Governments, all over the world, have showed concern on the performance of public sector enterprises and have been searching ways to improve the performance. There are several ways to improve their performance, the principal ones being privatisation and non-privatisation reforms. The adoption of any specific measure vary from country to country. There has been a very strong move towards privatisation. However, privatisation on a large scale may not be feasible and in certain cases it may not be even desirable because it may be difficult to achieve a public enterprises' objectives with private ownership. Many public enterprises can, therefore, be expected to remain under public ownership for many years to come. Thus, a serious attention needs to be paid towards improving the performance of public sector by having a proper mix of privatisation and non-privatisation reforms.

The performance of public sector enterprises in India measured in terms of accounting profits have been far from satisfactory. The poor financial performance of public sector undertakings has accentuated the deficit in the government's budget. This has led to a situation which is usually referred to as a sort of "fiscal crisis of the state". This
situation has forced the Government of India to announce for reaching measures in the New Industrial Policy of 1991. The New Industrial Policy is influenced by the philosophy of free market economy where the monopoly of the state sector has been reduced drastically. Government of India has announced disinvestment in number of Central Public Sector Undertakings in order to raise resources and encourage wider participation. In addition, in order to improve the performance of public sector undertakings, Government of India has signed 'Memorandum of Understanding' (MOU) through which managements would be granted greater autonomy and would be held accountable. Public enterprises which are unlikely to be turned around and are chronically sick are being referred to the Board for Industrial and Financial Reconstruction (BIFR) for the formulation of revival/rehabilitation schemes.

The performance of public sector undertakings at the state level is worse. Huge investment made by the state governments in these undertakings has failed to bring expected dividends. "There are about 1100 such enterprises and investments therein exceeds a staggering amount of Rs. 50,000 crores. These enterprises operate in diverse fields. They have been incurring losses year after year".1 In order

to improve their performance, drastic reforms needs to be initiated. However, baring a few states namely, Madhya Pradesh, Andhra Pradesh and Jammu and Kashmir, no other state including Haryana has initiated any steps in this direction.

The performance of state level public sector undertakings in Haryana including Haryana Agro-Industries Corporation has been far from satisfactory (for details see chapter III and IV). The major reasons for such a state of affairs are conflicting objectives, insufficient autonomy with the managers of public sector undertakings, high debt-equity ratio, poor marketing, huge inventories, over staffing, lake of incentives linked with performance and bureaucratic rather than commercial management styles, etc. It is felt that there is need to initiate drastic reform measures at the state level public sector undertakings in order to improve their performance. However, keeping in view scope of the study, the present chapter confines to the reforms to be introduced in Haryana Agro-Industries Corporation. The following measures can be considered in order to improve the performance of this Corporation:

2. ibid., p.316-317.
(a) granting more autonomy to the management and enforcing accountability through Memorandum of Understanding (MOU);
(b) restructuring of viable and potentially viable units; and
(c) disinvestment in the non-strategic and unproductive units.

The chapter has been divided into three parts. Non-privatisation reforms - MOU, and restructuring of units - have been discussed in part I. This part, further, has been divided into two sub-parts. Sub-part A deals with the concept, process and the format of Memorandum of Understanding (MOU) in general. The MOU, specifically, for Haryana Agro-Industries Corporation has also been discussed in this sub-part. Sub-part B contains discussion regarding restructuring of the viable and potentially viable units of the Corporation. In part II, the scope for and modalities of disinvestment of the units of the Corporation have been worked out. Part III includes summary and conclusions.

I

It has been observed that there has been a lot of interference by government and its agencies in the day to day functioning of the public enterprises. This interference both formal and informal affects their performance adversely.
Although, the government has the right to interfere as owner but it should confine only to policy matters. It is felt that a fair amount of autonomy should be granted to public sector undertakings to function in business like manner. The management of public sector undertaking, in return, should be held responsible for results. In order to bring transparency in the relationship between government and the public enterprise and provide operational autonomy along with corresponding accountability for results, the approach of performance contract system has been widely used in many countries. This approach was adopted for the first time in France on the recommendations of Nora Committee constituted to investigate relations between public enterprises and ministers. The general impact of these contracts in France has been better performance. Later on, this system was adopted and used successfully with some modifications in Pakistan, Korea, Senegal and India.

**Process of Memorandum and Understanding System**

"A MOU is defined as freely negotiated performance


agreement between the government which acts as the owner of the company and the PSE in which both parties clearly specify their intentions, commitments and responsibilities. So, Memorandum of Understanding is a document in which the government and the public enterprise lay down their mutual obligations and responsibilities. The idea is to choose appropriate criteria, assign them mutually acceptable priorities and decide how well the achievement of targets (and deviations therefrom) will be evaluated at the beginning of the year. After deciding on the enterprise objectives and the targets, the enterprise is left free to achieve them. Only at the end of the year, the public enterprise is judged on the basis of a 'composite score' that is derived by comparing achievements against the targets.

MOU or a contract system consists of four steps. The first step comprises of selecting a set of performance criteria. The criteria should be discussed and debated at length between both the parties i.e. ministry and the public enterprise. Finally, the criteria should be freely agreed upon and not imposed upon the public enterprise. "Any criteria that is finally used for Performance Evaluation should be freely negotiated and not arbitrarily imposed on

The next step is to assign relative weights to the criteria. The weights are assigned by keeping in mind the objectives of the public enterprise and the priorities of the Government. As owner of the public enterprise, the Government has the final right to decide on priorities for the enterprise. The third step is that of Criteria Value Selection. This helps to distinguish between "good" and "bad" performance. "In the system of MOU, a five point scale in the criterion value is selected. Point 1 indicates excellent whereas 5 refers to very poor performance. Between these two extreme points, other levels of performance are good (2), fair (3) and poor (4)." The last step is the calculation of the composite score of the enterprise. The actual achievement of the criteria is located on the five point scale and the corresponding value is multiplied by the weight of that indicator to get the item score. All the item scores are added to arrive at a composite performance score.

**MOU System in India**

In India, this system was introduced on the


recommendations of Arjun Sengupta Committee on Public Enterprises in 1984. "The Holding Company would specify its plans of investments, production, capacity utilisation, profits, dividends etc. for a 5 year period and enter into Memorandum of Understanding with the Government on mutually agreed basis. Certain obligations would also cast on the Ministry or Department regarding provision of equity, price level etc. The Memorandum of Understanding would be reviewed each year and updated and the performance of the Holding Company would be judged on that basis, making due allowance for the failure or otherwise of the Ministry or Department to fulfill its part of the understanding".\textsuperscript{12}

While Arjun Sengupta Committee recommended the signing of MOUs with only a few Holding or Apex Companies in the core sector, the Government decided upon a policy to enter into MOUs with all its enterprises. The MOU system was signed for the first time in 1986-87 with two enterprises namely Oil and Natural Gas Commission (ONGC) and Steel Authority of India Limited (SAIL). During the year 1987-88 and 1988-89, the number of MOU signed increased to four and eleven respectively. However, till 1988-89, no grading was done after performance evaluation of these undertakings. In 1989-90, the number of MOUs signed increased to seventeen. After performance evaluation, eight were categorised as excellent.

\textsuperscript{12} Arjun Sengupta Committee Report(1984), \textit{op. cit.}, p. 23.
four as very good and five as good. 13 "During 1990-91, 23 public enterprises signed MOUs with their administrative ministries. Their performance evaluation categorised 14 of them as excellent, eight as very good and one as poor." 14 In 1991-92, 71 enterprises signed MOUs and the results of performance evaluation reveals that 31 of them have been graded as excellent, 25 as very good, 11 as good and only 4 as average. In 1992-93, 102 enterprises had signed MOU and after performance evaluation, 28 enterprises have been categorised as excellent, 22 as very good, 10 as good and 7 as average. 15 The trends so far have revealed that the performance of those undertakings which have signed MOU have been better than those who have not signed it. "Comparison of trends in performance indicators suggests that the performance of CPEs with MOU has been significantly higher than that of CPEs without MOU". 16


After careful examination of the experiences with the existing MOU's at the central level public sector enterprises (see Appendices D and E) and from the experiences of other countries, an attempt is made to draft a format of MOU for state level public sector undertakings in Haryana by taking Haryana Agro-Industries Corporation as a case study.

Suggested Format of MOU Between Haryana Agro-Industries Corporation and Agriculture Department, Haryana

Preamble:-

This Memorandum of Understanding (MOU) between Haryana Agro-Industries Corporation (HAIC) and the Department of Agriculture, Government of Haryana is aimed at improving the over all performance of HAIC, by holding it responsible for achievement of various performance targets as stipulated in Section III (obligations of HAIC), and by extending it the necessary support and assistance from the side of the Government as stipulated in section II (obligations of the Government). HAIC would be evaluated on the basis of criteria mutually agreed upon and incorporated in this MOU.

Section I

Corporate Mission and Objectives

Corporate Mission:-

Haryana Agro-Industries Corporation has emerged as a
multi-product, multi-unit Corporation with a common basic thread running through the different product line viz., HAIC's commitment of provision of quality products and services to the farmers. This is the essence of HAIC's basic corporate purpose.

Corporate Objectives:-

HAIC would endeavour to achieve the objectives and goals as enumerated below:-

(1) To promote and assist agro-based industry in the state.

(2) To provide agricultural inputs, agricultural implements, machinery, etc. to the farmers at subsidised and reasonable rates;

(3) To improve efficiency of plant and equipment through rationalization and modernization as well as introduction of latest production technologies by entering into foreign collaboration as well as augmenting in-house R & D efforts;

(4) To generate internal resources for financing company's growth plans and working capital needs;

(5) To encourage balanced regional development by promoting and establishing agro-based industries in the backward regions of the state;

(6) To review and suitably re-design the organisational structure for meeting the requirements of future growth;

(7) To prepare a perspective corporate plan coupled with
short-term and medium term break ups; and

(8) To cater to increased customers' satisfaction through timely supply of quality products and after sale service to the farmers.

Section II

Assistance from the Government

In the fulfillment of its obligations under the MOU, Government may agree to assist the Corporation in the following areas:

Government Assistance:-

(1) Liberal financial assistance to the Corporation to set up new projects in joint and assisted sector to promote agro-based industries particularly in the backward regions of the state.

(2) Provision to reimburse the amount of subsidy provided by the Corporation to the target groups.

(3) Government may consider funding specific R & D projects of the Corporation wherever large outlays are involved.

Section III

Haryana Agro-Industries Corporation's Obligations under the MOU And Performance Targets for the Year:-

1. In the fulfillment of its obligations under the MOU, the following targets for the year 1995-96 have been proposed:
Targets in respect of return on investment, internal resource
generation, turnover, production and project implementation
have been presented in Appendix F. Targets in respect of
capacity utilisation, exports, marketing efforts and cost
reduction have been shown in Appendices G, H, I and J
respectively.

2. The above targets for the year 1995-96 would remain firm
subject to there being no major policy changes and variations
during the year in taxes, levies and duties and other factors
which are beyond the control of Haryana Agro-Industries
Corporation.

Performance Evaluation for the year (1995-96) (Criteria,
Criterion Values and Relative Weights)

(1) The performance evaluation system comprise the following
steps:
(a) Selecting a set of criteria that reflect important
dimensions of performance. It can be divided into two
categories:

(i) "Static Operational Efficiency indicators to measure how
much a given stock of assets is being used in given time
period such as turnover, return on investment, internal
resource generation, contribution to exchequer, working
capital turnover, repayment of government loans,
production, capacity utilisation, value added, project
(ii) Dynamic effects to give credit for activities that impose a cost at present but bear fruit in future such as research and development, marketing effort, corporate planning, cost reduction, human resource development, customers satisfaction, etc."

(b) The second step is assigning the relative weights for each criteria. In this step, there is no scientific methodology for selecting weights and it is a normative policy decision. In the present case, it is the prerogative of the Government of Haryana to decide priorities for the Corporation. For example, Government may decide that as the Corporation has been in losses in the past and there are sizeable amount in the form of accumulated losses, it should concentrate on the static operational efficiency. Hence, it may assign a weight of 0.60 to static operational efficiency indicators and 0.40 to dynamic operational efficiency indicators. With the passage of time, as the Haryana Agro-Industries Corporation reaches a higher level of operational efficiency, then more emphasis may be placed on research and development, corporate planning, human resource development, etc.

(c) The third step is fixing the criterion values under each category. The criterion values help in making a distinction between say a "bad","average" and "good" performance. While selecting the criterion values, it is felt that a participative approach should be adopted by higher management of the Corporation. The targets should be easy to understand and well defined. The Corporation can depend upon the following while setting criterion values: the original objectives at the project formulation stage; comparisons with similar public or cooperative undertakings; comparison with the performance of Haryana Agro-Industries Corporation in the previous years and professional judgement by third parties. The ratings for evaluation can be categorised as presented in Table 7.1.

TABLE 7.1
Ratings for Evaluation

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Activity (Name)</th>
<th>Performance Level Achieved</th>
<th>Rating for Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Above Target</td>
<td></td>
<td>Outstanding</td>
</tr>
<tr>
<td></td>
<td>Met Target</td>
<td></td>
<td>Excellent</td>
</tr>
<tr>
<td></td>
<td>Marginally Less than Target</td>
<td></td>
<td>Very good</td>
</tr>
<tr>
<td></td>
<td>Less than target with in acceptable range</td>
<td></td>
<td>Good</td>
</tr>
<tr>
<td></td>
<td>Considerably below target</td>
<td></td>
<td>Poor</td>
</tr>
</tbody>
</table>
Evaluation:

The evaluation of performance may be carried out immediately after the close of the year by the High Powered Committee constituted by the state government for the purpose.

Inbuilt Incentives:

In order to make the system of MOU popular among workers, an incentive scheme linked with productivity can be announced. The incentive scheme can be as presented in Table 7.2.

<table>
<thead>
<tr>
<th>Sr. Activity No.</th>
<th>Performance Level Achieved</th>
<th>Rating for Evaluation</th>
<th>Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Above Target</td>
<td>Outstanding</td>
<td>3 months Bonus</td>
<td></td>
</tr>
<tr>
<td>(ii) Met Target</td>
<td>Excellent</td>
<td>2 months Bouns</td>
<td></td>
</tr>
<tr>
<td>(iii) Marginally less than target</td>
<td>very good</td>
<td>1 month bonus</td>
<td></td>
</tr>
<tr>
<td>(iv) Less than targets within acceptable limits</td>
<td>Good</td>
<td>15 days Bonus</td>
<td></td>
</tr>
<tr>
<td>(v) Considerably below target</td>
<td>Poor</td>
<td>nothing</td>
<td></td>
</tr>
</tbody>
</table>

The Proposed High Powered Committee (HPC) At The State Level

In order to evaluate the working of MOU system, there is need of a high powered agency. The composition of such an agency should be such that the evaluation could be done in a fair, objective and unbiased manner. No member from administrative ministry should be taken as voiced by the chief executives of the public sector enterprises in the conference held on 11th and 12 August, 1990 at New Delhi. "It was argued by the Chief Executives of PSEs that one party to a contract cannot also be the judge i.e. how can the Administrative Ministry who is a party to the contract (by whatever name we may call it i.e. MOU, annual performance, plan performance contract) also evaluate it." Keeping these views in mind, High Powered Committee may consist of Chief Secretary as Chairman along with Secretaries Finance and Planning, Member Secretary Bureau of Public Enterprises (as Secretary), Chief Executives of two public sector undertakings other than Haryana Agro-Industries Corporation and experts in the field of public enterprises. The committee may form Adhoc-Task Force comprising of eminent management experts, professors, charted accountants, retired secretaries and chief executives of public sector undertakings to seek assistance and help during the approval process at the beginning of the year and again in the evaluation of the MOU at the end of the year.
Execution of MOU in the Haryana Agro-Industries Corporation

The process of implementation of MOU may be initiated in the month of January. The Haryana Agro-Industries Corporation and the Department of Agriculture, Haryana may discuss and negotiate between themselves various performance criteria on which to judge the public enterprises performance, the weights to be assigned to these criteria and the criteria values. The process along with the setting of annual targets may continue from the month of January to March (i.e. the last quarter of the previous financial year). These annual MOU targets should be the same as the budgetary or plan targets for the year. This mutually negotiated MOU document may be scrutinised by the Adhoc Task Force (ATF) and the recommended changes may be incorporated in the draft MOUs. Then this revised MOU may be sent to the High Powered Committee (HPC) for final approval. The final MOU document is to be signed by the Managing Director of the HAIC and the Secretary, Department of Agriculture, Haryana by the end of the month of June. Once signed, for the rest of the year, the management of HAIC should be allowed to perform under the various obligations and commitments made in the MOU from both the sides, without any mid-term evaluation by the Government.

At the end of financial year, the HAIC should submit its achievements against the MOU targets for evaluation of the
performance. A composite score of performance on 5 point scale can be arrived at under the supervision of Adhoc Task Force (ATF) approved by the High Powered Committee (HPC). This evaluation should be completed by the end of June (i.e. first quarter of the next financial year).

In order to popularise the MOU system among workers, performance incentive system may be introduced. It can be in the form of non-monetary (constituting awards for excellence in achievement of MOU targets) or monetary (for details see Table 7.2).

B

Restructuring of Viable and Potentially Viable Units

There are four manufacturing and sixteen trading and servicing units of Haryana Agro-Industries Corporation. Out of these, the performance of units namely Fertilizers and Chemical Plant, Shahbad; Agro-Engineering Workshop, Nilokheri and sixteen trading and servicing centres can be improved through restructuring. A detailed discussion regarding each case is as follows:

Fertilizers and Chemical Plant, Shahbad

Fertilizers and Chemical Plant was installed in the year 1974-75 at Shahbad. The plant is situated in a total area of 15.84 acres, out of which covered area is 2.10 acres. Rest
of the area i.e. 13.74 acres is open area. The product range along with installed capacity of the plant is as follows: (A) Fertilizers: (i) NPK 12:32:0 and 10:10:0 (30,000MT). Dusting formulations: (I) BHC 10% (5000MT); (2) Malathion 25% WDP and BHC 50% WDP (5000 MT); and (3) Isoproturon 50% and 75% WDP (1200MT). (C) Liquid Formulation: Malathion 50% EC; Endosulphan 35% EC; Monocrotophos 36% SL; Butachlor 50% EC; Anilphos 30% EC, and cypermethrin 10% EC (500000 Ltrs.)

The analysis of the working of the plant reveals that the plant made losses from the year 1985-86 to 1987-88. The major reasons for losses were on account of abnormal glut of DAP fertilizers in the market; shortage of working capitals; ban on granulation of NPK 12.32:16 and abortive efforts to transfer the plant to the other state Corporations. However, in the year 1988-89, due to great demand of pesticides within as well as outside the state, the plant started earning profits and it was Rs. 2.57 lakhs. However it has increased to Rs. 72.04 lakhs in the year 1992-93 (for details see Table 7.3). It is felt that these profits could have been manifold, had the Corporation utilised the capacity of the plant fully (see Table 6.4)

Keeping in mind, the great demand of the products of the plant within as well as outside the state (inspite of tough competition from cooperative and private sector companies namely The Haryana State Cooperative Supply and
### TABLE 7.3

Sales Turnover and Profit/Loss of Four Manufacturing Plants of HAIC

<table>
<thead>
<tr>
<th>Year</th>
<th>Food and Fruit Processing Plant</th>
<th>Cattle Feed Plant</th>
<th>Fertilizers and Chemical Plant</th>
<th>Agro-Engg. Workshop</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales (+) (-)</td>
<td>Sales (+) (-)</td>
<td>Sales (+) (-)</td>
<td>Sales (+) (-)</td>
</tr>
<tr>
<td>1984-85</td>
<td>-</td>
<td>74.35</td>
<td>+ 1.62</td>
<td>-</td>
</tr>
<tr>
<td>1985-86</td>
<td>-</td>
<td>81.43</td>
<td>+ 5.43</td>
<td>-16.53</td>
</tr>
<tr>
<td>1986-87</td>
<td>7.14</td>
<td>101.18</td>
<td>+ 6.28</td>
<td>-18.27</td>
</tr>
<tr>
<td>1987-88</td>
<td>8.17</td>
<td>200.37</td>
<td>+28.92</td>
<td>-15.28</td>
</tr>
<tr>
<td>1988-89</td>
<td>12.97</td>
<td>84.89</td>
<td>+ 5.53</td>
<td>2.57</td>
</tr>
<tr>
<td>1989-90</td>
<td>46.73</td>
<td>91.95</td>
<td>-</td>
<td>2.57</td>
</tr>
<tr>
<td>1990-91</td>
<td>56.60</td>
<td>-</td>
<td>-6.16</td>
<td>78.65</td>
</tr>
<tr>
<td>1991-92</td>
<td>123.40</td>
<td>135.41</td>
<td>+ 0.69</td>
<td>19.92</td>
</tr>
<tr>
<td>1992-93</td>
<td>72.68</td>
<td>164.48</td>
<td>-14.03</td>
<td>36.35</td>
</tr>
<tr>
<td></td>
<td>Accumulated Profit/Loss</td>
<td>-359.41</td>
<td>+28.87</td>
<td>+306.75</td>
</tr>
</tbody>
</table>

Source: ibid.
Marketing Federation Limited (HAFFD), The Punjab State Cooperative Supply and Marketing Federation Limited (MARKFED), Hindustan Insecticides; Hindustan Pulverising Mill etc.) the performance of the plant can be improved by initiating the following measures:

The Corporation should sign MOU with the employees of the plant in order to achieve the objectives of MOU signed between the government of Haryana and HAIC. It may cover activities such as productivity indicators, cost reduction, quality of products, R and D, welfare activities (for details see section I of this chapter). In return, the Corporation should provide adequate funds so that the plant does not face any working capital problems. In addition, the Corporation should strengthen the distribution network of the Corporation within as well as outside the state like Punjab, Himachal Pradesh and Rajasthan. A campaign should be started on large scale to promote the products through leaflets, pamphlets, cinema slides, hoardings at important points, newspapers, radio and television advertisements, etc. A scientific system of marketing intelligence should be evolved for assessing the product range, quality, packing, distribution system, pricing etc. of the competitors in the market. The information can be analysed and used for the improvement in the products of the plant.
Agro-Engineering Workshop, Nilokheri

Haryana Agro-Engineering Workshop, Nilokheri was set up for the assembly of imported completely knocked down and semi-knocked down zetor tractors in the year 1968-69. The assembly work was closed in the year 1972 in consequence of the transfer of this activity to Hindustan Machines Tools Ltd. (HMT), Pinjore. As a result of the closure of the assembly work, the infrastructure occupied by the assembly wing became surplus. In order to utilise this infrastructure, the work of fabrication of agricultural implements, water tankers, etc. was taken up. The product range along with the installed capacity is as follows: agricultural implements, water tankers, tractor trollys, wheel barrow, harrow tree guards, fabrication of trusses and truck bodies (The material worth about Rs. 1.50 crores can be fabricated per annum).

Profit/Loss:-

The Profit/Loss position of the workshop reveals that during the years 1989-90\(^\text{18}\) and 1990-91, the workshop earned profits to the tune of Rs. 0.20 lakhs and Rs. 13.06 lakhs respectively. However in the year 1991-92 and 1992-93, the workshop incurred losses to the tune of Rs. 2.84 lakhs and Rs. 13.03 lakhs (see Table 7.3). The major reasons for the

---

\(^{18}\) Information regarding profit/loss position of the workshop from the year 1984-85 to 1988-89 is not available.
losses are: inadequate financial planning leading to working capital shortages and lack of efforts to exploit the market potential. Due to these problems, the workshop did not have enough orders and is resulting in losses. An in-depth study of the working of this unit and the prevailing market conditions indicate that if the Corporation exploits the market fully and approach the institutions like Haryana Roadways, Haryana Police, Border Security Force, Indo-Tibetan Border Police Force, Central Reserve Police Force, etc. for the fabrication of truck bodies, the unit will not only become viable but will also give handsome profits. The Corporation will have to strengthen its marketing wing for the purpose where it is lacking. Effort should be made by the Corporation to take up the matter with DS&D, Haryana for declaring Haryana Agro-Industries Corporation as an approved source for supply of agricultural implements and doing fabrication work for various government departments.

Farmers Service Centres

Haryana Agro-Industries Corporation established a network of sixteen Farmers Service Centres in the important towns of the state from 1969-70 to 1973-74. These centres were established in order to accelerate farm mechanism and to provide critical agricultural inputs to the farmers at their door steps. The major activities of these centres include: distribution of tractors, fertilizers, seeds, pesticides,
tyres and tubes, cattle feed, agricultural implements, batteries, discs, sprayers, engines, motors, metallic bins; hiring of tractors, combines, dozers, aerial spray, etc; and procurement of wheat. These Centres were running into losses due to the following reasons:- (a) Carrying out of some unviable and uneconomical activities; (b) over staffing; (c) poor conditions of tractors, combines, etc. In the year 1987-88, the Corporation took some initiative in order to make these centres viable. Most of the activities which had social relevance were closed in the name of unviable activities. The closed activities were hiring of tractors, combines and dozers; aerial spray; and fabrication of metallic bins etc. However, procurement of wheat and sale of tractors were taken up major way. * Majority of the distribution of fertilizers has been done through private dealers. The Farmers Service Centres have become merely a dealer service centres. It is felt that although these Farmers Service Centres have shown profits but after drifting away from its basic objectives. The very existence of these centres is on social grounds to provide agricultural inputs to the poor farmers of the state. They should strive hard to achieve maximum profits keeping in mind their basic objective. "If development strategies and government directives begin to emphasis the earning of large surpluses

19. For details see chapter VI.
from public enterprise, there is no reason why they should not be able to show profits. However, there can be the danger of a total swing of policy towards profits; for public enterprises has justification conceptually, on grounds of its 'publicness' This has to be synthesized with the goal of financial profits.20 Thus, in the present case there was a total swing of policy towards profits. It is felt that the Corporation should restructure its Farmers Service Centres and along with wheat procurement and distribution of tractors, they should strengthen their distribution channel of fertilizers. The sales point centres at the village level should be strengthened. A MOU should be signed with the employees of each Farmers Service Centre on the pattern of MOU between Government of Haryana and HAIC. The major activities to be included may be: growth of annual turnover; cost reduction; quality of service provided; salary; conditions of work; working hours; welfare activities; etc.. An incentive scheme should be initiated linking with achievement of targets as suggested earlier (see Table 7.2). The Corporation should make efforts to get it declared as an approved centre for the sale of monoblocks, diesel engines, tyres-tubes, batteries etc. to the government departments. Apart from these, the Corporation should educate the farmers through field demonstrations, holding crop seminars, farmers

20. V.V.Ramanadham (1989), op.cit. P. 430
meetings, exhibitions, television and radio programmes etc.. The Corporation can help economically weaker farmers by providing mini-kits consisting of fertilizers, seeds and agro-chemicals free of cost.

II

Scope and Modalities of Privatisation in Haryana Agro-Industries Corporation

In this part, an attempt has been made to work out scope for and modalities of privatisation of certain activities of Haryana Agro-Industries Corporation. The policy makers at the state level public sector undertakings in Haryana have hardly any exposure to privatisation, it is thus desirable to discuss the concept, rationale and mode of privatisation here before working out modalities of privatisation.

"The term privatisation has been explained in a variety of ways. A wide range of possibilities mentioned below are referred in this regard:

(1) Deregulation/Decontrolling: Reducing or eliminating state regulations over private provision of goods and services;

(2) Dereserving: Trimming the areas of operation of public enterprises by opening the economic activities to private sector which are hitherto reserved for public sector;
Ownership measures; These include total denationalisation, joint ventures and liquidation;

Organisation measures: These consist of introducing holding company structure; changes in monolithic structure; leasing out of major proportion of assets to the best bidders; promotion of competition; financial restructuring or restructuring functions of public enterprises or both;

Operational measures: These comprise contracting out services formally performed by public enterprise; incentives to both blue collar workers and white collar employees for their performance; proper investment criteria; proper pricing policies, target setting, etc.."21

These variants of privatisation are depicted in figures 7.1 and 7.2.

For the purpose of present study, privatisation means Ownership measures which includes joint ventures; organisational measures such as changes in monolithic structure, financial restructuring and restructuring functions of public enterprises; and operational measures

Figure 7.1 Privatisation: the policy options

viz. target setting and incentives to both blue collar workers and white collar employees.

Motives for Privatisation

The main motives behind the privatisation programme are the following: (1) Exchequer objectives. (2) Efficiency objective. (3) Wider choice to the customers. (4) Wider share ownership. (5) Political objectives.\(^{22}\)

Instruments of Privatisation

The process by which privatisation take place vary significantly across different countries and even within a specific country. Depending upon the variant of privatisation (i.e ownership, organisational and operational), the instrument adopted for privatisation varies. For example, if country has adopted denationalisation, it can be effected through number of ways such as:

(a) a trade sale where a company is sold to a private company or cooperatives; or
(b) a public sale through a public floatation on the stock exchange either by a fixed price offer or by a tender offer with a minimum price; or
(c) any form of management or employee buyout.

Table 7.4 exhibits major instruments of privatisation, their characteristics, advantages or consequences, procedures factors determining their choice and implementation issues involved.

The adoption of any specific instrument to be used for privatisation is a quite complex task. It is to be decided by considering the nature of business, past performance, size of operation and the purpose of the privatisation programme. Keeping in mind the nature of business, the size of operations and trends of past performance of Haryana Agro-Industries Corporation, it is felt that it is not advisable to go for complete privatisation. However, a policy somewhat on the lines of fragmentation prescription can be opted. The Corporation already has independent operating units and hence there is no need of reorganisation. These units can be considered on case to case basis for privatisation.

By following this norm, two manufacturing units namely Food and Fruit Processing Plant, Muruthal and Cattle Feed Plant, Jind have been found eligible for privatisation. However, for the remaining two manufacturing units namely Fertilizers and Chemical Plant, Shahbad and Agro-Engineering Workshop and sixteen Farmers Service Centres, restructuring
## TABLE 7.4
Basic Methods of Privatisation

<table>
<thead>
<tr>
<th>Type of Instrument</th>
<th>Characteristics</th>
<th>Advantages/Consequences</th>
<th>Procedures</th>
<th>Factors determining its choice</th>
<th>Implementation Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Public offering of shares</td>
<td>Distribution to the general public all or part shares in public limited company (as a going concern).</td>
<td>Widest distribution of ownership raises large sums of money than direct sales and more palatable politically.</td>
<td>If the enterprise is in required condition standard processing of public offering on the basis of prospectus. If not in required form or condition then readying process necessary. Offer can be on fixed price or tender basis.</td>
<td>The public enterprise is a sound going concern with reasonable earning potential or can be readied to become so, objective is widespread ownership and existence of equity market.</td>
<td>Structure or condition of the public enterprise may not permit public offering feasibility of restructuring to be assessed. Mechanics necessary to achieve and maintain widespread ownership and possibly limit foreign holding. Pricing mechanism to be defined, distribution mechanisms may need to be introduced to compensate for weakness of equity markets.</td>
</tr>
<tr>
<td>2. Private sale of shares</td>
<td>Sale of all or part of govt. Share-holding in an enterprise (as a going concern). Can take various forms such a direct acquisition by another corporate entity or a private placement targeting institutional investors. Can be full or partial privatisation</td>
<td>New owner known and can be evaluated. Offers flexibility in negotiations such as obtaining specific commitment from purchaser may bring benefits (management skills, technology, market access, etc.). Implies that the public enterprise is sold with assets</td>
<td>Sales may result from negotiation or competition bidding process. May be done adhoc or may be subject to mandatory country. Procedures or guidelines on valuation pre-qualification - evaluation of proposals, terms of payment, etc. In some cases</td>
<td>Because of flexibility preferred method for weak performing enterprise. In absence of equity market, may be only alternative for sale as a going concern. Size of enterprise may not justify public offering.</td>
<td>The enterprise may need financial restructuring. Difficult decision on whether to rehabilitate prior to sale.</td>
</tr>
<tr>
<td>Type of Instrument</td>
<td>Characteristics</td>
<td>Advantages/Consequences</td>
<td>Procedures</td>
<td>Factors determining its choice</td>
<td>Implementation issues</td>
</tr>
<tr>
<td>--------------------</td>
<td>----------------</td>
<td>------------------------</td>
<td>------------</td>
<td>------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>3. Sale of govt. or enterprise assets.</td>
<td>Sale of assets (instead of shares) Private sale.</td>
<td>Permits privatisation of enterprises not saleable as going concern. Often results in separation of assets and liabilities.</td>
<td>Alternative sale of assets by govt.; disposal of some assets by the enterprise. Dissolution of public enterprise and sale of assets.</td>
<td>Where sale of shares not feasible or objective is sale of individual assets.</td>
<td>If assets are as a result of liquidation or major restructuring related issues arise relating debt liabilities often not assumed by purchaser.</td>
</tr>
<tr>
<td>4. Fragmentation</td>
<td>Reorganization of a public enterprise into several entities (or one holding company and several subsidiaries). Each entity will then be privatised separately.</td>
<td>Permits privatisation of component parts when no one taker for the whole.</td>
<td>Depends on structure of the public enterprise.</td>
<td>Where objective to privatise only certain components: where the public enterprise is a monopoly and breakup will improve competition. Or where market will not absorb the whole enterprise.</td>
<td>Depends on privatisation method applied to individual entities.</td>
</tr>
<tr>
<td>5. Management/Employee buy-out.</td>
<td>Acquisition by management and/or workforce of controlling interest in the enterprises. In public enterprise leveraged management/employee buy-out (LMBO) consists of purchase of shares on credit extended either by seller (gvt.)</td>
<td>Leveraged buy-out a means of transfer to management and employees even with limited wealth or knowledge of share ownership: incentive to productivity, may be solution for public enterprise not saleable otherwise. May be solution to</td>
<td>Negotiations by govt., management, employees and lenders to cover wide range of issues.</td>
<td>The public enterprise has competent, professional management and skilled, stable workforce.</td>
<td>Cashflow or other security required as underlying element of LMBO. Risk to employees.</td>
</tr>
<tr>
<td>Type of Instrument</td>
<td>Characteristics</td>
<td>Advantages/ consequences</td>
<td>Procedures</td>
<td>Factors determining its choice</td>
<td>Implementation issues</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------</td>
<td>--------------------------</td>
<td>------------</td>
<td>-------------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>6. Lease and Management contracts.</td>
<td>or by financial institutions.</td>
<td>employment problems.</td>
<td>May be preferred where privatisation of ownership is not appropriate.</td>
<td>State unable or unwilling to transfer ownership to private sector but wants private sector management. May also be planned as an intermediate step to full privatisation.</td>
<td>Continued financial liabilities of state with respect to ownership of assets in the case of lease contract. Under management contract, owner may still need to inject funds to support operations.</td>
</tr>
<tr>
<td></td>
<td>No ownership transfer. Under lease fee is payable to owner of production facilities: lessee assumes full commercial risk. Under management contract: owner pays for management skills, while manager has full management and operational control. Many variation exist.</td>
<td>No standard method.</td>
<td>Rendering subsequent sale possible.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Food and Fruit Processing Plant, Muruthal and Cattle Feed Plant, Jind

Food and Fruit Processing Plant, Muruthal and Cattle Feed Plant, Jind were set up in the year 1974-75. The major objectives of Food and Fruit Processing Plant were to provide remunerative prices to the food and fruit growers of the state and to process and produce food and fruit products. Cattle Feed Plant was established to produce good quality cattle feed, poultry feed, sheep feed and pig feed and provide it to the farmers of the state. The product range along with the installed capacity of both these plants is as follows:

1. Food and Fruit Processing Plant: (a) Beverages: Mango, pineapple, Guava in 200 ml. returnable bottles (12000 bottles per shift or 30,000 bottles per day). (b) Canning line: fruit juices, pulps, slices, fruit cocktails, jams, jellies, squashes, tomato ketchup and mushrooms, etc. (1500 MTs. to 3000 MTs. per annum depending upon the product and the size of packing).

2. Cattle Feed Plant: Cattle feed, poultry feed, pig feed, sheep feed (30,000 MTs. per annum).

23. For detail see p.
The analysis of profit/loss position of Food and Fruit Processing Plant reveals that the plant has never earned profit during the period under study. During the year 1985-86, the losses were to the tune of Rs. 180.90 lakhs and kept on declining till 1988-89 when it was Rs. 9.64 lakhs (see Table 7.3). The losses again started increasing in the year 1989-90 when it were Rs. 11.10 lakhs and finally in the year 1992-93 it were Rs. 28.24 lakhs. The total accumulated losses were to the tune of Rs. 324.41 lakhs at the end of the year 1992-93.

Table 7.3 also indicates the profit/loss position of Cattle Feed Plant. Table 7.3 reveals that in the year 1984-85, the profit of the plant was Rs. 1.62 lakhs and consistently increased till the year 1987-88 when it was Rs. 28.92 lakhs. Later on, it started declining and from the year 1990-91 to 1992-93 (except 1991-92 when it earned a meagre profits of Rs. 0.69 lakhs), it suffered losses to the tune of Rs. 6.18 lakhs and Rs. 14.03 lakhs in the year 1990-91 and 1992-93 respectively. However, it is pertinent to mention here that the plant was in profit earlier due to the draught subsidy on the products of the plant. The capacity utilisation of the plant has been 20 percent.

It can be observed from the above discussion that the performance of these two plants has been dismal. The major reasons for poor performance found through interview method
are: lack of leadership and direction as the plants remained without any incharge for a long time; bureaucratic approach in decision making as the higher officials at the helm of affairs at the headquarter level are non-professional; and mismanagement which include inadequate financial planning due to which both the plants are facing working capital problems; poor marketing management, low capacity utilisation excessive establishment and administrative expenses.

Recently, the Corporation has chalked out an ambitious programme to modernise and expand Food and Fruit Processing Plant with an estimated cost of Rs. 130,00 lakhs in order to make the plant economically viable. It is felt that unless the real problems of these plants are not addressed to, the functioning of these plants will not improve. The raw materials for the plants are readily available. The technology is modern. There is no financial and labour problems. There is an adequate demand for the products in the market. The companies in competition from the private\(^{24}\) and cooperative sector\(^{25}\) are flourishing. The need of the hour is to run the plant on business principles without political and bureaucratic interference. The product range of the plants is such that these plants have to compete with

---

24. The Economic Times (1994), 300 ET India's Corporate Giants New Delhi, P-100
25. For details see Appendix K.
private sector giants such as Kissan, Marico Industries, Voltas, Godrej, Hindustan Levers, etc. and cooperative sector undertakings like The Haryana State Cooperative Supply and Marketing Federation Limited (HAFED) and The Punjab State Cooperative Supply and Marketing Federation Limited (MARKFED). In addition, it is felt that there is no need for the government to continue in a sector in which private sector has excelled and performing well. According to Bureau of Public Enterprise, Karnataka, "A time has come when some hard decision needs to be taken in regard to the need for the private sector to have a presence in certain areas of production and operation in which there is already a strong presence of the private sector. The scarce resources of the state government need not be invested in areas of consumer market in which it would merely be doing what the private sector is already doing much better .... The state will do well to dis-invest from such areas of public enterprises before it has to do so by sheer weight of persistent and accumulated losses. Such investment does not, in any case, stand any test of socio-economic justification." Keeping this in view, it is argued that the Corporation should give these plants to the private sector. However, as the plants are in losses and private sector may be hesitant in coming

forward and taking them over, it is suggested that to begin with, these plants may be converted into joint ventures. Empirical evidence reveals that joint ventures, particularly in developing countries are one of the important policy option in the privatisation programme. "Joint ventures with majority or minority ownership by the government are likely to be a major aspect of privatisation programmes in developing countries for a long time to come." It is felt that the presence of Government would instill confidence in the investor. ".... the view is widely held in countries like Kenya and Nigeria that some equity holding by the government would instill confidence in the investor". Thus, from the above discussion, it is observed that the Corporation should go for privatisation in Food and Fruit Processing Plant and Cattle Feed Plant and convert these plants into joint ventures and run them with the help of private sector companies. The creation of joint ventures would provide the following advantages:

(a) a substantial amount of money to the government;
(b) improvement in the quality of goods and services due to the presence of private sector;
(c) revenue generations in the form of profits;
(d) foreign exchange benefits to the country if

27. V.V.Ramanadham (1989), op.cit. p.47.
28. ibid., p.46.
collaboration with some foreign company is made possible; e.g., recently, Government of India has approved the proposal of H.J.Heinz, a well known Multi National Company (MNC) in food processing industry, to establish a Holding Company in India. "Heinz, a well known food products company, plans to invest up to $ 90 million in India through this company."29 and

(e) exports promotion.

Joint Venture:-

Three kinds of proposals can be considered in order to establish joint venture in the present case. These can be

(i) 25% ownership by the private sector (a portion say 5% to be reserved for employees).

(ii) Government may retain 51% equity and dispose off 49% equity to the private sector; and

(iii) 74% equity to be transferred to the private sector and 26% equity to be retained by the government.

While taking decision, it is to be kept in mind that the basic philosophy behind the creation of a joint sector enterprise is that the ownership transfer will generate new forces which will force the enterprise to improve productivity of the assets and make them more profitable. In the first case (25% equity from the private sector), it is

29. For details see The Economic Times, August 12,1994,p. 1.
likely that the desired results may not be achieved as despite minority participation by the private parties, much change may not be seen in the operational efficiency. In the second case, with the substantial ownership i.e. 49 percent, the impact of private sector in decision making can become decisive. However, it is in the third case that the major restructuring of the enterprise can be done as 74% of the equity is going to be transferred to the private sector. In this case, decision making powers in all policy matters and operational control is transferred to the private sector. However, govt. can keep veto power in major corporate decisions. In other words, micro-decision making is totally privatised, but the power to regulate consistent with macro-economic goals of the economy remains with the state. Keeping in mind, the nature of the enterprise in the present case, the third option is more suitable.

Implementation of the Privatisation Programme

The privatisation programme may be implemented in various stages which can be as follows:

Stage I:-

Initiate a discussion with regard to the privatisation programme with the employees. The discussion should include the privatisation programme to be adopted by the Corporation; willingness of the employees to participate in equity
capital and the likely benefits which are going to accrue in general to the Corporation and to the employees in particular. The opposition to the programme, if any should not be suppressed rather addressed adequately. "Opposition to privatisation should never be underestimated; rather it should be acknowledged, and addressed with a view to remove it through sustained education, and publicity of the positive role it could potentially play in generating faster growth and development".

Side by side, approval from the central government and state government is to be sought for going ahead with the privatisation programme. If the response from the workers/employees, central and state government is encouraging, proceed to stage II of the privatisation programme.

Stage II:-

1. A committee of experts to be constituted who would oversee the complete privatisation programme.

2. The plants are to be converted into a subsidiary public limited company of Haryana Agro-Industries Corporation with equity capital.

3. There is need to restructure Food and Fruit Processing plant financially as it has accumulated losses over the

years. The government will have to meet these losses as any potential buyer may not wish to take over these losses.

4. The Corporation should go ahead with its modernization and expansion programme of Food and Fruit Processing plant with an estimated cost of Rs. 130 lakhs. This would lead to enhancement in the viability status of the plant and it would help in fetching the highest possible sales proceeds for the state exchequer.

5. Valuation of the assets to be done by the Corporation. This step is of great significance for the overall success of the privatisation programme. The valuation of the assets could be done on one or more basis viz. covering net tangible assets method, capitalisation of dividends method, price earning ratio method, adding of interest to the tune of 15\%, the capital base method and the stock exchange method. It is felt that the policy makers should be provided prices arrived at on the basis of the various methods. This will help them in striking the best bargain in favour of both the buyer and the seller. It is significant to mention here that in U.K., the valuation of assets have been done successfully in number of cases. The Corporation should seek advice from merchant banks and other institutions in this matter. The Corporation needs to be extra careful in this matter as recently, Public Accounts Committee has indicted the Ministry of Finance, Government of India for undervaluing the shares of
public sector undertakings.

6. The next step would be to decide about the percentage of shares to be offered to the private sector, workers and others. (Already three options have been mentioned). This decision lies with the government.

7. The shares can be offered through different techniques such as:

(i) offer for sale at a fixed price;
(ii) sale by tender with minimum price fixed; and
(iii) offer for sale and sale by tender.

In the first case, the Government can invite applications for shares at a set price as has been done in the case of British Telecom (BT) in England. In the second case, the Government can invite bids for shares above a given minimum tender price. In event of oversubscription, shares can be allocated to those who have entered highest bids. And if it is undersubscribed the Government is assured of getting a minimum tender price set. The third case is a combination of an offer for sale and a tender offer as was done in

31. Government in England issued a prospectus offering shares in BT for sale at 130 pence which was to be payable in three installments. The issue was over subscribed five times and the shares were allocated according to a rationing scheme of the Government.
British Airports Authority (BAA). Among all the methods, tender offers is more advantageous. "Tender offers lead to much more accurate pricing than offer for sale, and an element of tendering can be employed even when an offer for sale is the chosen method".

8. While making allotment of shares, the following points should be kept in mind:

(a) a small percentage (may be five percent of the total equity) should be offered to the workers and employees of the Corporation. Keeping in mind the U.K. model of modalities adopted in most of the cases, the following modalities can be considered by the management while offering shares to the workers:-

(i) Free shares (upto a number) per employee;
(ii) Matching shares (upto a number) per employee; and
(iii) open sale of shares to the employee.

The exact number in each category is to be decided by the government.

(b) Importance should be attached to the allotment of shares to small applicants. It would result in widely spreading

32. The BAA'S 75 percent shares were offered to the general public in the normal way, but the remaining 25 percent were sold by tender. The BAA tender was different in the sense that generally successful bidders pay the striking price at which equals demand but in case of BAA tenderer were committed to pay the price that they offered.

share ownership among individuals.

(c) A limit should be placed on individual share holdings e.g. not more than 15 percent of the voting shares.

(d) The system of loyalty bonus for individual share holders should be introduced. A free share for a specified number of shares e.g one share for every ten shares held by individual continuously for three years subject to a maximum of 200 shares.

9. The Government should sell portions of equity overtime rather than all at one go. As the first tranche is sold, a well established market would exist and the Government will be in a position to price the further tranche with some accuracy.

III

Conclusions

There is need to initiate drastic reforms at the state level public sector undertakings in order to improve their performance. Keeping in view the scope of the study, the present discussion confines to the reforms to be introduced in Haryana Agro-Industries Corporation. The following measures can be considered for improving the performance of the Corporation:- (a) granting greater amount of autonomy to the management and enforcing accountability through Memorandum of Understanding (MOU) (b) restructuring of the
viable and potentially viable units; and (c) disinvestment in the non-strategic and unproductive units through equity dilution.

In order to provide fair amount of autonomy alongwith corresponding accountability for results and to bring transparency in the relationship between government and the Corporation it is felt that there is need to sign Memorandum of Understanding (MOU) between the Government of Haryana and Haryana Agro-Industries Corporation. The suggested Memorandum of Understanding may contain mutual obligations and responsibilities of both the parties i.e. The Haryana government and Haryana Agro-Industries Corporation. It may also contain evaluation criteria. The criteria reflect two dimensions of performance: Static operational efficiency indicators; and dynamic effects. The static operational efficiency indicators include turnover, return on investment, internal resource generation, contribution to the state exchequer, working capital turnover, repayment of government loans, production, capacity utilisation, value added and project implementation. Dynamic effects to give credit for activities that impose a cost at present but bear fruits in future such as research and development, marketing efforts, corporate planning, cost reduction, human resource development and customers satisfaction.

In the next step, weights have been assigned to each
criterion. Though the Corporation has started earning profits still there is sizeable amount of accumulated losses. It is, therefore, recommended to give more weightage to static operational efficiency indicators. Once, the position of the Corporation improves and accumulated losses disappear, weightage to dynamic effects may be increased. Further, criterion value under each category has been fixed. At this stage, the major guiding forces are: original objectives at the project formulation stage; comparison with similar public or cooperative undertakings; comparison with the performance of the Corporation in the previous years and professional judgement by third parties. The performance is to be evaluated at the end of the year by the High Powered Committee to be constituted for the purpose at the state level. In order to make the system of MOU more popular among the workers, an incentive scheme linked with productivity is also recommended.

The second reform measure may be initiated in the form of restructuring of viable and potentially viable units. Fertilizers and Chemicals plant, Shahbad, Agro-engineering workshop and Farmers Service Centres spread throughout the state can be categorized into viable and potentially viable units of the Corporation. The working of Fertilizers and Chemical Plant, Shahbad reveals that although the performance of this plant has improved over-time, there is great scope of improvement in the future. The products of the plant are in
great demand within as well as outside the state. The performance can be improved by initiating the following measures; firstly, the Corporation should sign MOU with the employees of the plant in order to achieve the objectives of MOU signed between the government of Haryana and Haryana Agro Industries Corporation. Secondly, the Corporation should strengthen the distribution network of the Corporation within as well as outside the states like Punjab, Himachal Pradesh and Rajasthan. A marketing campaign should be started on large scale to promote the products of the plant. A scientific system of marketing intelligence should also be evolved. An in depth study of the working of Agro-Engineering workshop reveals that if the Corporation exploits the market fully, the unit will not only become viable but will also yield handsome profits. There is need to strengthen the marketing wing for the purpose. Efforts should be made by the Corporation to take up the matter with the Director General Supplies and Disposals (DG&SD) Haryana for declaring Haryana Agro-Industries Corporation as an approved source for supply of agricultural implements and doing fabrication work for various government departments. Farmer Service Centres were in losses upto 1987-88. The Corporation took some measures to make these centres viable most of the activities, which had social relevance were closed in the name of unviable activities and procurement of wheat and sale of tractors were taken up in a big way. The distribution of fertilizers
mainly has been done through private dealers. It is felt that although these Farmers Service Centres have shown profits but after drifting away from its basic objectives. The setting up of these centres was to meet social obligations by providing agricultural inputs to the poor farmers of the state at concessional rates. They should strive hard to achieve maximum profits keeping in mind their basic objectives. It is felt that the Corporation should restructure its Farmers Service Centres and along with wheat procurement and sale of tractors, they should strengthen their distribution channel of fertilizers at the village level. The Corporation should make efforts to get it declared as an approach centre for sale of monoblocks, diesel engines, tyres, tubes, etc., to the government departments. The Corporation can help economically weaker farmers by providing mini kits consisting of fertilizers seeds and agro-chemicals free of cost.

Apart from these, the the Corporation has Food and Fruit Processing Plant, Muruthal and Cattle Feed Plant, Jind. These two plants of the Corporation are functioning in non-strategic areas and are in losses for the last so many years. In addition, there is no need for the government to continue in a sector in which private sector has excelled and performing well. Keeping this in view, it is argued that the Corporation should sell these plants to the private sector. However, as the plants are in losses and private sector may
be hesitant in coming forward. To begin with, these plants may be converted into joint ventures and run them with the help of private sector companies. The creation of joint ventures would provide following advantages: (a) a substantial amount of money to the government; (b) improvement in the quality of goods and services due to the presence of private sector; (c) revenue generation in the form of profits; (d) foreign exchange benefits to the country if collaborations are made with foreign companies; and (e) exports promotion.