CHAPTER II

THE OBJECTS AND ADMINISTRATION

- The Objectives
- The Administrative Hierarchy
- The Regulations for Finance
- The Controls over the Commodities
- Maintenance of FCI Accounts
- The Management of Modern Rice Mills
- Gunny Management
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CHAPTER II

THE OBJECTS AND ADMINISTRATION

An organisation, by common parlance, is a unit designed to fulfil certain predetermined goals. While the ends to the goals were translated in the form of objectives, the means to the goals were formulated in the form of administration. The objectives determined the nobleness of the organisation and the administration determined the soundness of the system. Thus an insight into the objectives and the administration became a necessity for the study of an organisation. Keeping this governing principles in view the TNCSC Ltd. was formulated as a business organisation with a host of noble objectives and a sound administrative setup.

Among the various forms of the business organisations available in India, the partnership firms were covered by the Indian Partnership Act of 1932 and the companies were put under the Companies Act of 1956. Further the companies were classified into Private Limited Companies, Public Limited Companies and Government Companies. While a Private Limited Company had limitations on transfer of shares, number of memberships and invitation of shares from the public etc., the Public Limited Companies have greater freedom on these aspects and a Government Company had yet better scopes in the form of atleast 51 percent of shares held by the Central and or by the
State Governments or partly by the Central and partly by one or more State Governments.¹

The TNCSC Ltd. was formed as a Private Limited Company under the Companies Act, 1956 on 24 April 1972. In Corporation or registration became the next step, after forming the Corporation. A Company is properly constituted only when it is duly registered under the Act and a Certificate of Incorporation.² The Certificate of Incorporation signed by the Registrar of Companies, Tamil Nadu, 'on the twenty fourth day of April one thousand nine hundred and seventy two' has mentioned about the incorporation of the TNCSC Ltd. as a company:

that the TNCSC Ltd. this day incorporated under the Companies Act, 1956 (No.1 of 1956) and that the Company is Limited.³

From 1972 onwards, the company started handling the trading operations and was set up as a Government Organisation to function on behalf of the Government of Tamil Nadu, with the adoption of the government instructions. By section 43(1-A) of the Companies Act, 1956 a Private Company becomes a Public Company,

Where its average annual turnover at any time is not less than Rs.1 crore for three consecutive financial years

1. N.D. Kapoor Company Law and Secretarial Practice, (New Delhi, 1985), p. 35
Accordingly, the TNCSC Ltd. became a Public Limited Company on 24 April 1976 as its turn-over exceeded Rs. 1 crore.\textsuperscript{4} Turn-over of a company meant,

the aggregate value of realisation made from the sale, supply or distribution of goods or on account of services rendered, or both by the company during a financial year.\textsuperscript{5}

The turn-over in other words was a criteria to assess the economic viability and success of an enterprise. For this analyses the figures of Purchase and Sales of the Corporation for the twenty years under the study is tabulated as follows:

\textbf{TABLE - I}\textsuperscript{6}

\begin{center}
\textbf{ANNUAL TURN-OVER OF THE TAMIL NADU CIVIL SUPPLIES CORPORATION LTD., MADRAS 1971-72 TO 1991-92}
\end{center}

\begin{center}
\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Sl. No.} & \textbf{YEAR} & \textbf{PURCHASE} & \textbf{SALES} \\
& & \textbf{Rupees in Lakhs} & \\
\hline
1 & 1971-72 & 1,200.00 & - \\
2 & 1972-73 & 1,583.00 & 1,181.00 \\
3 & 1973-74 & 5,396.00 & 4,993.00 \\
4 & 1974-75 & 13,288.00 & 12,061.00 \\
5 & 1975-76 & 24,753.00 & 18,785.00 \\
6 & 1976-77 & 7,988.00 & 18,745.00 \\
7 & 1977-78 & 11,762.00 & 10,585.00 \\
8 & 1978-79 & 4,389.00 & 4,559.00 \\
\hline
\end{tabular}
\end{center}

4. TNCSC Ltd., \textit{Proceedings of the General Meeting}, Madras, 24.4.76

5. N.D. Kapoor, n. 1, p. 29

6. TNCSC Ltd., \textit{Annual Reports from 1972-92} (Madras)
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>YEAR</th>
<th>PURCHASE</th>
<th>SALES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rupees in Lakhs</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>1979-80</td>
<td>8,229.00</td>
<td>12,038.00</td>
</tr>
<tr>
<td>10</td>
<td>1980-81</td>
<td>21,454.00</td>
<td>20,334.00</td>
</tr>
<tr>
<td>11</td>
<td>1981-82</td>
<td>35,861.26</td>
<td>31,368.83</td>
</tr>
<tr>
<td>12</td>
<td>1982-83</td>
<td>33,978.56</td>
<td>34,337.21</td>
</tr>
<tr>
<td>13</td>
<td>1983-84</td>
<td>48,420.70</td>
<td>43,692.40</td>
</tr>
<tr>
<td>14</td>
<td>1984-85</td>
<td>52,241.85</td>
<td>44,213.92</td>
</tr>
<tr>
<td>15</td>
<td>1985-86</td>
<td>50,120.16</td>
<td>53,318.16</td>
</tr>
<tr>
<td>16</td>
<td>1986-87</td>
<td>56,967.30</td>
<td>50,913.53</td>
</tr>
<tr>
<td>17</td>
<td>1987-88</td>
<td>53,950.72</td>
<td>67,925.12</td>
</tr>
<tr>
<td>18</td>
<td>1988-89</td>
<td>70,008.41</td>
<td>59,671.17</td>
</tr>
<tr>
<td>19</td>
<td>1989-90</td>
<td>81,787.00</td>
<td>61,286.00</td>
</tr>
<tr>
<td>20</td>
<td>1990-91</td>
<td>95,441.00</td>
<td>75,377.00</td>
</tr>
<tr>
<td>21</td>
<td>1991-92</td>
<td>1,13,972.00</td>
<td>89,638.00</td>
</tr>
</tbody>
</table>

It is thus seen that the sphere of business and the span of activities of the Corporation had been continuously on constant rise for all these twenty years under the study. The Corporation took a quantum jump in 1974-75 by doubling up its purchase and tribbling of its sales than the previous year. Similarly for the subsequent year 1975-76 the trend continued to rise. However, the second decade witnessed a remarkable growth throughout. The business shot up for the second time in 1980-81 when the purchase for the year was three times more than the preceeding year. Since then the mere absence of any stagnation or downward trend had proved the success story of the Corporation as well as the confidence of the society.
The authorised **Share Capital** of the TNCSC Ltd. was only Rs.3 crores on 31.3.1972, divided into 30,000 equity shares of Rs.1000 each. This was increased to Rs.5 crores in 1977 divided in to fifty thousand shares of Rs.1,000/- each and Rs.10 crores in 1978 divided into 1 lakh equity shares of Rs.1,000/- each. Further during the year 1981, the amount was increased to 20 crores divided into 2 lakhs equity shares of Rs.1,000/- each. Finally the last hike during our period of study occurred in the year 1986 when the authorised share capital rose to Rs.30 crores divided into 3 lakhs equity shares of Rs.1,000/- each, which continued to exist till 31 March, 1992. The share capital meant the capital raised by a company by the issue of shares. The Chairman-cum-Managing Director of the TNCSC Ltd. and Deputy Secretary, Finance of the Government of Tamil Nadu held one share each. The rest of the shares were held by the Governor of Tamilnadu. The **paid-up capital** of the company varied from time to time in an increased manner. It was Rs.75.05

7. *The Articles of Association, Article.5*, TNCSC Ltd., (Madras, n.d.)


lakhs in 1972, Rs.5,55.05 lakhs in 1982 and Rs.2,253.85 lakhs in 1992. The paid-up capital was that part of the issued capital which was paid by the shareholders or which was credited as paid up on the shares. The entire share capital of the TNCSC Ltd. was therefore held by the Government of Tamil Nadu. The table below has given the sum of authorised share capital and paid-up capital of the TNCSC Ltd., from 1972-92.

**TABLE - II**

**THE AUTHORISED SHARE CAPITAL AND PAID-UP CAPITAL OF THE TAMIL NADU CIVIL SUPPLIES CORPORATION LTD., 1972-92**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>YEAR</th>
<th>SHARE CAPITAL (Rs.in Crores)</th>
<th>PAID UP CAPITAL (Rs.in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1972 to 1975</td>
<td>3</td>
<td>75.05</td>
</tr>
<tr>
<td>2.</td>
<td>1976</td>
<td>3</td>
<td>1,05.05</td>
</tr>
<tr>
<td>3.</td>
<td>1977</td>
<td>5</td>
<td>&quot;</td>
</tr>
<tr>
<td>4.</td>
<td>1978 to 1980</td>
<td>10</td>
<td>5,55.05</td>
</tr>
<tr>
<td>5.</td>
<td>1981 to 1983</td>
<td>20</td>
<td>&quot;</td>
</tr>
<tr>
<td>6.</td>
<td>1984</td>
<td>&quot;</td>
<td>1,239.55</td>
</tr>
<tr>
<td>7.</td>
<td>1985</td>
<td>&quot;</td>
<td>1,989.55</td>
</tr>
<tr>
<td>8.</td>
<td>1986</td>
<td>30</td>
<td>&quot;</td>
</tr>
<tr>
<td>9.</td>
<td>1987</td>
<td>&quot;</td>
<td>2,114.55</td>
</tr>
<tr>
<td>11.</td>
<td>1990 &amp; 1991</td>
<td>&quot;</td>
<td>2,203.85</td>
</tr>
<tr>
<td>12.</td>
<td>1992</td>
<td>&quot;</td>
<td>2,253.85</td>
</tr>
</tbody>
</table>

The first step in the formation of a Company was the preparation of its Memorandum of Association which means a set of principles.

as originally framed or as altered from time to time in pursuance of any previous Company Law or of the Companies Act, 1956.\textsuperscript{13}

In other words, the Memorandum of Association of the Company was its fundamental document. It was also the charter of the company which defined its powers. It also laid down the area of operation of the company as well as conditions on which the company was incorporated. It also regulated the relationship of the company with the outside world. It was filed with the Registrar of Companies at the time of formation of a company. In the words of Palmer,

It is a document of great importance in relation to the proposed Company.\textsuperscript{14}

The TNCSC Ltd. had its ‘Memorandum of Association’ by which it was governed. It not only showed the object of the formation of the Company but also the utmost possible scope of it.

The objectives

The objects of the TNCSC Ltd. mentioned in its Memorandum of Association were two-fold, namely the main objects and incidental or ancillary objects. The Main Objects for which the Corporation was established were,

\textsuperscript{13} N.D. Kapoor, n. 1, p. 78

\textsuperscript{14} D.P. Jain, n. 2, p. 71
to engage in promote, improve, develop, counsel and finance production, purchase, storage, processing, movement, transport, distribution and sale of food grains, food stuffs and any other essential articles and to provide services and assistance of all kinds for the said purposes; including capital, credit, means, resources, technical and managerial services, advice and assistance.\textsuperscript{15}

The inclusion of non-essential commodities and liquor of all kinds was also made later in the Memorandum of Association on 25 October 1989 following the orders of the Company Law Board.\textsuperscript{16}

The 'Object Incidental or Ancillary' included a host of other activities of the Corporation to the attainment of the main objects. The Articles 8, 14, 15, 16, 32 and 36 were pertaining to the property rights of the Corporation. To quote a few, Article 8 had mentioned the right

\begin{quote}
to acquire lands, develop them by providing communication, water supply, power supply and other facilities and make them available . . . to any individual, association or concern.\textsuperscript{17}
\end{quote}

Article 14 further added the powers as

\begin{quote}
to construct, maintain and alter any building or works, necessary or convenient for the purpose of the company.\textsuperscript{18}
\end{quote}

15. TNCSC Ltd., Memorandum of Association, (Madras, n.d.), p. 3
17. TNCSC Ltd., Memorandum of Association, Article 8, (Madras n.d)
18. Ibid., Article 14
Article 15 had given the powers regarding the construction of road ways, railways, branches and sidings, bridges, reservoirs, water courses, warehouses, shops, stores etc. Article 32, and 36 have mentioned about the appropriate use of the lands belonging to the company for streets, parks, pleasure grounds, apparatus or appliances, etc.

Article 6, 7, 9 & 17 of the Memorandum of Association have laid emphasis on the business activities of the Corporation as to produce, procure and provide plant, machinery, vehicles, materials and stores, livestock and any other goods or services to any undertaking and to carry on any other trade or business which in the opinion of the company may conveniently be carried on. Similarly Article 17 had stated,

To apply for and take out, purchase or otherwise acquire any trade mark, patents, patent rights inventions, copy rights designs of secret processes, which may be useful for the company's objects and to grant licenses to use the same to work, develop, carry out, exercise and turn to account the same.\(^{19}\)

The other important aspect namely the development of capital or financial assistance for undertaking project or enterprises connected with the objects of the Company were mentioned in Articles 5, 12, 13, 19, 21, 23 and 25 of the Memorandum of Association. These Articles also had discussed about the payment of interest on the shares debentures in order to promote or advance the interest of the Company. Article 5, had mentioned that,

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19. Ibid., Article 17
to procure capital or financial assistance for any undertaking project or enterprise, connected with the objects of the company whether owned by Government statutory body, private company firm, or individual or co-operative institutions and to subscribe for or to otherwise deal in shares, debentures and securities of such institutions or individuals.\textsuperscript{20}

The Memorandum of Association had also shown interest for the furtherance of educational, academic and training activities in its document. The Article 4 had dealt with the object

to undertake investigation, studies for preparation, of feasibility, studies and project reports for the establishment of any projects for execution by the company or by any other agency connected with the objects of the company.\textsuperscript{21}

Further Articles 33 and 34 of the Memorandum had stated about the establishment, maintenance and operation of general educational institutions, technical training institutions and hostels for the benefit of the children of ex-employees of the Company, their dependents to make grants and awards and scholarships.

The last Article of the object \textit{incidental} had dealt with the \textit{general welfare} of the employees and ex-employees of the Company, their wives, families and the dependents. It stated that:

20. Ibid., Article 5
21. Ibid., Article 4
by building or contributing the building of houses, dwellings or by grants of money, pensions, allowances, bonus or other payment or by creating and from time subscribing to provident and other associations, institutions-funds or trusts and by providing or subscribing or contributing towards places of instructions and recreations, hospitals and dispensaries, medical and other assistance of the company shall think fit.\(^{22}\)

"The Articles of Association" was the next in importance to the Memorandum of Association. The former played a part subsidiary to the Memorandum. The Articles of Association defined the duties, rights and powers of the governing body of the Corporation. In the words of Lord Cairns,

The articles proceed to define the duties, the rights and the powers of the governing body as between themselves and the company at large, and the mode and form in which the business of the Company is to be carried on, and the mode and form in which changes in the internal regulations of the Company, may, from time to time, be made.\(^{23}\)

The Articles of Association were framed in such a way that they did not go beyond the powers of the Company as contemplated by the Memorandum. The Articles of Association of the TNCSC Ltd. consisted of share capital,

22. Ibid., Article 37

allotment of shares, share certificate and its lien, calls, transfer, transmission and forfeiture, general meetings, voting rights of members etc. Similarly the appointment of Directors, Managers, Auditors for the Corporation and their remunerations, qualifications, powers etc were also mentioned in the Articles of Association. It also dealt with the annual accounts, annual reports, capitalisation of profits and finally the winding up procedure of the Corporation.

The Administrative hierarchy

The general body of the Corporation was its apex body and it consisted of only three members namely the Governor of Tamil Nadu, the Finance Secretary to the Government and the Chairman-cum-Managing Director of the Corporation.24

The TNCSC Ltd. though a legal entity in the eyes of law, was only an artificial person in contemplation of law. It would act only through some human agency. Thus for reasons for convenience and practicability, the management of the Corporation was entrusted to a small body of representatives called individually Directors and collectively Board of Directors or just the Board. Unlike in the case of Public Limited Company where the Directors were elected by the Members in the Annual General Meeting, the Directors of the TNCSC Ltd. were duly appointed by the Governor of Tamil Nadu. Article 74 A of the Articles of Association of the

24. TNCSC Ltd. Course Material for Training Programme, (Madras, 1990), p. 2
TNCSC Ltd. had mentioned about the **appointment of Directors** to the Board of Directors of the Corporation. It says,

The Directors including alternate Directors, the Chairman and the Managing Director, if any, shall be appointed by the Governor and shall be paid such salary and or allowances as the governor may from time to time determine.\(^{25}\)

The Board was headed by the Chairman selected from among the Directors who was referred to as Managing Director. The period of directorship was not determined by the Articles of Association and thus it was determined by the Governor from time to time. The total number of Directors was also determined only by the Governor. Article 73 (a) of the Articles of Association had mentioned about the number of Directors to be appointed as

The Governor shall time to time determine the number of Directors of the Company which shall not be less than 2 and shall not exceed 10.\(^{26}\)

While the number of Members remained the same throughout, the number of the members of the Board of Directors was increased by and then. There were initially only five members in the Board of Directors. As there was increase in the activities and expansion of the area concerns, the number of the members of the Board of Directors got increased gradually to six in 1973-74,

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26. Ibid., Article 73 (a)
seven in 1976-77, eight in 1977-78, nine in 1985-86 and ten in 1987-88. As on 31.03.92, there were ten members in the Board of Directors of the TNCSC Ltd. (Appendix II)27 Article 75 of the Articles of Association had given general powers to Directors to manage the business of the Company. According to Article 76, the Directors of the Corporation were authorised to acquire property rights for the Company, to undertake works of capital nature, to deal with shares, bonds, debentures or other securities of the company, to enter into contract or engagement and to deal with administrative staff and their service conditions. Further, Article 76 (20) delegated that:

all or any powers, authority and discretion for the time being vested in them subject however to the ultimate control and authority being retained by them.28

The Chairman had the power to appoint person or persons to accept and hold in trust for the Company, to deal with legal matters, to claim and demands, to arbitration and to issue receipts on behalf of the Corporation. He also could appoint the attorney or agent and determine authorised signatories for the Corporation. He was also vested with the other important powers such as dealings with the business transaction, commissions, administering changes and repealing bye-laws dealing with staff super-annuation benefits, setting aside from the profits of the Company for pension, gratuity and to negotiate any contract in business matters. Emphasising the importance of the meetings for assimilation of information and for promoting business, it is said that,

27. TNCSC Ltd., *Short notes on the Activities of the Corporation*, (Madras, 1992), p. 1

28. TNCSC Ltd., *The Articles of Association*, Article 76(20), (Madras, n.d.)
In all democratic associations - social, political or business - from the smallest sports club to the largest joint stock company, members get together periodically to discuss the problems relating to the association and take decisions by common consent or by the consent of majority. Such meetings have become an integral part of the modern democratic set up.²⁹

Article 45 of the Articles of Association had dealt with the convening of the General Meetings of the TNCSC Ltd. The first general meeting was to be held within eighteen months of its incorporation. The Board Meetings of the Corporation was held once in every month.³⁰ This was because, the subjects that had to be decided by the Board were numerous and the activities of the Corporation were also very important from the point of view of consuming public which required regular review. During the Annual General Meeting, the profit and loss account, the balance sheet and the reports of the Directors and the Auditors, declaration of dividends, appointment and remuneration of the auditors, transaction of any other business under the Articles of Association of the Corporation were discussed. All other meetings were called as Extra-ordinary Meetings.

On the Executive Side, the Chairman-cum-Managing Director was the full time Director. However, at present the post has been bifurcated into two independent offices called Chairman and Managing Director. The Chairman-cum-Managing Director was assisted by the Joint Managing Director. The

²⁹  N.D. Kapoor, n. 1, p. 285
³⁰  TNCSC Ltd., n. 15, p. 2
second level officials in the Head Office were to look after and manage the respective area of activities like Company Secretary for secretarial work, Finance Adviser and Chief Accounts Officer for Finance, Accounts and Audit; General Manager (Administration) for establishment; General Manager (Business) for government welfare schemes and storage; General Manager (Commercial) for procurement and Public Distribution System; General Manager (Quality Control) for quality control aspects; General Manager (Engineering) for Modern Rice Mills for construction works and maintenance; Vigilance Officer for vigilance purposes and Chief Internal Auditor for auditing the accounts of the TNCSC Ltd.\textsuperscript{31} They were assisted by Managers, Assistants, Junior Assistants and Office Assistants depending upon the need.

The Head Office of the TNCSC Ltd is situated at 42, Thambusamy Road, Chennai-10. In order to ensure effective and efficient functioning, the State was divided into eight compact and viable units, each incharge of a Regional Manager. In course of the time with the political reorganisation of the districts, the TNCSC Ltd. also had expanded its regions. As on 31.01.92, the TNCSC Ltd., had 22 Regional Offices at 22 Regions based on the geographical divisions at the rate of one region for each revenue district.\textsuperscript{32} These Regions were called as the area of operation of the TNCSC Ltd. The Region was headed by a Senior Regional Manager or Regional Manager. He was assisted by Deputy Senior Manager or Regional Manager, Deputy Manager (Accounts), Assistant Manager (Business) and Assistant Manager

\textsuperscript{31} TNCSC Ltd., n. 18, p. 4
\textsuperscript{32} Ibid. p. 5
Tamil Nadu has been divided into twenty-two districts. These are:

1. Chengalpattu
2. Coimbatore
3. Dharmapuri
4. Dindigul
5. Nagapattinam
6. Namakkal
7. Kanyakumari
8. Madurai
9. Mayiladuthurai
10. Nilgiris
11. North Arcot
12. Pudukkottai
13. Salem
14. South Arcot
15. Tharangambadi
16. Thiruvarur
17. Theni
18. Tiruchirapalli
19. Tiruvannamalai
20. Thanjavur
21. Thanjavur
22. Vellore
THE TAMIL NADU CIVIL SUPPLIES CORPORATION LIMITED
REGIONAL OFFICE, THANJAVUR
(Administration). However, a Manager (Administration) was appointed only for Madras and Thanjavur Region for administration purpose. Manager (Accounts) and Manager (Quality Control) were appointed only in some regions based on need. Production Engineer was there only in case of Modern Rice Mill. The supporting staff like Superintendents, Assistants, Junior Assistants and Office Assistants were the other officials who assisted the Senior Managers and Regional Managers in the day-to-day business of the TNCSC Ltd.

There were six **Sub-Regional offices** to manage the procurement and allied activities in Thanjavur and one in South Arcot Region. The sub-regional offices in Thanjavur region were located at Thanjavur, Tiruvarur, Mannargudi, Kumbakonam, Pattukottai and Mayiladuthurai. In South Arcot Region, the sub-regional office was located at Chidambaram. Apart from these offices, there were **Unit Offices** for accounting purpose in order to decentralise the compilation of accounts at the unit level and consolidate at the Head Office level. These unit offices were located at Madras, Coimbatore, South Arcot, Tirunelveli, V.O. Chidambaranar and Thanjavur. Besides, there were four Senior Managers (Quality Control) one each at the Head Office for Madras region, South Arcot region and Thanjavur region. Similarly, there were four Executive Engineers for construction activities at Thanjavur, Madurai, Coimbatore and Madras. They were to report directly to Construction Engineer in Head Office.

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33. *Interview with K. Lakshmana Raju*, Senior Manager (Quality Control), Madras, 6 May 1992

34. Ibid.
The Executive Officers at regional levels such as Senior Managers and Regional Managers (Administration) were in overall charge of the smooth administration of the region.\textsuperscript{35} They were also in charge of postings, transfers and promotion of staff upto the rank of Assistants. They were to see that disciplinary proceedings were conducted adequately and effectively without delay. They also collected monthly Employees Provident Fund subscriptions and sent them periodically to Head Office. Routine up-keep of their buildings, godowns as well as promote submission of rent proposals for rented buildings were taken cared by them. Effective use of vehicles in the region, holding of bilateral talks to contain labour problems and economic materials management were also the other areas wherein the Senior Manager and Regional Managers (Business) held authority.

Further, the Senior Managers and Regional Managers (Accounts) took care of the submission of monthly, quarterly, half-yearly and annual accounts in time.\textsuperscript{36} They settled all bills for hulling and transport and the claims to Food Corporation of India, Railways and Insurance Companies. Budget Control and periodical reports thereon were also looked after by them. Recovery of dues from the Government Organisations, Co-operative Institutions and Private Parties were conducted by these managers.

Senior Managers and Regional Managers (Audit) were in charge of prompt settlement of internal audit objections, prompt replies to Auditor


\textsuperscript{36} TNCSC Ltd., Accounts Manual, (Madras, 1993) p. 2
General's queries, prompt completion of statutory audit, Auditor General's audit and Tax Audit.³⁷

The Regulations for Finance

Another important administrative task was the preparation of the budget for the TNCSC Ltd. Budget is commonly known as a statement of anticipated receipts and expenditure. Budget is generally prepared for a period of six months or one year or of any period that is suitable for an organisation. The TNCSC Ltd. prepared its budget for the year from 1st April to 31st March of the succeeding year.³⁸ This synchronised with the financial year of the Government. The preparation of a budget was essential to any organisation because this served as a tool to the Management not only to plan its activities based on the available resources but also to control the expenditure for each activity of the organisation for each financial year.

The Master Budget was prepared in the month of January or February after getting the data from all regions.³⁹ It included the revised estimate for the current year and budget estimate for the ensuing year. The Budget estimate was got approved by the Board of Directors. After approval, allocation of provision was made to the regions under different heads of accounts. The allocation of provisions included the establishment charges, administrative

³⁷ TNCSC Ltd., Audit Manual (Madras, n.d.), p. 4
³⁸ Interview with M. Srinivasan, Senior Manager (Business), Head Office, TNCSC Ltd., Madras, 7 May 1992
³⁹ Ibid.
expenses, expenditure on Modern Rice Mills and other capital purchases, staff advances and miscellaneous expenses. Failure to go by the provision in the budget for spending would not only cause serious embarrassment to the management by way of over-drawls but also such over-drawls would be questioned in the audit. Therefore, due care was given to prepare the budget by the TNCSC Ltd.

Expenditure was incurred only in relation to the allotment made in the budget. In order to control the expenditure, monthly returns from all Regional Managers were received by the Head Office. The monthly returns showed the budget allotment, expenditure incurred during the month and the progressive total of the expenditure of the respective regions. If the allotment was exceeded, the reasons were to be furnished. The monthly return was sent on or before 10th of the succeeding month. Head Office reviewed the expenditure incurred every month with reference to the allotment made in the budget and brought to the notice of the management.

The expenditure was classified as Revenue, Capital and Loan. The Revenue expenditure consisted of establishment charges, payment of interest and trading expenses etc. Any expenditure for creation of an asset such as construction of office buildings, godowns, Modern Rice Mills, and purchase of machinery etc. fell under capital expenditure. The expenditure which was expected to be got back such as advances to staff for construction of house or purchase of a vehicle, festival advance, etc., was classified as Loan Account.

All companies registered under the Company Law 1956, were to keep proper books of account with respect to

All sums of money received and expanded by the Company and the matters in respect of which the receipt and expenditure takes place, all sales and purchases of goods by the Company, the assets and liabilities of the Company and in the case of a Company, engaged in production, processing, manufacturing or mining activities, such particulars relating to utilisation of material or labour or to other items of cost as may be prescribed.\(^{41}\)

The TNCSC Ltd. being a commercial organisation maintained double entry system of account\(^{42}\) namely the Revenue Account and Capital Account. The Revenue Account dealt with receipts for the sales, subsidy from the Government, interest receipts, expenditure on purchases, trading, establishment charges, administration, bank charges etc. The Capital Account was maintained for receipts such as share capital, contribution of loan from State Bank of India for construction works, deposits, recovery of advances and sale proceeds of capital items, expenditure on deposits and advances, purchase of land, buildings and machinery.

Funds were allotted to the regions for incurring expenditure item-wise with strict financial and budgetary discipline every year. Incurring of


\(^{42}\) TNCSC Ltd., n. 36, p. 1
expenditure without budget discipline and in anticipation of satisfaction was totally avoided. Regional Managers sent a cost statement every fortnight indicating the probable cash inflow and cash outflow on the 15th and 20th of each month for effective control of cash flow in Head Office. Apart from the monthly reports and fortnightly reports, the statement of drawls and remittances of cash were sent every day by the Regional Managers and unit officers to the Head Office. This statement indicated the daily cash inflow and outflow for ‘Cereal Account’ and ‘Non-Cereal Account’ separately. While paddy, rice, wheat and wheat products fell under ‘Cereal’ and the account intended for this purpose was called the ‘Cereal Account’. Sugar, edible oil, kerosene, pulses etc. fell under ‘Non-Cereal items and the account maintained for these commodities was known as ‘Non-Cereal Account’. These two accounts were maintained for the procurement of essential commodities required for the supply of the same to the public through Public Distribution System.

The ‘Cereal Account’ was operated by the Corporation through ‘Cash Credit’ facility. This scheme was evolved by the Reserve Bank of India and was extended to the State Government through the State Bank of India for the procurement of commodities of cereal variety for the Public Distribution System. The cash credit facility was extended to the TNCSC Ltd on the guarantee given by the government of Tamil Nadu under hypothecation of stocks of commodities held by the corporation. An interest of 14 percent and

43. Interview with T.M.S.Sampath, Supervisor (Costing), Head Office, TNCSC Ltd., Madras, 27.7.98
44. Ibid.
guarantee commission of 0.5 percent to the State Government were paid annually on drawls under the Cereal Account.

The operation of ‘Non-Cereal Account’ was made available by the consortium of three banks namely the State Bank of India, State Bank of Patiala and State Bank of Travancore with a total limit of Rs.19 crores. The rate of interest paid by the Corporation on the drawls under the non-cereal account was 15 percent besides the payment of 0.5 percent as guarantee commission to the State Commission. Therefore, it was understood that the trading operations of the TNCSC Ltd. were carried on borrowed funds at a high rate of interest. Hence, the Corporation was careful that the borrowed funds did not get locked up with the suppliers under both the cereal and non-cereals accounts.

The monetary limit under both the accounts was fixed by the Head Office. All cheques were signed by two officers namely the Deputy Manager (Accounts) and the senior most Superintendent of the Accounts Wing in the Regional Offices and Unit Offices. As regards the Head Office, all cheques were signed by two officers namely Deputy Manager (Bills) and Manager (Bills), provided the cheques were within Rs. 20 lakhs. The cheques above Rs.20 lakhs were signed by the Manager (Bills) and the Financial Adviser and the Chief Accounts Officer.

45. TNCSC Ltd., _Notes on the Activities of the Corporation_, (Madras, n.d.), p. 9
As far as the Banking arrangement of the TNCSC Ltd. was concerned, two distinct accounts were maintained namely the Drawing Account and Collection Account. The Drawing Account was maintained to withdraw money by cheques through the authorised unit officials. The Collection Account was maintained only for the credit of sale proceeds and no withdrawal was permitted. The daily balance of both the accounts of both the regions and unit offices was transferred to the Pool Accounts of concerned region and unit. The amount credited in the pool account was transferred to the State Bank of India, (Commercial Branch), Madras-1 for adjustment against Cash-Credit Account everyday. The State Bank of India would despatch the Bank scroll showing actual deposit and withdrawal of amount in the account of the TNCSC Ltd. to regional offices and unit offices every week. A detailed reconciliation statement was prepared for each bank account maintained by the regional and unit offices on a monthly basis.

The TNCSC Ltd. being again a Public Limited Company, carried on business with capital furnished by persons who bought its shares. The subscribers of the capital were, however, not in direct control of its utilisation which was left to the control of the Directors and the superior officers of the Company. In these situations some arrangement called for those who provided the capital and wanted to know periodically what was being done with their money, how did the affairs of the Company stand and what was the present

46. *Interview with T.M.S. Sampath*, Supervisor (Costing), TNCSC Ltd., Head Office, Madras, 27.7.98

47. Ibid.
value of their investment etc. Under these circumstances, in order to safeguard the interest of the shareholders, section 224. of the Companies Act of 1956 provided for the employment of an auditor.

The Auditor or Auditors of a Company shall be appointed by the Board of Directors within one month of registration of the Company and the auditors so appointed shall hold office until the conclusion of the first Annual General Meeting. The Auditor was the servant of the shareholders and his duty was to examine the affairs of the Company on their behalf at the end of a year and report to them what he found.

Article 117 of the Articles of Association of the TNCSC Ltd. had mentioned the Appointment of Auditors to the Corporation. The Auditors were appointed or reappointed by the Central Government on the advice of the Comptroller and Auditor General of India. Their rights and duties were regulated by the sections of 224 to 233 of the Companies Act of 1956. The Auditor was to attend the General Meetings of the Corporation. The accounts so far reported and examined were laid by the Auditors before the Corporation. He was to make statement and explanation if so desired by the members of the General Meeting with respect to the accounts. The Auditor submitted a copy of the audit report to the Auditor-General of India. The comments made by the Auditor - General over the audit report was placed by the Auditor before the annual General Meeting of the Corporation along with the audit report. The

48. M.C. Kuchhal, Modern Indian Company Law, (Delhi, 1979-80), p. 267
49. TNCSC Ltd., Articles of Association, Article 117, (Madras n.d.)
branch offices of the TNCSC Ltd. were also audited by the auditors who were appointed under section 224 of the Companies Act of 1956 or by a person qualified for appointment as auditor under section 226 of the same Act.

As per Manufacturing and Other Companies (Auditors Report) Order of 1975, Companies were required to have an Internal Audit wing. It was a review of operation and records and was generally continuously undertaken within the business by specially assigned staff for the purpose. The scope and objectives in a large organisation like TNCSC Ltd. extended to many matters. The main objective of the Internal Audit was to assure the management that the internal check and the accounting system were effective in design and operation.

A sound business organisation pre-supposes the existence of firm internal controls to ensure that the resources of the business are applied in the best possible manner, in the pursuit of laid down policies and exclusively to further the interest of the business. It has to be recognised that it is the function of the Internal audit to ensure that periodic or continuous check are carried out and that controls are adequate, effective and operative.\(^5^0\)

In order to have control over the activities of the TNCSC Ltd., Internal Audit system was made available.\(^5^1\) Internal Audit was the primary audit conducted on behalf of the management on which statutory audit agencies

50. TNCSC Ltd., n. 37, p. 1
51. Ibid., p.3
relied and passed on their observation. This functioned as a part of the Corporation to ensure that the procedures and system laid down by the Company in regard to its commercial and banking activities etc. were properly followed at all levels. This was an independent appraisal of the activities of the Corporation from within for the review of the operations as a service to the management. The Internal Audit covered hundred percent audit of all transaction relating to Head Office, Regional Offices, Unit Offices, Modern Rice Mills, Storage Points and so on. The Regional Managers and Unit Officers extended their co-operation for the conduct of the audit by making all the records and registers upto date and producing them to audit whenever required. The programme of audit for all offices and centres was for one financial year.

At the lower echelon, the function of Internal Audit was attended to by the Zonal Audit Parties. The Zonal Audit Party was headed by one Deputy Manager. He was assisted by one Assistant Manager, Superintendents and Assistants. Each Zonal Audit Party was in charge of three to four regions. They submitted the quarterly programme of audit with a list of audits pending and for approval to the Head Office. The programme of audit was reviewed and controlled by the Head Office. The output of the Internal Audit System was presented to the Management of the TNCSC Ltd. in the form of a report. With a view to furnish periodical reports to the management, the Zonal Audit Parties would furnish a statement of the state of audit in the beginning of every month. Serious irregularities with particulars of corrective action taken

52. Ibid. p. 4
by the Regional Managers concerned were also pointed out in these reports. The Regional Manager took up the responsibility of the follow up action and settlement of audit objections.

The TNCSC Ltd. was registered as a dealer under Tamil Nadu Government Sales Tax Act 1959\(^{53}\) and C.S.T. Act 1956\(^{54}\) with the Commercial Tax Officer, Purasawalkam, Madras. All the retail and storage points of the Corporation were also registered are renamed every year for this purpose. The Corporation had opted for monthly assessment of Sales Tax on self-assessment basis. A consolidated monthly sales turnover return for all the regions was filed with Commercial Tax Department based on the returns received from the regions and units. The monthly Sales Tax liability of the Corporation was paid within the date stipulated for filing Sales Tax returns. These returns were matched by the Annual Accounts Wing of the Head Office. The Head office would also compile an annual return of Sales Tax based on the annual accounts for the year filed with the Sales Tax Department.

The TNCSC Ltd., was an assessee under the Income Tax Act 1961. The Corporation was assessed under Resident Company and the assessment was made by the Income Tax Officer, Company Circle II (3).\(^{55}\) As per the provisions of Sections 208 to 219 of the Income Tax Act, the Corporation was liable to pay advance tax on the estimated income of the year in three

53. TNGST No. 36050/72, 21.11.1972

54. CST No. 6663/Zone IV, 21.11.1972

55. Income Tax No. 47-003-C4-3998-C1 No.14 T
instalments - on the 15th of September, December and March of the financial year. The Corporation filed a return of income to the respective Assessing Authority on or before 30th June of the assessment year as required in Sec. 139 (1) of the Income Tax Act, 1961. The Annual Accounts Wing in Head office pursued further action with the concerned Income Tax authorities for final assessment of Income Tax for each assessment year.

The controls over the commodities

The administration of the Commercial Wing was also detailed minutely by the Corporation. Soon after the Government of Tamil Nadu declared the monopoly procurement, the TNCSC Ltd. was authorised to act as the sole wholesale nominee of the Government of Tamil Nadu. The Corporation accordingly geared up its machinery in setting up the Direct Purchase Centres (DPC) in the monopoly procurement area in consultation with the local District Collectors. In an average one DPC was opened for every three to four kilometer distance.

The DPCs were located in each village and in some Taluk headquarters. These centres were manned by one Bill Clerk and one Helper who were all regional employees. Besides, there were a number of gangmen or loadmen employed for the purpose of weighment, stitching, stacking and loading the gunny bags into the lorries. During heavy arrivals of paddy, one more helper was appointed. In order to have efficient administration and overall

supervision of two or more DPCs, a Purchase Officer was appointed. The Superintendent (Procurement and Movement) was the immediate controlling officer of the DPCs. He was responsible for the disbursement of purchase advances on proper acknowledgement. He was also responsible for checking the weightment in DPCs.

In order to facilitate detailed analysis of paddy, the Quality Inspectors were posted in the DPCs during procurement. They were in charge of quality supervision in the DPCs. They inspected the working condition of the moisture meters, verified test samples at random from different lots, ensured correctness of standard weight of paddy bags and movement of paddy from the DPCs on first-in-first-out principle. If other irregularities like shortage of stock or money were noticed during inspection, they were brought to the notice of the Sub-Regional Manager or the Senior Regional Manager.

An Assistant Manager (Quality Control) was in charge of sub-regions. He checked the samples from the paddy purchased in order to avoid the purchase of substandard paddy in the DPCs. Deputy Manager (Accounts) was in charge of cash from the Bank and disbursement of purchase advances to the purchase officers without delay. He also maintained the entire accounts and checked the transactions. Manager (Purchase & Movement) was incharge of the Revenue Division for the entire Sub-Regions. Being the administrative

57. Ibid., p. 1
58. TNCSC Ltd., Head Office Circular, (Madras), RC.T1/89250/92-1
head of the DPCs, he looked after every aspect of procurement and movement of paddy to other regions, from the opening of DPCs till it was wound up.\textsuperscript{59}

The Senior Regional Manager or Regional Manager (Procurement) ensured effective and smooth function of DPCs for procurement of paddy with specific reference to cash and gunnies availability. They also monitored the outward movement of paddy stocks to other regions both by rail and road. They were responsible for proper utilisation or funds provided for procurement. They took care of the credit limits which were not to be exceeded. In the non-monopoly procurement areas, they ensured the smooth functioning of levy collection centres as and when levy was enforced and assisted the district in achieving the target fixed.\textsuperscript{60}

Paddy was normally procured during the period between November and December for Kuruvai and January to March for Samba. The peak season was November to February. At the close of the season, normally June, the DPCs were gradually closed. The monthly performance accounts, the season wise procurement accounts were submitted to the office by the Bill Clerks, through Purchase Officers concerned. The gunny account, the stock account of paddy were verified and the closing stock was moved to the godowns and the dead stocks were sent to respective storage points with proper documents. The building of the DPC was vacated and handed over to the owners concerned with proper authority. A check slip was prepared and along with the check

\textsuperscript{59} TNCSC Ltd., n. 15, p. 16

\textsuperscript{60} M.R. Krishnan (ed.), n. 35, p. 26
slip, the registers and the records were handed over by the Bill Clerks to the office. The office in turn checked up the entries therein to ensure about the correction of the transaction.\textsuperscript{61}

The paddy thus procured by the TNCSC Ltd. in the DPCs was moved to the storage points then and there. The \textit{Movement} of Commodities was an integral part of the overall activities of the TNCSC Ltd. Proper planning of the movement was essential in avoidable expenditure. The movement of commodities either by road or rail was decided by the Head Office. The Regional Manager ensured that the movement of commodities was done most economically.

As the cost of the movement by rail was cheaper than road, \textit{movement by rail} was preferred and maximised. The work at the Rail-Head was attended to by a special Rail Head Staff of the Corporation in the categories of Asst.Manager, Superintendents, Assistant Quality Inspectors. Assistant Manager (Procurement and Movement) was responsible for the movement of paddy from the DPCs to storage points and railheads. He made arrangements for lorries to move the stocks without any accumulation in the DPCs. Besides, he inspected minimum of five DPCs every day. He also enquired the public complaints regarding the functioning of the DPCs.\textsuperscript{62} Junior Assistants, Helper and Watchman were posted depending on the work load. The Rail Head Staff took care of the loading, unloading and transhipment of paddy and rice

\textsuperscript{61} TNCSC Ltd., n. 15, p. 26

\textsuperscript{62} TNCSC Ltd., \textit{Hand Book on Instruction on Movement by Rail}, (Madras, 1986), p. 2
procured by the Corporation. Under the orders of the Manager (Procurement and Movement) he would raise demands, for wagons with the Railways every day in co-ordination with the station superintendent of the Railway. He would also inform the expected arrival of the wagons to the office. As soon as the wagons were loaded, the wagon slip consisted of number of bags, variety, destination point, station from which they were loaded, were pasted inside the door of the wagon. The same informations were sent to the regions concerned on the day itself through a special messenger. One set of this despatch information was sent to the destination point. Another was sent to the managers office to watch the acknowledgements.

For movement of paddy by road, the representatives of the respective regions were present to witness the weight and also the quality so that there would be no dispute at later date. The truck memo was prepared indicating the weight, variety of paddy, distribution point and the time of departure. This was signed by the Officer in charge of godown and representative of the region and the Transport Contractor. The despatch statements were sent to the regions every month. The Manager (Procurement and Movement) took necessary steps to get the acknowledgements from the regions.

The movement of paddy during peak season faced hectic problem sometimes due to intermittent rain and bad road conditions. However, action was taken on war footing with the co-operation of the field staff, office staff, transport contractors. There was good co-ordination and co-operation at all

63. TNCSC Ltd., n. 15, p. 17
levels with advanced planning and untired zeal for heavy procurement and uninterrupted movement. Though the procurement was coming to a close in February, the movement of paddy continued till June and the movement of paddy during this period was done smoothly and orderly.

For the effective discharge of the responsibilities entrusted to it, the TNCSC Ltd. had to store large quantities of commodities at several places for considerable periods. Besides its own godown capacity, the Corporation utilised the accommodation available at the Central and Tamil Nadu Warehousing Corporations, the godowns in the private rice mills that were functioning as hulling centres and a number of private buildings hired for this purpose. The staff for the godowns were sanctioned by the Head Office of the TNCSC Ltd. with reference to the work load and the norms prescribed by the Board from time to time.

There was no uniform pattern of staff sanctioned to various godowns. The matter was discussed on several occasions especially during Regional Manager's conference. After careful examination, Board approved the pattern of Staff for buffer and operational godowns and experimented the new system with Chengleppattu and Tirunelveli regions. Accordingly, the buffer godowns upto 5000 M.Ts. capacity had an Assistant Quality Inspector, one Junior Assistant, one Helper and four watchmen. The godowns with 5000 M.Ts. to 8000 M.Ts. capacity had one Quality Inspector, two Junior Assistants one helper and four watchmen. The godowns above 8000 M.Ts. capacity had one

64. Interview with S. Rajeswari, Assistant Manager (Quality Control), TNCSC Ltd., Karur, 28 December 1992
Assistant Manager, one Superintendent, one Assistant Quality Inspector, one helper for each building and four watchmen.

The operational godowns with 2000 M.Ts. capacity were allotted with one Assistant Quality Inspector, one Junior Assistant, one Helper and one Watchman. The godowns with more than 5000 M.Ts. capacity were taken cared of by one Quality Inspector, two Junior Assistants, two Helpers and two Watchmen. The staff of the godowns consisted of Godown Superintendents, Assistant or Junior Assistants, Assistant Quality Inspectors, Helpers and Watchmen.65

The overall control of the godown was vested in the hands of the Godown Superintendent. He allocated the work among the staff of the godown. In the absence of the Godown Superintendent, Godown-in-charge was appointed by the Regional Manager. The Godown Superintendent was also responsible for the efficient management of the godown. He supervised, co-ordinated and controlled the staff of the godown. He was incharge of the commodities, articles, equipments and properties entrusted to him.

As regards other officials, the Point Clerks ensured accounting of bags, proper weighment and the same was noted in the records. The Junior Assistants were responsible to attend to all correspondence work under the supervision of the Godown Superintendent. The Assistant Quality Inspector was responsible for the preliminary inspection of stocks on arrival,

identification of variety and check of the quality, recording of moisture content, drawl of samples, despatch to laboratories and maintenance of Sample Registers. He also carried on inspection of the condition of stock, stack planning, disinestation measures and supervised the reconditioning, cleaning, drying and other operations undertaken in the godowns.

**Maintenance of FCI Accounts**

The Government of India allotted paddy, rice and wheat to the States from the central pool through Food Corporation of India (FCI) every month. The TNCSC Ltd. lifted the stocks from the FCI Godowns for distribution. The regions were authorised to make advance payments to FCI for commodities allotted to the State to settle the accounts. The probable quantity of the required commodities was assessed and after inspection and quality check, the advance payment was made by means of Account Payee Cheque. In case of ex-wagon deliveries by the FCI, the payments made towards handling charges, demurrage and wharfage charges were got reimbursed from FCI.

The stocks lifted from the FCI were brought to the stock account of the operational godowns and registered under purchase in the Quality Account. The advance amount was adjusted at the time of settling the final account. In case of difference between the stock lifted from FCI and the stock acknowledged by the storage points, then the difference was treated as storage loss. However, appropriate action was taken later for their

66. Ibid., p. 75
regularisation and recovery. The outstanding advances with FCI were reviewed periodically by the Regional Managers in order to ensure that the outstanding was in agreement with the unlifted quantity of stocks. Prompt action was taken to prefer claims with the FCI authorities for the refund of the value of stock not lifted or supplied. The differential cost if any was also got reimbursed by proper dealing with the FCI.\textsuperscript{67}

The Management of Modern Rice Mills

Of the various functions carried out by the different organs of the Corporation, the Modern Rice Mills stood prominent among them for carrying out the various vital activities. Besides converting the paddy into rice, it also processed them into parboiled rice, boiled rice and resultant rice, cleaning, polishing and bagging them for distribution.

The Modern Rice Mills throughout the State were controlled and supervised by a senior most officer designated as General Manager (Engineering). Under him there were Senior Manager (Engineering) and further below there were Manager (Engineering) who worked with specific jurisdiction.\textsuperscript{68} They were to see that adequate paddy was kept for the continuous functioning of the Modern Rice Mills. They were to check the condition and efficiency of the machines during their inspection. They also arranged for proper supply and accounting of the spares and other materials

\textsuperscript{67} TNCSC Ltd., \textit{Accounts Manual}, (Madras, n.d.) pp. 65-66

\textsuperscript{68} M.R. Krishnan (ed.), n. 35, p. 27
to Modern Rice Mills in time. Further they checked whether the transformer oil was tested every year and arranged for its reconditioning if necessary. They took the responsibility of handing over and taking over of each unit in the mill. The safety devices, automatic controls, gauge glasses etc were checked by them periodically.

Each mill was administered by a Manager (Engineering) and one Assistant Engineer (Mechanical) with the technical staff sanctioned. Each mill was working round the clock in shift basis. The shift Engineer was responsible for the particular shift. He assisted the Assistant Manager (Engineering) in all respects for maintaining records related to the various operations of the Modern Rice Mill. The operational staff like Operators, Assistant Operators, Helpers who attended the operations and maintenance of machinery during shift hours worked under the control of the Shift Engineer.\(^69\)

The aggregate annual hulling capacity of the Modern Rice Mills was 2.75 lakhs M.Ts. of paddy.\(^70\) Under the producers levy introduced in 1975, the Corporation had to handle and process large quantities of paddy. Therefore the service of private rice millers had to be enlisted for hulling the paddy procured by the Corporation. These private millers were called as Hulling Agents.\(^71\) There were two classes of Hulling Agents namely Class 'A' and Class 'B'. Both were appointed by the Chairman-cum-Managing Director on the

\(^{69}\) Interview with S. Ponnambalam, Senior General Manager (Engineering), Head Office, TNCSC Ltd., Madras, 6 May 1992

\(^{70}\) Ibid.

\(^{71}\) Ibid.
recommendations of the Regional Managers and Senior Managers. While Class 'A' Hulling Agents deposited Rs.75000/- as security and Rs.1,50,000/- as Bank Guarantee, the Class 'B' Hulling Agents deposited Rs.50,000/- as security and no Bank Guarantee was required. Only persons or firms who owned rice mills and held valid licenses were eligible for appointment as Hulling Agents. License holding lease or mortgage rights were also considered, provided they furnished security deposit of Rs.2.5 lakhs in cash.\textsuperscript{72}

The Millers who desired to be enrolled as Hulling Agents of the TNCSC Ltd. were to submit their applications to the Regional Manager. The applications were scrutinised by the regions. After verifying the original documents during inspection, the application with recommendations of the Regional Head was processed in the Head Office and orders were issued to appoint millers as Hulling Agents. The selection of Hulling Agents was based on their financial status and past performances, the capacity and suitability of storage accommodation of their mills, the hulling capacity and accessibility of their mills to facilitate transport of paddy and rice.

For the safety of the stocks in the rice mills, the Corporation has adopted a concept called \textit{Double Lock Godown System}.\textsuperscript{73} Under this system, every rice mill selected as hulling centre was provided with a Double Lock Godown. It means that there was only one entry point openable from outside and locked with two locks, one by the Corporation and the other by the

\textsuperscript{72} TNCSC Ltd., n. 15, p. 21
\textsuperscript{73} Ibid., p. 20.
miller in such a way that the godown could be opened with the knowledge of both at a time. The Double Lock Officer retained one key with him and handed over the other in a sealed cover to the Regional office for safe custody. The godown was locked and sealed by the Double Lock Officer with a metal seal provided by the Regional Manager after the completion of each transaction. He also checked whether the seal was intact and did not show any evidence of tampering before opening the godowns. In case of suspicion, he was to report to the Regional Head immediately for remedial action.

The stocks in the Double Lock Godowns were the absolute property of the Corporation and they were entrusted to the charge of a Double Lock Officer in the grade of Superintendent, Quality Inspector or Assistant Quality Inspector. A prominent board painted with the words Stock belonging to TNCSC held in Double Lock was displayed on the door of each Double Lock godown. The Hulling agents were also responsible for the custody of the stock held in the Double Lock Godowns. Apart from proper storage preservation, the rent or storage charges of Double Lock Godowns were borne by them. Any loss to the stocks due to shrinkage, dryage for storage were also borne by them. The Hulling Agent did not possess the exclusive right of hulling the paddy preserved in Double Lock Godowns. All transactions of receipts and issues were done in the presence of both the Double Lock Officer and Miller.

74. TNCSC Ltd., Course Material for Training Programme, (Madras, 1992), p. 30
75. Ibid., p. 31
Quality being the concern of every individual employed in the purchasing, processing and handling of food commodities, the responsibility for the control of quality was delegated to Quality Control Wing of the TNCSC Ltd. to ensure the consistent purchase, production and distribution of satisfactory products. The stocks of various foodgrains were purchased subjecting them to quality check with reference to uniform specifications. To assess the quality of the whole consignment purchased, sampling was a well established part of Quality Control operation. Sampling at all levels was done under the direct supervision of the Quality Inspector or Assistant Quality Inspector. In the absence of these officers, the work was attended to by the Assistant Manager (Godown) or Godown Superintendents.

The samples of foodgrains thus collected were received in the Regional Laboratory for analysis. Here, the analysis was done by the Quality Control Staff by strictly adopting the procedure right from making entries in the Sample Registers, Coding Register, Observation Register and finally in the Check Sample Register for follow up action.

The Manager, Deputy Manager and Assistant Manager of the Quality Control Wing were responsible for the maintenance of Regional Laboratories, arrangement for analysis and reanalysis of samples. They were also in charge of coding the samples to maintain secrecy before giving them for analysis.

76. Interview with S. Rajeswari, n. 64, 28 December 1992.
77. TNCSC Ltd., *Quality Control Guide*, (Madras, 1985), p. 5
78. TNCSC Ltd. *Head Office Circular*, RC. T1/21569/93-1, 22.7.93
Each sample was given a code number by the coding official. The coded samples were issued to the Quality Inspector and Assistant Quality Inspector for analysis. These officers made entries in the observation book about the particular sample that was analysed. This well defined Quality Control Wing of the TNCSC Ltd. was headed by a Senior Manager (Quality Control) in the Head Office. For the purpose of analysis, the TNCSC Ltd had Regional Laboratories in all the 22 regions where physical analysis of foodgrains was taken up. The Regional Laboratories in 11 regions were equipped with the facility of chemical analysis of oil in addition to physical analysis under the exclusive control of an Assistant Manager (Quality Control) from 1987 onwards.\textsuperscript{79}

The \textbf{Construction wing} \textsuperscript{80} of the TNCSC Ltd. was responsible for the construction of godowns for storing foodgrains, Modern Rice Mills, Regional Office Buildings, Direct Purchase Centres etc. It also took care of constructing Gangmen Shed, Cap Storage, Oil Storage tanks, Weighbridge, Godown Office Buildings, Corporation Retail Shops, Amudham Departmental Stores etc. Laying approach roads, compound walls and maintenance etc. for the above buildings also were the other responsibilities of this wing. The various functionaries of the Corporation in the Construction Wing were in the hierarchy of Board, Chairman and Managing Director, Joint Managing

\textsuperscript{79} D. Ragu\-nathan. \textit{Our Calender (1987-88)}, Quality Control Staff Association, TNCSC Ltd., (Madurai, 1988), p. 27

\textsuperscript{80} TNCSC Ltd., n. 15, pp. 309-318
Director, Construction Engineer, Executive Engineer, Assistant Engineer (Junior Engineer) and finally the Divisional Accountant.

The Construction works were planned, sanctioned and executed in an efficient manner. A Construction Engineer with the assistance of Executive Engineers and Assistant Engineers prepared a rough estimate and the proposal for the construction of structures. The budgeting section carried out the budgetary control of the proposals. The third stage was the administrative branch which processed the proposals for the onward transmission to the technical section of the wing. In this technical section the various details were worked out, tenders were invited and selected in due process of the system and finally, works were executed as per the basic agreements with the contractors and the Corporation.

**Gunny Management**

Gunnies were required for packing paddy at the procurement points in Monopoly Areas and Levy Collection Centres, packing of resultant rice and its by-products in Modern Rice Mills and Hulling Centres, for standardisation and reconditioning at storage points and at goodshed for collection of spillages and to re-bag stocks from unserviceable gunnies. Besides utilising the gunnies released at the Corporation retail outlets, processing centres and Puratchi
Thalaivar M.G.Ramachandran Noon Meal Programme (PTMGRNMP) feeding centres, the Corporation purchased new gunnies periodically.\textsuperscript{81}

In order to differentiate the various categories of gunnies to avoid or minimise misclassifications, certain guidelines were issued by the Corporation. This facilitated faster segregation of gunnies at field level by visual examination. Accordingly, the gunnies were classified as New Bale gunnies (NBG), New Bale Sound Serviceable gunnies (NBSS), Sound and Serviceable gunnies (SS), To be mended gunnies (RMG), Serviceable with patches Gunnies (SWP), unserviceable gunnies (US) and Sound Serviceable Sugar Gunnies.\textsuperscript{82}

The Corporation purchased new bale of gunnies from co-operatives on cash and carry basis to meet the requirements of procurement. The Senior Regional Managers and Regional Managers were authorised to purchase them at the rate prescribed by the Registrar of Co-operative Societies. The capacity of each gunny bag was always 100 kgs. The surplus gunnies were properly packed in bundles of fifties and stored properly till they were moved to the purchasing and processing centres. The following table details the value of the gunny bags and packing materials purchased by the Corporation during the years 1972-73 to 1991-92.

\textsuperscript{81} TNCSC Ltd., \textit{Storage Manual}, (Madras, 1986), p. 67

\textsuperscript{84} TNCSC Ltd., \textit{Head Office Circular}, RC 39/7435/89, 31 May 1990.
TABLE - III

THE VALUE OF GUNNY BAGS AND PACKING MATERIALS
PURCHASED BY
THE TAMIL NADU CIVIL SUPPLIES CORPORATION LTD., MADRAS.
DURING THE YEARS 1972-73 TO 1991-92

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Period</th>
<th>Value of Gunny Bags and Packing Materials (Rs. in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1972 - 73</td>
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<tr>
<td>2.</td>
<td>1973 - 74</td>
<td>5.89</td>
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<tr>
<td>3.</td>
<td>1974 - 75</td>
<td>73.24</td>
</tr>
<tr>
<td>4.</td>
<td>1975 - 76</td>
<td>470.48</td>
</tr>
<tr>
<td>5.</td>
<td>1976 - 77</td>
<td>334.88</td>
</tr>
<tr>
<td>6.</td>
<td>1977 - 78</td>
<td>3.34</td>
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<td>7.</td>
<td>1978 - 79</td>
<td>1.69</td>
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<td>8.</td>
<td>1979 - 80</td>
<td>62.47</td>
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<td>9.</td>
<td>1980 - 81</td>
<td>85.19</td>
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<td>10.</td>
<td>1981 - 82</td>
<td>374.95</td>
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<td>11.</td>
<td>1982 - 83</td>
<td>527.72</td>
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<td>12.</td>
<td>1983 - 84</td>
<td>608.50</td>
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<td>13.</td>
<td>1984 - 85</td>
<td>1301.05</td>
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<td>1985 - 86</td>
<td>650.94</td>
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<td>15.</td>
<td>1986 - 87</td>
<td>611.49</td>
</tr>
<tr>
<td>16.</td>
<td>1987 - 88</td>
<td>286.83</td>
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<td>17.</td>
<td>1988 - 89</td>
<td>674.92</td>
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<td>18.</td>
<td>1989 - 90</td>
<td>1020.17</td>
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<td>Sl. No.</td>
<td>Period</td>
<td>Value of Gunny Bags and Packing Materials Rs. in Lakhs</td>
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<td>19.</td>
<td>1990 - 91</td>
<td>1624.12</td>
</tr>
<tr>
<td>20.</td>
<td>1991 - 92</td>
<td>1097.86</td>
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</tbody>
</table>

Storage of gunnies was equally another important activity of the Corporation because jute by itself was a costly and scarce material. The longevity of gunnies was possible only by following good storage practice. The Corporation stored gunnies in good buildings free from rat menace. The gunnies were rolled, bundled and stacked in the form of regular stack in countable manner. Criss-Cross Method of stacking was adopted to ensure stability of stock. However, if the stocks were expected to be released within a short time, Block Method of stacking was adopted. A stack card with all particulars of receipts and issues was displayed on every stack of gunny bundles at a respectable height for clear visibility of details.  

Gunnies received from various retail outlets of the Corporation required mending in case of tears and cuts due to mechanical damage. To stitch the cut and torn part of a gunny, bound piece gunny of size exceeding by one inch of the cut on all sides was used as patch and hammed properly with a two ply jute twine. Gunnies which were completely torn or damaged and which could not be used after repairs were classified as unserviceable. These gunnies were moved to a separate godown and stored there. They were checked at random by the officers of various levels including Senior Regional Managers.

84. TNCSC Ltd., n. 71
and Regional Managers to ensure the correctness of categorisation. After inspection, they issued certificates that these gunnies were fit for disposal as unserviceable gunnies. The total number of unserviceable gunnies was furnished to the Head Office at the end of every month. The Regional Managers made arrangements for calling tenders periodically and then with the acceptance of the Head Office, the unserviceable gunnies were disposed off.\textsuperscript{85}

The accounting of gunny was as important as the accounting of foodgrains or cash. A numerical account of empty gunnies was maintained in the godowns in a \textit{Gunny Stock Account}.\textsuperscript{86} The gunnies of 100 kgs, 75 kgs and 50 kgs capacities were stored separately. The godown incharge prepared acknowledgement receipt indicating the condition of gunnies at the time of receiving them in the godowns. The gunnies were issued only on receipt of valid written orders and the issues were strictly confirmed and confined to the category orders and any deviation in this regard was treated as malpractice.

As gunnies were required in sound serviceable condition, to avoid any loss of foodgrains bagged, they were handled properly and with due care. Proper accounting of gunnies was maintained in all the godowns of the Corporation. Category-wise receipt and issue of gunnies were the responsibilities of the Bill Clerk and Clerk in the gunny unit and godown. The Bill Clerk also accompanied the lorry to deliver commodities to the noon meals centres and got back the empty gunnies. In hulling centres, the Double Lock

\textsuperscript{85.} TNCSC Ltd., n. 15, p. 278

\textsuperscript{86.} TNCSC Ltd., n. 36, p. 125
Officer was responsible for maintenance of gunny accounts. In Modern Rice Mills, the overall responsibility to maintain correct accounts for the gunnies was vested with the Assistant Manager (Engineer). The Shift Engineer of the shift also shared the responsibility of this account.87

**Legal Administration**

Prior to the establishment of the Legal Section, the legal matters of the various sections of the Corporation were dealt by the respective sections in the Head Office. In order to co-ordinate the legal work and to expedite the legal cases pending in various courts, the Legal Section was formed in the Head Office and started functioning from 1.5.85 onwards.88 Senior Manager (Law) was incharge of this section. All the files relating to legal cases from all the sections of the Corporation were transferred to this section.

The Corporation being owned by the Government of Tamilnadu, followed the rules, regulations and standing orders applicable to Government Departments in respect of legal cases. G.O. Ms. No. 607 Pub (Estt-I) Department dated, 28.3.61 contains the standing orders in two parts providing the general duties, remuneration etc. of the Law Officers of Government attached to High Court. G.O. Ms. No. 4054 (Home) dated 18.11.61 contain the standing orders relating to the duties, remuneration, qualification, appointment etc. of the Law Officers of Government in the courts, subordinate to the High Court that is in Mufassil areas.

87. TNCSC Ltd., n. 74, p. 279
88. TNCSC Ltd., *Notes from Legal Section*, (Madras, n.d.), p. 1
In pursuance of the minutes of the 136th Board Meeting (item NO. 232) held on 27.12.1985, the fee payable to Advocates in certain cases was fixed. In the case of fully contested writ unit petition, the fee payable to Advocates was Rs. 500/- and of writ miscellaneous petition, the fee payable was Rs. 100/-. If the Corporation was asked to produce the documents in connection with the writ petition file and there were rival parties, the fee payable was Rs. 100/-. If the Corporation was represented by the Senior Standing Counsel, a fee of Rs. 500/- was paid per day. As regards the civil suits and appeal suit cases, pleader's fee was paid in accordance with the High Court Fee Rules 1956. In the case of suits pending in Court subordinate to High Court, the Pleader’s fee was paid in accordance with Legal Practitioners Fee Rules 1973. In respect of cases before the Labour Courts and before the Arbitrators and was not covered in the said rules, the fee payable was decided separately depending upon the nature of the case.

As per the Resolution of the Board of Directors dated 29.4.83, the Joint Managing Director was authorised to file suits, writ petition and other legal proceedings on behalf of the Corporation. He was entitled to defend suits involving monetary value of Rs. 3 lakhs in each case. In case suits of involving monetary value of more than Rs. 3 lakhs, the prior approval of the Chairman-cum-Managing Director and Joint Managing Director, all the Senior Regional Managers and Regional Managers were also authorised to file and defend suits on behalf of the Corporation with the prior permission from the higher authorities.

89. TNCSC Ltd., n. 15, p. 215

90. Ibid.
The service of the Government Pleaders was availed of for the legal cases conducted in Districts. In regard to Madras city, the names of the Legal Advisors of the Corporation and their addresses etc., were sent for information of the Senior Regional Managers or Regional Managers. The Senior Regional Managers or the Regional Managers entrusted the legal cases to the Legal Advisers to file in the High Court and in City Civil Court through the Head Office. But in cases of urgent natures, the Senior Regional Manager or the Regional Manager entrusted the case directly to any one of the Legal Advisors and report the matter to the Head Office for satisfaction. The important cases were entrusted to Senior Standing Council by the Head Office.

The judgement or decree or orders of the Court in cases filed by or against the Corporation were placed before the Advocate or Government Pleader for opinion by the Senior Regional Managers or Regional Managers. A copy of the same was sent to the Head Office for examining the judgement. In the case of preferring appeal against the judgement of the lower court, it was done before the Competent Appellate Court within the period of limitation provided in the Limitation Act. The service of the Public Prosecutor or Assistant Public Prosecutor attached to the Court concerned was to be utilised for getting back the records and properties of the Corporation filed in Criminal Cases.

91. TNCSC Ltd., Head Office Circular No. RC. 53817/80/J16, 16.7.82
92. TNCSC Ltd., Letter RC No. LC/11554/84, 13.8.85
93. TNCSC Ltd., n. 15, p. 217
Keeping pace with the growing responsibilities and functions, the Corporation had increased its sphere of activities and span of administration over these years. The administrative pattern being successful is adopted and continued at all levels to the present day. Further the success of the Corporation in fulfilling its objectives and responsibilities had transformed the Corporation from its humble origin to a mega governmental agency as on today.