SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Report of the Comptroller and Auditor General of India on the Working of Madhya Pradesh State Agro Industries Development Corporation Limited for the year ended 31 March 2022

Government of Madhya Pradesh

Report No. 7 of the year 2024

(Performance Audit-Commercial)

Report of the
Comptroller and Auditor General of India
on the Working of Madhya Pradesh
State Agro Industries Development
Corporation Limited
for the year ended 31 March 2022

Government of Madhya Pradesh

Report No. 7 of the year 2024

(Performance Audit-Commercial)

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

PREFACE

This Report for the year ended March 2022 has been prepared for submission to the Governor of Madhya Pradesh under Article 151 of the Constitution of India for being laid before the Legislature of the State.

The Report contains significant results of Performance Audit on the "Working of Madhya Pradesh State Agro Industries Development Corporation Limited" pertaining to Horticulture and Food Processing Department, Madhya Pradesh, covering the period from April 2017 to March 2022. The Audit has been conducted under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The instances mentioned in the Report are those which came to notice in the course of test audit.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Executive Summary

1. Overview

Madhya Pradesh State Agro Industries Development Corporation Limited (Company) was incorporated in March 1969 to promote, develop, establish, execute, operate, and otherwise carry on projects, schemes, industries, business and activities which accelerate and increase agriculture production, contribute to the production of subsidiary and supplementary food, increase the availability of supplies of food in Madhya Pradesh and contribute to the agro-industrial development of the State.

We conducted the Performance Audit to assess whether the business activities of the Company were planned and implemented efficiently, effectively and in line with the objectives of the Company and the internal control systems were effective. We audited the records of the Company for the period from April 2017 to March 2022 by test checking records of Company headquarters, three Regional Offices (out of seven) and nine Branch Offices (three from each selected Regional Offices), Mechanised Agricultural Farm, Babai, Hoshangabad and Bio Fertilizer Plant, Bhopal. The Regional Offices and Branch Offices were selected on the basis of highest, lowest and average five years' total turnover during 2017-22. We also conducted joint physical verification of 90 bio-gas plants to verify installation and functioning of the bio-gas plants. The significant findings of the Performance Audit are given below:

2. Achievements against objectives of the Company

The Company did not utilize the Mechanized Agricultural Farm (MAF), Babai for production and distribution of quality seeds and demonstration of latest agriculture machinery/implements and cultivation methods to farmers or as a training centre for farmers. Further, the Company did not explore possibilities of producing and supplying supplementary food products in the market. Besides, the Company did not take up activities/ initiatives for development of agro-logistics and cold storage/godowns to increase availability of supply of food. The Company failed in contributing to the agro-industrial development in the State as the Company did not take any step to accelerate/ promote agricultural production or contribute to the agro-industrial development in the State. Thus, the core objectives of the Company remained unachieved.

Audit recommends that the Government of Madhya Pradesh (GoMP) and the Company should jointly prepare short term, medium term and long term plans in sync with the objectives of the Company and jointly work for the achievement of such objectives.

3. Procurement

The Company floats Rate Contract Offers (RCOs) for procurement of requisite item for supply of agricultural and other items to Horticulture and Food Processing Department, Farmer Welfare and Agriculture Development Department (FWADD) etc. of GoMP. The Memorandum of Association allowed the Company to undertake activities which are related to development and promotion of agriculture in the State. Audit of selected 56 RCOs revealed that the Company, in violation of MP Store Purchase Rules and Service Procurement Rules, 2015 traded in water tankers (reserved item for *Madhya Pradesh Laghu Udyog Nigam*). During April 2017 to September 2018, Branch Officers of selected nine branch offices procured 864 water tankers valuing ₹ 10.29 crore in violation of the Rules. We further noticed that the Company traded in items such as pre-fabricated bus shelters, gym equipment, *swagat dwars* etc. which were not related to the objectives of the Company. Further, the Company incurred loss of ₹ 11.79 crore due to non-receipt of commission against the supply of drips and sprinklers. Audit scrutiny further revealed that the Company procured water tankers of ₹ 1.22 crore from suppliers who did not have required certificate regarding approved design and registered two firms of same person (in one case proprietor of firm and in another one partner) in violation of Rate Contract Offer conditions. These two firms supplied water tankers valuing ₹ 3.68 crore. We also noticed instances of irregular payment of ₹ 13.84 lakh against a cancelled order and supply of items before issue of purchase order.

Audit recommends that GoMP should fix responsibility for trading in reserved items and ensure that the Company works primarily towards its core objectives. GoMP should intervene to get resolved the issue of commission payment to the Company against the supply of drips and sprinklers and the Company should fix responsibility for supply of water tankers of un-approved design and for accepting supply against the cancelled orders and supply before the issue of purchase orders.

4. Financial Management

The financial management and operational performance of the Company was not sound as the operational profit of the Company was continuously falling during 2015-20 and the Company suffered operational loss of ₹ 17.36 crore in financial year 2019-20. Further, the operating margin ratio, return on equity ratio and return on total assets ratio had declined during 2011-20 which indicated operational inefficiency. We noticed that the Company invested the funds in a routine manner resulting in loss of interest of ₹ 1.17 crore on FDs. Further, the Company adopted incorrect valuation method for valuation of three joint venture companies leading to loss of ₹ 1.59 crore. The Company kept idle fund of ₹ 5.60 crore received (upto 2013) from government departments during 2012-13 for almost 10 years. We further noticed that Biogas subsidy of ₹ 3.35 crore was not disbursed to the beneficiaries even after lapse of five to 29 years. Further, the Company did not account for interest amount of ₹ 49.43 lakh in scheme fund in violation of GoI guidelines. Audit scrutiny further revealed that the Company was eligible to pay tax at the lower rate as per Section 115BAA.

However, the Company did not avail the option to pay lesser income tax resulting in avoidable tax burden of ₹ 1.72 crore.

Audit recommends that GoMP should take corrective actions to strengthen the operational efficiency of the Company and ensure that the Company invests its fund in beneficial option by obtaining interest rates from different banks. Further, GoMP should fix responsibility for non-utilization of fund for intended purposes and ensure that the Company returns back idle unspent fund to the Government immediately and fix responsibility for delay in payment of subsidy and ensure immediate payment to the entitled beneficiaries.

5. Production and supply of Ready-to-Eat Products

Scrutiny of records relating to production and supply of ready-to-eat (RTE) food revealed that the Company failed in executing any MOU/Agreement with State Rural Livelihood Mission (SRLM) with clear terms and conditions for supervision charges which resulted in non-receipt of supervision charges of ₹ 32.38 crore. We further noticed that the Company continued supply of Ready-to-Eat products despite pending payment since September 2020 which resulted in blockage of ₹ 2.14 crore. Audit scrutiny revealed that the Company could not recover ₹ 4.34 crore from Madhya Pradesh State Civil Supplies Corporation Limited (MPSCSCL) even after lapse of five years. Tender condition for registration of vendors provides for procurement of minimum *30 per cent* RTE products from SC/ST entrepreneurs. However, we noticed that the Company did not ensure compliance to this tender condition.

Audit recommends that the Company should pursue the issue of supervision charges vigorously in respect of SRLM plants and make effective efforts to recover margin money from MPSCSC immediately. Further, the Company should procure at least 30 *per cent* items from SC/ST entrepreneurs.

6. Performance of Mechanized Agriculture Farm, Babai

Audit of records of Mechanized Agriculture Farm, Babai revealed that the Company failed in utilizing the MAF for intended objectives. Further, the Company did not implement the recommendations of expert committee constituted for turnaround of the farm activities. During 2017-22, nine to 69 *per cent* land of MAF remained unutilized. We further noticed that the Company could not ensure recognition of nursery developed at MAF, Babai from the National Horticulture Board resulting in no sale from the nursery due to want of recognition.

Audit recommends that the GoMP and the Company should jointly ensure optimum utilization of MAF for the intended purposes.

7. Implementation of National Biogas Programme

Audit of records relating to National Biogas Programme and joint physical verification of the plants revealed that 23 out of 90 bio gas plants were not functional which indicates that required maintenance was not done for the bio gas plants. Further, we noticed that the Company did not effectively publicize the bio gas programme which resulted in shortfall (ranged between 33 and 68 *per cent*) in achieving the target during 2017-21.

Audit recommends that the GoMP and the Company should jointly ensure regular inspection of bio gas plants and make necessary efforts to publicize the New National Biogas and Organic Manure Programme.

8. Performance of Bio Fertilizer Plant

Scrutiny of records of bio fertilizer plant revealed that the plant was running in loss during 2016-17 to 2019-20 as the sale declined from ₹ 197.96 lakh in 2015-16 to ₹ 64.12 lakh in

2019-20. The Company took three years in taking decision to upgrade the bio fertilizer plant from powder based to liquid based bio fertilizer. Further, the Company delayed the repair/ maintenance work which resulted in new machineries remaining idle for one year.

Audit recommends that the GoMP and the Company should jointly review the plant regularly to ensure its functioning effectively.

9. Internal Control System

The internal control system of the Company was deficient as the Company did not monitor the timely supply of material which resulted in delay in supply by the suppliers. We noticed that in 15 cases, the department had cancelled the order due to delay in supply of items. The Company did not have any manual to regulate the scope, reporting and action taken on the findings of internal audit. The significant observations of internal audit of branch offices were not brought to the notice of the MD for effective monitoring and compliance. Thus, the Company undermined the importance of the Internal Audit. We further noticed that GoMP did not appoint Independent Director in BOD/Corporate Social Responsibility Committee, women Director in BOD and did not ensure required BOD meetings resulting in non-compliance with the provisions of the Companies Act, 2013. Further, the Company had acute shortage of officers/officials ranging between 59 *per cent* and 87 *per cent* across all the cadres. Despite acute shortage and even after lapse of three years from the decision of BOD to appoint 76 officials, the Company is still in process of recruitment indicating weak human resource management in the Company.

Audit recommends that the GoMP and the Company should jointly develop a Standard Operating Procedure for procurement and ensure regular board meetings.

Chapter-1

Overview

Chapter-1

Overview

1.1 Introduction

The Madhya Pradesh State Agro Industries Development Corporation Limited, Bhopal (Company) was incorporated on 21st March, 1969 as a joint venture company with paid up capital of ₹ 3.29 crore contributed by Government of Madhya Pradesh (₹ 2.09 crore) and Government of India (₹ 1.20 crore). The Company is under administrative control of Horticulture and Food Processing Department (HFPD), Government of Madhya Pradesh (GoMP). The main objectives of the Company are to promote, develop, establish, execute, operate, and otherwise carry on projects, schemes, industries, business and activities which:

(a) accelerates and increases agriculture production;

(b) contributes to the production of subsidiary and supplementary food;

(c) increases the availability of supplies of food whether principal, ancillary supplementary or substitute, in particular in the State of Madhya Pradesh; and

(d) contributes to the agro-industrial development of Madhya Pradesh.

1.2 Activities of the Company

The Company performs the following functions:

(a) Acting as a facilitating agency for supply of agricultural and other items to Horticulture and Food Processing Department, Farmer Welfare and Agriculture Development Department and other departments of the GoMP for which the Company floats Rate Contract Offers (RCOs) and makes contract with successful bidders.

(b) Operation and maintenance of Ready to Eat Material plants for supply of RTE food to the beneficiaries of Woman and Child Development Department.

(c) Implementation of New National Bio Gas and Organic Manure Programme of the GoI in the State.

(d) Operation and maintenance of Mechanised Agricultural Farm.

(e) Operation and maintenance of Bio-Fertiliser Plant.

1.3 Organizational setup

The management of the Company is vested in a Board of Directors (BoD). As on 31 March 2022, the BoD comprised seven directors, of whom GoMP appointed six directors (including a Chairman and a Managing Director) and remaining one Director was appointed by the GoI.

The Managing Director is the Chief Executive of the Company who is assisted by five General Managers, 13 Deputy General Managers, 22 Managers and five Executive Engineers. The Headquarters of the Company is situated at Bhopal. Besides, the Company has seven Regional Offices and 49 Branch Offices spread across the State. Further, the Company owns a Mechanized Agricultural Farm (MAF) at Babai, Hoshangabad, a Ready to Eat (RTE) production unit at Baadi, Raisen and a Bio-fertilizer Plant (BFP) at Bhopal.

1.4 Audit objectives

We conducted the Performance Audit to assess whether:

(a) The business activities of the Company were planned and implemented efficiently, effectively and in line with the objectives of the Company; and

(b) Internal control systems were effective.

1.5 Audit criteria

To achieve the audit objectives, audit criteria was derived from the following sources:

(a) General Financial Rules (GFR), MP Stores Purchase Rules and Services Procurement Rules, 2015 and notifications, circulars, instructions issued by the Company/GoI/GoMP from time to time;

(b) Memorandum and Articles of Association, agenda and minutes of the BoD meetings of the Company and shareholders' agreement;

(c) Guidelines for National Biogas and Organic Manure Programme (NBOMP); and

(d) Tender documents, agreement, supply orders, quality evaluation reports, monitoring reports, Annual Financial Statements.

1.6 Scope and methodology of Audit

We conducted audit by test-checking records of the Company headquarters and further selected three Regional Offices (out of seven) and nine Branch Offices (three from each selected Regional Office) based on highest, lowest and average five years' total turnover for the period from April 2017 to March 2022 to assess the efficiency and effectiveness of the Company in performing its activities. Besides, we also examined records of Mechanised Agricultural Farm, Babai, Hoshangabad and Bio Fertiliser Plant, Bhopal. The sample selection is detailed in ***Appendix-1.1***.

Moreover, we jointly surveyed 90 bio-gas plants (10 in each selected Branch Office) with the representatives of the Company to verify installation and functioning of the bio-gas plants.

We conducted (October 2022) Entry Conference with the Additional Chief Secretary, HFPD, GoMP to discuss the audit objectives, scope, criteria and methodology. The draft report was communicated to the Government in May 2023. Further, the Exit Conference was conducted (July 2023) with the Additional Chief Secretary, HFPD, GoMP to discuss the audit findings. The Government furnished (July 2023) para-wise replies which have been suitably incorporated in the report. After incorporating Government replies/ comments and suitable modifications, the revised draft report was re-issued to Government in May 2024. However, the Government did not furnish reply/comment.

1.7 Acknowledgement

We acknowledge the cooperation extended by the Company for conducting the Performance Audit.

Chapter-2

Achievements against objectives of the Company

Chapter-2

Achievements against objectives of the Company

We assessed the performance of the Company with respect to its established objectives and Audit findings are discussed below:

2.1 Accelerate and increase agricultural production

The Company established Mechanized Agriculture Farm (MAF), Babai, Hoshangabad in 1971 with the objectives of production and distribution of quality seeds to the farmers, use of latest agriculture machineries/implements in farming, demonstration of cultivation methods and functioning as a training centre for the farmers.

However, we noticed that the Company did not utilize MAF for production and distribution of quality seeds to farmers. The Company did not use latest agriculture machineries/implements and the land of MAF was being used for traditional farming activities such as cultivation of crop of wheat and paddy and maintaining orchards of mango, jackfruit, amla, chiku, guava and lemon. We further noted that the Company did not use MAF for demonstration of cultivation methods or as a training Centre for farmers. Thus, the Company failed to utilize MAF for the intended objectives and resultantly, the objective of the Company to accelerate and increase agriculture production remained unachieved.

Government did not offer comments on the audit observation.

2.2 Production and supply of supplementary food

The Company established (1995) Ready to Eat (RTE) material production plant at Baadi and three plants under joint venture arrangement between 2006 to 2009 to produce and supply supplementary nutrition food of specified quality to the Woman and Child Development (WCD) Department for children aged six months to three years, pregnant women and lactating mothers and adolescent girls. The Company had exercised the exit route from all the joint ventures in 2019.

We noticed that the Company was solely dependent on the State Government for procuring its RTE material and did not make effort to expand its market.

Government did not offer comments on the audit observation.

2.3 Increasing the availability of supplies of food in the State

In the Union Budget 2018-19, GoI launched "Operation Greens" to promote farmer producers' organizations, agri-logistics, processing facilities and professional management and to protect the growers of eligible crops from making distress sale and to reduce post-harvest losses. The Company had applied to become Project Implementing Agency and proposed (April/July 2019) to set up plants for processing Potato and Onion at Indore with estimated cost of ₹ 80.29 crore with expected subsidy of ₹ 32.68 crore. Later on, the

Company dropped (December 2019) the proposal as the Company did not have required infrastructure at targeted places.

Similarly, in December 2019, the Company considered to set up a Project Management Unit (PMU) in order to increase production of horticulture items and their processing. The Company also floated Request for Proposal (RFP) to appoint consultant and requested the Commissioner, HFPD to reimburse the expenses of the proposed PMU. However, the proposal was dropped as the GoMP turned down the proposal to reimburse the expenses of the PMU to the Company.

Apart from these failed efforts, the Company did not take up any other activities/initiatives like development of agro-logistics and godowns to increase availability of supplies of food.

Government did not offer comments on the audit observation.

2.4 Contributing to the agro-industrial development of Madhya Pradesh

2.4.1 Non-development of agro-industries in the State

As per the latest available data[1] of Horticulture and Food Processing Department, GoMP, Farmer Welfare and Agriculture Development Department, GoMP and National Horticulture Board (NHB), Madhya Pradesh stands at top in the country in production of Soyabean, Gram, Uraad, Tur, Massor, Linseed, Tomato, Garlic, second in production of Green Peas, Sesame, Ramtil, Moong, Onion, Maize, third in production of Wheat, Barley, Coriander, Dry Chillies, fourth in Orange and fifth in production of Potato and Pomegranate. Evidently, the State has immense scope for development of agro-industries. However, we noticed that the Company did not take initiative for development of agro-industries in the State.

Further, Industrial Promotion Policy, 2014 of GoMP also provides for specific financial assistances i.e. Sales Tax relaxation (up to 100 *per cent* as a set off for a period of 10 years), reimbursement for promotion of Research and Development (₹ 5 lakh per patent), assistance on electricity consumption (at the subsidised rate of ₹ 1 per unit for five years from the date of commencement of production), reimbursement of transportation cost to encourage export (30 *per cent* of the transportation cost to inland container depot with a ceiling limit of ₹ 10 lakh per annum), capital subsidy (at the rate of 25 *per cent* of investment in Plant and Machinery with a ceiling limit of ₹ 2.50 crore) to set up Food Processing Industries based on the size of the project.

However, the Company did not take any step during 2017-22 to accelerate/ promote agricultural production or contribute to the agro industrial development of the State by developing food processing units despite huge potential in the food processing sector and having huge surplus fund.

Government did not offer comments on the audit observation.

[1] Data taken from website of the departments and NHB in April 2023.

2.4.2 Comparison of functioning of similarly placed Companies of other States

We compared the activities of the Company with the similar organizations of other States and noticed that Maharashtra Agro Industries Development Corporation Limited (MAIDC) expanded its operations and was running Food Processing Division at Nagpur under the brand name "NOGA". The MAIDC was processing mangoes, pine-apples, tomatoes and oranges. MAIDC also sells its processed food products to Canteen Stores of Army and Navy, Indian Railway Catering and Tourism Corporation, Air Caterers, Hotels, Government Bodies and also in Gulf, U.K. and Nepal. Further, the MAIDC also manufactures cattle feeds for animals like cows and buffaloes, poultry feeds, chicks, other feeds such as horse feeds, pig feeds etc.

Similarly, the Kerala Agro Industries Corporation Limited (KAICL) had fruit processing unit i.e. Kerala Agro Fruit Products which produces Mango Juice, Pickles, etc. and also created infrastructure facilities at Waynad for post-harvest management including value addition such as godown with modern facilities for storing of pepper and value addition of pepper by production of white pepper.

The Company did not take initiative for development of agro-industries in the State. Further, the activities of the Company were confined only to traditional areas i.e. supply of RTE food to the Woman and Child Development Department, supply of agricultural equipment such as drips, sprinklers, plant protection equipment, small garden tools, tractor and power drawn implements, items useful in allied sector such as plastic crates, vermi-compost bed etc. and implementation of Bio-gas scheme of GoI. The Company's activities could have included following areas to perform in line with the set objectives of the Company.

- Value addition to agriculture/horticulture produce through quality seed cultivation, utilization of latest agriculture machinery/ implements, demonstrate cultivation methods and impart training on modern cultivation methods;
- Development of agro-logistics, godowns to increase availability of supplies of food and post-harvest management like proper grading, pre-cooling or setting up cold storages;
- Promotion of agro-industries, setting up of food processing and packaging units and domestic as well as overseas marketing of agricultural produces; and
- Contract farming (integrated approach of creating linkages for lab, farm, factory and market under a single umbrella) and organic cultivation.

Government did not offer comments on the audit observation.

2.5 Conclusion

The Company was established with objectives to promote, develop, establish, execute and operate projects, schemes, industries, business and activities which accelerate and increase agricultural production, contribute to the production of subsidiary food, increases the availability of supplies of food and contributes to the agro industrial development of the

State. However, the Company did not utilize the MAF for production and distribution of quality seed and demonstration of latest agriculture machinery/implements and cultivation methods to farmers. Further, the Company did not explore to produce and supply supplementary food products in the market. Besides, the Company did not take up activities/ initiatives for development of agro-logistics and cold storage/godowns to increase availability of supply of food. The Company also failed in contributing to the agro-industrial development in the State as the Company did not take any step during 2017-22 to accelerate/ promote agricultural production or contribute to the agro-industrial development in the State.

2.6 Recommendation

- ***GoMP and the Company should jointly prepare short term, medium term and long term plans in sync with the objectives of the Company and jointly work for the achievement of such objectives.***

Chapter-3

Procurement

Chapter-3

Procurement

3.1 Introduction

The Company acts as a facilitating agency for supply of agricultural and other items to Horticulture and Food Processing Department (HFPD), Farmer Welfare and Agriculture Development Department (FWADD) and other government departments of GoMP. The Company floats Rate Contract Offers (RCOs) for procurement of requisite items as per specifications and terms and conditions of the requiring departments. The Company charges commission on the supplies. MP Store Purchase Rules and Service Procurement Rules, 2015 is applicable on the Company.

After finalization of RCO, the Company circulates the finalized rates and name of suppliers to Regional Offices and Branch Offices. On receipt of demand from the departments, the Branch Offices forward the demand to the respective Regional Office which places supply order to the appointed supplier. The quantum of procurement through RCOs during 2017-22 is detailed in **Table-3.1.**

Table- 3.1 Quantum of procurement during 2017-22

(₹ in crore)

Sl. No.	Year	Total number of RCOs	Total operational revenue (Net) of the Company	Total Revenue through RCOs	Percentage of revenue generated through RCOs *vis-a-vis* total operational revenue
1	2017-18	19	966.69	154.01	15.93
2	2018-19	7	356.79	201.79	56.56
3	2019-20	27	504.23	321.81	63.82
4	2020-21	11	824.31	250.57	30.40
5	2021-22	24	1,188.63	588.52	49.51
Total		**88**	**3,840.65**	**1,516.70**	

Source: Data provided by the Company

During 2017-22, the Company floated 88 RCOs out of which we examined 56 RCOs[1]. The audit findings are discussed below:

3.2 Trading in reserved items/beyond the objectives of the Company

3.2.1 Trading in water tankers in violation of MP Store Purchase Rules and Service Procurement Rules, 2015

As per MP Store Purchase Rules and Service Procurement Rules, 2015, water tanker[2] was a reserved item for Madhya Pradesh Laghu Udyog Nigam (MPLUN). Further, GoMP

[1] Audit examined those RCOs in which total turnover during 2017-18 to 2021-22 was more than rupees one crore.

[2] Annexure A of Rule 6 of the Rules

revoked (September 2018) the reservation of water tankers from the items reserved for MPLUN.

We noticed that the Company irregularly traded (upto September 2018) in water tankers in violation of MP Store Purchase Rules and Service Procurement Rules, 2015. During April 2017 to September 2018, Branch Officers of selected nine branch offices procured 864 water tankers valuing ₹ 10.29 crore in violation of the Rules.

Government stated (July 2023) that as per incidental objects laid down in the Memorandum and Articles of Association to meet out the main objectives of the Company, point no. (8) said that "to carry on the business of drilling engineers company in all its branches and to sink wells, tube-wells and install pumping sets, shafts and to make, construct, lay down and maintain reservoirs, water works, mains and other pipes and appliances and to do all other acts and things necessary for obtaining, storing, delivering, measuring and dealing with water". Hence, supply of water tanker does not amount to an irregular trading.

The reply is not acceptable as MP Store Purchase Rules and Service Procurement Rules, 2015 reserved supply of water tanker only for MPLUN up to September 2018. Further, the objectives of the Company allow the Company only to undertake activities which are related to development and promotion of agriculture. No documentary evidences to verify that the water tankers were used for agricultural purposes were furnished along with the reply for verification by audit.

3.2.2 Trading beyond the objectives of the Company

The Memorandum of Association allowed the Company to undertake activities which are related to development and promotion of agriculture in the State.

Scrutiny of records of the Company revealed that in September 2016, the Company decided to trade in other items (except reserved items for MPLUN) in addition to traditional trade. During 2017-22, the Company traded in pre-fabricated bus shelters, gym equipment, *Swagat Dwar* etc. which were not at all related to the objectives of the Company. The objectives of the Company clearly provided for development and promotion of agriculture in the State. Further, the Company diversified its business and started trading of items which were not related to development and promotion of agriculture without amending the Memorandum of Association.

Government did not provide specific reply on the audit observation.

3.3 Loss due to non-receipt of commission against the supply of drips and sprinklers

The Company finalized (during 2013-14 and further in September 2019) RCOs for supply of ISI marked drips and sprinklers to HFPD. Supply was also made to FWADD. As per conditions of the RCOs, the Company was entitled to charge five *per cent* margin from the suppliers. Further, the representatives of the Company and HFPD jointly decided (August 2019) that the Company would not charge any margin in case of supplies of Drips and Sprinklers under *Pradhan Mantri Krishi Sinchayee Yojana* (PMKSY) to HFPD. In turn, the HFPD would share 40 *per cent* of administrative expenditure receivable[3] (2 *per cent*) from GoI. Accordingly, the Company suspended the condition to charge margin from the suppliers. Further, the Company floated (August 2021) new RCO for the same purpose by removing the condition to charge margin.

During October 2019 to March 2022, the Company supplied Drips and Sprinklers to the beneficiaries of the HFPD and FWADD, GoMP to the tune of ₹ 590.91 crore as detailed in **Table 3.2.**

Table 3.2 Details of supply of Drips and Sprinklers during 2019-20 to 2021-22

(₹ in crore)

Sl. No.	Year	Amount of supply		Total supply of drips and sprinklers
		Drips	Sprinklers	
1	2019-20	70.79	46.12	116.91
2	2020-21	70.76	21.35	92.11
3	2021-22	220.72	161.17	381.89[4]
Total		**362.27**	**228.64**	**590.91[5]**

Source: Data taken from annual accounts/ERP portal of the Company

We noticed that the Company did not get any commission on supplies made to HFPD amounting to ₹ 589.73 crore. As committed by the HFPD, the Company would get ₹ 11.79 crore[6] against the supplies made during 2019-22. We, however, noticed that the Company did not get any amount in lieu of commission for supply of drips and sprinklers under PMKSY from HFPD. We further noted that the Company entered (October 2016) into agreement with the HFPD for operating and maintaining Farmer Subsidy Tracking System (FSTS) portal[7] for which the HFPD would pay 20 *per cent* of amount received for administrative expenses under PMKSY from GoI. In August 2019, the Additional Chief Secretary (ACS), HFPD decided that the HFPD would pay only 20 *per cent* of administrative expenses to the Company for both i.e. commission against the supplies of drips and sprinklers and operating and maintaining FSTS portal.

We further noticed that the Company decided (March 2022) to charge two *per cent* commission in lieu of supplies of drips and sprinklers supplied to departments other than HFPD from the suppliers. The suppliers agreed to provide two *per cent* commission to the Company on rates on which the supplies were made to the HFPD. The suppliers supplied drips and sprinklers valuing ₹ 1.18 crore to FWADD and accordingly the Company received the commission at the rate of two *per cent* from the suppliers.

Thus, the Company failed in convincing the HFPD to provide the agreed commission of ₹ 11.79 crore.

---

3 GOI provides administrative charges (five *per cent* of total expenditure under PMKSY) to HFPD.

4 Includes sale of ₹ 1.18 crore to FWADD, GoMP

5 Includes sale of ₹ 1.18 crore to FWADD, GoMP and rest of ₹ 589.73 crore to the beneficiaries of HFPD.

6 At the rate of two *per cent* of total supplies of drips and sprinklers amounting to ₹ 589.73 crore to the beneficiaries of HFPD.

7 A Portal for implementation of PMKSY Scheme

Government stated (July 2023) that the Company has incurred loss due to non-receipt of commission. The reply further stated that the Company was regularly requesting the HFPD to remit the balance one *per cent* margin.

The reply confirms the audit observation. However, the reply is not convincing as the Company is claiming one *per cent* instead of agreed two *per cent* commission.

3.4 Selection of ineligible bidders

The Company floated Rate Contract Offers (dated 19.08.2019 and 14.10.2021) for registering suppliers for supply of water tankers. As per eligibility criteria[8] prescribed for the bidders, the bidders should have approved design of tendered items from State Transport Commissioner. The Company rejected one of the suppliers[9] on the ground of unapproved design and unavailability of trade certificate in context of RCO (19.08.2019). Further, RCOs[10] had a condition[11] that only one bid will be accepted from one applicant/firm. If any individual participates in the bid, representing more than one firm in one or different names and it comes to the notice of the Company at any time, all such bids will not be entertained and shall be liable for rejection.

Scrutiny of these RCOs revealed that:

(a) the Company registered 40[12] bidders out of which 10[13] bidders did not have required certificate regarding approved design of tendered items from State Transport Commissioner. In selected nine branches, eight suppliers supplied 82 water tankers valuing ₹ 1.22 crore while the designs of the supplied water tankers were not approved by the State Transport Commissioner.

(b) An applicant had applied as proprietor of a firm[14] and also applied through a partnership firm[15] with other partner. We noticed that the Company registered both the firms and entered (October 2019 and again in February 2022) into agreement with both suppliers. We also noticed that these two suppliers also did not have required certificate regarding approved design of tendered items from State Transport Commissioner. These two suppliers supplied 238 water tankers valuing ₹ 3.68 crore.

Thus, the Company while finalizing the RCOs overlooked the eligibility of the suppliers. This resulted in undue benefit to ineligible suppliers.

Government stated (July 2023) that initially agreement was executed with 10 suppliers. Out of these 10 suppliers nine suppliers were registered with the transport commissioner for capacity 5500 litres. During review when the fact was noticed that M/s True Vision is

---

8 under Annexure-IV of the RCO NIT dated 19.08.19 and 14.10.21

9 Hindustan pre-fabricators was rejected due to unapproved design.

10 RCO dated 19.08.19 and 14.10.21

11 Under clause 1.2

12 Registered 19 bidders in RCO dated 19.08.2019 and 21 bidders in RCO dated 14.10.2021

13 Eight out of 19 bidders and two (except bidders who were also included in RCO dated 19.08.2019) out of 21 bidders did not have required certificate.

14 New Malwa Agro and fabricators (certificate issued by NSIC, Sl. No 0000607).

15 National Engineering Works (certificate issued by NSIC, Sl. No 108166).

not authorized by transport commissioner for the capacity beyond 5000 litres, RCO was not renewed in the next year. Mistake committed at the initial stage in the year 2019-20 was corrected in the year 2020-21. Further, in case of registration of applicant applied through proprietor and partnership firm, the Government stated that it is true that the applicant was the proprietor of M/s New Malwa Agro and Fabricators as well as partner of National Engineering Works. But since the main partnership of M/s National Engineering works is vested with the other partner, the Company considered both the RCOs.

Government accepted the audit observation in respect of one out of 10 suppliers. However, along with the reply it did not provide documentary evidence to verify that remaining nine suppliers had required certificate of approved design. Further, in respect to submission of two offers by the bidder (one as proprietor and another as partner firm), both the applications were to be rejected as per the conditions of the RCOs.

3.5 Discrepancies noticed in supplies from the suppliers

3.5.1 Irregular payment against cancelled order

The Company had adopted rates/suppliers of MP State Cooperative Marketing Federation (MARKFED) for supply of Napsack Hand Sprayer - 16 Litre (Plant Protection Equipment).

Scrutiny of records in Vidisha Branch Office revealed that Regional Manager, Bhopal issued (February 2019) a supply order for supply of 1000 Napsack Hand Sprayer- 16 Litre to M/s Padgilwar Agro. However, due to delay in supply, Regional Manager cancelled (8 March 2019) the supply order and issued order for supply of same material to another supplier (M/s Satish Agro) on the same day. We noticed that M/s Padgilwar Agro, whose supply order was cancelled, supplied 1000 sprayers on 29 March 2019 that too of different specification. However, instead of rejecting, the Company accepted the supply and made irregular payment of ₹ 13.84 lakh to the supplier in April 2019. Thus, the officials of the Branch Office, Vidisha accepted supply of items of different specification and against a cancelled order which indicates undue favour to the supplier.

Government stated (July 2023) that due to urgent demand the order was cancelled and other supplier was directed to supply the material and the supply was completed through alternate source.

The reply is not acceptable as acceptance of supply against a cancelled order and of different specification indicated that the officials of the Company had extended undue favour to supplier.

3.5.2 Supply of items before issue of purchase order

The supplier should supply the item after issue of purchase order. Scrutiny of records of selected Branch Offices revealed that in two instances the supplier dispatched the ordered item (*Yatri Pratikshalay*) even before the issue of purchase order in two out of selected nine Branch Offices. The details are given in **Table-3.3.**

Table 3.3: Details of supplies made before the issue of purchase order

Sl. No	Name of the Branch Office	Purchase order no. and date	Name of the supplier	Date of Dispatch/ installation of product	Value of the supply (₹ in lakh)
1	Biaora	Order no 1075 dated 29-02-2020	M/s Fabricon Industries	25-02-2020[16]	15.14
2	Vidisha	Order no 1045 dated 23-03-2021	M/s Mahalaxmi Industries	Supplied and installed between 09-03-2021 and 13-03-2021	29.17
Total					**44.31**

Source: Data provided by the Company

The supply of items before issue of purchase order indicates collusion between suppliers and officials of the Company.

Government stated (July 2023) that parallel action was taken due to exigency of execution of orders.

The reply is not acceptable as no time limit was mentioned in the administrative approval given by the requiring entity. Further, documentary evidence indicating exigency of work was not submitted along with the reply for verification by Audit.

3.6 Lapses in quality control mechanism

3.6.1 Supply of item of requisite specification not ensured

The Company adopted (January 2016) rates/suppliers which was circulated by MP State Cooperative Marketing Federation (Markfed) for supply of living earthworm (species: ESSENA PHOETADA). The Company forwarded the rates of Markfed to Regional/Branch offices. The rate order issued by Markfed stated that the species of live earthworm should be clearly mentioned in supply orders so that supply of prescribed species could be ensured.

Scrutiny of records of Branch Office, Balaghat revealed that during 2019-20, supplier (M/s Navbharat Agro) supplied living earthworm costing ₹ 1 crore. We noticed that Regional Manager, Jabalpur Region did not mention the species of the living earthworm in the supply order. Further, no documentary evidence indicating supply of requisite species were found in the records submitted to audit. Thus, supply of living earthworm of requisite species could not be verified.

Government replied (July 2023) that the Regional Manager did not mention the species of living earthworm in purchase order and further stated that the order issued by the Regional Manager had the reference of the order issued by Markfed.

The reply is not acceptable as the rate order issued by Markfed explicitly stated that the species of live earthworm should be clearly mentioned in supply orders.

[16] Out of six dispatches, two dispatches were dated and supplied on 25-02-2020 and four were undated

3.6.2 No mechanism to verify the quality parameter

The Company floated (March 2020) RCO for living earthworm which had a condition that the supplied quantity should have 1000 earthworm per kg and at least 60 *per cent* should be adult population. However, we noticed that the Company had no mechanism to verify that the supplied living earthworm had 1000 earthworm per kg and at least 60 *per cent* was adult population. During 2020-22, the Company supplied living earthworm of ₹ 3.26 crore without verifying the quality of the supplied material.

Government stated (July 2023) that Agriculture Department had the expertise in knowing the species of the earthworm and no complaints were received.

The reply is not acceptable as the Company should have some quality check mechanism to verify supply of requisite quality of materials.

3.6.3 Irregularities in inspection by third party inspection agency

Rule 19.1 of the MP Store Purchase Rules and Service Procurement Rules 2015 provides that to ensure quality of items to be procured, the procurement agencies will ensure inspections of items before the supply of the item. Further, Clause 36 (ii) of the RCOs for supply of water tankers, pre-fabricated bus shelters and *Swagat Dwar* provided that all material supplied under the RCOs would be compulsorily inspected by third party approved by the Company for this purpose. At the time of payment, the bidder should submit inspection report along with bills. The cost of inspection would be borne by the respective suppliers. In the purchase orders for water tankers, the Company had mentioned M/s IR Class Systems and Solutions Private Limited (IR Class) as agency for third party inspection. However, we noticed that IR Class was approved by the Company for inspection of drips and sprinklers only.

Further, as per purchase orders of pre-fabricated bus shelters and *Swagat Dwars* placed to the supplier, the inspection of the product was to be carried out before the supply of the product. However, in three out of selected nine branch offices, we noticed that IR Class conducted the inspection of 99 products[17] after supply of the products. Further, as the inspection cost is paid by the supplier, the possibility of biased inspection reports cannot be ruled out as can be seen that no irregularity was found in inspection of these 99 cases.

Thus, the Company allowed IR Class which was selected only for inspection of drips and sprinklers for inspection of water tankers. Further, the inspection agency violated the conditions of inspection as mentioned in the purchase order by not inspecting the product before supply.

Government stated (July 2023) that the bus shelter was pre-fabricated item and permanently fixed in the ground. Therefore, third party inspection report after completion of the work had been considered.

The reply is not acceptable as the condition of purchase order provided for inspection of the product before the supply. Further, the inspection carried out after installation may be

[17] Supplied through ten orders, the inspection of the products were carried out by IR Class

biased as shortcomings found in inspection (after installation) may lead to uninstallation/ damage of the product.

3.6.4 Violation of the payment clause

Clause 19 of the RCO (June 2019) for supply of hybrid vegetable seeds stated that 80 *per cent* payment would be made to supplier after receipt of the amount from the beneficiary department and receipt of the verified bill. Rest 20 *per cent* payment would be made after receipt of the satisfactory report from the beneficiary department.

Scrutiny of records of Branch Office, Vidisha revealed that Branch Manager made (during April 2021 to March 2022) full payment of ₹ 7.52 lakh to two[18] suppliers without receipt of the satisfaction report from the beneficiary department. Thus, suppliers were irregularly paid ₹ 1.50 lakh (being 20 *per cent*) without receipt of satisfactory report. The satisfactory report was not received from the beneficiary department as of January 2023.

Government stated (July 2023) that if no complaint was received in 30 days from the field office, then 100 *per cent* payment was released. In future proper inspection will be ensured before payment.

Government accepted the audit observation and was taking corrective action.

3.7 Non-forfeiture of security deposit in case of delayed supply

RCO document provides penal conditions for bidders. As per the penal condition, the Security deposit of the supplier will be forfeited in case of failure of supply/delay in supply of material. We noticed that in 15 cases, five suppliers did not supply the ordered items and the beneficiary department cancelled the order due to non-receipt of intended goods. However, the Company did not forfeit the security deposit of these suppliers valuing ₹ 5 lakh.

Government stated (July 2023) that due to delay in supply by five suppliers, orders were cancelled and supply was made through other suppliers. Action is being taken against the defaulter suppliers.

Government accepted the audit observation and was taking corrective action.

3.8 Conclusion

Scrutiny of RCOs floated for procurement of different items revealed that the Company in violation of MP Store Purchase Rules and Service Procurement Rules, 2015 traded in water tankers (reserved item for MPLUN). The Company traded in items such as pre-fabricated bus shelters, gym equipment, *swagat dwars* etc. which were not at all related to the objectives of the Company. The Company incurred loss of ₹ 11.79 crore due to non-receipt of commission against the supply of drips and sprinklers. Further, the Company procured water tankers of ₹ 1.22 crore from suppliers who did not have required certificate regarding approved design. The Company registered two firms of same person (in one case proprietor of firm and in another one partner) in violation of RCO conditions. These two

[18] M/s Indo US (₹ 1.96 lakh) and M/s Asmi enterprises (₹ 5.56 lakh)

firms supplied water tankers valuing ₹ 3.68 crore. We noticed instances of irregular payment of ₹ 13.84 lakh against a cancelled order and supply of items before issue of purchase order. Supply of requisite specification of items could not be ensured due to lapses in quality control mechanism. The Company did not have mechanism to verify quality parameter.

3.9 Recommendations

- ***GoMP should fix responsibility for trading in reserved items and ensure that the Company works primarily towards its core objectives.***
- ***GoMP should intervene to get resolved the issue of commission payment to the Company against the supply of drips and sprinklers.***
- ***The Company should fix responsibility for supply of water tankers of un-approved design and for accepting supply against the cancelled orders and supply before the issue of purchase orders.***

Chapter-4

Financial Management

Chapter-4

Financial Management

4.1 Introduction

Financial Management is the management of financial resources of the organization. The outcomes of the business activities of an organization are reported through Annual Financial Statements of the organization. As per the Companies Act 2013, every Company should prepare its Annual Financial Statements within six months of the end of every financial year. As of December 2022, the Company had finalized Annual Financial Statements for financial years up to 2019-20 and Annual Financial Statements for 2020-21 and 2021-22 were in arrears. The detailed financial position and working results of the Company during 2017-20 are given in **Table 4.1.**

Table 4.1: Financial position and working results of the Company

(₹ in crore)

Sl. No.	Particulars	As per Annual Financial Statements for the year		
		2017-18	2018-19	2019-20
1.	**Profit Before Tax (PBT)**	**35.76**	**25.25**	**11.31**
2.	**Other Incomes of the Company**			
	(i) Other Income from Interest on Fixed Deposits	17.93	23.10	25.19
	(ii) Other Income from other than interest on Fixed Deposits (dividend, interest on IT refund etc.)	1.38	1.60	3.48
	2. Total Other Income	**19.31**	**24.70**	**28.67**
3.	**Operational profit (PBT-Total Other Income) = (1-2)**	**16.45**	**0.55**	**(-) 17.36**
4.	**Fixed Deposits at the end of year**	**306.55**	**365.51**	**425.52**

Source: Annual financial Statements of the Company for the respective years

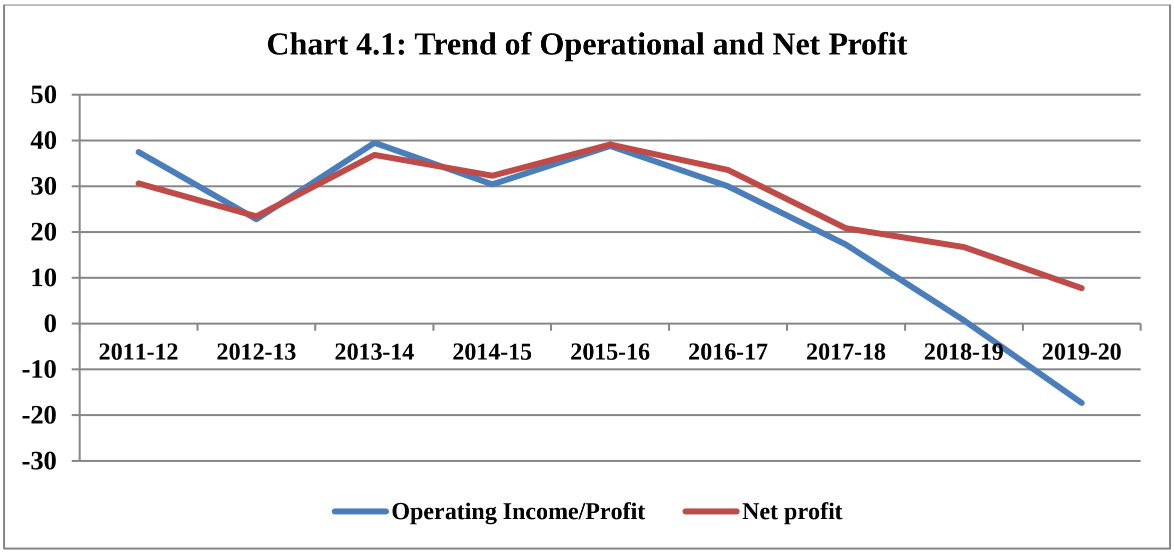
From **Table 4.1**, it can be clearly seen that the profitability of the Company sharply declined over the years and it suffered substantial operational loss of ₹ 17.36 crore during financial year 2019-20. Decline in profitability during 2018-19 and 2019-20 were due to operational loss in Bio-Fertilizers Plant and declined sale of Pesticides, Manure etc. due to implementation of Direct Benefit Transfer by Agriculture Department. The Profit Before Tax (PBT) looked high due to interest earned on fixed deposits (FDs).

The interest earned on FDs during the years 2017-18, 2018-19 and 2019-20 was 50.14 *per cent*, 91.49 *per cent* and 222.72 *per cent* respectively of the PBT. During 2019-20, the Company incurred operational loss of ₹ 17.36 crore and the loss was met from the interest earned on FDs. This indicates that on the operations side, the performance of the Company was falling year after year.

The Company kept huge amount ranging between ₹ 306.55 crore and ₹ 425.52 crore in FDs during 2017-20. However, the management of FDs were casual as we noticed loss of interest on FDs as discussed in **paragraph 4.2**.

4.1.1 Analysis of financial statements

We analysed financial statements i.e. balance sheets and profit and loss accounts of the Company for 2011-12 to 2019-20 to assess the overall operational efficiency of the Company. The financial position and working results of the Company for 2011-12 to 2019-20 are detailed in ***Appendix-4.1*** and graphically depicted in **Chart-4.1** below.



Our scrutiny of financial position and working results of the Company are discussed below:

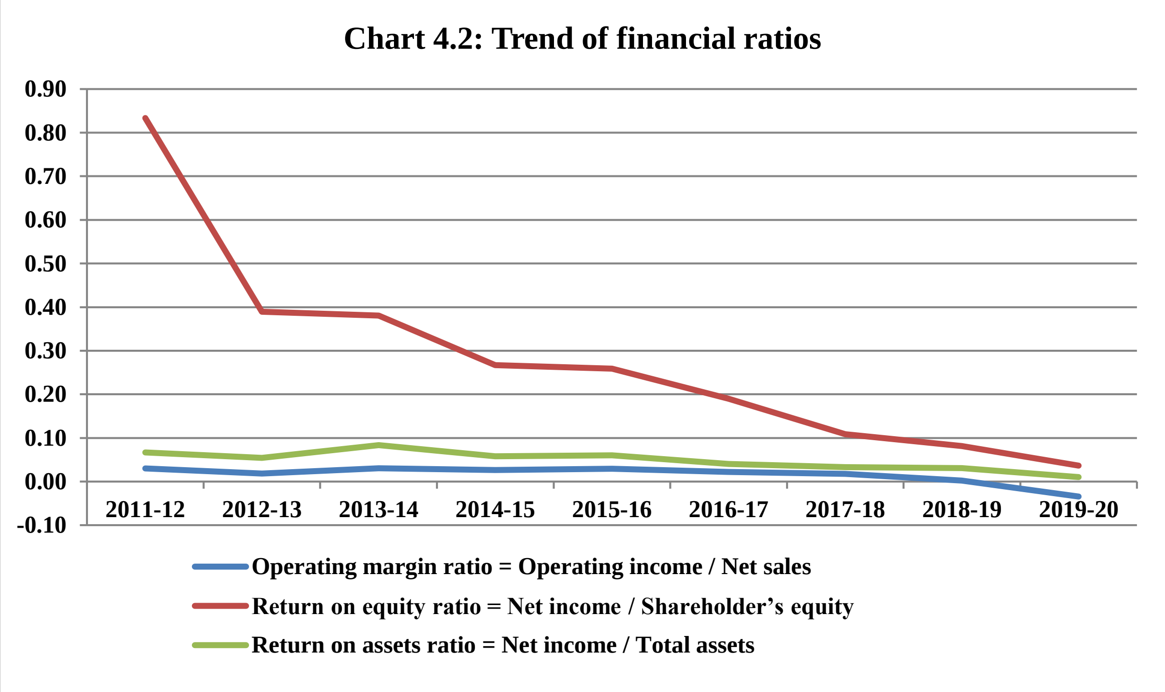
- The Company had no borrowing from any financial institution during the period.
- The Company had operational profit during 2011-12 to 2015-16. Thereafter, the operational profit declined continuously and the Company incurred operational loss of ₹ 17.36 crore during 2019-20. The decline in operational profit may be attributed to decline in operational revenue which declined from ₹ 1250.13 crore in 2011-12 to ₹ 504.23 crore in 2019-20.
- During 2011-12 to 2019-20, the Company invested funds ranging ₹ 171.86 crore to ₹ 425.52 crore in fixed deposits instead of investment in activities of the Company to generate operational revenue.

Thus, the above factors reflect adversely on the financial management and operational performance of the Company.

The matter was brought to the notice of the Government (May 2024), however, the reply was awaited.

4.1.2 Analysis of financial ratios

We analysed financial ratios viz Operating margin ratio (compares the operating profit of a company to its net sales from core operations), Return on equity (Shareholders' equity/Net worth) ratio (measures how efficiently a company is using its net worth/shareholders' equity to generate profit) and Return on total assets (measures how efficiently a company is using its assets to generate profit) ratio using financial position and working results of the Company for 2011-12 to 2019-20. These ratios are detailed in ***Appendix-4.2*** and graphically depicted in **Chart-4.2** below:



Analysis of financial ratios revealed the following:

- Operating margin ratio continuously declining from 2015-16. This shows declining operating efficiency (less Operating Profit was generated in comparison to its sales).
- Return on equity ratio is continuously declining from 2011-12. This indicates lower efficiency of the Company in using its equity to generate profit.
- Return on total assets ratio continuously declining from 2013-14. This shows lower efficiency of the Company in using its assets to generate profit.

Thus, operating margin ratio, return on equity ratio and return on total assets ratio were declining year after year which indicates towards operational inefficiency and weak financial management of the Company.

The matter was brought to the notice of the Government (May 2024), however, the reply was awaited.

4.2 Fixed Deposits (FDs)

The Company kept surplus funds in FDs. The position of fund invested in FDs (except FDs created through auto sweep at Branch Offices) during financial years from 2017-18 to 2021-22 (as on 31 March) are given in **Table 4.2.**

Table 4.2: Position of Fixed Deposits

(₹ in crore)

Sl. No.	Financial Year	Number of new FDs	Number of FDs renewed during the year	Total number of FDs	Fund invested in FDs
1	2017-18	149	86 FDs	235 FDs	213.15
2	2018-19	07	179 FDs	186 FDs	241.21
3	2019-20	01	167 FDs	168 FDs	183.77
4	2020-21	01	167 FDs	168 FDs	194.15
5	2021-22	56	140 FDs	196 FDs	250.04

Source: Information collected from the records of the Company

Scrutiny of records relating to investments/FDs of the Company revealed the followings:

- The Company had no monitoring mechanism to review the surplus fund invested and surplus fund available for investment. The management of the Company invested the surplus fund in a routine manner through renewal facility as seen in the above table.
- The Company did not have any investment policy for managing and investing its spare fund. Further, neither the MD nor the BoD ever reviewed the position of investment in FDs for purpose of monitoring or effective management.

4.2.1 Loss of interest

As a prudent practice, at the time of renewal or formation of FD, every entity should seek prevailing interest rates from various banks in order to avail competitive interest rates.

Scrutiny of records of the Company revealed that the Company did not have any practice of seeking interest rates from various banks for formation/renewal of FDs. Thus, the Company could not reap benefits of probable higher interest rates as it never invited interest rate quotations from the Banks. Moreover, the fixed deposits made prior to the year 2013 were being renewed with the same bank. Thus, the management had an indifferent attitude towards investment of surplus funds leading to financial losses to the company as discussed below:

- In 94 cases pertaining to 2017-18 to 2021-22, the company lost ₹ 35.72 lakh as the FDs were formed /renewed at lower rates whereas same bank/other bank was offering higher rates on the same day for the same duration.
- In 18 cases pertaining to 2019-20 to 2021-22, the Company lost ₹ 81.11 lakh as the FDs were formed/renewed for denomination more than ₹ 2.00 crore whereas the Banks were offering higher rate of interest on FDs having denomination less than ₹ 2.00 crore.

Thus, the Company did not adopt practice to seek interest rates from different banks to invest fund in banks offering higher interest rates resulting in loss of interest of ₹ 1.17 crore.

Government stated (June 2023) that in most of the cases FDRs were renewed in the same bank on maturity. While taking the proposals from other banks adequate care was taken for safety and security of the funds. In some cases to avoid delay in decision, investment was made in auto renewal mode, due to this lesser rates were received. However, we will take care in future to maximize the return with the safety.

Government agreed with the audit observation and assured to take necessary action.

4.3 Loss due to adopting incorrect valuation method

The Company made agreement (between 2006 and 2012) and invested ₹ 1.44[1] crore in three joint venture companies viz. MP Agro Nutri Foods Limited (MPANFL), Indore, MP Agro Food Industries Limited (MPAFIL), Mandideep and MP Agrotonics Limited (MPAL), Mandideep. The shareholders' agreement with the private parties had an "Exit clause" which

[1] ₹ 48.00 lakh in each joint venture. The Company had 30 *per cent* shareholding in these joint ventures.

envisaged that the joint venture companies shall become liable to purchase all the equity shares held by the Company after 31st March 2017 on the wish of the Company. The criteria for valuation of the shareholding was also laid down in the shareholders' agreement. As per the shareholders' agreement, the Company shall offer to sell its stake, giving three months' notice in writing, to the joint ventures who shall indicate acceptance or otherwise within that time. The co-promoters shall purchase shares within next three months.

Scrutiny of records of the Company revealed that the Company decided (September 2018) to opt the exit route as per shareholders' agreement on the basis of audited annual financial statements of the JVs for the year 2018-19. The Company issued (between June 2019 and September 2019) notices to the joint ventures for exit. In December 2019, the Company worked out valuation of its shares as ₹ 52.66[2] crore for all three JVs and accordingly intimated (December 2019) the values to the co-promoters of the joint ventures and demanded the valued amounts. The General Manager, Finance apprised (December 2019) the BoD that the Company had issued notices to joint venture companies to deposit dues and the BoD instructed the management to receive the share value by January 2020. Further, the BoD instructed (June 2020) to expeditiously recover the amount. Accordingly, the Company sent final notice (July 2020) to MPANFL, MPAFIL and MPAL to pay ₹ 52.66 crore stating that the valuation was uncontroverted and true, correct and acceptable to all the parties.

We noticed that the Managing Director, without informing BOD, appointed (July 2020) M/s Piyush Bindal[3] for valuation of shares of these JV companies as per exit route available in shareholders' agreement (Average Net Yield method). However, M/s Piyush Bindal submitted (July 2020) valuation Report based on Profit Earning Capacity Value Method as per which the valuation of shares of these joint ventures were ₹ 51.14[4] crore reduced by ₹ 1.52 crore in comparison to earlier valuation (₹ 52.66 crore). We further noticed that the co-promoters of all three joint ventures paid ₹ 51.14 crore during August 2020 to September 2020 to the Company.

The General Manager (Accounts) apprised (September 2020) the BoD that all the three JVs deposited the due amounts as worked out by M/s Piyush Bindal. However, the Board decided (September 2020) to form a four-member committee with directions that report of the committee may be sent to Finance Department for decision. Accordingly, a committee was constituted which submitted (September 2020) that BoD was competent to decide such matters and there was no need to seek approval from the Government.

We noticed that the BoD again instructed (July 2021) that a share valuer should be appointed in such a manner which did not arise any conflict of interest and the matter should be presented to the Board soon. The Company after carrying out tendering process appointed (September 2021) M/s Resurgent Valuers Private Limited as an independent valuer. M/s Resurgent Valuers Private Limited submitted (September 2021) valuation adopting the method as provided in exit route of agreement (Average Net Yield method) of shares at

[2] ₹ 20.29 crore, ₹ 17.35 crore and ₹ 15.02 crore respectively for MPANFL, MPAFIL and MPAL
[3] Registered Valuer with Insolvency Bankruptcy Board of India - Securities of Financial Assets
[4] ₹ 18.77 crore, ₹ 17.58 crore and ₹ 14.79 crore respectively for MPANFL, MPAFIL and MPAL

₹ 52.73[5] crore. The valuation was increased by ₹ 1.59 crore in comparison to valuation done by M/s Piyush Bindal.

We noticed that the matter was neither submitted to the Board in next two meetings[6] nor any member of BOD raised any concern in these two meetings. The Company did not transfer shares to the co-promoters of the Joint Ventures even after lapse of more than two years of receipt of due amount. Eventually, the private co-promoters (in respect of MPANFL) filed a writ petition in the Hon'ble High Court in September 2022 to seek refund of their paid amount with interest.

Thus, the Managing Director of the Company accepted the incorrect valuation report of M/s Piyush Bindal and received share value of ₹ 51.14 crore from the co-promoters of the joint venture companies led to loss of ₹ 1.59 crore.

Government while verifying the figures stated (July 2023) that the matter was sub-judice and already been taken seriously. The matter was placed before the BoD and also sought advices of advocate general of MP and other professionals too. As per the decision of the BoD, action will be taken.

Government accepted the audit observation.

4.4 Non-utilization of advances/subsidies received from Government

The Company receives advances/subsidies from Government on various counts. Scrutiny of books of accounts of the Company for 2017-22 revealed that as of March 2022 the accounting records were showing ₹ 5.60 crore as subsidy or advances received from Government departments and these advances/subsidies pertained to the period 2012-13 or earlier. The Company did not provide sanction letters for these advances, therefore, we could not ascertain the purpose and period of sanction. The Company neither adjusted nor refunded (except in one case discussed below) the advances and the fund was kept idle with the Company for almost 10 years. Further scrutiny of these cases revealed that:

- The Company kept ₹ 1.80 crore received prior to 2012-13 as advances for assistance to food park (Horticulture) idle for eight years and returned back (March 2020) to the Government without any interest. This indicates that the Company did not use the Government funds for the specified purpose and invested the unutilised funds in FDs and earned interest. This defeated the purpose of the funds.

- Out of advances of ₹ 30.24 lakh and ₹ 60.26 lakh received from Government for EDP programme (Horticulture) and food processing seminar respectively, the Company released ₹ 29.85 lakh and ₹ 24.10 lakh to twelve Government and non-Government institutions as advance during 2007-08 and 2008-09. However, till date no utilisation certificates or bills have been received from these institutions. The Company in March 2021 adjusted these advances against advances received from Government without seeking approval of the Board and without ensuring utilization of fund for the intended purpose. As

[5] ₹ 20.29 crore, ₹ 17.35 crore and ₹ 15.09 crore respectively for MPANFL, MPAFIL and MPAL

[6] 194th Meeting of BOD conducted on 24.03.2022 and 195th Meeting of BOD conducted on 23.08.2022

per delegation of power approved by Board[7], the Managing Director was empowered to write off maximum ₹ 5 lakh in a year. Thus, the Managing Director irregularly adjusted the fund without receipt of utilization certificate and also without approval of the BoD.

This indicated that the financial management of the Company was deficient.

Government stated (July 2023) that the Company had no intention to use Government funds but due to non-receipt of project completion certificate, payment to beneficiaries were kept pending. As and when confirmation is received from concerning authorities, the Company would reimburse the subsidy amount to beneficiaries. In this regard, process regarding reconciliation is in progress and in case if any unutilized amount is found it will be refunded.

The reply is not acceptable as the payments were pending since 10 years. Further, the Company did not furnish details wherein the payment was pending due to non-completion.

4.5 Non-disbursement of subsidy to entitled beneficiaries of bio-gas programme

Ministry of New and Renewable Energy (MNRE), GoI implemented (1981-82) National Biogas and Manure Management Programme (NBMMP). The Company was the implementing agency in the State and MNRE released subsidy to the Company. The Company was responsible for release of bio gas subsidy to the entitled beneficiaries after successful commissioning of the Bio Gas plants of the beneficiaries.

Scrutiny of records of the Company revealed that the Company did not disburse biogas subsidy of ₹ 3.66 crore (as on 31st March 2022) to the beneficiaries of which subsidy amount of ₹ 3.35 crore was pertaining to 1993-94 to 2016-17 and was not disbursed to the beneficiaries even after lapse of five to 29 years.

Further scrutiny in selected branch offices revealed that in 285 cases involving subsidy of ₹ 11.85 lakh, the branch offices did not issue cheques to the beneficiaries whereas in other cases involving ₹ 65.60 lakh, cheques were issued to the beneficiaries, however, the beneficiaries did not present the cheques in the bank in stipulated time resulting in reversal of these cheques.

Thus, due to laxity of officials of the Company ₹ 3.66 crore of biogas subsidy was lying with the Company for decades and the beneficiaries remained deprived.

Government stated (July 2023) that amount shown under biogas subsidy payment was showing delay due to non updation of KYC details of beneficiary. Hence, the Company will disburse subsidy as and when KYC details are updated.

The reply is not acceptable as the reason attributed for delay did not justify the delay of five to 29 years.

4.6 Non-accounting of interest in Scheme fund

Ministry of Agriculture and Farmers Welfare, Department of Agriculture, Co-operation and Farmer's Welfare, GoI launched *Rashtriya Krishi Vikas Yojana* (RKVY) in 2007-08. GoI

[7] 188th Meeting of BoD held on 27-09-2019

released fund to FWADD, GoMP which further extended the released fund to HFPD, GoMP. HFPD further transferred the fund to the Company.

During 2017-22, the Company received funds from HFPD for implementation of RKVY as detailed in **Table 4.3.**

Table 4.3: Year-wise receipt and expenditure of RKVY scheme

(₹ in crore)

Sl. No.	Year	Fund sent from HFPD to the Company (As per records of the Company)	Expenditure incurred out of the Amount provided to the Company	Amount unspent with the Company at the year end (Cumulative)
1.	2017-18[8]	0	0	0
2.	2018-19	10.00	0	10.00
3.	2019-20	18.71	10.17	18.54
4.	2020-21	12.35	14.49	16.40
5.	2021-22	19.71	8.40	27.71

Source: Data taken from the records/Tally/ERP software of the Company

The fund received was not spent in the year of receipt and the unspent amount was carried forward to the next years. At the time of revalidation (April 2019 and April 2020) of unspent balance of financial year 2018-19 and 2019-20, GoI revalidated the unspent balance along with the bank interest earned. Thus, the interest earned on unspent balance of the scheme should have been included in the scheme fund.

However, we noticed that the Company not only earned interest[9] by investing the unspent balances in FDs to the tune of ₹ 15.88 lakh and ₹ 33.55 lakh during 2018-19 and 2019-20 respectively but also booked such interest as its own income against the spirit of GOI directions. Thus, the Company irregularly treated interest income on unspent fund as income of the Company.

Government stated (July 2023) that the Company had spent more amount than received from Government such as PMKSY etc. In some cases, the Company has spent own funds on behalf of Horticulture Department.

The reply is not specific to the audit observation.

4.7 Non- availing the beneficial option for saving income tax, ₹ 1.72 crore

The Company was paying income tax on profit earned for the financial years from 2017-18 to 2020-21 at the rate of 30 *per cent*[10] of profit. In the year 2021-22 the Company suffered loss of ₹ 6.13 crore[11], therefore, it was not liable to pay income tax for the year.

Section 115BAA of the Income Tax Act 1961 stipulated that the income-tax payable in respect of the total income of a person, being a domestic company, for any previous year

[8] No fund was received during 2017-18.

[9] During 2018-20, the interest rates on FDRs were ranged between 5.15 *per cent* and 7.50 *per cent*. However, we worked out interest conservatively at the rate of four *per cent* per annum on the unspent fund.

[10] Plus applicable surcharge and Health and Education Cess

[11] As worked out by the Company for Income Tax purpose

relevant to the assessment year beginning on or after the 1st day of April, 2020, shall, at the option of such person, be computed at the rate of twenty-two *per cent*[12]. Further, certain conditions were prescribed for availing the option.

Scrutiny of records of the Company revealed that the Company was eligible to pay tax at the lower rates as per Section 115BAA as it was satisfying all the prescribed conditions. However, despite being entitled, the Company did not avail the option to pay lesser income tax under section 115BAA, and paid income tax as per earlier prevailing rates as detailed in **Table 4.4**.

Table 4.4: Comparison of Income Tax actually paid and payable as per new option

(₹ in crore)

Sl. No.	Year	Total taxable income	Income tax paid at prevailing rates	Income tax calculated under section 115BAA	Comparative loss due to non-availing of option
A	**B**	**C**	**D**	**E**	**F=D-E**
1	2019-20	13.16	4.60	3.31	1.29
2	2020-21	5.25	1.75	1.32	0.43
3	2021-22	(-) 6.13	0	0	0
Total					**1.72**

Source: Income tax returns of the Company for respective years.

Thus, due to non-availing the beneficial option available under Section 115BAA of Income Tax Act 1961, the Company had to bear avoidable tax burden of ₹ 1.72 crore.

Government stated (July 2023) that the Company had filed returns on the basis of provisional accounts due to non-finalization of books of accounts and delay in audit status was not clear at that time. Due to these, the Company has not availed the option.

The reply is not acceptable as the Company could have availed exemption of income tax on the basis of provisional accounts also.

4.8 Conclusion

The financial management and operational performance of the Company was not sound as the operational profit of the Company was continuously falling during 2015-20 and the Company suffered operational loss of ₹ 17.36 crore in financial year 2019-20. Further, the operating margin ratio, return on equity ratio and return on total assets ratio had declined during 2011-20 which indicates operational inefficiency. The management of the Company invested the funds in a routine manner resulting in loss of interest of ₹ 1.17 crore on FDs. The Company adopted incorrect valuation method for valuation of three joint venture companies which led to loss of ₹ 1.59 crore. The Company kept idle fund of ₹ 5.60 crore received from government departments as advances/subsidies for almost 10 years. Biogas subsidy of ₹ 3.35 crore was not disbursed to the beneficiaries even after lapse of five to 29 years. The Company did not account for interest amount of ₹ 49.43 lakh in scheme fund in violation of GoI guidelines. Further, the Company failed in opting beneficial option for saving income tax of ₹ 1.72 crore.

[12] plus applicable surcharge and Health and Education Cess

4.9 Recommendations

- ***GoMP should take corrective actions to strengthen the operational efficiency of the Company.***
- ***GoMP should ensure that the Company invests its fund in beneficial option by obtaining interest rates from different banks.***
- ***GoMP should fix responsibility for non-utilization of fund for intended purposes and ensure that the Company returns back idle unspent fund to the Government immediately.***
- ***GoMP should fix responsibility for delay in payment of subsidy and ensure immediate payment to the entitled beneficiaries.***

Chapter-5

Production and supply of Ready-to-Eat Products

Chapter-5

Production and supply of Ready-to-Eat Products

5.1 Introduction

The Company entered (December 2011) into an agreement with Women and Child Development (WCD) Department incorporating conditions to supply supplementary nutrition food of specified quality for children aged between six months and three years, pregnant and lactating women and adolescent girls under Sabla Scheme. WCD would provide wheat and rice to the Company at subsidized rate through Madhya Pradesh State Civil Supplies Corporation Limited (MPSCSCL) and the rate of supplementary nutrition food per beneficiary per day shall be decided by the WCD Department in consultation with the Company subject to ceiling limit set by the GoMP/GoI.

To supply Ready to Eat (RTE) product, the Company had a production plant at Baadi, set up in 1995 with initial capacity of 6,600 MT of supplementary nutrition food which was subsequently augmented to 18,000 MT (2010) and further to 20,500 MT (2014). Further, additional capacity of 400 MT per month of *Khichadi* premix was also created in 2019-20.

The Company also managed the operation and maintenance of the seven new RTE plant of the State Rural Livelihood Mission (SRLM) for the period March 2020 to March 2022 entrusted (January 2020) by Panchayat and Rural Development Department (PRDD), GoMP. An Inter-Departmental Committee[1] was also constituted (March 2020) by General Administration Department, GoMP which was the final authority to decide on the matter pertaining to recipes, rates, and quality of the RTE products.

5.2 Non-receipt of supervision charges

We noticed that the Company took over (February 2020) the operation and management of seven plants from SRLM without executing any Memorandum of Understanding or Agreement and firming up the supervision charges to be received.

In the meetings of Inter Departmental Committee held in June and July 2021, the Company demanded payment of three *per cent* commission on actual expenses incurred on operation of these RTE plants. In the meeting held in July 2021, it was decided that the Company would submit a proposal of three *per cent* commission calculated on actual expenditure incurred along with audited accounts of all the seven plants to the Chief Executive Officer, SRLM, who in consultation with Finance Department, GoMP would get the same approved.

The Company submitted (July 2021) proposal for payment of three *per cent* service charges amounting to ₹ 16.06 crore to Chief Executive Officer, SRLM. Meanwhile, the committee of the ministers decided (September 2021) that operation and maintenance of

[1] Principal Secretary, HFPD as a chairman, PS, PRDD, PS, WCD, PS, Finance Department as member and MD, Company as coordinator.

all the seven SRLM plants would be returned back to the SRLM. Accordingly, the plants were handed over back between December 2021 and February 2022 to the SRLM.

We noticed that the Company has not got the accounts for the financial years 2020-21 and 2021-22 of the seven plants of SRLM audited (as on 31 January 2023) which led to delay in submission of the proposal to the committee for arriving at decision in respect of these charges. Meanwhile, the Managing Director requested (December 2021) to Chief Executive Officer, SRLM for making budget provision of ₹ 32 crore for payment of supervision charges for the period March 2020 to March 2022. We noticed that the Company worked out supervision charge of ₹ 32.38 crore recoverable from SRLM.

Thus, failure of the Company in executing any MOU/Agreement with SRLM with clear term and condition for supervision charges resulted in non-receipt of supervision charges of ₹ 32.38 crore.

The Government stated (July 2023) that the decision is yet to be taken by the Inter-Departmental Committee.

However, the fact remains that Inter-Departmental Committee had asked the Company to submit the audited accounts (2020-21 and 2021-22) of the plants which were not finalized till date (January 2023).

5.3 Non-receipt of payment for supply of RTE products

As per clause 15 of the agreement (December 2011) with the WCD Department, payment of the bills raised against supply of RTE products should be generally made within 30 days from the date of receipt of the bill.

The Company submitted consolidated bill of ₹ 48.85 lakh on 25 August 2020 against supplies made during March 2020 from its Baadi Plant which was to be paid by 24.09.2020 (within 30 days). However, WCD Department did not pay the bills. We noticed that the Company did not pursue the issue of non-payment of outstanding bills and continued to supply till May 2021. As a result, ₹ 2.14 crore was outstanding against WCD Department for supply of RTE products for adolescent girls during March 2020 to May 2021 from the Baadi Plant. The Managing Director of the Company requested (September 2021 and February 2022) WCD Department for payment of outstanding amount stating that payment to suppliers of raw materials had already been made by the Company from its own fund. However, the Company did not receive payment against the outstanding bills and the WCD Department intimated (February 2023) that the grant in respect of above scheme had been demanded from the GoI and same would be paid as and when the grant is received.

We noticed that the Company continued supply and inordinately delayed in requesting payment despite knowing that the bills were pending since September 2020. This resulted in blockage of ₹ 2.14 crore of the Company fund.

The Government stated (July 2023) that the Sabla Scheme was closed since 2019 and it was continuously requesting WCD to release the amount.

The reply is not acceptable as blockage of fund for such long period will adversely effect the financial position of the Company. Further, supplies made after discontinuation of Sabla Scheme (i.e. after 2019) ultimately led to non-receipt of payment/blockage of funds of the Company and also raise doubts on internal control mechanism of the Company.

5.4 Excess deduction

In a meeting (September 2015) between MPSCSCL, WCD Department and the Company regarding redetermination of margins pertaining to supply of BPL wheat and rice by MPSCSCL it was decided that MPSCSCL will supply wheat and rice at Central Issue Price of ₹ 415 and ₹ 565 per quintal respectively to the Company for schemes of *poshan aahar* and scheme for adolescent girls who would lift the above items directly from MPSCSCL godowns.

During the year 2016-17, rates of subsidized wheat and rice were reduced by the GoI and communicated (March 2017) to the Company. The new rates of wheat and rice for Integrated Child Development Scheme (ICDS) were ₹ 247 and ₹ 347 per quintal respectively.

The Company had made payment of wheat and rice at old rates leading to extra payment of ₹ 8.01 crore to MPSCSCL (during 2016-17). We noticed that while WCD Department adjusted (February 2017) ₹ 8.01 crore from the bills of the Company, the company could get a refund of only ₹ 3.67 crore from MPSCSCL and the balance ₹ 4.34 crore was adjusted by MPSCSCL against margin money recoverable from the Company. The matter was pursued by the Company against WCD through arbitration but same was decided against the Company (23.10.2017). Post arbitration decision, the Company could not recover the amount from WCD/MPSCSCL.

The Government stated (July 2023) that process was underway to recover the amount from MPSCSCL.

The fact remains that the Company could not recover the amount even after lapse of more than five years.

5.5 Loss of business and interest due to delay in receipt of payment

As per clause 15 of the agreement (December 2011) between WCD Department and the Company, WCD Department would pay for the supply of Ready to Eat product, within one month from the submission of the consolidated bills by the Company. Further, as per GoMP order (October 2009), WCD Department would pay 60 *per cent* in advance to the Company.

The WCD Department issued 42 supply orders for supply of Ready to Eat product to the Company during 2018-22[2]. As per above GoMP order, 60 *per cent* advance against the total amount of ordered quantity should be given at the time of issue of supply order itself

[2] The data for 2017-18 was not included because in this year bill payment was made district-wise on different dates and further consolidated supply was made from all four plants (one own and three JVs) to districts and hence the value and date of supply from Baadi Plant could not be ascertained.

and remaining 40 *per cent* should be paid within month from the date of submission of consolidated bill by the Company.

We noticed that advance was given when partial or complete quantity was delivered against the supply order as detailed in ***Appendix 5.1***. Further, as per cabinet decision (January 2020), the WCD Department would provide advance to the Company which should be the average of three-month supply order and same shall be adjusted against the bills issued in each month. We noticed that WCD Department provided only one-time advance of ₹ 50 crore in May 2020 and thereafter no advance was given for 18 orders placed by WCD during 2020-21 and 2021-22.

We noticed delay in payment of remaining bill amount as WCD Department failed to clear consolidated bill submitted by the Company within prescribed time. We also noticed that there was delay in payment of bills of 28 supply orders (***Appendix 5.2***) out of 42 orders ranging from one to 96 days beyond the prescribed time limit. This resulted in:

(a) Blockage of company working capital led to interest loss of ₹ 26.74 lakh.

(b) Payment to raw material suppliers were delayed ranging from four to six months instead of 30 days maximum period allowed for payment as per terms of tender. In turn suppliers quote higher rates for supply of raw material as they consider interest cost for delayed period while providing quotation and such quotations have to be accepted by the Company owing to the fact that payments are delayed by the Company.

(c) Schedule of delivery of RTE product was extended beyond one month from the prescribed time limit of one month which ranged between one and 97 days. Such delays resulted in extension of *Poshan Aahar* cycle which consist of one order of RTE products each month. Audit observed that during 2020-21 and 2021-22 only eight and ten orders were given respectively instead of 12 orders in each financial year.

The Government accepted (July 2023) the observation and stated that mechanism in consultation with WCD department would be developed to ensure timely payment.

5.6 Undue benefit to vendor of plant and machinery

The Company proposed to construct a new supplementary nutrition food plant for production of *khichdi* premix at Baadi. The work of construction of plant was divided in two packages consisting of (i) construction of factory building and (ii) installation of plant and machinery respectively.

The work of construction of factory building was awarded (June 2018) to contractor M/s Girish Goswami with time period for completing construction of building in three months and total time allotted for completing civil works were five months i.e. by 18.11.2018 including rainy period. However, the Building was handed over to the Company after completion on 26.06.2019. The delay in construction of building was attributable to:-

i. Company failed to provide plant layout for construction of platform for installation of machinery within due time.

ii. Company took lot of time in finalization of color of sheet to be installed on roof and quality of electrical installation.

iii. Non-availability of proper storage for storing construction material.

iv. Heavy water clogging at the site in rainy season obstructing the filling of foundation of building.

The Company issued (June 2018) tender for fully automatic plant for production of 400 MT *Khichadi* every month at Baadi, Raisen with the following conditions:

(a) As per time schedule all the materials and equipment were to be supplied at the destination within 90 days from the date of order and further 60 days were allowed for installation i.e. total 150 days were allowed for a trial run from the date of order.

(b) On submission of bank guarantee of 50 *per cent* of order value equivalent advance was to be paid along with order to supply the plant.

(c) M/s Hindustan Equipment Pvt. Ltd, Indore (vendor) was selected as the lowest bidder and awarded (July 2018) the work for a total cost of ₹ 2.30 crore. The work of supply and erection of plant was to be completed by December 2018. Further as per above condition, the Company provided (August 2018) 50 *per cent* advance of total order value amounting to ₹ 1.15 crore to the vendor.

(d) Since civil works of the plant could not be completed timely, management revised (July 2019) the deadline for completion of erection work of plant as 15.08.2019. Actual production from the plant finally started from 13.12.2019. Audit noticed following shortcomings in completion of the work: -

- While the Building construction was completed on 26.06.2019, the Company paid advance to the vendor for installation of plant and machinery in August 2018 without verifying the progress of civil work resulting in blockage of fund of the Company and consequent interest loss of ₹ 2.68 lakh[3].

- The Company also lost the opportunity of earning approximately ₹ 26 lakh of profit per month due to the delay of 10 months in civil works.

The Government stated (July 2023) that the Company has charged penalty of ₹ 3.35 lakh from the civil contractor for the delay and ₹ 7 lakh from supplier of plant and machinery.

The reply is not acceptable as the penalty was imposed for the delay as per agreement. Further, the Government did not offer any comment on the advance released for supply and installation of plant without assessing the progress of the civil work.

[3] (₹ 1.15 crore *4%*7 months - During September 2018 to March 2019 as per prevailing interest rates during the period).

5.7 Non-compliance of clause regarding reservation of 30 *per cent* of required quantity from SC/ST entrepreneurs

The tender documents issued for registration of vendors (November 2018 and March 2020) for supply of 12 raw material items for RTE product for 2018-22 included clause that "As per the policy of the State Government in respect of purchase of items for the use of the Company, purchase preference, minimum to the extent of 30 *per cent* of the required quantity shall be given to those manufacturing units of M.P. belonging to the SC/ST entrepreneurs and registered with the company. A self-certified copy of certificate issued by the District Trade Industries Center (D.T.I.C.) in this regard should be attached".

We noticed that in the tenders issued during 2017-22 the Company did not mention the category of suppliers who were issued supply orders for supply of RTE products. Thus, the General Manager (*Poshan Aahaar*) neither ensured that the specific percentage of orders were issued to the SC/ST category suppliers nor any record was available with the Company having these details. Thus, the Company did not ensure compliance to the tender conditions.

Government stated (July 2023) that due to non-receipt of offers from SC/ST category, purchases have been made from other categories and care will be taken in future.

The reply is not acceptable as the Company did not maintain the data with regard to different categories of suppliers including SC/ST suppliers.

5.8 Conclusion

The Company did not adequately pursue its financial interest which led to non-recovery of supervision charges from SRLM, and deduction of margin money from MPSCSCL. Further, the Company did not have any system to ensure procurement of at least 30 *per cent* items from SC/ST entrepreneurs as envisaged in the tender for procurement of raw material for RTE items.

5.9 Recommendations

- ***The Company should pursue the issue of supervision charges vigorously in respect of SRLM plants.***
- ***The Company should make effective efforts to recover margin money from MPSCSCL immediately.***
- ***The Company should maintain data of different categories of suppliers including SC/ST so that procurement of at least 30 per cent items from SC/ST entrepreneurs could be ensured.***

Chapter-6

Performance of Mechanized Agriculture Farm, Babai

Chapter - 6

Performance of Mechanized Agriculture Farm, Babai

6.1 Introduction

GoMP allotted (in 1971) 3,251.28 acres land at Babai, Hoshangabad to the Company for establishment of Mechanized Agriculture Farm (MAF). The objectives of establishment of MAF were production and distribution of quality seeds to the farmers, use of latest agriculture machinery/implements in farming, demonstration of cultivation methods and functioning as a training Centre for the farmers.

However, the Company did not earn profit from MAF (except in the years 1988-89, 2011-12 and 2012-13) and as on 31 March 2022 the accumulated loss was ₹ 12.98[1] crore. As a result, GoMP transferred (2012) 1,678.73 acres land of MAF to Commerce, Industries and Employment (CI&E) Department. The Collector, Hoshangabad acquired (February 2018) 1.75 acres land for establishment of Poshan Aahar Plant and transferred (September 2020) 1,034.30 acres of land to Commerce, Industries and Employment Department for development of medical equipment park. As of March 2022, MAF possessed total area of 536.5 acres out of which 157.5 acres were developed for cultivation of wheat and paddy, 277.63 acres for orchards and remaining 101.37 acres were occupied by Madhya Pradesh Warehousing & Logistics Corporation (MPWLC), one temple premises, office building, godown, road etc.

6.1.1 Non-fulfillment of objectives of MAF

The Company was utilizing the MAF for farming activities such as cultivation of crop of wheat and paddy and maintaining orchards of mango, jackfruit, amla, chiku, guava and lemon and other activities. Thus, the Company did not utilize the MAF against the objective.

Government did not furnish reply.

6.2 Financial performance of MAF Babai

Details of sales of agricultural and orchard produces from MAF and profit/loss on sales during years 2017-18 to 2021-22 are detailed in **Table-6.1**.

Table 6.1: Profit and loss from sale of produce from the farm

(₹ in lakh)

Years	Sales from agricultural produces	Sales from orchard produces	Sales from Nursery	Total Sales	Total cost incurred	Profit/loss on sales
2017-18	100.55	21.54	0	122.09	131.90	-9.81
2018-19	79.62	48.37	0	127.99	129.66	-1.67
2019-20	71.14	21.91	0	93.05	130.50	-37.45
2020-21	40.01	34.34	0	74.35	136.93	-62.58
2021-22	56.01	53.39	0	109.40	128.57	-19.17
Total	**347.33**	**179.55**	**0**	**526.88**	**657.56**	**-130.68**

Source: Data taken from records of the Company

[1] Accumulated loss during 1971 to 2016-17 - ₹ 11.67 crore (as per Company records) and loss during 2017-22 - ₹ 1.31 crore totaling to ₹ 12.98 crore.

It may be seen from **Table-6.1** that the Company had incurred losses during the period 2017-18 to 2021-22 on sale of agriculture and orchard produces. The reason for the same are discussed in succeeding paragraphs:

6.3 Non implementation of recommendations of the expert committee

The Company constituted (November 2017) an expert committee[2] for providing an action plan for turnaround of the farm activities. The expert committee reviewed the records of production of crops and orchards, staff position and all the expenditure incurred for maintaining the farm for last 15 years and also conducted physical inspection of the farm to get first-hand experience of situation. Audit analysis of recommendations (November 2017) of expert committee and their implementation revealed the following:

(a) The expert committee recommended that tenders for sale of orchard produces should be called for a longer period i.e. for 5 to 10 years instead of one year. Though efforts were made in May 2018 to implement the recommendation, it has not been implemented till date. One year tenders as previously practiced were floated which deprived the Company of benefits of turning around of orchards over a period with high yielding crop, elimination of gap, replacement of dead/deteriorated/damaged trees with new saplings as envisaged in tender condition.

(b) The expert committee recommended that due to the sandy nature of land agricultural related activities would not be beneficial, therefore it would be appropriate to conduct horticulture related activities in the entire area of 1,570.8 acres. However, we noticed the management continued with the traditional farming of growing crop of wheat and paddy during the audit period and suffered loss of ₹ 22.83 lakh (***Appendix – 6.1***) during 2019-20 and 2020-21.

(c) The expert committee recommended for utilization of pesticides and proper manuring for increasing the yield of the orchard. The expert committee highly recommended for planning schedule of nutrition for various orchards as per their age. However, we noticed that for purchase of pesticides and manure, the in-charge of Babai farm raised demand of fund on yearly basis as per requirement. However, the Company did not provide fund on time which caused infestation of trees. We conducted joint physical inspection of the MAF, Babai and noticed that most of the trees of mangoes and guavas were infected with termites **(*Photo 1 & Photo 2*)** to a great extent resulting in early decay of the fruit bearing trees and loss of production.

[2] (1) Joint director Horticulture, Hoshangabad (2) Deputy Director Horticulture, Hoshangabad, (3) representative, Deputy Director Agriculture, Hoshangabad (4) Dean Agriculture College, Pawankheda, Hoshangabad (5) DGM, Babai HO, MP Agro (6) DGM, Babai Project MP Agro (7) Olympic Bio Agritec Pvt. Ltd, Indore, Consultant Horticulture.

	
Photo 1 (Guava Tree)	**Photo 2 (Mango Tree)**

(d) The expert committee also recommended for plantation of Bamboo and Moringa plant for utilization of spare land for generating annual income as the same require less care and lesser cost. We, however, observed that the Company did not plant bamboo and moringa plants resulting in loss of potential revenue.

(e) The committee also suggested various measures[3] for fencing of the farm to avoid entry of stray animals in the farms and prevent damage of farm produces. However, none of the measures were carried out by the management. We also observed that in absence of proper fencing, in one instance 10 acres of crop were damaged/lost due to grazing by cattle in December 2019.

(f) The expert committee had recommended that since agriculture crops were not performing up to the standard, land should be offered to private party for developing various new high value orchards like custard apple, Litchi, Jamun, Tamarind, Bael etc. However, the management did not take initiative to develop new orchards during 2017-18 to 2021-22. We also observed that no new plantation was done in last eight years.

Thus, the Company failed to implement any of the recommendations of the committee.

The Government stated (July 2023) that earlier report submitted by the expert committee was made on the then circumstances and environmental conditions prevailing at that time, now the climatic conditions have changed and meanwhile many agricultural technologies have advanced. Therefore, the Company is in the process of constituting a new expert committee to submit a fresh report based on the present circumstances.

The reply is not acceptable as the Company was to implement the recommendation of the expert committee immediately after the receipt of the report.

[3] Plantation of Gooseberry and Shikakai in the first row on the boundary/ridge in the entire field. Bamboo should be planted in the second row and in the third row, plantation of Moringa (drum stick) should be done.

6.4 Under-utilization of land

MAF had 435 acres of land available for cultivation (units 1+2+3) during 2017-20. The cultivation area was reduced to 157.5 acres (unit 1) during 2020-22. We observed that land utilization for cultivation of kharif and rabi crops ranged from 31 to 44 *per cent* and 68 to 91 *per cent* respectively during 2017-20. Thus, during 2017-20, the available land was under-utilized ranging between nine *per cent* to 69 *per cent* due to non-availability of proper irrigation facility in the farm and non-availability of sufficient manpower for supervision. We further noticed that as on November 2017 total 36 tube wells (nal-kup) were established in the farm out of which 10 tube wells were in non-working condition. Thus, failure of Company in improving the irrigation facility and insufficient manpower resulted in under-utilization of the available land.

Government stated (July 2023) that constitution of new expert committee is under process. Based on the recommendation of the committee irrigation facility will be developed for better utilization of the land.

Government accepted the audit observation.

6.5 Poor performance of nursery

MAF Babai developed (October 2006) a nursery with total area of 9.88 acres through the one-time grant of ₹ 18 lakhs received from the Horticulture and Food Processing Department with the condition that the nursery shall produce four lakh saplings each year and would recoup recurring cost through the sale of the saplings produced.

For sale of saplings the nursery should be recognized by the National Horticulture Board (NHB). In-charge of MAF submitted (December 2015) an application to NHB for recognition. After few postponements (as facilities and new plants were not developed as required for the model nursery) on the request of the Company, the assessment team from NHB finally visited the nursery in October 2021 and reported that the nursery was not eligible for any rating as the marks obtained were below the qualifying marks. The assessment team gave some suggestions for further improvement of nursery like spraying of micronutrient to the mother plants, developing infrastructure for propagation work, keeping the nursery area free from weeds and maintaining registers for pedigree records of mother plants and preparation of flow chart/calendar of operation.

We noticed that the management of MAF, Babai did not ensure compliance to the suggestions of the assessment team. Resultantly, the nursery was not recognized till March 2022. We further noticed that the model nursery had 54,850 plants in 2015-16 and there was no sale from the nursery due to want of recognition.

Government stated (July 2023) that in view of the suggestions and observations, necessary instructions for improvement of the nursery were being issued.

Government accepted the audit observation and is taking corrective action.

6.6 Irregularities in auction/tendering of trees and orchard

MAF developed orchards of fruits and vegetables on 436.50 acres of land and sold the produces by inviting offers through tenders. During 2017-22, the produce of orchards were sold for ₹ 1.80 crore (***Appendix 6.2***) through tendering. Scrutiny of records pertaining to sale of produce of orchards revealed the following shortcomings:

(a) According to tender conditions, the tenderer should give the actual information about weight of daily removed/collected fruits from the orchards to the field-in-charge so that he can prepare yearly production report of each orchard for future, which will form the basis of next year valuation report. We observed that the management did not have its own weighbridge to fulfill this condition and the tenderer also did not provide the daily report about weight of removed fruits to unit-in-charge during 2017-22. We noticed that the in-charge of the orchard did not take action against the tenderer for non-compliance of the tender condition. Thus, the MAF did not have records for yearly production.

(b) The reserved price of the tender was to be based on the valuation reports and previous year sales. As per one of the recommendations of the committee, proper potential report of various orchards should be prepared and should be marketed, so that high rates can be fetched. As the MAF did not have previous year production data, therefore, the valuation report prepared was just an estimation of production.

Government stated (July 2023) that at present for weighing the agriculture produce, weighing machine was installed with maximum capacity of 150 kg. Production record has been called from the in-charge MAF, Babai for purpose of future tendering.

Government accepted the audit observation and is taking corrective action.

6.7 Non-compliance of norms regarding gap between two plants

National Horticulture Board provides that suitable gaps should be kept between the two trees. In this connection we noticed following points:

(a) As per norms of National Horticulture Board the ideal gap between two guava plants should be 6*6 meter (110 plants in one acre). We noticed that the MAF, Babai had a 25 acres orchard and as per norms there should be 2750 guava plant. However, the orchard had only 1201 guava plants as on 30 September 2017 (44 *per cent*) and there was shortfall of 1549 plants. Thus, the MAF, Babai failed in fully utilizing the land resulting in under-utilization of the land as well as loss of revenue.

(b) Similarly, as per norms of National Horticulture Board the ideal gap between two mango plants should be 10*10 meter (63 trees in one acre). We noticed that MAF, Babai had a mango orchard in 324 acres land and number of mango trees in the orchard was 4,400 (September 2017) against the required 20,412 mango trees as per norms. Thus, there was a shortfall of 16,012 trees which resulted in under-utilization of the land as well as loss of potential revenue.

We noticed that the expert committee had also recommended for planting trees for filling the gaps in the orchards, however, the Company failed to take suitable measures.

Government stated (July 2023) that efforts would be made to plant wherever possible the horticulture plants so that the vacant spaces in the orchard farm would be utilized in better way and increase the profit of MAF, Babai.

Government accepted the audit observation and is taking corrective action.

6.8 Non availability of Horticulturist at Babai farm

As per sanctioned strength, only one horticulturist is sanctioned for the Company, that too, at its headquarters. Since MAF, Babai had orchards of fruits and vegetables, requirement of horticulturist as specialist for the maintenance of the farm was a necessity. We observed that the MAF was headed by an official with accounts background. This resulted in deprival of valuable technical advice of a Horticulturist.

Government stated (July 2023) that efforts were being done to take the services of the M.Sc Horticulturist on outsourcing basis. Proposal is being placed before the BoD for approval.

Government accepted the audit observation and is taking corrective action.

6.9 Conclusion

The Company failed in utilizing the MAF for intended objectives. This resulted in the very purpose of MAF being not achieved. Further, the Company did not implement the recommendations of expert committee constituted for turnaround of the farm activities. During 2017-22, the utilization of land of MAF, Babai ranged between 31 to 91 *per cent* leading to underutilization of land. MAF, Babai developed a nursery in 2006, but the nursery was not recognized as of March 2022. We noticed instances of irregularities in auction/tendering of trees and orchards and non-compliance of norms regarding gap between plants.

6.10 Recommendation

- ***The GoMP and the Company should jointly ensure optimum utilization of MAF for the intended purposes.***

Chapter-7

Implementation of National Biogas Programme

Chapter-7

Implementation of National Biogas Programme

7.1 Introduction

The Ministry of New and Renewable Energy (MNRE), GoI implemented (1981-82) National Biogas and Manure Management Programme (NBMMP) nationwide. The Company was the State Nodal Agency for implementation of NBMMP in the State since 1985-86. Upto 2017-18, the NBMMP was implemented as per NBMMP guidelines and thereafter, with effect from 01.04.2018 as per revised guidelines i.e. New National Biogas and Organic Manure Programme (NNBOMP).

The main objectives of the Programme were (i) providing clean fuel for cooking and other domestic purposes, (ii) providing bio-fertilizer/organic manure to reduce usage of chemical fertilizers, (iii) mitigating drudgery of rural women, (iv) reducing pressure on forest, (v) accentuating social benefits and (vi) mitigating climate change by preventing black carbon and methane emissions.

MNRE set the annual targets for State and the Company (State Nodal Agency) set district wise targets after approval from the Farmer Welfare and Agriculture Development Department (State Nodal Department). The Farmer Welfare and Agriculture Development Department identified the beneficiaries through its district level functionaries in the State. The district level functionaries identified the probable beneficiaries and approached the Company for installation of bio-gas plant. The Company got the construction of the Biogas plant completed and transferred the subsidy to the beneficiary after successful commissioning of the plant at the site of the beneficiary.

MNRE provided financial assistance to the Company towards the administrative charges (based on number of bio-gas plants actually constructed) for implementation of the scheme and turnkey job fee (for construction, supervision, commissioning and free operation and maintenance warrantee for five years of the constructed plants). MNRE also provided financial assistance to the Company for communication and publicity of the Programme and for training courses (construction cum maintenance training, turnkey workers and management training courses, staff training courses).

During 2017-18 to 2020-21, the actual achievement against the target set for the State and the central financial assistance (including turnkey fee, publicity support etc.) are detailed in **Table-7.1.**

Table 7.1: Details of target, achievement and claims received from MNRE

(₹ in lakh)

Sl. No.	Year	Target of biogas plants in number	Achieve-ment of Bio-gas plant in number (in *per cent*)	Central subsidy	Adminis-trative charges	Turnkey fees	Additional subsidy for toilet attachment	Training	Communi-cation and publicity	Total
1	2017-18	8,500	5,230 (61.53)	495.66	18.31	78.45	3.37	10.41	0.88	607.08
2	2018-19	6,000	1,905 (31.75)	233.04	8.22	47.63	1.79	0	0	290.68
3	2019-20	5,800	3,614 (62.31)	443.41	12.65	90.35	1.58	4.70	0.07	552.76
4	2020-21	4,600	3,104 (67.48)	380.65	10.86	77.60	0.58	1.75	0	471.44
5	2021-22[1]	Nil	Nil (Nil)	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total		**24,900**	**13,853**							**1921.95**

Source: Data received from the Company

During course of audit, we found following irregularities in implementation of the New National Biogas and Organic Manure Programme:

7.2 Turnkey job work

The guidelines envisaged turnkey job fee[2] to be paid to the Company for construction, supervision, commissioning and free operation and maintenance warrantee for five years trouble free operation of plants including quality control at all levels. The turnkey job worker was required to inspect the plants twice every year.

Audit noticed that out of 49 branches, the Company employed turnkey workers in 21 branches (during 2017-18), 18 branches (during 2018-19), 17 branches (during 2019-20) and 19 branches (during 2020-21) and in rest of the branches, the Company itself was doing turnkey job.

Scrutiny of records of selected nine Branch Offices revealed that the Company installed 4,202 bio gas plants in the selected Branch Offices from 2017-18 to 2020-21. However, joint physical survey of 90 bio gas plants (10 plants per selected branch) revealed that in case of 80 bio gas plants (except 10 plants in Balaghat), the Company did not conduct any inspection of the installed bio-gas plants either through its employees or through turnkey job workers to ensure smooth operation.

We further noted that the Company claimed and received ₹ 78.45 lakh, ₹ 47.63 lakh, ₹ 90.35 lakh and ₹ 77.60 lakh towards turnkey job fee against biogas plants installed for 2017-18, 2018-19, 2019-20 and 2020-21 respectively from MNRE, GoI.

The Government replied (July 2023) that the Company engaged the workers on contract basis (turn-key/self-employed) and at the places where such contractual workers were not available, the work was being inspected/supervised by the staff of the Company.

[1] The programme was not implemented during 2021-22.

[2] ₹ 1500 per plant for the year 2017-18 and ₹ 2500 per plant from 2018-19 onwards.

The reply is not acceptable as biogas plant inspections were not conducted at any of the selected branches (except Balaghat) either by contractual workers or staff of the Company. Further the Department did not provide any records in support of inspections carried out.

7.3 Publicity and promotion of the programme

The programme guidelines envisaged to provide financial support to the Company for communication and publicity on the basis of actual expenditure incurred. Accordingly, the Company was entitled to incur upto a maximum of ₹ 4 lakh per annum. However, the Company incurred and claimed only ₹ 88,385 and ₹ 7,000 for publicity during 2017-18 and 2019-20 respectively.

This indicates that the Company did not effectively publicize the bio gas programme. It may be noted that the Company could not achieve the target for installation of bio-gas plants and the achievement against the target ranged between 32 *per cent* and 67 *per cent* during 2017-18 to 2020-21 as given in **Table-7.1**.

In order to ensure 100 *per cent* achievement of the target for installation of bio-gas plants, the Company had a policy to provide ₹ 75 per plant to encourage young villagers/ Sarpanches/Panches/staff of the Agriculture Department to motivate villagers for installation of bio-gas plants since long. We noticed that the Company did not pay the dues of the entitled encouragers and the Company had an outstanding amount of ₹ 9.21 lakh at the end of March 2018 towards encouragers which increased to ₹ 9.88 lakh as on March 2022.

The Government accepted (July 2023) the observation and stated to have instructed the Branches to make the payment at the earliest.

7.4 Warranty cards not provided

As per programme guidelines, each biogas beneficiary would be provided five years' free warranty services. Further, the Company should also give warranty cards and 10 complaint cards for the use of beneficiary to lodge complaint in the event the biogas plant becomes non-functional during the warranty period of five years. The payment of turn-key job fee was to be made in three parts i.e. at the time of plant installation (₹ 1500) and balance (₹ 1000) was to be paid in two equal installments after proper verifications of the services at the end of third year and fifth year. This was also subject to visit of plant twice in a year. However, during joint inspection of plants in the selected branches, we noticed that the Company had not provided warranty cards. Thus, the beneficiaries were deprived of the services in case of need.

The Government stated (July 2023) that warranty cards are made available by the branch offices and the beneficiaries are also contacted through mobile. Action is being taken to make available the warranty cards.

The reply is not acceptable as joint survey of 90 selected beneficiaries revealed that warranty cards were not issued to any of the beneficiaries.

7.5 Completion certificates were not in prescribed format

The guidelines of the programme prescribed format for the Completion Certificate which was to be used after successful commissioning of the plant and the completion certificate was to be signed by two independent witnesses including one neighbour of the beneficiary. The subsidy was to be released to the beneficiary after issue of completion certificate. However, we noticed that the Company did not adopt the prescribed format of completion certificate and had no place for signature of independent witnesses and unique ID of the Plant (embossed on the components of the plant) was also not mentioned in the Certificates. The unique ID is crucial to avoid duplication/wrong reporting and false claims.

The Government replied (July 2023) that on completion certificate the signature of beneficiaries, Village Sarpanch, Branch Manager, officers of Agriculture Department were available.

The reply is not acceptable as the Company was not adhering to the prescribed format.

7.6 Training not conducted

The guidelines provided target for training courses such as construction-cum-maintenance (CCM), user courses, biogas turn-key workers course, staff training courses and skill developments courses to the Company. The trainings were to be provided at designated institute (Biogas Development and Training Centres-BDTC) and the training expenses charged by the institute were reimbursable to the Company at prescribed rate[3] by MNRE.

We noticed that the Company did not conduct prescribed number of trainings. The Company trained only 82 users (42 *per cent*) against 197 users, two against four turnkey workers, 28 CCMs against 43 CCMs and further no staff was trained against the target of two trainees during 2017-18 to 2020-21. The Company did not conduct required trainings despite the training charges being reimbursable from MNRE. Thus, not only the beneficiaries were deprived of getting acquainted with proper usage and benefits of bio-gas plants but it also impacted development of skilled worker.

The Government replied (July 2023) that the targets could not be completed due to covid in 2019-20 and care will be taken to achieve the targets.

The reply is not acceptable as the Company did not meet its training targets prior to the covid pandemic period during 2017-20.

7.7 Joint physical verification

We conducted joint physical verification of 90 randomly selected biogas plants with the representatives of the Company in nine[4] selected branches. We noticed following discrepancies in joint physical verification:

---

3 Users course ₹ 4,000/- per candidate, ₹ 10,000 each for staff course, ₹ 50,000 each for CCM and ₹ 75,000 each for turn-key workers and Management course/skill development for TKWs/RETs/SHGs/official of SND.

4 Biaora, Panna, Vidisha, Balaghat, Chhatarpur, Dindori, Katni, Bhopal and Sagar

a) We noticed that 23 out of 90 plants were in non-functional condition due to stealing of gas pipe, shortage of water, non-receipt of stoves etc. in seven branches (except Balaghat and Bhopal branches)**.** We further noticed the following discrepancies in these 23 non-functional plants:

   i. The completion certificate in respect of the plant of one beneficiary[5] of Sagar Branch office was issued on 01.05.2021. However, during joint physical verification the construction of the plant was found incomplete.

   ii. One beneficiary[6] was not using the biogas plant and converted the structure into toilet. It indicates that the Company was neither making timely inspections nor it took proper steps to spread awareness.

b) As per guidelines, subsidy to eligible beneficiary was to be paid immediately after commissioning of the biogas plant and issue of completion certificate. Audit noted that the completion certificate for plants of three[7] beneficiaries and one[8] beneficiary of Katni and Dindori branches respectively were issued on 14.07.2021, 04.06.2021, 10.07.2021 and 04.11.2019. However, the beneficiaries were not given their subsidy amount till date (December 2022).

c) Out of the 10 selected beneficiaries of the Bhopal Branch:

   i. Branch offices provided the subsidy for three[9] Biogas plants whose completion certificates were not signed by the Deputy Director, Agriculture and the branch manager of the Company. However, subsidy in all these cases was paid to the concerned beneficiaries. This indicates that the Company was releasing subsidy without ensuring completion of the bio-gas plant.

   ii. In respect of four[10] bio-gas plants, Branch Manager, Bhopal did not produce the completion certificate. Although, the bio gas plants were complete and subsidies had been released, it could not be ascertained whether the subsidy was provided before or after completion of works.

d) As per the programme guidelines, each plant should be serialized by giving unique ID number to avoid duplication/wrong reporting and false and fake claims and this Unique ID should also be recorded in the Master Biogas registers. However, we noticed that none of the 90 inspected plants were marked with unique identification.

The Government accepted the observation and stated (July 2023) that necessary instructions have been issued to all Branch Managers and Regional Managers to make all the plants functional.

---

5 Mr. Deshraj Lodhi having bio gas master register serial no. 12 of year 2020-21 (under Sagar Branch)

6 Mrs. Bagwati Bai Ahirwar having bio gas master register serial no. 29 (2017-18), Vidisha branch

7 Mr. Arjun Singh Lodhi, Mr. Jawahar Lal Lodhi and Ms. Jayanti Bai having bio gas master register serial no. 6, 7 and 8 of year 2020-21 respectively (Katni branch)

8 Mr. Dhaniya Singh having bio gas master register serial no. 03 of year 2018-19 (Dindori branch)

9 Mr. Mohar Singh Meena (2019-20), Mr. Pritam Singh (2019-20) and Mr. Chhgan Lal (2020-21)

10 Mr. Bapu Lal Vishwakarma, 2017-18, Mr. Bhagwan Singh, 2017-18, Mr. Omnarayan, 2017-18 and Ms. Reshma Bai, 2017-18

7.8 Conclusion

The Company did not ensure regular inspections of bio gas plants which led to plants remaining defunct. Further, the Company was also indifferent in making proper publicity of the programme which resulted in shortfall (ranged between 33 and 68 *per cent*) in achieving the target during 2017-21 and training the concerned parties.

7.9 Recommendation

- ***The GoMP and the Company should jointly ensure regular inspection of bio gas plants and make necessary efforts to publicize the New National Biogas and Organic Manure Programme.***

Chapter-8

Performance of Bio Fertilizer Plant

Chapter-8

Performance of Bio Fertilizer Plant

8.1 Introduction

The Company owns a Bio Fertilizer Plant (BFP) at Inderpuri, Bhopal. The bio fertilizer plant was functional since 1987 with a capacity to produce 1000 MT of powder based bio fertilizers annually. The BFP was closed during January 2020 to August 2022 due to repair/upgradation work.

8.2 Decline in production

The bio fertilizer plant had capacity to produce 1000 MT of powder based bio fertilizer annually. However, during 2015-16 to 2019-20 the plant produced bio fertilizer ranging between 125.08 MT to 395.91 MT as detailed in **Table-8.1.**

Table 8.1: Details of production, sales and net profit/loss of the plant

Sl. No.	Financial Year	Production (powder based bio fertilizer) (in MT)	Dispatch/ Sale (powder based bio fertilizer) (in MT)	Gross sale/ Dispatch value (₹ in lakh)	Manpower posted	Expense on Pay and allowance (₹ in lakh)	Net Profit or loss (-) (₹ in lakh)
1	2015-16	395.91	354.92	197.96	NA	91.09	22.32
2	2016-17	255.64	269.26	145.17	NA	80.10	-6.81
3	2017-18	133.79	139.53	78.80	14	75.62	-32.07
4	2018-19	127.99	122.07	66.33	16	94.14	-62.88
5	2019-20	125.08	117	64.12	13	99.28	-71.47
6	2020-21	0	0	0.21	12	96.75	-114.56
7	2021-22	0	0	0	10	88.64	-103.40

Source: Data taken from the records/Tally/ERP software of the Company

It may be noted from the Table that the plant was running in loss during 2016-17 to 2019-20 due to decline in sale. Thereafter, the Company decided (September 2019) to close the plant for repair and upgradation of the plant to produce liquid based bio-fertilizer.

8.2.1 Delay in taking decision for upgradation of the plant

In view of decline in popularity of powder based bio fertilizers, the Company decided (September 2019), to shift from production of powder based bio fertilizers to liquid based bio fertilizer. Though the bio fertilizer plant produced bio fertilizer ranging from 125.08 MT to 395.91 MT (12.50 *per cent* to 39.59 *per cent* of the capacity) during 2015-20 and was also running in loss since 2016-17, the Company took three years in taking decision to upgrade the bio fertilizer plant from powder based to liquid based bio fertilizer.

Government stated (July 2023) that efforts were made to find consultant from the government organizations/universities etc. since 2016. However, the production as per demand was made by the plant.

The reply is not acceptable as the reason stated for delay of three to five years in taking decision of upgradation is not convincing.

8.2.2 Delay in repair/upgradation work

Plant-in-charge, BFP requested (June 2016) the management to get the dilapidated BFP building and staff quarters repaired and also sent two reminders[1]. The Company wrote a letter (July 2016) to Public Works Department (PWD), Bhopal to provide cost estimation for required renovation, repair and maintenance work at BFP. PWD quoted (between May and October 2017) an estimated cost of ₹ 214.54 lakh for repair and maintenance work. We noticed that the Company submitted (June 2019) the matter to BoD after a delay of two years. The Company also verbally sought estimates from Capital Project Administration, Bhopal (CPA) for the above work. CPA informed (November 2019) the Company an estimate of ₹ 197.19 lakh for the work. The BoD decided (December 2019) to carry out the above work through CPA. CPA made agreement with a contractor[2] who commenced the work in September 2020 and the work was scheduled to be completed in six months (by March 2021). However, the work was not completed in the scheduled time limit i.e. by March 2021 due to slow progress of the work.

The Company without ensuring completion of repair and maintenance work invited (January 2020 and June 2020) tender for purchase of machineries for conversion of plant for production of liquid bio fertilizer. The supplier firm supplied (August 2020 and August 2021) required machineries to BFP. Thus, all the machineries were received in the BFP by August 2021 but could not be installed as the repair and maintenance work of the plant was also going on. These machineries were finally installed in March 2022 but have not been made operational till August 2022. The plant started production of liquid bio fertilizer from 14.09.2022 on pilot basis.

Thus, delay in taking decision resulted in delay in commencement of repair and maintenance work for four years and further new machineries remained idle for one year.

Government stated (July 2023) that civil work estimate were taken from PWD as well as from CPA to ensure the work to be done at lowest price. CPA quoted lowest price which saved ₹ 17.35 lakh.

The reply is not acceptable as the Company took two years in taking rates from CPA.

8.3 Conclusion

The plant was running in loss during 2016-17 to 2019-20 due to decline in sale. The Company took three years in taking decision to upgrade the bio fertilizer plant from powder based to liquid based bio fertilizer. Further, the Company also delayed the repair/ maintenance work. Resultantly, the new machineries remained idle for one year.

8.4 Recommendation

- ***The GoMP and the Company should jointly review the plant regularly to ensure its functioning effectively.***

---

[1] dated 06.08.2016 and 26.04.2019 to carry out repair work at BFP
[2] M/s R.K Construction

Chapter-9

Internal Control System

Chapter-9

Internal Control System

9.1 Introduction

Internal controls are procedures and processes put into place by a Company to prevent fraud, promote accountability and ensure the integrity of financial data. Internal controls are unique to every Company and designed according to the Company's size and structure. Effective and efficient internal controls aim to meet company's objectives and protect company's interests. Internal controls not only address risks of the company but also reduce incurrences of unnecessary cost or effort. We observed deficiencies indicating deficient internal control system in the Company as detailed in succeeding paragraphs.

9.2 No system to monitor supply

RCO document of the Company provided that on receipt of demand from the beneficiary department, the branch would send demand to respective regional office/head office. The Regional Office would issue purchase order to the selected supplier.

Scrutiny of records of the Company revealed that the Company did not issue instructions to regional offices for monitoring of supplies by the suppliers to ensure timely supply. The Regional Offices (at division level) issued purchase order while the supplier supplied the material in branch office (at district level) or directly to the beneficiary. The Regional Offices issuing purchase order did not have an established system to track the timely supply of ordered material. We noticed that in 15 cases, the department had cancelled the order due to delay in supply (discussed in **Paragraph 3.7**). Thus, the Company did not lay down effective system to monitor the timely supply of material.

Government stated (July 2023) that regional managers had been directed to keep close watch on timely supplies. In case of any delay they are also empowered to change the supplier.

The reply is generic as the Company did not lay down the procedure to monitor the timely supply of material in spite of facing delays in supplies previously.

9.3 Deficient internal audit system

The Company did not have any manual to regulate the scope, reporting and action taken on the findings of internal audit. We noticed that the findings of internal auditor in respect to audit of branches/ regional offices were not being submitted to Managing Director instead the findings rest with the Head of the Finance Section only. Non-submission of findings to the MD for effective monitoring and compliance to the observations of the internal audit report undermines the importance of the internal audit system.

Government stated (July 2023) that audit reports of serious nature were placed before the Managing Director and sometimes to the BoD also.

The reply is not acceptable as no documentary evidences are provided along with the reply for verification by Audit.

9.4 Corporate Governance

The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The shortcomings noticed in this regard are as below:

• Section 149(6) of the Companies Act, 2013 read with rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014 prescribes that a company should appoint an independent Director if the Paid up share capital exceeds ₹ 10 crores or turnover exceeds ₹ 100 crores or an aggregate of outstanding loans, debentures and deposits exceed ₹ 50 crores. The Company should have independent directors in its Board as its turnover exceeded ₹ 100 crores during the review period. However, we noticed that the Company did not have independent Director in BOD. Further, due to this, the Company did not have mandatory independent Director in the Corporate Social Responsibility Committee.

• Section 149(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules 2014 prescribes that a company should appoint at least one Woman Director in the Board for every listed Company and every other Public Company having paid–up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more. During the review period, the Company had turnover exceeding ₹ 300 crores. However, it did not have requisite Woman Director in the Board.

• Section 173(1) of the Companies Act, 2013 envisages that every company should hold atleast four meetings of BoD in every financial year. However, during 2017-22, the Company held 15 BoD meetings as against the required 20 meetings. Shortfall in BoD meetings led to delay in decisions on significant issues such as exit from JVs, timely review of business activities, which eventually turns into economic loss to the Company.

Responding to observation on holding lesser number of Board Meetings, Government stated (July 2023) that due to covid-19 and some other disturbance, in place of holding BOD meetings, the decisions were taken through circular agenda.

The reply is not acceptable as the Company violated the Act provision by not conducting the required meetings. Further, it held only three and two meetings of the Board during 2018-19 and 2021-22 respectively when covid-19 was not in prevalence.

9.5 Deficient physical verification

The Company issued orders (May 2018, March 2019, September 2020, March 2021 and March 2022) for conducting physical verification of the branches by an officer of a different branch during 2017-22. As per the order the physical verification was to be completed by 20.05.2018 (for 2017-18), 15.04.2019 (for 2018-19), 30.09.2020 (for 2019-20), 15.04.2021 (for 2020-21) and 15.04.2022 (for 2021-22). We noticed that the Company issued orders for physical verification in respect of the financial years 2017-18 and 2019-20 with delay ranging from two to six months which defeated the very purpose of physical verification. We noticed that physical verification of the branches was conducted with delays upto 259 days. Further, in Vidisha branch the officers[1] conducted the physical verification for the years 2019-20 and 2020-21 in the very same month i.e. June 2021 which made the physical verification superfluous although the orders were issued with a gap of six months. Further, physical verification of the Vidisha branch for the year 2021-22 was not conducted till February 2023. We further noticed that physical verification report regularly pointed out the issue of disposal of old unused stock lying with the branches. However, the Company did not take corrective action leading to the very purpose of physical verification being defeated.

Government stated (July 2023) that for quick disposal of old stock, we were conducting physical verification on regular basis and based on the reports, decisions were taken in time bound manner but due to Covid-19 some verification were delayed.

The reply is generic as the Company issued order for conducting physical verification with delay ranging two to six months and the Company did not take corrective action on old unused stock.

9.6 Human Resource Management

The Administrative Department viz. Horticulture and Food Processing Department had approved (December 2008) organization structure consisting of 836 posts of different cadre for the Company. Scrutiny of human resource management of the Company revealed acute shortage of officers/officials in the Company. We noticed that as of November 2022, the Company had 246[2] officers/officials (29.43 *per cent*) against the sanctioned strength of 836 officers/officials as detailed in **Table-9.1**.

Table-9.1: Status of sanctioned strength, person-in-position and shortfall (as of November 2022)

(In number)

Sl. No.	Category	Sanctioned strength	Person-in-position	Shortfall of officer/official (in *per cent*)
1	First class	56	11	45 (80.36)
2	Second class	72	09	63 (87.50)
3	Third class	528	153	375 (71.02)
4	Fourth class	180	73	107 (59.44)
	Total	**836**	**246[3]**	**590 (70.57)**

Source: Data provided by the Company

It may be noticed from above Table that the Company had acute shortage of human resource across all the cadre ranging between 59 *per cent* and 87 *per cent*. We noticed that due to shortfall of staff, the Company had to close down its fertilizers' Sales Centre at Balaghat Branch and many other employees at various levels had additional charges of other posts/office.

[1] designated for conducting the physical verification

[2] 224 regular employees, 3 employees on deputation and 19 contract basis employees (total 246 employees). Further, in view of scarcity of staff, the Company outsourced 88 employees.

[3] In addition to these, the company also had 88 outsourced staff.

Further analysis of deployment of human resource in selected nine branches revealed shortfall of human resource ranging between two and 10 employees. We also noticed instances of employees having additional charge of other offices/posts. The details are given in **Table 9.2.**

Table 9.2: Status of sanctioned strength and deployment of staff in selected nine branches

Sl. No.	Name of the Branch	Total Sanctioned Strength	Total deployment as on 31.03.2022	Shortfall	Staff having additional charge of other unit
1	Bhopal	16	12	4	1
2	Biaora	16	6	10	0
3	Vidisha	13	6	7	0
4	Balaghat	8	5	3	1
5	Sagar	8	5	3	1
6	Panna	8	5	3	0
7	Katni	8	3	5	1
8	Chhatarpur	8	6	2	0
9	Dindori	8	2	6	1

Source: The total sanctioned strength of the unit has been worked out on the basis of categorization of the units done by the Company in 2019 (Administrative department's order dated 15-12-2008).

We noticed that the MD placed (September 2019) the issue of shortage of staff in BOD meeting[4]. BOD decided to appoint 76 officials of different cadre and bring the matter to the notice of GoMP. The Managing Director was authorized to take further action. We further noticed that the Company did not have approved services rules and after a lapse of more than 20 months from BOD decision, the Company sent (July 2021) draft service rules to the Administrative Department for approval. The Department suggested certain modifications in the draft rules and the management submitted the revised rules to BOD (in the 194th Meeting held on 24.03.2022) for approval and sent (September 2022) the revised rules to the Administrative Department. The Administrative Department approved the rules in December 2022. Further steps to recruit personnel were yet to be taken (December 2022). Thus, despite acute shortage of officers/officials and even after lapse of three years from decision of BOD (September 2019), the Company is still in process to recruit 76 officials which indicated deficient human resource management in the Company.

The Government accepted (July 2023) the observation and stated that after approval of the service rules from the administrative department, the recruitment process is going on.

9.7 Conclusion

The internal control system of the Company was deficient as the Company did not lay down effective system to monitor the timely supply of material resulted in non-supply and delay in supply by the suppliers. The Company did not have any manual to regulate the scope, reporting and action taken on the findings of internal audit. The significant observations of internal audit of branch offices were not brought into the notice of the MD

[4] 188th Board meeting (held on 27th September 2019)

for effective monitoring and compliance. Thus, the Company undermined the importance of the Internal Audit. GoMP did not appoint independent Director in BOD/Corporate Social Responsibility Committee, women Director in BOD and did not ensure required BOD meetings resulting in non-compliance with the provisions of the Companies Act, 2013. The Company did not take corrective action on observations of physical verification which defeated the very purpose of the physical verification. Further, the Company had acute shortage of officers/officials ranging between 59 *per cent* and 87 *per cent* across all the cadres. Despite acute shortage and even after lapse of three years from the decision of BOD to appoint 76 officials, the Company is still in process of recruitment indicating weak human resource management in the Company.

9.8 Recommendation

- ***The GoMP and the Company should jointly develop a Standard Operating Procedure for procurement and ensure regular board meetings.***

Chapter-10

Conclusion

Chapter-10

Conclusion

The Company was established (March 1969) with objectives to promote, develop, establish, execute and operate projects, schemes, industries, business and activities which accelerate and increase agricultural production, contribute to the production of subsidiary food, increases the availability of supplies of food and contributes to the agro industrial development of the State. However, the Company did not utilize the Mechanized Agricultural Farm (MAF) for production and distribution of quality seeds and demonstration of latest agriculture machinery/implements and cultivation methods to farmers. Further, the Company did not explore to produce and supply supplementary food products in the market. Besides, the Company did not take up activities/initiatives for development of agro-logistics and cold storage/godowns to increase availability of supply of food. The Company also failed in contributing to the agro-industrial development in the State as the Company did not take any step during 2017-22 to accelerate/ promote agricultural production or contribute to the agro-industrial development in the State.

Scrutiny of RCOs floated for procurement of different items revealed that the Company in violation of MP Store Purchase Rules and Service Procurement Rules, 2015 traded in water tankers (reserved item for MPLUN). The Company traded in items such as pre-fabricated bus shelters, gym equipment, *swagat dwars* etc. which were not at all related to the objectives of the Company. The Company incurred loss of ₹ 11.79 crore due to non-receipt of commission against the supply of drips and sprinklers. Further, the Company procured water tankers of ₹ 1.22 crore from suppliers who did not have required certificate regarding approved design. The Company registered two firms of same person (in one case proprietor of firm and in another one partner) in violation of RCO conditions. These two firms supplied water tankers valuing ₹ 3.68 crore. We noticed instances of irregular payment of ₹ 13.84 lakh against a cancelled order, and supply of items before issue of purchase order. Due to lapses in the quality control mechanism, the supply of items of requisite specifications could not be ensured/confirmed. The Company did not have mechanism to verify quality parameter.

The financial management and operational performance of the Company was not sound as the operational profit of the Company was continuously falling during 2015-20 and the Company suffered operational loss of ₹ 17.36 crore in financial year 2019-20. Further, the operating margin ratio, return on equity ratio and return on total assets ratio also declined during 2011-20 which indicated operational inefficiency. The management of the Company invested the funds in a routine manner resulting in loss of interest of ₹ 1.17 crore on FDs. The Company adopted incorrect valuation method for valuation of three joint venture companies which led to loss of ₹ 1.59 crore. Further, the Company kept idle fund of ₹ 5.60 crore received from government departments as advances/subsidies during 2012-13 for almost 10 years. Biogas subsidy of ₹ 3.35 crore was not disbursed to the beneficiaries even after lapse of five to 29 years. The Company did not account for interest amount of ₹ 49.43 lakh in scheme fund in violation of GoI guidelines. Further, the Company failed in opting beneficial option for saving income tax of ₹ 1.72 crore.

Failure of the Company, in executing MOU/Agreement with State Rural Livelihood Mission (SRLM) with clear terms and condition for supervision charges resulted in non-recovery of supervision charges of ₹ 32.38 crore. The Company continued supply of Ready-to-Eat products despite the payment was pending since September 2020 which resulted in blockage of ₹ 2.14 crore. Further, the Company did not have any system to ensure procurement of at least 30 *per cent* items from SC/ST entrepreneurs as envisaged in the tender for procurement of raw material for RTE items.

The Company failed in utilizing the MAF for intended objectives. This resulted in the very purpose of MAF being not achieved. Further, the Company did not implement the recommendations of expert committee constituted for turnaround of the farm activities. During 2017-22, the utilization of land of MAF, Babai ranged between 31 and 91 *per cent* leading to underutilization of land. The Company could not ensure recognition of nursery developed at MAF, Babai from the National Horticulture Board. We noticed instances of irregularities in auction/tendering of trees and orchards and non-compliance of norms regarding gap between plants.

The Company did not ensure regular inspections of bio gas plants which led to plants remaining defunct. Joint physical verification of bio gas plants revealed that 23 out of 90 bio gas plants were not functional indicating thereby that the Company failed in maintaining the bio gas plants. Further, the Company did not effectively publicize the bio gas programme which resulted in shortfall (ranged between 33 and 68 *per cent*) in achieving the target during 2017-21.

The bio fertilizer plant was running in loss during 2016-17 to 2019-20 due to decline in sales. The Company took three years in taking decision to upgrade the bio fertilizer plant from powder based to liquid based bio fertilizer. Further, the Company also delayed the repair/maintenance work which resulted in new machineries remaining idle for one year.

The internal control system of the Company was deficient as the Company did not monitor the timely supply of material resulting in delay in supply by the suppliers. The Company did not have any manual to regulate the scope, reporting and action taken on the findings of internal audit. The significant observations of internal audit of branch offices were not brought into the notice of the Managing Director for effective monitoring and compliance. GoMP did not appoint independent Director in BOD/Corporate Social Responsibility Committee, women Director in BOD and did not ensure required BOD meetings resulting in non-compliance with the provisions of the Companies Act, 2013. Further, the Company did not take any corrective action on the observations of physical verification. The Company had acute shortage of officers/officials ranging between 59 *per cent* and 87 *per cent* across all the cadres. Despite acute shortage of manpower, the Company is still in process of recruitment even after lapse of three years from the decision of BOD to appoint 76 officials which indicated weak human resource management in the Company.

Bhopal **(PRIYA PARIKH)**
The 27 October 2024 **Accountant General (Audit-II)**
Madhya Pradesh

Countersigned

New Delhi **(GIRISH CHANDRA MURMU)**
The 29 October 2024 **Comptroller and Auditor General of India**

Appendices

Appendix-1.1

(Reference: Para No. 1.6, Page No. 2)

Detail of sampled Regional offices and Branch Offices of the Company

(₹ in crore)

Sl. No.	Name of the selected ROs (basis of selection)	Total turnover of the selected ROs during 2017-22	Sl. No.	Name of the selected BOs (basis of selection)	Total turnover of the selected BOs during 2017-22
1.	Bhopal (on the basis of **Highest** turnover in State)	564.33	**1**	Bhopal (**Highest** turnover in Bhopal Region)	127.54
			2	Vidisha (on the basis of closest average turnover in Bhopal Region)	62.75
			3	Biaora (**Lowest** turnover in Bhopal Region)	30.21
2.	Jabalpur (on the basis of closest average turnover in State)	364.54	**4**	Balaghat (**Highest** turnover in Jabalpur Region)	59.74
			5	Dindori (on the basis of closest average turnover in Jabalpur Region)	47.23
			6	Katni (**Lowest** turnover in Jabalpur Region)	25.24
3.	Sagar (on the basis of **Lowest** turnover in State)	209.90	**7**	Sagar (**Highest** turnover in Sagar Region)	70.97
			8	Chhatarpur (on the basis of closest average turnover in Sagar Region)	42.63
			9	Panna (**Lowest** turnover in Sagar Region)	24.10
Total		**1138.77**			**490.41**

Appendix 4.1
(Reference: Para No. 4.1.1, Page No. 20)
Financial data of the Company for the years from 2011-12 to 2019-20

(₹ in crore)

Sl. No.	Particulars	Financial year								
		2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	Authorized Share Capital	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
2	Paid Up Capital	3.29	3.29	3.29	3.29	3.29	3.29	3.29	3.29	3.29
3	Reserve and Surplus	33.42	56.77	93.56	117.77	147.70	172.89	188.46	202.51	208.67
4	**Net Worth/Shareholders' equity (Row-4=Row-2+ Row-3)**	36.71	60.06	96.85	121.06	150.99	176.18	191.75	205.8	211.96
5	Loans /Borrowings from Financial Institutions/Banks	00	00	00	00	00	00	00	00	00
6	Total Assets	459.27	433.20	441.16	555.30	646.68	829.87	634.58	545.82	753.22
7	Other long-term liabilities (includes advances)	48.60	78.44	62.60	60.58	74.24	161.41	162.11	110.13	2.37
8	Current Liabilities	371.81	286.92	275.86	373.65	421.44	492.28	280.72	229.90	538.89
9	Net Sales (Revenue from operations)	1250.13	1226.38	1294.99	1162.76	1305.22	1340.79	966.69	356.79	504.23
10	Total Expenses	1212.66	1203.57	1255.50	1132.37	1266.42	1310.77	949.41	356.08	521.56
11	Sales to Expenses Ratio	1.03	1.02	1.03	1.03	1.03	1.02	1.02	1.00	0.97
12	Other Income	8.82	12.48	16.67	18.28	20.77	22.49	19.31	24.70	28.67
13	Interest Income on Fixed Deposits included in Other Income (Row-12)	8.63	12.03	16.07	17.79	20.45	19.77	17.93	23.10	25.19
14	Percentage of interest on fixed deposit to PBT (Row-13/Row-16 * 100)	18.65	34.10	28.64	36.72	34.28	37.51	50.14	91.49	222.72

Sl. No.	Particulars	Financial year								
		2011-12	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**
15	Total Revenue (Row 9 + Row 12)	1258.95	1238.86	1311.66	1181.04	1325.99	1363.28	986.00	381.49	532.90
16	Profit Before Tax	46.27	35.28	56.12	48.45	59.66	52.70	35.76	25.25	11.31
17	Operational Income/Profit (Row 16 - Row 12)	37.45	22.80	39.45	30.17	38.89	30.21	16.45	0.55	(-) 17.36
18	**Net profit**	**30.60**	**23.40**	**36.85**	**32.34**	**39.12**	**33.53**	**20.83**	**16.69**	**7.74**

Source: Annual Financial Statements of the Company for the respective years.

Appendix 4.2

(Reference: Para No. 4.1.2, Page No. 20)

Financial ratios of the Company for the years from 2011-12 to 2019-20

(₹ in crore)

Year	Operating Profit	Net profit	Net sales	Shareholder's equity[1]	Total assets	Financial Ratios		
						Operating margin ratio = Operating profit / Net sales	Return on equity ratio = Net profit / Shareholder's equity	Return on total assets ratio = Net profit / Total assets
2011-12	37.45	30.6	1250.13	36.71	459.27	0.03	0.83	0.07
2012-13	22.80	23.4	1226.38	60.06	433.2	0.02	0.39	0.05
2013-14	39.45	36.85	1294.99	96.85	441.16	0.03	0.38	0.08
2014-15	30.17	32.34	1162.76	121.06	555.3	0.03	0.27	0.06
2015-16	38.89	39.12	1305.22	150.99	646.68	0.03	0.26	0.06
2016-17	30.21	33.53	1340.79	176.18	829.87	0.02	0.19	0.04
2017-18	16.45	20.83	966.69	191.75	634.58	0.02	0.11	0.03
2018-19	0.55	16.69	356.79	205.8	545.82	0.00	0.08	0.03
2019-20	(-) 17.36	7.74	504.23	211.96	753.22	(-)0.03	0.04	0.01

Source: Financial statements of the Company for respective years.

[1] Paid up capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure.

Appendix- 5.1

(Reference: Para No. 5.5, Page No. 32)

Detail of cases wherein the Company supplied without collecting advances

(Quantity in MT)

Sl. No.	Year	Sl. No.	Order no.	Ordered Quantity	Order date	Scheme	Status of receipt of 60% advance	Quantity supplied for 60% payment	Percentage quantity supplied for payment of 60 % advance
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 = 9/5*100**
2018-19									
1	2018-19	1	36	1738.836	03-04-2018	Other	Yes	1738.836	100
2	2018-19	3	2584	1042.892	06-06-2018	Other	Yes	532.092	51
3	2018-19	4	3186	1160.439	30-06-2018	Other	Yes	1092.66	94
4	2018-19	5	4184	1075.112	30-07-2018	Other	Yes	972.156	90
5	2018-19	6	4953	834.078	28-08-2018	Other	Yes	814.38	98
6	2018-19	7	5498	1038.940	27-09-2018	Other	Yes	1009.38	97
7	2018-19	8	5919	990.262	23-10-2018	Other	Yes	962.13	97
2019-20									
8	2019-20	1	1598	1087.438	28-03-2019	Others	Yes	1061.646	98
9	2019-20	2	2178	939.898	29-04-2019	Others	Yes	912.54	97
10	2019-20	3	2659	954.203	30-05-2019	Others	Yes	909.045	95
11	2019-20	4	3242	1204.487	27-06-2019	Others	Yes	1106.364	92
12	2019-20	5	4072	940.131	27-07-2019	Others	Yes	902.793	96
13	2019-20	6	4208	940.131	13-08-2019	Others	Yes	902.793	96
14	2019-20	7	5208	971.616	28-09-2019	Others	Yes	941.352	97
15	2019-20	8	6246	886.906	31-10-2019	Others	Yes	863.163	97
16	2019-20	9	5717	1459.413	30-11-2019	Others	Yes	1421.754	97

Sl. No.	Year	Sl. No.	Order no.	Ordered Quantity	Order date	Scheme	Status of receipt of 60% advance	Quantity supplied for 60% payment	Percentage quantity supplied for payment of 60 % advance
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10 = 9/5*100**
17	2019-20	10	6242	1208.500	27-12-2019	Others	Yes	1158.152	96
18	2019-20	11	578	1143.160	28-01-2020	Others	Yes	1103.163	97
19	2019-20	12	1315	15027.479	02-03-2020	Others	Yes	15027	100

Appendix-5.2

(Reference: Para No. 5.5, Page No. 32)

Detail of cases wherein payment delayed after the stipulated time of one month

(Amount in ₹)

Sl. No.	Order No.	Order date	Supply date	Amount	Bill date	Payment date	Delay in payment (in days)	Loss of interest @ 3.15% per annum
1	2	3	4	5	6	7	8	9
2018-19								
1.	4953	28-08-2018	29-09-2018	12,06,427	27-12-2018	28-01-2019	2	208
	4953	28-08-2018	29-09-2018	2,13,56,223	27-12-2018	28-01-2019	2	3,686
2.	5498	27-09-2018	28-10-2018	2,64,65,162	28-12-2018	30-01-2019	3	6,852
	5498	27-09-2018	28-10-2018	18,09,823	28-12-2018	28-01-2019	1	156
3.	7109	26-11-2018	21-12-2018	2,44,03,923	27-02-2019	30-03-2019	1	2,106
4.	424	29-01-2019	20-02-2019	2,11,56,603	16-04-2019	27-05-2019	11	20,084
	424	29-01-2019	20-02-2019	15,20,733	16-04-2019	27-05-2019	11	1,444
Total								**34,536**
2019-20								
5.	1598	28-03-2019	25-04-2019	15,84,325	24-06-2019	03-08-2019	10	1,367
	1598	28-03-2019	25-04-2019	2,78,26,460	24-06-2019	03-08-2019	10	24,015
6.	2178	29-04-2019	27-05-2019	16,78,614	16-07-2019	28-08-2019	13	1,883
	2178	29-04-2019	27-05-2019	2,39,28,599	16-07-2019	28-08-2019	13	26,846
7.	2659	30-05-2019	25-06-2019	27,55,300	20-08-2019	26-09-2019	7	1,665
	2659	30-05-2019	25-06-2019	2,38,42,954	20-08-2019	26-09-2019	7	14,404
8.	3242	27-06-2019	25-07-2019	26,33,598	16-09-2019	17-10-2019	1	227
	3242	27-06-2019	25-07-2019	2,90,36,521	16-09-2019	17-10-2019	1	2,506

Sl. No.	Order No.	Order date	Supply date	Amount	Bill date	Payment date	Delay in payment (in days)	Loss of interest @ 3.15% per annum
9.	4072	27-07-2019	22-08-2019	22,79,457	17-10-2019	20-12-2019	34	6,688
	4072	27-07-2019	22-08-2019	2,36,80,218	17-10-2019	20-12-2019	34	69,484
10.	4208	13-08-2019	22-09-2019	22,79,457	13-12-2019	23-01-2020	11	2,164
	4208	13-08-2019	22-09-2019	2,36,80,774	13-12-2019	25-02-2020	44	89,922
11.	5208	28-09-2019	24-10-2019	18,51,851	13-01-2020	25-02-2020	13	2,078
	5208	28-09-2019	24-10-2019	2,46,82,658	13-01-2020	25-02-2020	13	27,692
12.	6246	31-10-2019	24-11-2019	14,56,042	13-01-2020	25-02-2020	13	1,634
	6246	31-10-2019	24-11-2019	2,26,41,318	13-01-2020	25-02-2020	13	25,402
13.	5717	30-11-2019	30-12-2019	23,01,637	11-06-2020	29-07-2020	18	3,575
	5717	30-11-2019	30-12-2019	3,70,51,206	11-06-2020	29-07-2020	18	57,556
14.	6242	27-12-2019	27-01-2020	30,51,467	16-06-2020	29-07-2020	13	3,423
	6242	27-12-2019	27-01-2020	3,01,74,415	16-06-2020	29-07-2020	13	33,853
15.	578	28-01-2020	28-02-2020	24,19,000	11-06-2020	15-10-2020	96	20,041
	578	28-01-2020	28-02-2020	2,87,41,524	11-06-2020	29-07-2020	18	44,648
16.	1315	02-03-2020	02-06-2020	69,40,265	25-08-2020	15-10-2020	21	12,578
Total								**4,73,651**
2020-21								
17.	2295	22-05-2020	30-07-2020	14,15,78,678	16-10-2020	27-11-2020	12	1,46,621
18.	3410	10-08-2020	22-10-2020	5,85,15,494	18-11-2020	20-01-2021	33	1,66,649
19.	3965	16-09-2020	20-11-2020	7,42,42,698	30-12-2020	26-02-2021	28	1,79,403
20.	101	08-01-2021	16-02-2021	6,18,88,586	09-04-2021	21-06-2021	43	2,29,666
21.	923	11-02-2021	08-04-2021	6,42,70,321	24-06-2021	23-08-2021	30	1,66,399

Sl. No.	Order No.	Order date	Supply date	Amount	Bill date	Payment date	Delay in payment (in days)	Loss of interest @ 3.15% per annum
22.	1496	09-03-2021	31-05-2021	6,61,89,489	02-08-2021	20-09-2021	19	1,08,533
Total								**9,97,271**
2021-22								
23.	3517	11-06-2021	27-08-2021	6,19,66,571	22-10-2021	08-12-2021	17	90,913
24.	1315	27-04-2021	07-07-2021	6,58,13,228	09-09-2021	16-11-2021	38	2,15,831
25.	3924	02-07-2021	30-09-2021	6,27,83,706	24-11-2021	15-02-2022	53	2,87,171
26.	6285	11-11-2021	09-02-2022	6,33,67,680	05-05-2022	04-08-2022	61	3,33,592
27.	3507	10-01-2022	11-03-2022	6,62,81,961	05-08-2022	12-10-2022	38	2,17,369
28.	611	11-02-2022	07-06-2022	6,72,87,531	19-10-2022	22-11-2022	4	23,228
Total							**1 to 96 days**	**11,68,104**
Grand total								**26,73,562**

Appendix-6.1

(Reference: Para No. 6.3, Page No. 36)

Details of income and expenditure from farming of Wheat, Paddy and Moong during 2017-22

(₹ in lakh)

Year	Income	Expenditure	Profit	Loss
2017-18	100.55	72.46	28.09	--
2018-19	79.62	63.05	16.57	--
2019-20	71.14	85.05	--	13.91
2020-21	40.01	48.93	--	8.92
2021-22	56.01	38.77	17.24	--
TOTAL	**347.33**	**308.26**	**61.90**	**22.83**

Note- Expenditure incurred on salary is not included.

Appendix-6.2

(Reference: Para No. 6.6, Page No. 39)

Detail of income received from sale of orchards produce

(₹ in lakh)

Year	Income	Expenditure	Profit
2017-18	21.54	13.12	8.42
2018-19	48.37	11.12	37.25
2019-20	21.91	8.82	13.09
2020-21	34.34	12.79	21.55
2021-22	53.39	12.82	40.57
Total	**179.55**	**58.67**	**120.88**

Note- Expenditure incurred on salary is not included. Further, expenditure of unit 2 and unit 3 for 2020-21 and 2021-22 is also not included.

https://cag.gov.in/ag2/madhya-pradesh/en