particularly the then Additional Secretary and Secretary did not advise the then Minister of Commerce properly and the CMD was allowed to retire w.e.f. 15th April 1985. The Committee also have not been informed as to what exactly were the findings of the CBI and it has been simply stated that the TTCI were left to take further action at their own level. The Committee are, therefore, led to the conclusion that there was some nexus between the then CMD, TTCI and the higher officials of the Ministry of Commerce. They desire that they should be apprised of the findings of the CBI. They also reiterate that responsibility should be fixed on the officers of the Ministry of Commerce even if they have retired and any loss caused to TTCI and the exchequer as a result thereof should be recovered from them as per rules. The Committee desire

that the feasibility of taking action against the then CMD who resigned should be examined afresh. The Committee be apprised of the action taken in this regard within 3 months.

B. Revamping of TTCI

Recommendation Sl. No. 5, Paragraph No. 2.25

10. The Committee had noted with regret that the matter regarding the revamping of TTCI which was stated to have been under serious consideration of the Government had been pending for quite a long time which was adversely affecting its functioning. The Committee desired that the final decision in this regard on the advice of a High Powered Expert Committee should be taken expeditiously.

11. In their reply, the Government have stated that alternatives for revamping of Tea Trading Corporation of India Limited are being examined in the Ministry of Commerce itself, in consultation with the concerned Ministries of the Government of India including Ministry of Finance, Department of Public Enterprises and Ministry of labour. As such constitution of high Powered Committee for advising the Government on revamping the TTCI may not be necessary.

12. The Committee cannot help expressing their displeasure over the inordinate delay by the Government in arriving at a final decision about revamping of TTCI which was stated in October, 1990 to be under the serious consideration of the Government. The uncertainty about the future set up of the company will undoubtedly hamper its proper growth. The Committee, therefore, reiterate that a final decision be taken in the matter within three months and the same be intimated to the committee.

C. Export Contracts with Libyan Firms

Recommendation Sl. No. 8, Paragraph No. 3.27

13. The Committee had pointed out that the Company incurred heavy losses in export contracts with a Libyan firm, yet the matter was reported neither to the Board nor to the Ministry for long. It was only in December, 1983 that the matter was referred to the Board to accord sanction for writing off the amount after obtaining the approval of the reserve Bank of India. The Committee desired that the matter be thoroughly probed, responsibility fixed and punishment meted out.

14. In their reply the Government have stated that a Committee was appointed which was directed by the Board to enquire into the matter in detail and submit the report. The Committee enquired the matter and inferred that the responsibility of delay in reporting the matter to the Board and subsequently to the Ministry rested with the Company Secretary and the then Chief Executive of TTCI. The Company Secretary, did not prepare agenda for the board and the latter did not submit the matter in full perspective before the Board. The Ministry have also directed TTCI to take action against the erring official in accordance with

the rules of the Company and to ensure that such lapses do not recur in future.

15. The Committee note that although belated an enquiry has been conducted and responsibility has been fixed. The Committee hope that atleast now TTCI will act swiftly to take action against the erring official under intimation to the Committee. Any further delay in this regard will only dilute the sanctity of the outcome of the enquiry conducted by TTCI.

D. Irregularity in Appointment of Agents

Recommendation Sl. No. 13, Paragraph No. 5.18

16. The Committee had observed that for appointment of clearing and forwarding agents for export of tea to Libya and Afganistan an offer at the rate of Rs. 43 per case for Afganistan tea and Rs. 63 per case for Libya tea was evaluated as the lowest and exhaustive by TTCI. Regrettably, TTCI while issuing the letter of appointmet against their original offer revised the rate for Libyan tea to Rs. 72 per case. The relevant records in this connection were reported to be not available with TTCI. They desired that though belated, an enquiry be conducted in this regard to fix responsibility and take action against the erring officials. The enquiry should also cover the circumstances in which vital records of the transactions were destroyed.

17. In their reply, the Government have stated that a Committee was constituted by the Managing Director of Tea Trading Corporation of India Limited on 28th February, 1992 for investigation of the matter and fixation of responsibility. The enquiry Committee set up by TTCI could not enquire into the matter in detail as the relevant files concerng the background of the case could not be traced. However, it was found that the order appointing clearing and forwarding agents at a rate different from the lowest quoted had been signed by the then office manger. As per the practice the tenders are opened by two or more persons and sanction for awarding tender on a specific rate is given by Managing Director/ Chairman & Managing Director. In the absence of background papers responsibility of this lapse cannot be fixed on CMD or the then office manager. The enquiry committee eventually recommended a detailed investigation by CBI/Central Vigilance Commission for looking into all the aspects particularly the destruction of office records.

18. The Committee are also of the view that a detailed investigation may be made only by CBI or Central Vigilance Commission which should cover all circumstances leading to the award of the tender at the increased rate and the destruction of office records. They also desire that they should be apprised of the outcome of such investigation.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 4, Paragraph Nos. 2.22 to 2.24

The Committee note that TTCI entered into a contract with a foreign collaborator in November, 1981 for supply of 5000 MT of black superior tea. Though according to the terms of the contract TTCI was to supply 700 MT of tea every month, the Company could supply only 1426 MT of tea from February to July, 1982 and incurred a loss of Rs. 22.25 lakhs. To avoid further losses, the Company discounted the supply of tea and the foreign buyer was intimated accordingly. The ultimate settlement reached with the foreign buyer resulted in a loss of Rs. 64.61 lakhs to TTCI on this deal. The reasons put forward by the Management for not being able to supply the required quantity of tea are stated to be non-availability of tea due to bad crop and the consequential rise in prices. The Committee are distressed to note that before entering into the contract the Company did not have any indepth study made of the market conditions and future forecasts. The Committee are constrained to observe that be it construction contract-EPI-or trade abroad-TTCI—the whole object smacks of total disregard of prudent commercial interest.

It is regrettable that although the contract was finalised with an in built loss of Rs. 25 lakhs yet the matter was neither placed before the Board for their approval nor was the Ministry informed about the same. The decision to enter into the contract was stated to have been taken jointly by the marketing manager and the Chief Executive. The Board was informed about it only when a decision was to be taken to pull out from the contract. The committee are also constrained to note that the contract did not contain a force majeure clause as in normal practice.

The Committee were informed that this particular contract also pertained to the period when the Chief Executive, during whose tenure the Singapore deal was entered into, was in office (commented upon in earlier paragraphs of this Report). At this stage, the Committee can only express their displeasure over the fact that by entering into this agreement the commercial interests of the company were relegated to the background by the then management. In reality the interests of a few seem to have been kept uppermost before that of the Company.

Reply of the Government

Observations of the Committee have been noted for ensuring that such instances do not occur again.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92—Plant (A) dated 3.3.93]

Recommendation Sl. No. 6, Paragraph No. 3.24

The Committee find that during January, 1978 to January, 1979 the TTCI entered into four contracts with a Libyan firm for export of 8550 tonnes of packet tea and tea bags for delivery between April 1978 and November 1979. The Company could however, neither stick to the delivery schedules, nor could supply tea of the requisite specification. It also engaged over-aged vessels though it had been clearly stipulated in the contract that in case the goods were not shipped by a vessel of first class or by a vessel older than 15 years, extra expenditure on insurance shall have to be borne by the supplier. The buyer withheld three bills of the company for Rs.94.57 lakhs on this account. The company subsequently admitted the claim of the buyer for Rs.29.11 lakhs. Thus, the failure of the company to adhere to the contractual obligation resulted in a loss of Rs.29.11 lakhs on this export deal. The Committee desire that for any public undertaking non fulfilment of contractual obligation should be considered a blatant attempt to undermine the very foundation of the existence of public undertaking (which rests on public confidence). For the Ministry to act as a mere helpless spectator tantamounts to overlooking the overbearing and arrogant behaviour of a public undertaking. In each case of loss to the public exchequer unless arbitrator otherwise attributes the same circumstances beyond human control, the officers responsible for such loss must not only be adequately dealt with but made to make good the loss. Bonafide mistake must be condoned. Whereas malafide attitudes and action must be made to pay.

Reply of the Government

A Committee has been constituted by the Managing Director, TTCI *vide* Order dated 28.8.1992 for investigation of the matter and fixation of the responsibility. This is being followed up.

Comments of Audit

A Committee was constituted by the Managing Director of Tea Trading Corporation of India Ltd on 25.8.92 for investigation of matter and

fixation of responsibility. The date of the order was 25.8.92 and not 28.8.92 as mentioned by the Ministry. The committee submitted its report to the Managing Director on 23.10.92. The management informed audit that said report could be submitted to Board of Directors at its meeting proposed to be held on 29.12.92.

Further Comments of the Government

Two member committee was appointed vide Managing Director, Tea Trading Corporation of India Ltd's order dt. 28.8.92 in supersession of earlier order dt.25.4.92. The Report of the Committee was found to be unacceptable by the Board of Directors of Tea Trading Corpn. of India Ltd. and the same committee was directed by the Board to enquire into the matter in detail and submit the report within a time frame. The Corporation has been asked to expedite action.

Final reply of the Government

Incorporated in the reply to the subsequent paras 3.25 and 3.26.

[Ministry of Commerce (Department of Commerce) O.M.No.T-480231/
92 - Plant (A) dated 15.12.93]

Recommendation No. 7, Paragraph Nos. 3.25 & 3.26

While the management of TTCI has tried to justify in vain their failure to have procured tea of the desired specifications by attributing the same to seasonal fluctuations, no justifiable reasons have been advanced for the failure to stick to the delivery schedule and for engaging over-aged vessels except simply stating that the Manager Shipping has been removed from the service.

The Committee also take a serious note of the fact that though the terms of the contract provided for force majeure clause, yet the same was not invoked with a view to seek exemption of fines imposed by the buyers for delayed shipment. The plea put forward by the management in this regard that due to resource crunch being faced by the company at that time all the terms imposed by the buyer were agreed to fall to convince the Committee.

In Committee's view, by not invoking the said clause, TTCI have miserably failed in protecting their commercial interests and allowing personal interests to be furthered. This definitely casts a well founded suspicion about the bonafide working of the company. The Committee desire this aspect to be probed and those found guilty punished under intimation to the Committee.

Reply of the Government

A Committee has been constituted by the managing Director, TTCI vide Order dated 25.8.1992 for investigation of the matter and fixation of the responsibility. This is being followed up.

Comments of Audit

A Committee was constituted by the Managing Director of Tea Trading Corpn. of India Ltd. on 25.8.92 for investigation of matter and fixation of responsibility. The date of the order was 25.8.92 and not 28.8.92 as mentioned by the Ministry. The committee submitted its report to Managing Director on 23.10.92. The management informed audit that the said report would be submitted to Board of Directors at its meeting proposed to be held on 29.12.92

Further Comments of the Government

Two member committee was appointed vide Managing Director, Tea Trading Corporation of India Ltd's order dt. 28.8.92 in supersession of earlier order dt. 25.8.92. The report of the Committee was found to be unacceptable by the Board of Directors of Tea Trading Corporation of India Ltd. and the same committee was directed by the Board to enquire into the matter in detail and submit the report within a time frame. The corporation has been asked to expedite action.

Final Reply of the Government

(Para 3.24 to 3.26)

The report submitted by the Committee reveals that the Tea Buying Deptt. and the Shipping Deptt. of TTCI Ltd. were involved in the execution of the Libyan order. No record is available to show that any person of the Tea Buying Deptt. which was mainly responsible for buying various kinds of teas as well as issuing the blend sheet to the works (Factory Division) was asked to explain the lapse in regard to non-adherence to specification. The Committee have concluded that the lapse was accepted by the TTCI Ltd. Shri. Prabhat Banerjee, Manager Marketing incharge of Shpping Deptt. which was mainly responsible for locating and identifying ships, giving cargo bookings and generally despatching the cargo, was however removed from service. It appears from the records that Shri. Banerjee had full authority to take final decision with regard to shipping and/or had acted on his own initiative without the knowledge of the Managing Director. Shri. K.K. Mazumdar the then FA&CAO had been given the responsibility of negotiating a compromise with the buyer and was directed to go to Libya to sort out the issue of release of payment by the competent authority, in this case the CMD. In spite of claims lodged by the company representative, Shri. Mazumdar accepted the buyers deduction of Rs. 29.11 lakhs. The Committee have concluded that all the deductions resulting in loss to the company were within the knowledge of and with the consent of the then Chief Executive.

Since Shri P. Banerjee, Manager Marketing has already been removed from service as a punishment and since the loss incurred by the company to the tune of Rs. 29.11 lakhs appeared to have been with the consent of the then Chief Executive who is no more in service, no further action

appears necessary. However TTCI Ltd. has been directed that in future, various activities involved in the execution of any order may be monitored and reviewed at regular intervals. The coordination of this kind which would involve various Depts. may be done either by a committee specially set up for this purpose or by a sub-committee of the Board of Directors of TTCI which may itself be entrusted with this task.

[Ministry of Commerce (Department of Commerce) O.M. No. T 48023/92-Plant(A) dated 15.12.93]

Comments of Audit (Para 3.25 and Para 3.26)

An Execution Review Committee has been constituted by the Company on 10.1.94, as promised by Government in their reply.

Further Comments of the Government

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T—48023/1/93-Plant 'A', dated 4th February, 1994]

Recommendation Sl. No. 8, Paragraph No. 3.27

The Committee are further displeased to note that though the company incurred heavy losses yet the matter was reported neither to the Board nor to the Ministry for long. It was only in December, 1983 that the matter was referred to the Board to accord sanction for writing off the amount after obtaining the approval of the Reserve Bank of India. The matter therefore needs to be thoroughly probed responsibility fixed and punishment meted out.

Reply of the Government

A committee has been constituted by the Managing Director, TTCI *vide* Order dated 28.8.1992 for investigation of the matter and fixation of the responsibility. This is being followed up.

Comments of Audit

A committee was constituted by the Managing Director of Tea Trading Corporation of India Ltd. on 25.8.92 for investigation of the matter and fixation of the responsibility. The date of the order was 25.8.92 and not 28.8.92 as mentioned by the Ministry. The committee submitted its report to the Managing Director on 23.10.92. The management informed the audit that the said report could be submitted to Board of Directors at its meeting proposed to be held on 29.10.92.

Further Comments of the Government

Two member committee was appointed *vide* Managing Director, Tea Trading Corpn. of India Ltd's order dt. 28.8.92 in supersession of earlier order dt. 25.8.92. The report of the committee was found to be unacceptable by the Board of Directors of Tea Trading Corpn. of India Ltd and the same committee was directed by the Board to enquire into the

matter in detail and submit the report within a time frame. The corporation has been asked to expedite action.

Final Reply of the Government

The Committee appointed by TTCI Ltd. have concluded that the responsibility of delay in reporting the matter of heavy losses incurred by the company to the Board of TTCI Ltd. rests with (i) the Company Secretary who had been entrusted with the responsibility to prepare agenda for the Board but had not drawn up such agenda and (ii) the then CMD for non submission/delayed submission of the matter in full perspective before the Board, (iii). The delay in submitting the matters to Govt. is but an extension of the initial delay/failure to submit before the Board.

TTCI Ltd. have been directed to take action against the erring official in accordance with the rules of the company. They have also been directed to ensure that in future any serious matter concerning the company may be immediately brought to the notice of the Government.

Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92-Plant (A) dated 15.12.93.

Comments of Audit

The Company Secretary had been directed on 10.1.1994 by the Managing Director of the Company to ensure that all important matters are reported to the Board of Directors till the matters are settled.

Further Comments of the Government

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92-Plant 'A' dated 4th February, 1994]

Comments of the Committee

Please see paragraph No. 15 of the Chapter I of the Report.

Recommendation Sl. No. 10, Paragraph Nos. 4.22 to 4.24

The Committee find that State Trading Corporation of India entered into a contract with a foreign company for sale of 4650 MT on tea to Iran. For the execution of the contract STC entered into a back to back contract with TTCI for the supply of 2000 MT of tea which was subsequently reduced to 1550 MT. TTCI was able to supply only 960 MT of tea against this order and incurred a loss of Rs. 53.78 lakhs.

The committee are dismayed to find that STC entered into the contract which had an inbuilt loss of 47.40 lakhs with Iran which lacks any justification. The Committee note that while STC protected their interests by retaining one percent of tea sale proceeds as their commission, the burden of the unremunerative price was passed on to the TTCI who had to suffer heavy losses. From this the Committee cannot but conclude that the

contract which was entered into with an inbuilt loss was totally ill conceived and was entered into without taking into account the commercial interests of the TTCI.

The Committee were informed that the contract between TTCI and Iranian buyer was treated purely as a commercial transaction. The Committee was further informed that no action was initiated against the STC management for entering into a contract with an inbuilt loss. They recommend in future any contract entered into on behalf of STC or any other canalising agency should take upon itself the task of proper and effective monitoring of the contract. The Committee reiterate that no contract should be entered into with an inbuilt loss in the first instance.

Reply of the Government

Observation of the Committee have been noted for future guidance. Circumstances leading to the contract with Iran have been explained in the reply given against recommendation at Sl. No. 12.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92-Plant (A) dated 3.3.93]

Recommendation Sl. No. 11, Paragraph No. 4.25

The Committee find that the Ministry had come to know in 1983 itself that the contract had an inbuilt loss. A delegation was subsequently sent to Iran to persuade the buyer to increase the price of tea. Though the negotiation failed, the decision to withdraw from the contract was taken only after a period of two years, by which time TTCI also lost the market. The Committee cannot help but concluding that the Ministry have acted in an extremely lackadaisical manner. They strongly recommend that Ministry should act in future as a nodal agency in discharging their functions more effectively.

Reply of the Government

Observations of the Committee have been noted for future guidance.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92-Plant (A) dated 3.3.93]

Recommendation Sl. No. 14, Paragraph No. 5.19

The Committee are distressed to find that though the terms of the contract did not provide for giving advances yet the same were given to the forwarding and clearing agents by TTCI. In some cases in violation of the rules the company went to the extent of giving further advances to the agents even when the earlier advances were still outstanding against them.

As on 31.3.88 a sum of Rs. 56.24 lakhs was still outstanding and pending settlement. The Committee desire that effective steps should be taken to recover the outstanding advance from different parties at the earliest.

Reply of the Government

TTCI has already constituted a Committee to enquire into irregular payments of advances to the Clearing and Forwarding Agents. TTCI has also been directed to take effective steps to recover the outstanding advance from different parties at the earliest.

Comments of Audit

A Committee was constituted on 25.8.92 and submitted its report on 23.10.92. The corporation proposes to submit the report to the next meeting of the Board of Directors proposed to be held on 29.12.92.

Further Comments of the Government

The Committee has since submitted its report to the Board of Directors but the report submitted by the Committee was found to be unacceptable by the Board of Directors of Tea Trading Corpn. of India Ltd. and the same Committee was directed by the Board to enquire into the matter in detail and submit the report within a time frame. The Committee has been asked to expedite action.

Final Reply of the Government

Out of a total of Rs. 56.24 lakhs as outstanding balance on various heads as on 31.3.88. Rs. 16.31 lakhs have thus been collected/being adjusted. Out of the balance of Rs. 39.93 lakhs. Rs. 33.06 lakhs due from M/s. Avtar Singh & Co. is subjudice before the Hon'ble High Court from 11.3.82. All legal cases of TTCI Ltd. including the present one were being handled by M/s. R.L. Gagger, Company solicitor, who for various reasons mainly on grounds of dissatisfactory performance have been debarred recently from being entrusted with any further cases. The Company Secretary had been directed to shift all the previous cases from Shri. R. L. Gagger and also adjust the advances given to Shri Gagger and Co. However, no report of the completion of shifting of the cases has yet been given by the Company Secretary. The Committee have therefore concluded that there has been slackness on the part of Company Secretary on taking steps to either extract better service from M/s. Gagger or recommending appointment of another solicitor who may have given better services.

TTCI Ltd. has been directed to take appropriate action against the erring official who had been lagging in his duties. TTCI Ltd. has also been directed to immediately appoint another Solicitor and finalise the legal case without further delay.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/
1/92-Plant (A) dated 15.12.93.]

Comments of Audit

The Company Secretary has been directed by Board of Directors to change the Solicitor for the relevant case.

Further Comments of the Government

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92-Plant (A) dated 4th February, 1994.]

Recommendation Sl. No. 15, Paragraph No. 5.20

The Committee find that the advances were given to the agents under the orders of the then Chief Executive who was allowed to demit office without taking action against him which has been commented upon by the Committee in the earlier paragraphs of this Report.

Reply of the Government

Observation of the Committee have been noted.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92-Plant (A) dated 3.3.93.]

Recommendation Sl. No. 16 Paragraph, No. 5.21

The Committee express their displeasure over the fact that though the affairs of TICI are in such a mismanaged state, yet the company has been without a Chairman for about 2 years. Only a part time Managing Director is in charge of TICI. The Committee feel that for streamlining the affairs of TICI and to give it a purposeful direction it is imperative that a full time CMD be appointed. They, therefore, desire that as assured by Special Secretary Commerce during evidence, the process of appointing a full time CMD, should be expedited and the action taken reported within three months.

Reply of the Government

A full time Managing Director has since been appointed and has joined his duties with effect from 8th May, 1991.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92—Plant (A) dated 3.3.93.]

Recommendation Sl. No. 17, Paragraph No. 5.22

The Committee were informed that the Ministry presents an annual report to Parliament and that in the 15th annual report of TICI, which was presented in the year 1985 and which was the last report presented to

Parliament, the Chartered Accountant of the Company had indicated that the system of internal audit needs to be enlarged both in the Trading Division as well as Garden Division. The Committee are perturbed to note that no report was presented to the Parliament after 1985. The Committee find that the Ministry failed to discharge their duties effectively in this regard which resulted in an avoidable loss of Rs. 40.83 lakhs. The Committee desire that in future the Ministry would safeguard the commercial interests of the organisation before entering into any contract.

Reply of the Government

Observation of the Committee have been noted. Annual Reports of the Company upto the year 1989-90 have since been laid before Parliament. The Annual Report for the year 1990-91 is expected to be laid during the ensuing winter session of the Parliament i.e. before December 1992.

The Internal Audit has since been geared up both by having Corporations own Internal Audit Cell headed by a professional accountant and also by appointment of outside firms of Chartered Accountants for both Trading and Gardern Divisions.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/
92—Plant (A) dated 3.3.93]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation, Sl. No. 1, Paragraph No. 1.52—1.54

The Committee regret to note that Tea Trading Corporation of India suffered a loss of 9.89 lakhs in setting up of a Joint Venture Company abroad. In spite of the fact that the Company did not have sufficient market inputs available with it before the setting up of the joint venture it went ahead with the project without making any proper study regarding the market conditions as well as the type of tea required in the region. The only basis for having embarked upon this project was stated to be the report of the Trade Development Authority. Since the same was not available with TTCI, the Committee doubt whether any market inputs were made available even by the Trade Development Authority to TTCI. They are constrained to note that the project was approved without taking into consideration basic factors such as the location, transportation cost and adequacy of blending facility with the result that the type of tea which was suitable for marketing in South-East and far East Asian countries was not available and the prices of tea ex-Singapore were not found competitive. The Managing Director, TTCI was can did enough to admit before the Committee that the desired expertise and the kind of efficiency that was necessary for entering into a joint venture particularly with a foreign collaborator was not available to the Company. The Committee express their strong displeasure over the casual manner in which the TTCI went ahead with the setting up of the joint venture incurring heavy losses in precious foreign exchange.

The Committee note that the new Company *i.e.* 20th century Beverages Pvt. Ltd, was incorporated on 20th December, 1981 and in January, 1982, TTCI remitted a sum of \$1,80,000 towards their share of equity. The collaborators *i.e.* Kellog 20th Century (KTC) never contributed its share which was 60% of the equity. It is surprising that the Company went ahead with the joint venture without verifying the financial standing of the collaborators and remitted the amount of \$1,80,000 without obtaining the share certificates. In fact, the amount remitted by it was shown as loan in the accounts of the joint venture. In the Committee's view this reflects poorly on the working of TTCI, who in total disregard of its commercial interests went ahead with the project.

The Committee also regret to note that the project was approved by Govt. without careful consideration of the basic points. Further, though

the joint venture started facing problems soon after it started its operation the Ministry came to know about the losses incurred by it in February, 1984. The Ministry have put the blame in this regard on TTCI by stating that the matter was never brought earlier to their notice by the TTCI. While the Committee are unhappy over the failure of the management to keep the Ministry informed of the developments, they are also pained to find that no action seems to have been taken by the Ministry even after the matter was brought to their notice in February 1984. The Committee are, therefore, constrained to observe that there was no effective monitoring system prevalent in the Ministry. They cannot help re-calling the sorry state of affairs in regard to Engineering Projects (India) Limited while dealing with equally distressing state of affairs of Tea Trading Corporation of India Limited. The line of action that the Committee have desired in the former case needs to be adopted in this case also. Indeed whether it is a matter of securing project abroad—EPIL—or the question of setting up of a joint venture in the foreign company—TTCI—the Committee desire that a High Powered Committee of experts be constituted by Government so that right from the conception of such an idea to completion of the venture the business policies and programme could be monitored from time to time at every stage. The High Powered Committee will function as a watch dog. They also desire that they be apprised of the action taken by the Ministry in this regard.

Reply of the Government

With a view to ensuring adequate autonomy to Public Sector Units in their functioning, it is felt that the Board of Directors' of Tea Trading Corporation of India Limited itself may function as the High Powered Committee or it may appoint a suitable sub-committee for this purpose. A separate High Powered Committee is perhaps not necessary.

Comments of Audit

No Comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92—Plant (A) dated 3.3.1993]

Recommendation Sl. No. 3, Paragraph No. 1.56

The Committee regret to note that though the then CMD resigned in 1985, yet he continues to have direct or indirect dealings with TTCI. They desire that those responsible for this be adequately punished and the Committee informed accordingly.

Reply of the Government

A Committee has been constituted by the Managing Director, Tea

Trading Corporation *vide* order dated 28.8.92 for investigation of the matter related to fixation of responsibility for having direct or indirect dealing with the parties related to the then CMD. The report of the Committee is awaited. Matter is being followed up.

Comments of Audit

A Committee formed by the Managing Director on 25.8.92 went into the points regarding export of tea to Libya and irregular payment of advances to clearing and forwarding agents but not into the matter dealt within this recommendation.

Further Comments of the Government

Two members inquiry Committee set up by the Managing Director, Tea Trading Corporation of India Ltd., was as per terms of reference required to probe *inter alia* fixation of responsibility for having direct or indirect dealings with parties related to previous CMD, who resigned in 1985. The report of the Committee was however found not acceptable by the Board of Directors of Tea Trading Corporation of India Ltd. and the Committee was asked to enquire in the matter in greater detail and submit its report with recommendations for punishment of officials involved in the lapses. The Corporation has been asked to expedite action.

Final Reply of the Government

Findings of the Committee constituted by Managing Director TTCI Ltd. reveal that transactions were made with one M/s Uphar International whose President was Shri P.K. Dasgupta, Ex-chief Executive of TTCI Ltd. As per records four transactions were contemplated between TTCI Ltd. and M/s Uphar International out of which the involvement of Shri P.K. Dasgupta was only during the first occasion which however did not result in any work done by TTCI for M/s. Uphar International. During the other three occasions there was nothing on record to show the involvement of Shri. P.K. Dasgupta with the company (M/s. Uphar International). There was also nothing on record to show that TTCI Ltd. had made any loss on these transactions. The Committee have also observed that there are no specific guidelines forbidding any public enterprise from carrying on negotiations with the registered private company to further its trade interest. There are also no guidelines forbidding the Ex-chief of a corporation forming or other-wise establishing an interest in any private registered company. The Committee have, therefore concluded that the transactions made by TTCI with M/s. Uphar International were not improper.

Since there is nothing on record to show that TTCI Ltd. had made any loss on these transactions and in the absence of any guidelines debarring

TTCI Ltd. from doing any business with the valid and legal company by virtue of any kind of involvement with its Ex-Chief Executive, no further action appears necessary.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92—Plants (A) dated 15.12.1993]

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92—Plants (A) dated 4th February, 1994]

Recommendation Sl. No. 12, Paragraph No. 4.26

The Committee find that the main responsibility for having entered into the contract rests with the then Chief Executive of TTCI. The Committee have already expressed their displeasure in the first paragraph of this Report over the way the Chief Executive was allowed to resign. The Committee fail to understand why the Ministry did not initiate any disciplinary action against the CMD; rather they referred the case of CBI to initiate criminal proceedings. The Committee at this stage hold the Ministry responsible for not effectively fulfilling its role as a monitoring agency. They are left with what they feel is an unerring conclusion that there seems to be an unholy nexus between the STC and the TTCI by allowing at the first instance the contract with the Iranian buyer.

Reply of the Government

Circumstances relating to the acceptance of the resignation of Shri P.K. Dasgupta, the then Chairman and Managing Director of Tea Trading Corporation of India have been explained in reply to the Recommendation at Sl. No. 2.

2. With regard to the contract with Iran, it is true that STC entered into a contract with M/s GTC, Iran for sale of 4650 MT of various grades of tea, based on back-up offers and samples from its associate suppliers viz. M/s. TTCI (3000 MT), M/s C.I. Ltd. (1150 MT) and M/s Ruby Tea (500 MT). However, out of 4650 MT export order the export order for 3000 MT tea, which was secured on the basis of samples by M/s TTCI, could not entirely be given to M/s TTCI and their obligation was reduced to 2000 MT only, as it was envisaged by the then Chairman, TTCI, that M/s. TTCI would not be in a position to execute the entire order as they anticipated some labour trouble. On noticing M/s. TTCI's inability to ship even the reduced allocated quantity of 2000 MT, their quantity was further reduced to 1550 MT. As it was STC's obligation to fulfil the contract, STC made alternative arrangements and allocated 450 MT to other suppliers. M/s TTCI could not honour their commitment to ship even the reduced quantity of 1550 MT and shipped only 950 MT. STC had no alternative but to fulfil its contractual obligation on buyer's pressing demand by arranging to make good defaulted quantity of TTCI from other suppliers. All other

suppliers, to whom the quantities were allocated against the Iranian contract, fulfilled their contractual obligations.

3. It would not be correct to conclude that STC entered into export commitment with an in-built loss. As explained above, STC entered into export commitment only on behalf of its associate suppliers, including M/s. TTCI. The associated suppliers gave their offers to STC taking into account all the commercial risks etc. It was their quotation of tea for exports to Iran. As is evidenced from the foregoing, the other suppliers willingly took upon themselves to supply the quantum of tea shortshipped by TTCI, in excess of quantities finalised at the time of concluding the export contract, after TTCI failed to honour its obligations.

4. Export of tea has never been canalised through STC. STC entered into the export commitment based on the offers/quotations obtained from its suppliers. The suppliers while quoting their rates etc. allow for all the commercial risks including the safeguards for market fluctuation etc. However, abnormal market changes, sometimes, are beyond the control of an individual and such risks are inherent in any business transaction.

5. In view of above there was, therefore, no unholy nexus between the STC and the TTCI.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M.No. T 48023/
1/92—Plant (A) dated 3.3.93]

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Sl. No. 2, Paragraph 1.55

The Committee are distressed to note that although as a result of the investigation made by the Ministry, the then Chief Executive appeared to be prima-facie at fault yet no departmental inquiry was instituted against him. He was instead allowed to resign quietly on 15th April, 1985 and the case was referred to CBI only on 16 April 1985 i.e. one day after his resignation was accepted. The assertion made by the Ministry in this regard that at that time it was thought that protracted departmental action should be avoided by accepting his resignation is far from convincing. The fact that he was allowed to leave without being asked to account for the grave irregularities committed by him creates an impression that there was some nexus between the then Chief Executive of TTCI and the officials of the Ministry. The Committee therefore, recommend that the circumstances under which his resignation was accepted should be looked into afresh and the responsibility on officers be fixed. The Committee would like to be apprised of the action taken in this regard within three months.

Reply of the Government

Circumstances relating to the acceptance of the resignation of Shri P.K. Dasgupta, the then Chairman and Managing Director of Tea Trading Corporation of India have been gone into again.

The letter of resignation of Shri Dasgupta was received in the Ministry of Commerce on 5.1.1985. In this letter he had expressed his desire to resign from his assignment as Chairman-cum-Managing Director of the Tea Trading Corporation of India. He had given three months notice under the terms of his contract and had also applied for "Earned Leave" to run concurrently with the notice period. As such he had requested that his resignation may be accepted with effect from 15.4.1985. This had been approved by the Ministry of Commerce on 15.1.1985, with the approval of the then Commerce Minister, and a formal Memorandum accepting his resignation w.e.f. 15.4.1985 was issued vide Ministry of Commerce Memorandum No. C-12016 (5) 80-Plant (A) dated 22.1.85.

From the records available it was found that complaints were received from the Financial Adviser & Chief Accounts Officer of TTCI, dated 15.2.85 regarding irregular and excessive expenditure and improper tran-

sactions involving Shri Dasgupta. A decision was taken on 23.2.1985 to conduct confidential scrutiny to find out if a prima facie case existed. The other question considered at that stage was whether the evidence to be gathered called for criminal proceedings against the officer or only departmental action and also whether further investigation for prosecution was required by the CBI. Considering the seriousness of the allegation, the then Commerce Secretary had ordered on 12.3.1985 that two officers from this Ministry should go to Calcutta and see the records to ascertain whether a prima facie case existed. Officers went to the Calcutta office of the TTCI and submitted a report to the Commerce Secretary on 9.4.1985 recommending further inquiry by the CBI.

On 9.4.1985 the Ministry of Commerce also specifically examined the question whether the earlier decision to accept the resignation of Shri Dasgupta w.e.f. 15.4.85 should be reviewed. A conscious decision was taken not to do so but allow him to resign w.e.f. 15.4.1985, as previously decided. In this connection extracts from a note dated 9.4.1985 of the then Additional Secretary and approvals of the then Commerce Secretary and Commerce Minister are extracted below:

“It is the findings of Shri Sahni JS(PC) that there is a prima-facie case to proceed with an enquiry in the case of following allegations:

- (i) Regarding renting of a house in Delhi partly as Guest House and partly as residence of CMD.
- (ii) Regarding air-freight of air-conditioned car and high expenses on use of tourist taxis.
- (iii) Regarding high expenses on publicity with a company employing perhaps the daughter of CMD.
- (iv) Regarding large purchase of jewellery from M/s Jewel Craft.
- (v) Regarding irregularities in purchase of furniture from M/s Avikar Furnishers.
- (vi) Regarding shipping irregularities.
- (vii) Regarding transfer of cash credit account from State Bank of India to current account with United Bank of India leading to an interest loss of Rs. 53 lakhs.
- (viii) Allegation against Shri Kongri, regarding misuse of REP licences.
- (ix) Regarding TTCI Delhi agents.

2. JS(PC) feels that allegation No. 6 regarding Vigilance Officers would also require further enquiry.

In addition, he has suggested that allegation No. 7 regarding Joint Venture of Singapore also requires further investigation.

3. It is therefore recommended that these allegations should now be referred to the CBI for further enquiry.

4. As C.S. is aware, Shri P.K. Dasgupta has resigned as CMD w.e.f. 15th April 1985 and his resignation has been accepted. We have to take a view whether we should review the acceptance of his resignation in view of the further enquiries being recommended above. It is my considered opinion that these enquiries are likely to be protracted and it would be cheaper to the public exchquer to accept the resignation of Shri Dasgupta as already decided w.e.f. 15th April, 1985. We can certainly issue instructions to the TTCI that the settlement of his claims of pay, provident fund and other dues may be held over until the completion of these enquiries which may devolve certain recoveries from him.

Sd/-
(Addl. Secy.)
9.4.85

AS&FA

Sd/-
(AS&FA)
9.4.85

C.S.

I had briefly apprised C.M. of these reports (p.3/N).

2. The CBI may be requested to take up the investigation in hand immediately. The allegations are serious.

3. Action may be taken as at 'A' above. We may inform PESB also.

Sd/-
(Commerce Secretary)
9.4.85

C.M.

Sd/-
(Commerce Minister)
10.4.85''

The Ministry of Commerce had also requested the Department of Personnel vide letter dated 15.4.1985 to hand over the probe into allegations against Shri Dasgupta to CBI.

Final reprot of the CBI was received in the Ministry in January 1991 which indicated that they had left it to the TTCI to take further action at their own level.

In view of the foregoing position it is evident that the decisions taken by the Ministry of Commerce were correct and there was no question of any nexus between Shri Dasgupta and officials of Ministry of Commerce. Fixation of any responsibility on any officer of Ministry of Commerce for accepting the resignation does not, therefore, arise.

Comments of the Audit

No comments.

[Ministry of Commerce (Department of Commerce)
O.M.No. T-48023/1/92 Plant (a) dated 3.3.93]

Comments of the Committee

[Please see paragraph No. 9 of Chapter I of the Report.]

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation Sl. No. 5, Paragraph No. 2.25

The Committee were informed that the proposal for revamping of TTCI is under the serious consideration of the Government. Some of the alternatives which are being examined include such proposals as retaining present status of TTCI as a wholly owned company of STC, revamping the functioning by financial assistance, merging gardens of TTCI, with M/s. Andrew Yule, privatisation and working out short and long term strategies in consultation with the Board. The Committee cannot persuade themselves to accept this situation unless an independent high-powered Expert Committee as recommended elsewhere in this Report has had an opportunity to weigh pros & cons. As this Committee in their report (para No. 2.52 of the 60th Report on S.T.C., 8th Lok Sabha) very aptly described STC as an importing agency, how can the same be considered fit enough to become the 'owner' of TTCI. The Committee regret to note that the matter regarding the revamping the TTCI has been pending for quite a long time which is adversely affecting its functioning. The Committee desire that the final decision in this regard on the advice of High Powered Expert Committee (as indicated herein above) should be taken expeditiously and the result intimated within three months.

Reply of the Government

Alternatives for revamping of Tea Trading Corporation of India Limited are being examined in the Ministry of Commerce itself, in consultation with the concerned Ministries of the Government of India including Ministry of Finance, Department of Public Enterprises and Ministry of Labour. As such constitution of High Powered Committee for advising the Government on revamping the TTCI may not be necessary.

Comments of Audit

No comments.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/
1/92- Plant (A) dated 3.3.93]

Comments of the Committee

Please see paragraph No. 12 of Chapter I of the Report.

Recommendation Sl. No. 9, Paragraph No. 3.28

The Committee also take a serious note of the fact that though sufficient period has elapsed yet no approval has been received from the Reserve

Bank of India for regularisation of the contract and for writing off the amount, with the result that the payment of three bills amounting to Rs. 94.57 lakhs is still withheld by the buyer. They recommend that the Government should take immediate steps to settle the matter through arbitration. The Committee would like to be apprised of the final outcome in this regard at the earliest.

Reply of the Government

It has been informed by TTCI that out of Rs. 94.57 lakhs withheld, Rs. 65.46 lakhs has since been collected leaving Rs. 29.11 lakhs deducted by the importer for delayed delivery, specification anomaly and overage vessel. TTCI has already received approval from the Reserve Bank of India for regularisation and write off for Rs. 7.78 lakhs. They are pursuing the matter with RBI for similar approval with regard to the balance amount of Rs. 21.33 lakhs.

Comments of Audit

The amount of Rs. 7.78 lakhs is yet to be written off in the books of accounts of Corporation. Management proposes to write this off in the accounts for the year 1991-92.

Further Comments of the Government

The whole amount is proposed to be written off in the books of accounts after receipt of approval of Reserve Bank of India since the writing off involves foreign exchange.

[Ministry of Commerce (Department of Commerce) O.M. No.
T.—48023/

1/92—Plant (A) dated 3.3.93]

Recommendation Sl. No. 13, Paragraph No. 5.18

The Committee find that for appointment of clearing and forwarding agents for export of Tea to Libya and Afganistan, six quotations were revived by TTCI.... Firm, 'A' in the original offer of November 1978 had quoted a rate of Rs. 43 per case for Afganistan tea and a rate of Rs. 63 per case for Libya tea. The offer was evaluated as the lowest and exhaustive by TTCI. The Committee however regret to note that subsequently TTCI while issuing the letter of appointment against this original offer revised the rate for Libyan Tea to Rs. 72 per case. The TTCI have neither been able to adduce the reasons for having enhanced the rates nor indicate whether the approval of the Competent Authority had been sought in this regard. The relevant records in this connection are also reported to be not available with TTCI. Considering the manner in which the rates were increased unilaterally by TTCI leads the Committee to the conclusion that the decisions were taken on considerations other than pure commercial interests of the organisation. They are also dismayed to note that even no enquiry was conducted in this case. They desire that now though belated, an enquiry be conducted in this regard to fix responsibility and take action against the erring officials. The outcome of the enquiry

should be reported to the Committee within a period of three months. The enquiry should also cover the circumstances in which vital records of the transactions were destroyed.

Reply of the Government

A Committee has been constituted by the Managing Director, TTCI *vide* Order dated 28.8.1992 to investigate in the matter. Report of the Committee is awaited. This is being followed up.

Comments of Audit

A Committee was constituted by the Managing Director of Tea Trading Corporation of India Ltd. on 25.8.92 for investigation of the matter and fixation of responsibility. The date of the order was 25.8.92 and not 28.8.92 as mentioned by the Ministry. The Committee submitted its report to Managing Director on 23.10.92. The management informed the audit that the said report could be submitted to the Board of Directors at its meeting proposed to be held on 29.12.92.

Further Comments of the Government

Two member committee was appointed *vide* Managing Director, Tea Trading Corporation of India Ltd.'s order dt. 28.8.92 in supersession of earlier order dt.25.8.92. The report of the committee was found to be unacceptable by the Board of Directors of Tea Trading Corporation of India Ltd. and the same committee was directed by the Board to enquire into the matter in detail and submit the report within a time frame. The corporation has been asked to expedite action.

Final Reply of the Government

Due to absence of relevant files whereby the background of the case could be studied the committee set up by TTCI Ltd. could not inquire into the matter in detail. However, it has been observed by the committee that order appointing clearing and forwarding agents at a rate different from the lowest quoted had been signed by Shri J.C. Bhattacharya, the then Office Manager. As per the practice followed in the company, tenders are opened by two or more persons and sanction for awarding tender on a specific rate is given by MD/CMD. It was however not possible for the Committee, in the absence of background papers, to fix the responsibility on the CMD alone for having taken unilateral decision as also on the Office Manager on grounds of acting on personal initiative. The Committee looking into all circumstances particularly that of destruction of office records which seemed to have been done to frustrate any detailed inquiry, have recommended that a detailed investigation may be made by CBI/ Central Vigilance.

MD, TTCI, Ltd. has been asked to make fresh efforts to locate relevant papers and office records.

[Ministry of Commerce (Department of Commerce) O.M. No. T-48023/1/92-Plant (A) dated 15.12.93]

Comments of Audit

Company has constituted a Committee on 10.1.1994 for locating all relevant files regarding appointment of clearing and forwarding agent M/s. Avtar Singh & Co. for export to Libya.

Further Comments of the Government

No comments.

Ministry of Commerce (Deptt. of Commerce) O.M. No. T-48023/1/92-Plant 'A' dated 4th February, 1994]

Comments of the Committee

Please see paragraph No. 18 of Chapter I of the Report.

March 15, 1994 E
Phalgun 24, 1915(Saka)

VILAS MUTTEMWAR,
Chairman,
Committee on Public Undertakings.

APPENDIX I

Minutes of the 20th sitting of the Committee on Public Undertakings held on 27th January, 1994.

The Committee sat from 11.15 hrs. to 1300 hrs.

PRESENT

Shri Basudeb Acharia—*In the Chair*

MEMBERS

2. Shri Chetan P.S. Chauhan
3. Shri Ram Sunder Dass
4. Shrimati Saroj Dubey
5. Prof. M. Kamson
6. Dr. C. Silvera
7. Km. Pushpa Devi Singh
8. Shri Pius Tirkey
9. Shri M.A. Baby.

SECRETARIAT

1. Smt. P.K. Sandhu—*Deputy Secretary*
2. Shri P.K. Grover—*Under Secretary*

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri B.B. Manocha—*Director (Commercial), Office of the C&AG of India.*

In the absence of Chairman, the Committee chose Shri Basudeb Acharia to act as Chairman for the sitting under Rule 258(3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. The Committee first considered the audit based Draft Report on Action Taken by Government on the recommendations contained in the 3rd Report of Committee on Public Undertakings (1991-92) on Tea Trading Corporation of India Limited—Setting up of a Joint Venture Company, Export Contracts and Irregular payment of Advances as approved by the Action Taken Sub-Committee and adopted the same.

The Officer of C&AG then withdrew.

3. Thereafter the Committee considered the Draft Report on Action Taken by Government on the recommendations contained in the 9th Report of Committee on Public Undertakings (1992-93) on Litigations pending for settlement in Public Undertakings, as approved by Action Taken Sub-Committee and adopted the same.

4. The Committee authorised the Chairman to finalise the Reports on the

basis of factual verification by the Ministry / Undertaking concerned and audit (in respect of report mentioned in Para 2) and to present the same to Parliament.

Evidence of representatives of Power Finance Corporation Limited.

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The Committee then adjourned.

APPENDIX II

Analysis of the Action Taken by Government on the recommendations contained in 3rd Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Tea Trading Corporation of India Ltd.

I. Total number of recommendations	17
II. Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at Sl. Nos. 4, 6, 7, 8, 10, 11, 14, 15, 16 and 17)	10
Percentage to Total	58.77
III. Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>Vide</i> recommendations at Sl. Nos. 1, 3 and 12)	3
Percentage to total	17.63
IV. Recommendation in respect of which reply of Government has not been accepted by the Committee (<i>Vide</i> recommendations at Sl. No. 2)	1
Percentage to total	5.97
V. Recommendations in respect of which final replies of the Government are still awaited (<i>Vide</i> recommendations at Sl. Nos. 5, 9 and 13)	3
Percentage to total	17.63