

CHAPTER III : MINISTRY OF AGRICULTURE AND FARMERS' WELFARE

National Institute of Fisheries Post Harvest Technology and Training

3.1 Non-achievement of objectives of setting up a facility

Delays at various stages of establishing and operationalizing a facility for processing and export of sashimi grade tuna led to expected revenue amounting to ₹ 70.83 lakh being forgone. Besides, a facility set up at a cost of ₹ 1.78 crore has remained idle for over six years and envisaged benefits in the form of increase in foreign exchange and employment was unattained.

The National Institute of Fisheries Post Harvest Technology and Training (NIFPHATT), under the Ministry of Agriculture (Ministry), initiated a project proposal in July 2008 for establishing a “Common Facility Centre at NIFPHATT Visakhapatnam (Institute) for export processing of Sashimi Grade Tuna¹” at a cost of ₹ 1.85 crore. The facility was to be created by modifying the existing processing plant of the Institute. In September 2008, the Ministry approved the proposal and conveyed the agreement of the National Fisheries Development Board’s (NFDB) to fund the project. NFDB released ₹ 1.85 crore for the project in the same month. The project was to be completed within nine months from date of sanction of assistance i.e. by June 2009.

The objective of the project was to give impetus to industry by shifting focus from frozen to sashimi grade tuna thereby generating more foreign exchange² for the country. The facility was also intended to be made available to private industry/exporters on lease basis. In financial terms, the facility was expected to generate an annual margin of ₹ 8.68 lakh assuming an annual lease fee of ₹ 24 lakh after setting off depreciation charges on plant, building machinery and equipment³.

Construction of the facility was entrusted to the Visakhapatnam Urban Development Authority and was completed in August 2011 at a cost of ₹ 1.78 crore. Thereafter, the facility was leased out in August 2012 at an annual lease rent of ₹ 63,369 per month to Firm X. This firm however never occupied the plant and stopped payment of lease rent after six months (January 2013). In

¹ A traditional Japanese dish made from the slices of premium quality tuna fish with highest fat content.

² The project proposal stated that this grade of Tuna could fetch USD 15 per kg. The planned capacity of the facility was 10 MT of Tuna per day.

³ Estimated depreciation of 10 *per cent per annum* on machinery and equipment i.e. ₹ 8.8 lakh and 7.5 *per cent* for plant and building i.e. ₹ 6.52 lakh totalling ₹ 15.32 lakh.

January 2014, the firm was informed that the agreement would stand terminated after three months and was asked to clear outstanding dues of ₹ 6.97 lakh. The firm was, however, yet to clear the dues (November 2017).

The Institute re-invited bids in January 2014 for the facility and three bids were received which were not accepted by the Ministry. Subsequent attempts (June 2014 and August 2014) to lease the facility did not elicit any response. The Ministry thereafter constituted an expert monitoring committee in July 2015 to monitor the bidding process for the facility. This Committee decided (August 2015) to approach CPWD for suggestions with regard to minimum lease rent. CPWD recommended (August 2015) a minimum lease value for the facility of ₹ 1,35,000 per month which was approved by the Ministry in December 2015. Subsequently, a lease was awarded to another Firm Y in July 2016 at a rent of ₹ 1,58,500 per month.

Firm Y paid security deposit and lease rent upto August 2016 amounting to ₹ 5,74,738. However, it neither commenced production activities nor paid lease rent from September 2016 onwards citing pending rectification works⁴ necessary for obtaining Marine Products Exports Development Authority (MPEDA) approvals for commencing work. The rectification works pointed out by the firm in October 2016 were completed in March 2017. As the firm still did not take over the plant and pay lease rent despite issue of a notice, the Institute terminated the lease agreement in October 2017 and forfeited the security deposit. It also asked the firm to pay outstanding lease rent amounting to ₹ 21.85 lakh. This firm is also yet to clear its dues (December 2017).

Audit scrutiny of the records of the Institute disclosed that there were delays in the establishment and leasing of the facility at all stages. Construction of the facility envisaged to be completed by June 2009 was completed and handed over to the Institute in August 2011 i.e. after a delay of over two years. The facility was leased out only in August 2012 i.e. one year after the facility had been handed over to the Institute and six months after obtaining approval of the Ministry for leasing the facility. Thereafter, following termination of the lease for the facility in January 2014, the Institute took more than two and a half years to enter into a fresh lease agreement with another firm. Due to the delays, revenue by way of lease rent estimated as ₹ 42.01 lakh⁵ was forgone by the

⁴ Non-functioning of water purification and chlorination system; replacement of damaged ceiling in the entry area; creation of two partitions in the processing hall.

⁵ (a) For period of delay from July 2010 – July 2012 (after allowing one year for obtaining approvals etc.): 25 months @ ₹ 63,369 pm (rent of first lease) = ₹ 15.84 lakh. (b) For period from January 2014 – August 2015: 20 months @ ₹ 63,369 pm = ₹ 12.67 lakh (c) For period from September 2015 to June 2016: 10 months @ ₹ 1,35,000 pm (minimum lease value recommended by CPWD) = ₹ 13.5 lakh.

Institute. In addition, rents amounting to ₹ 28.82 lakh⁶ remain unpaid from the two firms to which the facilities were leased.

Audit also noted that several attempts to obtain bids for leasing the facility were not successful. Though the facility was leased twice, the lessees did not occupy and operate the facility and the leases had to be pre-maturely terminated. This raises questions about the assumptions underlying the project, the Institute's ability to meet stringent approval conditions and the project's overall feasibility. The Ministry had itself in September 2008 flagged several constraints⁷ for the project to be successful.

The Institute informed (August 2016) that though no export activities were carried out from the plant, indirect benefits have been derived by using the facility for holding training courses in sashimi tuna processing and other aspects. It added that project should be seen as a development project and less importance be given to its commercial aspects.

The fact remained that a facility established in August 2011 at a cost of ₹ 1.78 crore has not been utilised for its intended purpose for over six years. As a result none of the stated objectives for setting up the facility viz. giving impetus to industry, increasing foreign exchange earnings and enhancing employment have been met.

Further, delays at various stages of establishing and operationalizing the facility led to loss of revenue amounting to ₹ 70.83 in the form of lease rentals.

The matter was reported to the Ministry (July 2017); its reply was awaited (December 2017).

⁶ First lease ₹ 6.97 lakh (February 2013 to December 2013) and second lease ₹ 21.85 lakh (1 September 2016 to 20 October 2017).

⁷ Availability of infrastructure at Port and specialized fishing vessels for ensuring supply of 15 MT of fish per day to support planned 10 MT capacity; capacity of Vizag Airport to Service air cargo movement required to support operations to required destinations.