

**COMMITTEE ON PUBLIC UNDERTAKINGS  
(1968-69)**

**(FOURTH LOK SABHA)**

**FORTY-THIRD REPORT**

**ON**

**SINDRI UNIT OF FERTILIZER CORPORATION  
LIMITED OF INDIA**

**Paras in Section II of Audit Report (Commercial), 1968**

**MINISTRY OF PETROLEUM & CHEMICALS AND  
MINES & METALS**

**(DEPARTMENT OF CHEMICALS)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 1969 Chaitra, 1891 (Saka)**

**Price : Rs. 1.15**



C O R R I G E N D A

Forty-third Report of the Committee on Public Undertakings (1968-69) on Sindri Unit of Fertilizer Corporation of India Ltd.  
/ Paras in Section II of Audit Report (C), 1968/

<u>Page No.</u>	<u>Para No.</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
Title page	-	-	LIMITED OF INDIA	OF INDIA LIMITED
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3	1.10	5 from bottom	but for clause (c)	therefore arranged.
6	2.2	13	After item (iv)	<u>Add the heading "Urea"</u>
6	2.2	item (ii) below the heading Urea	percent	percent
6	2.3	Table Col.5	material	material
7	2.5	3	-	<u>Delete the words "or about 40 tonnes per day"</u>
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19	5.4	1 and 2 from bottom	-	<u>Delete the words "which had except in May, 1966 when it was 86.10 per cent."</u>
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39	8.19	5	poor	pool
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59	15.3	3	alternations	alterations
62	Appendix I para 3	2	proceeding	preceding
62	"	7	debentur	debenture
64	App. II para 1	6	be	by



## CONTENTS

		PAGE
	COMPOSITION OF THE COMMITTEE . . . . .	(iii)
	INTRODUCTION . . . . .	(v)
I.	Loans . . . . .	1
II.	Production performance . . . . .	5
III.	Ammonia Plants . . . . .	13
IV.	Expansion Plant . . . . .	15
V.	Raw Materials—Agreement for supply of Gypsum . . . . .	19
VI.	Coal—Shortage of coal . . . . .	23
VII.	Exchange of power with Damodar Valley Corporation . . . . .	30
VIII.	Manpower Analysis; over-time payments . . . . .	34
IX.	Land . . . . .	40
X.	Inventory . . . . .	42
XI.	Surplus Stores . . . . .	46
XII.	Physical verification of stores . . . . .	49
XIII.	Pricing . . . . .	54
XIV.	Unnecessary purchase of equipment . . . . .	57
XV.	Demurrage charges . . . . .	59
<b>APPENDICES</b>		
I.	Letter No. 291/FY/55, dated the 12th January, 1955 from Joint Secretary, Ministry of Production to the Managing Director, Sindri Fertilizer & Chemicals Ltd. . . . .	62
II.	O.M. No. F.7(2)-W&M/61 dated the 1st June, 1961 from the Ministry of Finance (Department of Economic Affairs) . . . . .	64
III.	Letter No. Ferts. 14(8)/60, dated the 27th June 1961 from the Ministry of Commerce & Industry to the Managing Director, Fertilizer Corporation of India Ltd., . . . . .	66
IV.	Letter No. A/HQ/96, dated the 30th October, 1961 from the Financial Adviser, Controller of Accounts to the Ministry of Commerce & Industry . . . . .	67
V.	Letter No. Ferts. 2(25)/6 dated the 10th May, 1963, from Ministry of Steel & Heavy Industries (Department of Heavy Industries) to the Managing Director, Fertilizer Corporation of India Ltd., . . . . .	69

(ii)

	PAGE
VI. D.O. letter No. Ferts. (II)2(25)/61 dated the 21st October, 1964 from Shri Samaddar, Deputy Secretary to A.G.C.W & M.	71
VII. D.O. letter dated 21st October, 1968 from the General Manager, Sindri Unit to the Secretary, Fertilizer Corporation of India Ltd.,	73
VIII. Statement showing the casual labour employed against permanent vacancies . . . . .	77
IX. Summary of Conclusions/Recommendations . . . . .	78

PARLIAMENTARY  
(M.L.A. & MINISTER. P. VISO)  
General Administration.  
App. No. 31108 (5)  
Date. 1. 5. 69.

**COMMITTEE ON PUBLIC UNDERTAKINGS**

(1968-69)

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Shri G. S. Dhillon

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**SECRETARIAT**

Shri A. L. Rai—*Deputy Secretary.*

Shri M. M. Mathur—*Under Secretary.*

## INTRODUCTION

1. The Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Forty-Third Report on Sindri Unit of Fertilizer Corporation of India which is based on the examination of audit paras relating to this undertaking contained in Section II of Audit Report (Commercial) 1968.

2. The Committee took evidence of the representatives of the Ministry of Petroleum & Chemicals and the Fertilizer Corporation of India on the 24th September, 1968.

3. The Report was considered and adopted by the Committee on 9th April, 1969.

4. The Committee wish to express their thanks to the officers of the Ministry of Petroleum & Chemicals and the Fertilizer Corporation of India for placing before them the material and information that they wanted in connection with their examination.

5. The Committee also place on record their appreciation of the assistance rendered to them in this connection by the Comptroller and Auditor General of India.

G. S. DHILLON,

*Chairman,*

NEW DELHI;  
*April 15, 1969|Chaitra 25, 1891 (S) Committee on Public Undertakings.*

## LOANS

(Para 2, Page 66)

The Sindri Fertilizers and Chemicals Limited (now a Unit of the Fertilizer Corporation of India Limited) was set up on 16th January, 1952. In January, 1955 a loan of Rs. 7 crores was obtained by the Company from Government for financing the expansion of the Sindri Unit. The first instalment of the loan due on 1st October, 1962, was actually repaid on 30th September, 1963, with the result that the Company lost the benefit of rebate amounting to Rs. 3.50 lakhs admissible for payment on the due date. The subsequent instalments were, however, paid regularly.

1.2. The Ministry stated (November 1967) that as the terms of the loan of Rs. 7 crores were finalised on 10th May, 1963 there was no lapse on the part of the Company in making the payment of the first instalment of the loan due on 1st October, 1962.

1.3. It may be pointed out that the Company was aware of the policy decision of the Government of India contained in the Ministry of Finance (Deptt. of Economic Affairs) O.M. No. F. 7(2)-W&M/61 dated the 1st June, 1961 (Appendix II) according to which the Company should have made the payment of the 1st instalment of the loan on 1st October, 1962 (i.e. after two years from the date on which the Project went into production). Further, it may be mentioned that the Ministry of Petroleum and Chemicals in their letter dated 21st October, 1964 (Appendix VI) rejected the request of the Company to get the rebate as the first instalment was paid in arrears.

1.4. To a question as to what were the terms of repayment of loan of Rs. 7 crores, it has been stated by the management of the Sindri Unit of Fertilizer Corporation of India that the 'advance' and not loan of Rs. 7 crores was sanctioned by a letter dated 12-1-1955 (Appendix 1) from the Ministry of Production. No terms of repayment were fixed in that letter. The terms of repayment were fixed in Department of Heavy Industries' letter of 10-5-1963 (Appendix V). Elucidating the point further, the Chairman of the Corporation stated during evidence that the basis on which the advance was sanctioned were stipulated in late Ministry of Production's letter dated 12th January, 1955 (Appendix I) which stated *inter alia*.

".....that for assisting the Company in financing expansion project as set out in the preceding paragraphs, the Government would be prepared to advance a sum not exceeding Rs. 7 crores in instalments from time to time, as funds may be required subject to availability of budget provision. A decision as to whether the sum advanced will be treated partly or wholly as a share capital and/or debenture loan will be taken at a later date. It is proposed that during the period of construction of the factory, the sums advanced by Government from time to time within the total of Rs. 7 crores will bear an interest of 3.5 per cent per annum..."

The Chairman of the Corporation added that the above mentioned letter did not fix any terms of payment.

1.5. As regards the letter dated. 1st June, 1961, (Appendix II) which had been referred to in the Audit Report, the Chairman, of the Corporation added, that it was issued by the Ministry of Finance (Department of Economic Affairs) and it *inter alia* stated:

".....The terms and conditions mentioned above will apply to all loans to industrial undertakings in the Public Sector to be sanctioned hereafter. In cases in which a loan has already been sanctioned but the whole or part of the loan has not been drawn the rate of interest already sanctioned will continue to apply in respect of instalments of loans to be drawn hereafter."

1.6. The Chairman of the Corporation added that these were the general terms of loans taken after that particular date. In the Corporation's view they did not think that they had to make any payment because the decision to be taken by Government was only whether it was to be treated as share capital and/or debenture loan and, therefore, the letter dated 1st June, 1961 did not apply to this case.

1.7. He further added that it was for the first time on the 10th May, 1963 that the Department of Heavy Industries issued a letter (Appendix V) in which they conveyed the sanction of Government of India for the advancement of a loan not exceeding Rs. 7 crores.

1.8. The Secretary, Ministry of Petroleum and Chemicals stated during evidence that the Management's point was that until May, 1963, they were not clear as to how and in what manner repayment of money had to be arranged. They were not told of it before that date. The Chairman of the Corporation stated that he would go a little further and state that till 1963 they did not even know they had to return, because it could have been share capital or it could have been debenture

loan. The position was that they did not draw the entire amount and were drawing the loan in small instalments upto the 2nd March 1960. It was only after the Corporation had drawn the entire advance that they started correspondence as to how to treat it.

109. The Comptroller and Auditor General of India pointed out that para 4 of the Memorandum of 1st June 1961, (Appendix II) from which the Chairman of the Corporation had read out stipulated that "the terms and conditions mentioned above will apply to all loans to Industrial Undertakings in the Public Sector to be sanctioned hereafter. In cases in which a loan has already been sanctioned but the whole or part of the loan has not been drawn the rate of interest already sanctioned will continue to apply in respect of instalments of loans to be drawn thereafter". The C&AG stated that while the Company was perfectly entitled to argue that they should not be penalised because the full conditions were not settled till 1963, there was the letter of October 1964 from the Ministry of Petroleum and Chemicals, which stated that the Corporation would not be entitled to the rebate for the period from 1st September, 1961 to 30th September, 1962 as the instalment was repaid in arrears. He added that the above decision must have been taken in consultation with the Finance Ministry.

1.10. The Secretary, Ministry of Petroleum and Chemicals stated that the orders of 1963 explained the manner in which the sum of Rs. 7 crores was to be dealt with. These orders stipulated that first instalment would be due after a two years moratorium *i.e.* on 1-10-1962 but it allowed the Corporation to pay first instalment on 1-10-1963 without any penal interest. Ordinarily penal interest would have been leviable if the instalment was not paid on the due date. But the Government went out of its way and said that the Corporation were permitted to pay it in 1963. All that the Government did was that because the payment was made after 1-10-1962 it did not allow the Corporation a rebate in interest which would have been given if the payment had been made in time. The controlling Ministry had recommended the case for allowing the rebate for prompt payment in both the cases but it was understood that the Ministry of Finance did not agree to the grant of rebate in the case of the 1st instalment on the following grounds:—

"The Corporation would have been entitled to the rebate only if they had arranged payment of the loan instalments punctually on the due dates *viz.*, . . . . 1-10-1962. The Corporation did not do so and could not do so as the sanction itself was issued afterwards and it, but for clause (c) payment later on 30-9-1963. Ordinarily, but for clause (c) of paragraph 2 of the sanction letter the Corporation would have been liable to pay penal rate of interest for this delay. The concession was in our opinion, the true import of

clause (c) and it would be unjustified to claim the rebate thereunder as done by the Corporation."

1.11. The Committee feel that so long as the intention was to charge interest on the amount, as is clear from the letter dated the 12th January, 1955 of the Ministry of Production it could not be treated as share capital. The description of the amount as 'loan' or 'advance' therefore, does not appear to be very significant. The Committee also do not agree with the Corporation's contention that terms and conditions laid down in Government's letter of 1st June, 1961 were not applicable to the advance of Rs. 7 crores till it was made applicable by the letter of 10th May, 1963. In Commerce and Industry's letter of 27th June, 1961 to the Managing Director (Appendix III) it had been stated that "it has been proposed that the terms and conditions laid down in that O.M. (i.e. of 1st June, 1961) should be made applicable to the loans already advanced and to be advanced to the Fertilizer Corporations of India Ltd., for financing the Fertilizer Projects at Trombay, Assam, Gorakhpur etc." In reply to the above letter the Fertilizer Corporation of India Ltd., in their letter of 30th October, 1961 (Appendix IV) also stated that the amounts drawn by them were loans. In view of these facts it appears that the Corporation were aware that the sum of Rs. 7 crores was being treated as loan and was to be repaid in accordance with the terms stated in the Government O.M. dated 1st June, 1961.

1.12. As regards the question of rebate, the Committee are not convinced that there was no lapse on the part of the Corporation for making repayment of the first instalment of Rs. one crore.

1.13. The Committee, however, feel that proper coordination did not exist between the Corporation and the administrative Ministry for prompt settlement of the terms and conditions of the loan. As a commercial undertaking it was the responsibility of the Corporation to see that the terms of the loan were promptly settled.



## II

### PRODUCTION PERFORMANCE

#### Para 3 (Pages 66-67)

2.1. The table below indicates the rated capacity and actual production of the various plants for the three years ending 31st March, 1967:—

	Rated Capacity	Actual production	Shortage(—) or Excess (+) with refer- ence to rated capa- city
	M. tons	M. tons	Percentage
<i>Ammonium Sulphate</i>			
1964-65 . . .	3,55,000	3,11,233	(—)12.3
1965-66 . . .	3,55,000	3,26,757	(—)7.9
1966-67 . . .	3,55,000	3,14,002	(—)11.5
<i>Double Salt</i>			
1964-65 . . .	1,21,920	47,769	(—)60.8
1965-66 . . .	1,21,920	55,255	(—)54.6
1966-67 . . .	1,21,920	60,018	(—)50.8
<i>Urea</i>			
1964-65 . . .	23,470	17,945	(—)23.5
1965-66 . . .	23,470	19,025	(—)18.9
1966-67 . . .	23,470	18,529	(—)21.0

It will be seen that none of the three plants attained the rated capacity.

2.2. The following reasons have been assigned by the Management for shortfall in production with reference to rated capacity:—

#### *Ammonium Sulphate*

- (i) Shortfall in the production of ammonia in the Ammonia Plants (Original and Expansion) due to malfunctioning of the plants and strike and lock out during the period July-August, 1964, vide para 3.02 of the Audit Report.

- (ii) Low ammonia efficiency caused among other things by poor filterability of gypsum resulting in loss of substantial quantity of Ammonium Sulphate along with the chalk sludge.

#### Double Salt

- (i) Lower availability of ammonia:

Owing to the restricted availability of ammonia, the Company had to fix the budgeted production much below the rated capacity.

- (ii) Non-availability of better grade gypsum.

- (iii) Consumption of ammonia and nitric acide per M. ton of double salt was in excess of the prescribed limit.

- (iv) Low ammonia efficiency in Nitric Acid Plant which ranged between 88.9% and 90% in the years 1964-65 to 1966-67 as against the specified limit of 93%.

- (i) Restricted working of compressors' due to increased maintenance.

- (ii) Low efficiency of ammonia which was 91.8 per cent in 1964-65 and 91.7 per cent in 1966-67 as against 94.7 pe cent guaranteed by the designers and 96 per cent specified by the management.

2.3. Referring to the reasons for the non-achievement of rated capacity in the case of Ammonia Sulphate Plant the Management have explained that this was mainly due to shortfall in the production of ammonia in the Ammonia Plants (Original and Expansion). The percentages of shortfall in the production of ammonia against the achievable capacities of Ammonia Plants together with the various reasons responsible for shortfall are given below:—

#### Original Ammonia Plant (Figures in Tonnes)

Year	Actual production	Shortfall with reference to achievable capacity	Reasons for Short-fall in production			
			Low stream efficiency	Raw material shortage reasons	Mech. & other technical reasons	Strike and lock out
1	2	3	4	5	6	7
1964-65	93,256	2,744	..	..	..	2,744
1965-66	97,780	..	..	..	..	..
1966-67	91,840	4,161	..	2,760 (66.3%)	1,401 (33.7%)	..
1967-68	80,612	15,388	..	4,800 (31.19%)	6,488 (42.16%)	4,100 (26.65%)

## Expansion Plant Ammonia

1	2	3	4	5	6	7
1964-65	37,120	21,281	450 (2.1%)	18,043 (84.8%)	538 (2.5%)	2,250 (10.6%)
1965-66	39,631	18,769	825 (4.4%)	17,465 (93.0%)	479 (2.6%)	..
1966-67	43,974	14,426	..	13,873 (96.2%)	553 (3.8%)	..
1967-68	37,919	20,481	..	14,776 (71.6%)	3,905 (19.7%)	1,800 (8.7%)

The observations of the Committee regarding non-achievement of capacity in respect of Ammonia Plants (Original and Expansion) are given in paras 3.5 and 4.11 of the Report.

2.4. The Committee enquired whether the loss of some ammonium sulphate with chalk sludge was new or it had been there ever since the beginning and what was the quantity and value of ammonium sulphate thus lost per month. The management have explained that the loss of ammonium sulphate with chalk sludge was inherent in the process itself.

2.5. Designers had assessed that by using Pakistan gypsum with high filterability and 93% purity, the loss of ammonium sulphate with chalk would be about 40 tonnes per day or about 1200 tonnes per month. The loss had been increasing from year to year because of Rajasthan gypsum which had much lower purity and poor filterability. The excess loss over and above the designed figure varied from month to month depending upon the quality of gypsum as well as the load fluctuations in the plant. The average monthly loss of ammonium sulphate and its value during four years had been estimated as follows:—

Year	Quantity MT Average/ month	Cost/ M. ton Rs.	Value/ month Rs.
1964-65	1,486	@248.15	3,68,792
1965-66	951	243.54	2,31,667
1966-67	957	257.37	2,46,410
1967-68	1,757	330.85	5,81,414

@ as per audit Comments.

2.6. It has been stated that the only way to avoid extra loss of ammonium sulphate with chalk would be by use of high cost imported gypsum. The additional cost incurred on import of gypsum would be, however, much more than the value of ammonium sulphate lost with chalk due to low quality gypsum.

2.7. The Committee desired to know as to what were the causes for the low filterability of gypsum and what action had been taken to overcome the difficulties and whether it was due to the quality of gypsum not being upto the specification. The management have stated that the exact causes as to why some gypsum had better filterability over other were still unknown even though extensive work on this aspect had been carried out. On the other hand, experience had shown that presence of impurities in gypsum especially clay and also the crystal structure of gypsum had some effect on the filterability of material.

2.8. To a question whether the Corporation had undertaken a comprehensive review of the arrangements for the supply of better grade gypsum as recommended by the Committee on Public Undertakings in para 48 of their 6th Report (3rd Lok Sabha) on FCI, the management have stated that before 1964, the two sources of supply of gypsum for Sindri wee Kavas and Uttarlai deposits in Jodhpur that were being operated departmentally and Jamsar mines in Bikaner operated by M/s. Bikaner Gypsum Limited. Ever since it was known that gypsum in both the above areas was fast getting depleted action was taken to locate alternate sources of supply and also open up new mines departmentally in Jodhpur Division. The Chairman of the Corporation further explained during evidence that so far as the supply of gypsum was concerned, they had their mining organisation in Rajasthan and from the information available they knew that there was no better quality gypsum available in Rajasthan. There was perhaps some good quality gypsum available in Bhutan, but the economics of working the Bhutan mines were very unfavourable, especially because that part of the country had not been opened up and there were no means of communications. So, that idea was given up. They were not aware of any higher quality gypsum anywhere. Therefore, deliberately they had decided to go in for the production of artificial gypsum and for the utilisation of artificial gypsum in their ammonium sulphate plant.

2.9. The General Manager of the Sindri Unit further added that a considerable amount of investigation had been done by the Geological Survey of India and by their own mining organisation in the whole of Rajasthan and in Jammu & Kashmir also. There was no good quality

rock gypsum available except in Jammu, but that quality contained some chlorides, and some areas were not accessible. But all the deposits in Rajasthan which were accessible were under utilisation. They had also opened some deposits in some areas which were about 10 to 15 miles from the rail heads, but they were small deposits. Recently, they were opening up another big deposit which was 27 miles from the nearest rail head near Jaisalmer. A new rail line had been opened up in that area, known as the Mohangarh deposits but these deposits were not so good as the Pakistan gypsum. For the next three years, they would have to feed the factory at Sindri with this gypsum. The Mohangarh gypsum which was to the extent of 50 lakhs tonnes, but the distance was 27 miles from the nearest rail head. It was, however, not high quality gypsum from the point of view of filterability although its calcium sulphate content was 90 to 95 per cent. The Bhutan gypsum was as good as Pakistan gypsum. The estimated quantity that could be got from Bhutan mines was 50 million tonnes, as estimated by the Geological Survey of India.

2.1. In the subsequent written information furnished to the Committee the management have further stated that adjoining the Jamsar mines another deposit of good quality gypsum was located below the Jalalsar village. M/s. Bikaner Gypsum Ltd., who were operating the Jamsar mines from where despatches have come down due to exhaustion of mines and who were holding lease for this area, had made a proposal for shifting the Jalalsar village and start mining from this new area. Considering the difficulties already being experienced by the Sindri Unit to get adequate quantity of gypsum of acceptable quality it was agreed to advance an amount of Rs. 5 lakhs requested by M/s. Bikaner Gypsum Ltd., to enable them to pay compensation to the villagers for shifting their houses. The mine had been opened and supplies had commenced.

2.11. Audit have, however, pointed out that according to the terms of the agreement, M/s. Bikaner Gypsum Ltd. were to supply 30,000 tonnes per month. The quantity of gypsum supplied by M/s Bikaner Gypsum Ltd., monthly, from the beginning, was much less than their commitment. During the 18 months from 1st April, 1967 to 30th September, 1968, the average monthly supplies work out to hardly 15000 tonnes vide copy of D. O letter dated the 21st October, 1968 from the General Manager, Sindri Unit to the Secretary Fertilizer Corporation of India at Appendix VII.

2.12. Production of ammonium sulphate depends to a large extent upon continuous supply of good quality gypsum. The Committee, however, regret to note that as against the stipulated quality of 30,000 tonnes

per month only an average of 15,000 tonnes of gypsum per month was supplied by the contractor M/s Bikaner Gypsum Ltd. It is regretted that no effective steps have been taken by the management to enforce the terms of the contract.

2.13. Further explaining the reasons for the decline in production, the General Manager of the Sindri Unit had stated that another main reason was the wetting of gypsum. During the rainy season when they transported gypsum it deteriorated. The quality of gypsum which they got from Rajasthan was amorphous. In one rain it took up a lot of moisture. With that type of gypsum they could not process at the plant at the same rate as with the dry gypsum. Also, they had heavy rains in Sindri as well as on the way. Then, there was a strike in Sindri which also curtailed production. Even though the strike lasted only for 12 days, because it was a continuous process plant, shut down even for a day affected the working for 4 or 5 days.

2.14. To a question as to why the Corporation were not getting gypsum in closed wagons and why it was not being kept in closed godowns to avoid moisture, the Chairman of the Corporation stated that the gypsum which they were getting from Rajasthan was of lower purity and even of lower filterability but at least it had been crystalline in the form of rock. If the rock got wet, it also dried up quickly. But if it was mixed up with a lot of clay, it did not dry up soon. A situation had arisen, when they could not get any more crystalline gypsum or rock gypsum in Rajasthan. So they were getting clayey gypsum which absorbed a lot of moisture. The Ministry of Railways were not in a position to supply covered wagons for all their gypsum requirements. They used nearly 2,000 tonnes of gypsum every day but the railways were in a position to supply only a limited number of covered wagons.

2.15. The Chairman of the Corporation further added that this year also they pressed for closed wagons, because they were apprehending a similar situation, but even this year they could not get cent per cent covered wagons. Eventually this year they had to purchase a large number of tarpaulins, because they were forewarned by what happened last year, and made special arrangements to cover all the wagons that came from Rajasthan. The Ministry of Petroleum and Chemicals also took it up with the Ministry of Railways but they were not able to provide covered wagons for all their requirements. Only about 25 per cent wagons were covered and the remaining 75 per cent were open.

2.16. The Committee are glad to note that the Sindri Unit has started covering gypsum with tarpaulin while transporting it in open railway

wagons during rainy season. This fact might be brought to the notice of other public undertakings who suffer on account of deterioration of material during transport in open wagons during rainy season owing to scarcity of covered wagons. The Committee feel that shortage of covered wagons could have been minimised by proper planning on the part of the Railways. They hope that earnest steps would be taken by the Railways to provide more covered wagons to the public undertakings.

2.17. The Committee desired to know whether the Corporation had achieved the target production during the year 1967-68 and if not, what was the percentage of shortfall in respect of products referred to in the para viz. ammonium sulphate, double salt and urea. The Management have stated that the attainable capacity of the Sindri Unit on the basis of existing conditions and availability of raw materials was revised from what was earlier envisaged by the designers. Depending upon the requirement of maintenance planned during the year and the conditions of the plant, the production targets fixed for 1967-68 and the actual production achieved were indicated below:—

Unit: Tonnes

Planned	Achieved	Shortfall	%Shortage
3,20,00	241,300	78,700	24.6
65,00	61,384	3,616	5.6
19,00	16,164	2,836	14.9

2.18. Audit have, however, pointed out that the Ministry have worked out the shortfall with reference to planned production and not with reference to the rated capacity as mentioned in para 3.01 of the Audit Report. Shortfall during 1967-68 with reference to the rated capacity worked out to 32% for ammonium sulphate, 49.6% for double salt and 31.1% for urea.

2.19. The Committee enquired as to what would be the effect of reduction in rated capacity on the cost of production and the economics of the project. The management have stated that considering the existing conditions of the various plants, and after taking into account the improvements that were contemplated in the various sections and with the coming into operation of the Naphtha Gasification Unit, the target of production for the year 1969-70 had been fixed as follows:

Ammonium Sulphate . . . . .	3,18,000 M.T.
Double Salt . . . . .	81,000 "
Urea . . . . .	20,000 "

2.20. Audit have, however, pointed out that the following production targets for the year 1969-70 were approved by the Board of Directors in their meeting held on 26th November, 1968:—

Ammonium Sulphate . . . . .	3,20,000 M.T.
Double Salt . . . . .	65,000 „
Urea . . . . .	19,000 „

2.21. On the above basis the estimated cost of production, profits, etc. had been re-worked by the management as follows:—

	Target for 1969-70	Rated capacity
<b>Ammonium Sulphate</b>		
(a) Production M.T. . . . .	3,20,000	3,55,000
(b) Cost of production per M.T. . . . .	Rs. 407.68	Rs. 374.04
(c) Average selling price per M.T. . . . .	Rs. 394.95	Rs. 394.95
(d) Profit per M.T. . . . .	Rs. (—)12.73	Rs. 20.91
<b>Double Salt</b>		
(a) Production M.T. . . . .	65,000	1,21,920
(b) Cost of production per M.T. . . . .	Rs. 519.32	Rs. 401.67
(c) Average selling price per M.T. . . . .	Rs. 471.80	Rs. 471.80
(d) Profit per M.T. . . . .	Rs. (—)47.52	Rs. 70.13
<b>Urea</b>		
(a) Production M.T. . . . .	19,000	23,470
(b) Cost of production per M.T. . . . .	Rs. 506.42	Rs. 430.59
(c) Average selling price per M.T. . . . .	Rs. 690.95	Rs. 690.95
(d) Profit per M.T. . . . .	Rs. 184.53	Rs. 260.36

2.22. The Committee feel that the continued shortfall of actual production vis-a-vis rated capacity despite so many years of experience in the line is a disquieting feature which requires to be remedied by scientific and rationalised planning. They would, therefore, stress the need for further augmenting the efforts to achieve the rated capacity as early as possible.



### III

#### AMMONIA PLANTS

(Para 3.02, pages 67-68)

3.1. The process of manufacture of all the three fertilisers at the Unit involved the consumption of ammonia which was produced in the ammonia plants (Original and Expansion). The table below indicates the rated capacity and the actual production of ammonia in each of the plants during the three years ending 1966-67:—

Year	Original Plant		Expansion Plant	
	Rated capacity	Actual production	Rated capacity	Actual production
	M. Tons	M. Tons	M. Tons	M. Tons
1964-65	96,000	93,256	62,370	37,120
1965-66	96,000	97,780	62,370	39,631
1966-67	96,000	91,840	62,370	43,974

3.2. It is understood that the Expert Committee had recommended in 1961 that after the modifications and additions made to the plant during the years 1955 to 1957, the existing plant was capable of producing 1,05,000 to 1,10,000 M. tons of ammonia per year subject to certain improvements being made in the water scrubbing section. These improvements were carried out from July, 1963 to September, 1965.

3.3. The Ministry have stated that "under the existing conditions of Ammonia Plant, production beyond the rated capacity of 96,000 tonnes cannot be expected and planning for any production higher than the rated capacity will be at the cost of some preventive maintenance and will not be in the interest of the safety of the plant and personnel."

3.4. To a question as to how the Ministry came to the conclusion that rated capacity (1.05 lakh to 1.10 lakh M. Tons per year) mentioned by the Expert Committee could never be attained and whether or not the improvements suggested by the Expert Committee were

made, the management have stated that the rated capacity of 96,000 tonnes per year of the old ammonia plant was based on a daily production of 274 tonnes for 350 days in a year. The streams efficiency assumed was already high and any further increase would be only at the cost of foregoing of some of the essential maintenance jobs. Further the possibility of attaining higher daily production on sustained basis was also not possible as this would mean operating the plant at higher loads and pressures, and this was not considered safe from the point of view of the age and general conditions of the plant. On account of both these reasons, production more than the rated capacity i.e. 96,000 was not considered as possible.

3.5. The Committee regret to note that the production of Ammonia has been much below the rated capacity. The Expert Committee had recommended in 1961, that after the modifications and additions made to the plant during the years 1955 to 1957 the existing plant was capable of producing 1.05 lakh to 1.10 lakh M. tons per year. It is, therefore, surprising that the management feels that for various reasons production of more than 96,000 M. tons per year was not possible of achievement. It may be relevant to mention in this connection, that the original Plant had actually achieved production of 97,780 M. tons of ammonia in 1965-66 vide para 2.3. The Committee cannot, therefore, help concluding that either the findings of the Expert Committee were based on inadequate data or the management failed to place the facts before the Expert Committee or the Expert Committee was not fully qualified since the management considers the implementations of its recommendations impossible. Whatever the causes the result is non-fulfilment of rated capacity. The Committee recommend that the whole matter should be urgently re-examined in a more practical manner and every possible endeavour be made to achieve the attainable capacity in the Ammonia Plant.

## IV

### EXPANSION PLANT

(Para 3.02) (Pages 68-69)

4.1. The plant was designed to utilise the daily production of 10 million cubic feet of gas obtained from the Coke Ovens after processing the gas in the Gas Reforming Plant. The production of gas in the Coke Ovens, which was always below the rated capacity, could not, however, be fully processed by the Gas Reforming Plant because of its intermittent functioning on 2 streams as indicated in the table given below with the result that the unutilised gas amounting to 11.203 million NM<sup>3</sup> had to be flared up during the three years ending 31st March, 1967.

Coke Oven Gas (Unit 1000 NM<sup>3</sup>)

	Rated capacity	Produced	Utilised	Not utilised
1964-65	1,13,000	81,910	77,098	4,812
1965-66	1,13,000	79,608	76,290	3,318
1966-67	1,13,000	81,266	78,193	3,073

4.2. In connection with the attainment of the rated production in the Coke Ovens and the Ammonia Plant (Expansion, the management stated in June, 1964 as follows:

"... the output of a total quantum of 10 million cubic feet of gas per day from the coke oven plant was calculated on the basis of utilization of a certain amount of coal having high volatile content. Experience has shown that the processing of this type of high volatile coal beyond a point leads to the production of a type of coke which is definitely unsuitable for use in the semi water gas generators in Sindiri's old gas plant so much so that as is well known, in one or two years the experiment led to a severe curtailment of ammonia production in the old ammonia plant with consequent fall in the production of Ammonium Sulphate. We have come to the conclusion that with the blend of coals which we can safely use to produce coke of a type suitable for use in the gas gene-

rators, we can in no circumstances, expect more than about 8½million cft. of coke oven gas per day”.

“.....even after the extra compressors and other equipment are installed in the expansion ammonia plant in pursuance of the Expert Committee's recommendations, the stream efficiency of the plant will increase to only 309 days as against stream efficiency of 330 days per year prescribed by the designers”.

4.3. The Ministry stated in November, 1967 that “in order to attain the daily rated capacity of the Plant, it has been decided to install a Nephatha Gasification Unit to supplement Coke Oven Gas and this is expected to go into commission by July|August, 1968”.

4.4. To a question as to what were the reasons for the intermittent functioning of the Gas Reforming Plant and what was the value of utilised coke oven gas amounting to 11.203 million NM<sup>3</sup>, which had to be flared up, the Chairman of the Corporation stated that the plant was laid out in two streams. Each stream had a gas box through which coke oven gas had to pass, where it was subjected to cooling for separation of its constituents. This gas box got filled up with viscous and other fluids. Therefore, it had to be opened up and cleaned from time to time. The coke oven gas contained methane, hydrogen, nitrogen and some other hydrocarbons and other impurities. The gas reforming plant's function was to remove these impurities. The plant worked under a very low temperature. The gas was liquefied and the constituents were separated. In the process of separation, a number of impurities got deposited in the process stream itself. After 2 months, they had to shut down the unit, heat it up slowly and remove the impurities. This was called deriming process and it was inherent in this type of plant. Both the streams were working most of the time but when one stream was derimed, it had to be shut down.

4.5. The Chairman of the Corporation further added that they also produced oxygen and nitrogen based on low temperature. There were two plants where air was liquefied and was separated into nitrogen and oxygen. The air plants also had to be derimed because when the air passed through the plant, small quantities of CO<sup>2</sup> got frozen. After 5 to 6 months, they had to heat up the plant and remove them.

4.6. It was further stated that when they were deriming a plant, they could not utilise all the coke oven gas. The gas which was left over was burnt in the coke oven itself. The total coke oven gas that they

had burnt over these years, compared to the total production was 3.8 per cent in 1966-67 and 4.2 per cent in 1965-66. So far as flaring up of gas was concerned, they had to flare some gas because during the strike they could not run the plant. The total value of the gas that was flared was Rs. 9½ lakhs, the quantity being 11.203 million cubic metres during the years 1964-65 to 1966-67. In further information furnished to the Committee, it has been stated that the total gas flared up during 1967-68 was 5,428 million NM<sup>3</sup>. The value of the gas flared in 1967-68 amounted to Rs. 4.60 lakhs.

4.7. The Chairman of the Corporation had stated that at the moment they were only getting 8½ million cft. of gas. To make good the shortage of gas, they were installing 2 gasification unit for gasifying naphtha to produce that extra gas, which would be mixed with the coke oven gas and used for manufacture of ammonia.

4.8. So far as stream efficiency was concerned, the Chairman of the Corporation stated that the best that was possible on a sustained basis year after year would be 309 days and not 330 days in a year, which the designers had prescribed. Even to get 309 days, improvements had to be effected. They had installed an extra coke oven gas compressor. Otherwise it was only 304 days. The naphtha gasification scheme would be completed only in April-May next year. The contract for the naphtha gasification scheme was awarded in September 1966 and it was stated that they would put up the plant within 22 months. That was how it was calculated to the July-August, 1968. But because clearance from Director General of Technical Development etc. took time, 22 months had to be calculated from April 1967 and it came to February 1969. The witness stated that there would be about 2 months delay and it would go into production by April-May 1969.

4.9. In reply to a question whether the management of the Corporation envisaged a time when there would be no flaring up and no loss on this account, the General Manager of the Sindri Unit stated that they could reduce it to a considerable extent, but some flaring would have to be done. During short shut-downs of the Gas Reforming Plant, gas could not be utilised in the coke-oven and they had to flare it. Barring short shut-downs, they would be able to reduce the flaring. The normal wastage might still come to about 2 per cent., *i.e.* 1 to 1.5 million cubic meters per year.

4.10. To a question whether it was technically feasible to store up the gas, so that it could be utilised when required the General Manager, Sindri Unit, explained that the total quantity of gas was so large that it would be very expensive to put up a storage for it.

4.11. The Committee regret to note that the stream efficiency of the Gas Reforming Plant which was initially prescribed as at 330 days by the designers has been actually found to be not more than 309 days with the result that unutilised gas of the value of Rs. 14.10 lakhs had to be flared up during the year 1964-65 to 1967-68. This shows that either all the technical factors were not correctly assessed by the designers in fixing the stream efficiency at 330 days or the plant is not being efficiently run. The Committee, however hope that with the installation of Nephtha Gasification Unit by the revised scheduled date i.e. by April/May 1969, it would be possible to attain the daily rated capacity of the plant, and thus minimise the loss due to flaring up of gas.

## RAW MATERIALS

## Agreement for Supply of Gypsum Para 4 (Pages 69-70)

5.1. Besides their own mines in Rajasthan from where gypsum is extracted departmentally or through contractors, Corporation have a contract for the supply of 3,00,000 tons of gypsum per year. In December, 1962 the supplier informed the Corporation that for maintaining further supply of high quality gypsum it would be necessary to shift the Jamsar Railway Station and lines within six months and acquire the area thereunder. The supplier also requested the Corporation to bear a part of the compensation payable to the Railways and in return agreed to supply the entire quantity of gypsum of purity of 86 per cent and above from the area to them without charging any premium for it. The area was estimated to bear 1 million ton of gypsum of 83 per cent to 90 per cent (average 86.5 per cent) purity. The shifting of the Jamsar Station was arranged at a total compensation of Rs. 9 lakhs out of which the Corporations share amounted to Rs. 3 lakhs,

5.2. As the average purity of gypsum supplied from the area during the period from April, 1965 to March, 1967 ranged between 76.97 per cent and 85.31 per cent (except in May, 1966 when it was 86.10 per cent) as against the purity of 86 per cent stipulated in the agreement. the payment of Rs. 3 lakhs did not serve the intended purpose.

5.3. The Ministry stated in November, 1967 that "though the purity of gypsum received from Jamsar did not come upto the expected level much operational difficulties in using the gypsum were not faced since the filterability was consistently good."

5.4. The Committee enquired whether the estimation of the percentage of purity of the gypsum available in the Jamsar area was defective and why did average purity of gypsum supplied to the Corporation during the period from April, 1965—March, 1967 ranged between 76.97 and 85.91 per cent as against the estimated average of 86.5 per cent. It has been stated by the management that the area from where the high purity gypsum was to be extracted was lying under the Railway lines Station Buildings and staff quarters at Jamsar. The investigation both as regards quantity and purity of gypsum available in the area had, therefore, to be done by sample checks through pits drilled in spots wherever the open area was available for the purpose. The average purity ascertained by this method—which had except in May, 1966 when it was 86.10 per cent.

necessarily to be adopted—was, therefore, only an estimate. The reasons for wide variations between the average quantity of gypsum supplied and that estimated initially have, however, not been indicated by the management.

5.5. The Chairman of the Corporation stated during evidence that they were getting gypsum from Rajasthan from two sources. One was the Bikaner Gypsum in which the Government of Rajasthan had also some interest. The second was their departmental mines. The best gypsum from Rajasthan was available from the Jamsar mines which the Bikaner Gypsum Ltd. were operating. Their departmental mines were not giving such good quality gypsum. He stated that in gypsum there were two factors which were relevant. One was purity and the other, which was more important, was filterability. The filterability of gypsum available from Jamsar mines was better than that of any other gypsum in Rajasthan. Therefore they were anxious that M/s Bikaner Gypsum Ltd. continued supplying gypsum from Jamsar. In the letter which M/s Bikaner Gypsum Ltd. wrote to the Corporation in 1962 they stated *inter alia*:

“Unless the railway lines are removed latest within six months from now it will be impossible to maintain any further supply of gypsum from Jamsar up to the standard of quality required by you. Even during the course of the last two months we are finding it extremely difficult to maintain a despatch of even 1000 tons per a day of 80 per cent and above purity though as per agreement the average purity is to be maintained at 83.5 per cent. In the event of your arranging such removal . . . we shall agree and undertake to supply to you the entire quantity of gypsum of 86 per cent and above purity now lying within the area occupied by the Railways and to be so released by vacating of such area by them. The estimated quantity of gypsum to be so released is between 1 million to 1.2 million tons. Thus the entire quantity of gypsum of 86 per cent purity and over now blocked by the railway area and made available after removal of the railway lines will exclusively be earmarked for supply to yourselves. The company will not charge any premium for the gypsum of 86 per cent purity and over to be supplied to you from the quantity so released.”

5.6. The terms of the agreement between Bikaner Gypsum Ltd. and the F.C.I. signed on 31st August 1965 i.e. one month before the 5 years agreement from 1st October, 1960 to 30th September, 1965 was to expire) provided that penalty will be leviable for fall in purity below 84 per cent for the period from 1-10-1960 to 30-9-1961 and thereafter for the fall in purity below 83.5 per cent. The agreement further provided that



bonus will be payable if the purity exceeds 86 per cent subject to the condition that in consideration of the contribution made by the Fertilizer Corporation of India for shifting of the present railway alignment at Jamsar the seller shall supply the high purity gypsum mined from beneath the present alignment exclusively for the use of the buyer and that no bonus shall be payable by the buyer for gypsum of above 86 per cent purity mined from beneath the present alignment. The witness stated that although the firm had no positive commitment on their behalf that all the gypsum would be of 86 per cent quality, the FCI (Sindri Unit) were anxious to continue receiving gypsum from this source because of its high filterability. That was their justification for paying the amount of Rs. 3 lakhs to the Railways for shifting the railway lines and the railway station.

5.8. To a question as to how much quantity of gypsum had so far supplied ranged between 76.97 and 85.31 per cent (except in May, 1966 when it was 86.10 per cent) as against the estimated average of 86.5 per cent. the Chairman of the Corporation stated that there was 86 per cent gypsum available but the quantity was much smaller than what was estimated by the contractor. They did not find any commitment on the part of the contractor that the bulk of this gypsum was to be of 86 per cent purity. All that the contractor stated was that the entire quantity of gypsum of 86 per cent purity made available would be exclusively earmarked for supply to the FCI without charging any extra premium.

5.8. To a question as to how much quantity of gypsum had so far been raised from the Jamsar Railway Station area to date and how much quantity out of it had been supplied to the Corporation and how much to the outside parties, the Chairman of the Corporation stated that the contractor had supplied to the F.C.I. 6.68 lakh tonnes. The General Manager of the Sindri Unit added that the original estimate of one million tonnes was on the high side. It could not be correctly done as the area was covered by quarters, railway line and railway station. Only a few pits were dug all over to get an estimate. Apparently the estimate was wrong and the total available gypsum was 7.68 lakh tonnes. One explanation given by the contractor was that before the railway station and the railway lines were shifted, they were mining very close to the railway lines and to that extent the deposits under the Railway Station got reduced. They started doing this in 1962-63 but there was no confirmation about it.

5.9. To a question whether the F.C.I. had claimed any rebate from the firm for supplying gypsum below the stipulated specification, the Chairman of the Corporation stated that they had not claimed any rebate. A sum of Rs. 2.12 lakhs had, however, been recovered from the firm as penalty and it had been deducted from the Bills. Audit have,

however, pointed out that the penalty of Rs. 2.12 lakhs recovered from M/s Bikaner Gypsum Ltd., related to the supplies from April 1965 to the date of exhaustion of the mines in April–May, 1967 as follows:

April 1965 to September, 1965—For Purity below 83.5 per cent.  
October 1965 to-date—For purity below 80%.

5.10. In reply to a question as to whether the supplier despatched certain quantities of gypsum to outside parties also, the General Manager Sindri Unit stated that in spite of their protestations, the supplier sold one lakh tons of 76 per cent purity to a cement factory which was paying them Rs. 13 per tonne. In fact, the suppliers were anxious to pay back the FCI Rs. 3 lakhs which the Corporation had contributed towards shifting of the railway line, whereby they could get release from the liability to supply gypsum to the Corporation.

5.11. In this connection the Chairman of the Corporation stated that the total estimated cost of the shifting of the railway station was Rs. 16 lakhs, out of which, besides the Rs. 3 lakhs contributed by the FCI, Rs. 3 lakhs were contributed by the Rajasthan Government and Rs. 3 lakhs by the suppliers and Rs. 7 lakhs by the Railways. The Railways contributed because they were going to get extra traffic.

5.12. It appears that the Corporation agreed to the payment of a subsidy of Rs. 3 lakhs for removal of the Jamsar Railway Station primarily for securing at least one million tons of gypsum of over 86 per cent purity. However, as it turned out they got a supply of a purity ranging from 76.97 per cent to 85.31 per cent. While the management's desire to secure an uninterrupted supply of gypsum can be understood, it is difficult to comprehend how the contractor invariably supplied gypsum of far below the 86 per cent purity envisaged in the agreement and how the total quantity supplied fell short of the initial estimate. The Committee cannot help feeling that the initial estimates of gypsum reserves were prefatory and without proper scrutiny. The emphasis on the filterability of the gypsum as distinct from its purity seems to be more an after thought to justify the subsidy given for the transaction. The Committee regret to note that the management did not even claim any rebate from the contractor for supply of gypsum of a lower purity. Similarly, the contractor sold gypsum to a private cement factory in violation of the agreement with the Corporation, but no penalty could be imposed by the management due to defect in the agreement. The Committee are unhappy with the like manner of dealing with this contractor and entering into a defective contract with him. They hope interests of the Corporation will be properly safeguarded in future.

## VI

### RAW MATERIALS

#### Coal—Shortage of coal Para 4 (Pages 70-71).

6.1. *Shortage of coal:* (a) During the period from April, 1962 to April, 1963 the Corporation received 15,564 m. tons of coal valued at (Rs. 5.28 lakhs inclusive of freight) short from the Bejdih|Methani Collieries owned by a private Company. The shortage first came to the notice of the Plant Manager in October|November, 1962 when he attempted to link the R.R. weights with the actual weights recorded on the Corporation weigh-bridge.

6.2. As the Corporation weigh-bridge was also certified by the Railways it was considered by the Management that the shortages could be due either to short-loading by the collieries or to pilferage in transit. Accordingly the matter was taken up with the collieries and the Railways (South Eastern and Eastern Railways) in March, 1963. While the collieries contended that the loading had been done properly, the General Manager, South Eastern Railway intimated that the pilferage was taking place at various points beyond his jurisdiction. The General Manager, Eastern Railway, however, promised to take necessary action to improve the security arrangements.

6.3. While the matter was under correspondence as indicated above, it came to the notice of the management that the railway weigh-bridge at the collieries' siding had not been in order since April, 1962. In reply to an enquiry by the Corporation as to how clear R. Rs. giving the exact weight of coal in each wagon had been issued when the weigh bridge was out of order, the railways stated in November, 1963 that this was due to a clerical error.

6.4. As the clear R. Rs. were issued by the railway authorities without actually weighing the wagons a suit was filed by the Corporation against the railways in May, 1966 after protracted attempts to arrive at a settlement had failed. The decision of the court was still awaited.

6.5. (b) Another quantity of 17,949 m. tons of coal valued at Rs. 6.56 lakhs (inclusive of freight) supplied by the same collieries i.e., Bejdih|Methani was found short during the period from May, 1963 to

December, 1964. The shortage was attributed by the management to the non-weighment of the wagons by the Railways for want of weigh-bridge facilities. The matter was taken up with the suppliers and the Railways. The former declined to accept any liability on the ground that they had loaded the wagons up to the loading lines and the latter disowned responsibility on the plea that the coal had been booked at owner's risk.

6.6. The matter was, therefore, taken up with the Coal Controller for settlement. As a reasonable basis for the assessment of the contents of wagons at the despatching end had not been settled initially, it was agreed in a meeting held on the 16th September, 1965 between the representatives of the suppliers, the Corporation and the Coal Controller that the suppliers should bear one-third of the value of coal short supplied and the Corporation the value of the remaining shortage and whole of the railway freight. The cost including freight borne by the Corporation in accordance with this settlement amounted to Rs. 5.06 lakhs.

6.7. The Committee pointed out that shortage in supply of coal during April, 1962 to October, 1962 was first noticed in October/November, 1962 and these shortages were stated to have continued upto April, 1963 and enquired as to what steps the F.C.I. (Sindri Unit) took to ensure that the quantities of coal supplied by the private company from December, 1962 to April, 1963 were according to the weights mentioned in the R.R. The Chairman of the Corporation stated during evidence that it was not quite correct to say that the shortages did not come to their notice earlier. They came to their notice, but since they were 1 to 5 per cent, they did not take any cognisance of them. It was only when they exceeded a certain limit, i.e. when they were over 15 per cent, that they were taken notice of. Actually, in the month of November the shortage was 16 per cent and in December 1962 it was 30 per cent.

6.8. In the subsequent information furnished to the Committee the management have stated that the monthly receipt of coal from Bejdih-Methani collieries was as follows:

Month	Weight as shown in RR		Actual weight Bridge weight		Shortage/Excess	
	No. of wagons	Weight (tonnes)	No. of wagons	Weight (tonnes)	Excess (tonnes)	Short (tonnes)
April, 62 .	580	13486.5	580	13351.9	131.2	265.8
May, 62 .	513	11542.4	513	10939.9	83.2	685.7

Month	Weight as shown in R/R		Actual weight		Shortage/Excess	
	No. of wagons	Weight (tonnes)	No. of wagons	Weight (tonnes)	Excess (tonnes)	Short (tonnes)
June, 62 .	499	11938.9	499	11376.3	73.3	635.9
July, 62 .	684	15753.5	684	15022.4	121.8	852.9
Aug., 62 .	568	13107.5	568	12042.4	26.2	1091.3
Sept., 62 .	482	11263.8	482	10433.7	21.2	851.3
Oct., 62 .	461	10930.3	461	9665.3	31.6	1296.8
Nov., 62 .	462	10493.1	462	8785.0	17.8	1725.7
Dec., 62 .	591	7860.5	591	5509.7	7.8	2358.6
Jan., 63 .	545	18271.0	545	16624.1	22.1	1669.0
Feb., 63 .	588	13706.7	588	12051.2	7.2	1662.7
Mar., 63 .	643	14884.7	643	12875.3	15.9	2025.3
April &						
May, 63 .	1016	24650.1	1016	23647.5	109.7	1112.3

6.9. It has been stated that shortages noticed during the period April, 1962 to July/August, 1962 were indeed there but serious cognizance of those discrepancies was not taken for two reasons:—

- (i) There were both shortages and excesses noticed although the shortages were more than the excesses. It was thought that they might balance out in the long run and in any case some shortages were always considered as unavoidable.
- (ii) The coal was booked at owners' risk. Booking at Railway Risk was not made by the Railways unless the coal was sent in covered wagons which was not practicable because the collieries were not fully equipped to load covered wagons and manual loading of covered wagons slows down the doading process at their end.

6.10. Audit, have, however, pointed out that the action to link up the Railway receipt weight with the weigh bridge weight was initiated by the management only in November/December, 1962.

6.11. During evidence the General Manager, Sindri Unit, stated that they had a weigh-bridge for four-wheeler wagons. There were always some excesses or some shortages and they balanced themselves out. If the difference was less than five per cent, no notice was taken as in the long run they balanced out each other. From November onwards they found that the shortages exceeded this percentage and were rather heavy. The actual loss was about 2½ per cent and that was the maximum that they allowed. The wagon weigh-bridge was checked only once in three months.

6.12. The General Manager added that when they found that there were heavy shortages, the matter was taken up with the suppliers who started blaming the railways stating that they gave the railways fully loaded wagons and they were being weighed. When they took up with the railways, the railways stated that pilfering was taking place along the route at some places and they were investigating and tightening railway protection force. The FCI also raised their claims against the railways because of the admission that there was pilfering going on. The present position was that they had filed a suit against the railways and had also impleaded the suppliers. The solicitors had examined their documents and the documents of the railways and the suppliers were under examination. The case was in court.

6.13. The Committee enquired as to why it was necessary to obtain the supplies of coal from Methani Collieries and why could not their requirements be obtained from N.C.D.C. or Sudamdih Collieries which were very near. The General Manager, Sindri Unit stated that for their Coke Oven Plants, they required 15,000 to 20,000 tonnes of high volatile steam coal per month for blending. The coal from Raniganj and Jharia was unsuitable for their purpose. The Bejdih/Methani Collieries were the only ones which could supply the coal of the required quality. He added that N.C.D.C. did not have this type of coal in any of their mines. There were a few other suppliers for this type of coal, but they could supply hardly 1000 tonnes of coal per month. Even the mines of the present supplier of this coal would be exhausted after four or five years. Thereafter the Sindri Unit could use high coking coal from Jharia Coal fields and make good the shortages from naphtha gasification. They had already made arrangements with Barauni Refineries for supply of 20,000 tonnes of naphtha per year. The witness added that the arrangement with the present supplier had been in operation since 1955.

6.14. Regarding the question of weightment of coal the General Manager stated that they did not have inspectors at the point of loading because their contracts were for supply on F.O.R. basis. Once the rail-

ways took over and gave the clear R|R, they had to pay the suppliers. The only alternative for the plant was to get their consignments at railway risk. Under this arrangement the coal could be sent in closed wagons and the plant would have to pay the railways Rs. 2 per ton extra on freight. The loss that they would be incurring on payment to the railways year by year would be much more than the loss that they had suffered so far.

6.15. Regarding the loss of 17,949 tonnes of coal during the period from May, 1963 to December, 1964, the General Manager, Sindri Unit stated that it was due to the railways starting the movement of coal from that area for the first time in eight-wheeler wagons without a weigh-bridge. The railways had fixed arbitrarily a certain line, one for steam coal and another for slack coal. They wanted the collieries to follow this system but the collieries did not accept this. Ultimately in December, 1964, the railways permitted the collieries to adjust their own line depending upon what they thought their bulk density would be. They had been loading according to what they thought was the correct load. The plant had been checking up the quantity by volumetric measurements. He admitted that the measurements of the plant itself, could not be correct as these were based on an assumed density which could vary with the size and quality of coal. In view of these variations they could not even go to a court and say that their computations were correct. That was why they thought the best way was to get the good offices of the Coal Controller and settle that matter somehow or the other.

6.16. The Committee enquired as to what steps the Sindri Unit had taken to streamline the procedure in view of the short supplies of coal either through short loading or loss in transit and to obviate recurrence of such problems in future. The management have stated in the subsequent information furnished to the Committee that the transit loss in such bulk handling and bulk supplies of coal in considerable quantities was made up of a number of unpredictable and uncontrollable factors. The only steps, therefore, that could be taken to minimise such losses was constant vigilance and watching such discrepancies between the R|R weight and the actual weight received and taking up such shortages with the suppliers and the railways for taking preventive and control actions in the matter.

6.17. The Railways had now weighbridge facilities with effect from December, 1964 for box type wagons also. The R|R weights as recorded by the railways were expected to reflect the actual weight as per weigh-bridge record and should, therefore, be reliable. The major reasons for discrepancies and shortages which could still persist was, therefore, loss in transit mainly due to pilferage. For box type wagons the Sindri

Unit had no weighbridge facilities. The actual weight received was, therefore, computed on volumetric measurements with reference to loading line marked on the wagons and the bulk density applicable to the type of material. The following steps were specifically taken to minimise and prevent such shortages:—

- (i) Frequent volumetric measurements and bulk density tests were carried out so as to apply correct and realistic measures for computation;
- (ii) As soon as shortages were noticed—beyond a certain limit—the matter was taken up with both the suppliers and the Railways;
- (iii) As soon as there were major and persistent shortages from any suppliers, a representative of this Unit was sent for examination on the spot and for taking remedial measures;
- (iv) In the case of Bejdih|Methani collieries a representative was being sent from time to time to check the loading. It was now proposed also to post a man at the loading site on an experimental basis. If the result achieved was satisfactory they would consider posting him on a permanent basis. Similarly it had been decided to post their representative to other collieries from where significant and recurring shortages took place;
- (v) In the past, on a few occasions when wagons with perceptible short loading were received, photographs were taken and sent to the suppliers to bring home the seriousness of the shortages. There had been some wholesome effect of these steps but since the causes could not be specifically located it was difficult to expect any permanent improvement. It was only through constant vigilance and watching of such shortages and energetic pursuit of each case with the Railways and the suppliers that the shortages could be hoped to be restricted to moderate levels. They were taking all actions in this respect.

**6.18.** According to the Audit the shortages were noticed for the first time by the Manager when he attempted to link the R. R. weights with the actual weights recorded by the Corporation's weigh-bridge in October|November, 1962. Another strange feature noted by the Committee was that clear R. Rs. were issued by the Railway authorities without weighing the materials at their weigh bridge which had been out of order since April 1962. This fact came to the notice of Corporation when they took up the matter with the Railways at the close of 1962.



6.19. The Committee were constrained to learn from the representatives of Fertilizers Corporation of India that they did not take serious cognizance of coal shortages till they became rather heavy i.e. over 15 per cent. They also considered them unavoidable and had expected them to balance against excesses. The Committee are unhappy with the way in which things were allowed to drift resulting in serious loss to the Corporation.

6.20. It is unfortunate that neither the collieries nor the Railways are willing to accept the responsibility for the shortages and the blame has to be laid on pilferages during transit. The Committee feel that a lasting solution to this problem has to be found as it concerns several public undertakings and the railways.

6.21. The Committee feel that it is necessary to set up firm norms both as regards transit losses and stock taking shortages of raw materials and finished products at an early date. This should be done after ascertaining the position in countries outside India so that we might have some standards as guide line.

6.22. The Committee hope that the various steps taken by the management to minimise and prevent short supply of coal, through constant vigilance and watching of shortages and energetic and timely pursuit of each case with the railways would result in firm improvement of the position.

6.23. The Committee also note that the Sindri Unit was solely depending on the Bejdih|Methani collieries for the supply of high volatile steam coal for blending for their Coke Oven Plant, since the National Coal Development Corporation did not have this type of coal in their mines. They, however, hope that before the exhaustion of mines of their present supplier the Sindri Unit would be able to make firm alternate arrangements for high coking coal from Jharia coal fields and Naphtha for gassification from Barauni Refinery.

## EXCHANGE OF POWER WITH DAMODAR VALLEY CORPORATION

(Para 5, Pages 71-72)

7.1. The following table indicates the power generated in Thermal Power House of the Sindri Unit, the power supplied to Damodar Valley Corporation and the power obtained from Damodar Valley Corporation during the five years ending March, 1967:—

Year	Units K.W.H. Power generated	Units K.W.H. Power obtained from DVC	Units K.W.H. Power supplied to DVC
1962-63 .	44,05,66,800		1,14,17,559
1963-64 .	46,59,58,600		3,38,56,045
1964-65 .	44,34,62,100	6,63,000	1,56,32,703
1965-66 .	42,34,85,200	2,22,67,000	8,14,323
1966-67 .	39,69,55,400	4,05,61,000	730

7.2. It will be seen that the off-take of power from Damodar Valley Corporation rose sharply during the years 1965-66 and 1966-67.

7.3. The management have attributed the increased off-take of power from Damodar Valley Corporation to the breakdown of two of the generators in October, 1965. One of the generators which was recommissioned on 3rd February, 1966 again failed on the 3rd March, 1966 and was recommissioned on the 4th October, 1966. The other was still (May 1967) to be recommissioned.

7.4. The cost of generation of power at the Thermal Power House of the Unit is Rs. 27 per M.W.H. as against the rate of Rs. 41.25 per M.W.H. payable to the Damodar Valley Corporation. The extra expenditure on power obtained from the Damodar Valley Corporation with reference to the cost of generation at the Units "Thermal Power House amounted to Rs. 8.85 lakhs during 1965-66 and 1966-67."

7.5. The management have further stated that the investigation into the causes of the breakdown of the two generators was carried out by a high powered Technical Committee consisting of their Technical Consultant (a Power House specialist), Superintendent, Power House and Superintendent, Maintenance. The Technical Committee came to the conclusion that the breakdown of No. 4 Turbine occurred due to breaking of some of the blades. They opined that in a Power House of this type where the make-up water sometimes was as high as 70 per cent, the normal life of blade should not be considered more than 10 years. The Technical Committee also appreciated that replacement of all the blades in a Turbine after 10 years would not be economical as they were quite expensive and would involve a foreign exchange expenditure of Rs. 3 lakhs. The Technical Committee noted that during the scheduled overhaul in 1963 some of the blades which were pitted were not changed as it was anticipated by the plant staff as well as M/s C.A. Parson (whose Engineers supervised the overhauling) that those blades could last another 2-3 years. Unfortunately some of these blades gave way just before the next overhaul was due.

7.6. Regarding Turbine No. 6, the breakdown was attributed to heavy fluctuation of frequency in the D.V.C. grid which was interconnected with the Power Station at Sindri. The frequency of the system sharply fell to about 45 cycles per second corresponding to turbine speed of 2700 r.p.m. The inertia shock imparted to the Turbine blades followed by steam pressure surge due to sudden drop in frequency and increasing load, could have caused damage to some of the blades.

7.7. It has been stated that in order to get over this problem special alarm had been installed on the frequency meter in the Control Room which gave an alarm when the frequency fell to 48.5 cycles per second. At this frequency D.V.C. inter-connection was disconnected.

7.8. To a question whether the generators were regularly overhauled on the due dates and if not what was the period of delay and what were the reasons therefor and how far the delay in the overhauling contributed to the breakdown of the generators, it has been explained by the management that these generators were due for overhaul every two years. In case of No. 4 Turbine the last overhaul was done on 21-10-1963 and the next overhaul was due in October, 1965. The breakdown occurred on 20-10-1965, i.e. just before the machine could be taken off load for carrying out overhauling. In case of No. 6 Turbine the scheduled overhauling was completed in March, 1964 and the Turbine was due for overhaul only in March, 1966. However the breakdown occurred in October, 1965 i.e. well before the annual overhaul was due. It would, therefore, be seen that there was no delay in the scheduled overhauls which could have caused breakdown in Turbine.

7.9. The Committee pointed out that the Corporation had informed Audit on 8-7-1966 that the matter relating to the failure of the generator on the 3rd March, 1966 was under investigation and enquired what had been the outcome of the investigation. The management have explained that the matter was referred to Central Water and Power Commission for investigation. Their Deputy Director, Thermal (Turbine Specialist) came to Sindri but could not arrive at any definite conclusion. However, the Chief Engineer of the manufacturers (M/s C. A. Parsons & Co. Ltd.) studied the problem and was of the opinion that as a result of inrush of water from the H.P. bleed steam line, there might have been thermal shock on the blades ultimately causing their failure. He recommended some modifications in the original design of the drain system of the bleed lines in the Turbine and these had since been carried out on all the Turbines.

7.10. To a question as to what was holding up re-commissioning of the second generator and when it was expected to be re-commissioned it has been explained by the FCI that the second generator i.e. Turbine No. 6, whose breakdown was of a serious nature, after its thorough overhauling and necessary modifications from the original design was put on commercial service on the 13th May, 1967. Audit was informed that the generator was expected to be commissioned by end of May 1967, but it was possible to speed up the programme and commission the generator on the 13th May, 1967. It has been stated that the off-take of power from the DVC after setting off the quantity of 36,77,310 K.W.H. supplied by the Corporation to DVC) during the year 1967-68, was 2,32,00,00 KWH.

7.11. In reply to a query, it was explained that the effect of increased off take of power from D.V.C. on the cost of production of ammonium sulphate, double salt and urea, would be as under:—

Year	Ammonium Sulphate			Double Salt			Urea		
	MWH Power Cost due to import from D.V.C.	In- crease in Power Cost per tonne of salt	In- crease in Power Cost per tonne of salt	MWH Power Cost due to import from D.V.C.	In- crease in Power Cost per tonne of salt	In- crease in Power Cost per tonne of salt	MWH Power Cost due to import from D.V.C.	In- crease in Power Cost per tonne of salt	In- crease in Power Cost per tonne of salt
	(Rs.)	(Rs.)		(Rs.)	(Rs.)		(Rs.)	(Rs.)	(Rs.)
1965-66 .	·809	·61	·49	1,279	·61	·78	1,939	·61	1·18
1966-67 .	·830	1·00	·83	1,195	1·00	1·20	1,890	1·00	1·89
1967-68 .	·924	·32	·30	1,310	·32	·42	2,039	·32	·65

7.12. It was stated that the value of power purchased from DVC during the years 1964-65 to 1967-68 was as follows:—

	Rs. in lakhs
1964-65 . . . . .	Nil
1965-66 . . . . .	8.85
1966-67 . . . . .	16.77
1967-68 . . . . .	9.57

7.13. The Committee enquired as to what action was initiated by the Sindri Unit when it became evident by March, 1966 that the generators could not be expected to function without major overhaul replacement. The management explained that normally when the major overhauls of Turbo-Generators were taken up bi-annually most of the damaged or worn out blades were replaced. Due to simultaneous breakdowns of No. 4 and No. 6 generators in October, 1965, it was not possible to replace all the blades on No. 4 as they ran short of spares. Although all necessary care was taken to see that the blades, which were not replaced, would last until they got fresh supply of spare blades, it appeared that some of the blades might have broken after the machine was commissioned in February, 1966. Government were approached for emergent sanction of foreign exchange for overhauling of machines in the middle of October, 1966 and the machines were commissioned towards the end of December, 1966. Since then the machines had been running without trouble. In the meantime, in order to meet the demand for power in the factory, arrangements were made with DVC to supply power to make good the shortfall. The management have stated that the total amount spent on repairs of the two generators worked out to Rs. 3.31 lakhs.

7.14. The Committee are surprised to note that although during the scheduled overhaul of generator No. 4 in 1963 the Plant staff had concluded that the blades of this generator would last only two to three years, no effort was made by the authorities concerned to obtain enough spare blades. This action was taken by the management only in October, 1966 when the machines broke down. Had the undertaking shown some foresight and obtained the foreign exchange in time for purchase of spare blades the extra expenditure of Rs. 35.19 lakhs paid to DVC for increased off take of power during the years 1965-66, 1966-67 and 1967-68 could have been avoided.

## VIII

### MANPOWER ANALYSIS OVERTIME PAYMENT

(Para 6, pp. 72-73)

8.1. The table below indicates the staff position as on 1st January, 1965, 1966 and 1967, 31st March, 1967 and 1st September 1968:—

As on	Officers	Workers	Total staff
1-1-1965 . . . . .	378	7,662	8,040
1-1-1966 . . . . .	402	7,623	8,025
1-1-1967 . . . . .	414	7,586	8,000
31-3-1967 . . . . .	414	7,330	7,744
1-9-1968 . . . . .	428	6,828	7,532 (including 276 casuals)

Note: 1. The above figures do not include apprentices, trainees, etc.

2. The project Report of the Unit did not lay down any norms for staff requirement.

8.2. In respect of technical staff the Technical Man-power Committee appointed by the Board in July, 1961, recommended that the strength of technical staff should not exceed 5,904. Similarly, in respect of Accounts department a firm of Consultants engaged in January 1963, at a remuneration of Rs. 54,475, reported in August, 1963 that the reduction of staff from 309 to 204 was possible.

8.3. The following table indicates the proposals initiated by the Sindri Unit for effecting reduction in staff and their implementation:—

Proposal	Position regarding implementation
(i) On 1-8-1964 the Board decided that no expenditure should be incurred on casual labour.	(i) The engagement of casual labour is being continued. In fact, the expenditure on their employment has been rising as indicated below:
<i>Year</i>	<i>Expenditure</i>
1964-65 . . . . .	Rs. 4.37 lakhs
1965-66 . . . . .	Rs. 4.60 lakhs
1966-67 . . . . .	Rs. 6.13 lakhs.

- (ii) On the basis of a report prepared by a General Manager of the Company two lists of 1,324 surplus employees (818 employees opting for transfer to other units/Divisions and 506 employees who did not opt for transfer) were prepared by the unit and submitted to the Board in December, 1964.
- (ii) While deciding that Units/ Divisions should absorb as many as possible of the employees opting for transfer the Board desired that the extent of surplus staff be examined further by the General Manager with the help of the Company's work study Engineers and other experts of his choice. The examination has not, however, been taken up so far (July, 1967).

8.4. Notwithstanding the fact that the Unit had surplus staff, the overtime payments were made on a large scale during the years 1964-65 to 1966-67 as indicated below:—

Year	Amount paid
1964-65	Rs. 16.02 lakhs
1965-66	Rs. 15.02 lakhs
1966-67	Rs. 17.57 lakhs

Note: These figures do not take into consideration overtime payment at Chief Mining Engineer's office, Jodhpur and Gypsum Mines.

8.5. The Committee enquired as to what was the present strength of the Accounts Department and how it compared with the strength of 204 officials recommended by the consultants in August, 1963. The Chairman of the Corporation stated that the present strength of the Accounts Department as on 1st October, 1968 was 222. They hoped that they will be able to achieve the figure of 204 recommended by the consultants.

8.6. Referring to the reasons for the sharp increase in the expenditure on casual labour during 1966-67 as compared to 1965-66 inspite of the decision of the Board of Directors in 1964 that no expenditure should be incurred on casual labour, the General Manager of the Sindri Unit stated that the casual labour undertook casual jobs which were of a non-recurring nature. The major jobs were cutting channels for diversion of water, cleaning of tanks, clearing of equipment, unloading of materials when there was piling and the contractor could not do it.

This load fluctuated quite often. The increase in 1965-66 and 1966-67 was because production was less and more material handling was there. Also there had been more break-down. Sindri unit started production in 1951 and as such the incidence of break-downs required the services of more extra labour.

8.7. The General Manager further stated that in the next Board meeting it was explained by him that the decision of Board that no expenditure should be incurred on casual labour, if implemented, would be dangerous because this would only involve postponing the work. Every time they were reporting to the Board thereafter the number of men employed and the amount spent. Actually, this decision was recorded not on the basis of any separate memo but while considering the monthly statement of employment of staff.

8.8. Audit has pointed out that casual labour was employed by the Corporation even against permanent vacancies. On an average 138 casual workers in 1966-67 and 276 casual workers in 1967-68 were employed against permanent vacancies. A statement showing month-wise position is given in Appendix VIII. It has also been pointed out by Audit that the statement of the Ministry that 'the General Manager, Sindri Unit, brought it to the notice of the Board of Directors at the very next meeting that it will not be practicable to completely eliminate the employment of casual labour could not be verified from the minutes and agenda papers of the meetings of the Board of Directors for the subsequent periods. The local management was also demi-officially approached to produce documentary evidence to testify the statement made, but no reply was received till 12th December, 1968.

8.9. The Committee are unhappy to note that the unit management of Sindri have been employing large scale casual labour continuously while they have surplus staff. The expenditure incurred on the employment of casual labour has also been rising during the past years.

8.10. Besides this, the expenditure on overtime payments has also been steadily increasing.

8.11. The Accounts Department has also been not able to reduce its strength according to the advice given to it by a firm of consultants in January 1963.



8.12. This shows that neither the management of the unit nor the Board of the Corporation have made any serious effort to tackle this problem.

8.13. In reply to a question whether 818 employees (out of 1324) declared surplus by the General Manager who opted for transfer to other units, had since been transferred, the General Manager Sindri unit stated that 643 employees had been transferred.

8.14. He further added that various assessments of the actual requirement of staff had been done but they had been only of the nature of *ad hoc* assessments, based on experience. Some studies by industrial engineering cell had also been done, but they were not full or complete. Now they were going to entrust the work to the National Productivity Council to undertake a detailed study covering a period of 6 to 7 months to assess staff requirements. As and when there were openings elsewhere in the Corporation they were raising matter with the Head Office so that they could reduce the strength by transferring people.

8.15. The General Manager, Sindri Unit admitted that it was true that there had been no manpower planning of the type they understood today based on work study. In fact, when Sindri went into production work study techniques were probably not even known. But they did consult the consultants about the number of men to be employed. Originally it was hardly 2,500 people. But it was soon found that they were not sufficient and they could not keep the plant running and maintain it. So slowly the number of men had to be increased, but each increase was based on recommendations of the heads of departments and the Managing Director. He admitted that the increase might have been much more than was necessary and that was why it had been possible for them now to go on reducing the number of men. In the initial stages when the skill was not available, men had to be trained up. Once the men were trained, they could reduce the number and could do with less number of men.

8.16. The Committee note that the Sindri Fertilizers & Chemicals Ltd. (now a unit of the Fertilizer Corporation of India Ltd) was set up on the 16th January, 1952. It is surprising that even after a lapse of over 17 years, the Sindri Unit has not been able to make a firm assessment of the actual requirement of staff, although various committees and specialist firms had been appointed to assess the work load and determine the staff strength.

8.17. The Committee feel that a systematic assessment of work load and man power is indispensable for the healthy functioning of a large organisation on economic lines. The management was again contemplat-

ing to entrust to the National Productivity Council detailed study for assessment of the staff. They hope that the recommendations made by the Council will not meet the fate of earlier assessments but will be expeditiously implemented.

*Over-time*

8.18. The table below gives the overtime paid to the staff during the last 3 years:—

Departments	1965-66	1966-67	1967-68
	Rs.	Rs.	Rs.
Production . . . . .	4,76,862	6,04,481	7,74,762
Implementation . . . . .		10,063	6,059
Chemical . . . . .	1,08,130	91,332	1,48,48
Maintenance . . . . .	4,37,084	5,35,307	7,88,942
Power House . . . . .	1,21,820	1,01,973	2,02,818
Town Engg. . . . .	10,452	7,217	8,337
Stores . . . . .	22,879	31,447	52,001
Transportation . . . . .	65,524	58,625	74,995
Personnel . . . . .	24,425	26,841	51,950
School . . . . .	17	66	311
Security . . . . .	68,478	53,745	69,965
Administration } . . . . .	60,955	54,72	70,039
Transport Pool }			
Estate . . . . .	3,664	9,171	15,417
Accounts . . . . .	52,520	81,495	1,00,101
Medical . . . . .	14,396	21,985	22,258
Purchase } . . . . .	7,014	165	1,879
Sales }		1,217	969
*Overtime paid to the Muster Roll staff . . . . .	27,405	56,975	76,630
<b>TOTAL . . . . .</b>	<b>15,01,625</b>	<b>17,57,469</b>	<b>24,82,261</b>

\*As per Audit comments.

8.19. The General Manager stated during evidence that overtime arose for totally different reasons. Because of the heavy breakdowns in plants, skilled workers had to be put on overtime, because they were reducing the total strength quite sharply without replacing them. As regards the shift jobs if there was shortage for a few days they had to put men on overtime instead of providing replacement. So, overtime had nothing to do with the surplus, because surplus might be in the category of mazdoors and helpers. Overtime was paid mainly in

the case of skilled workers. Unskilled workers also sometimes got overtime but not so frequently. There was always a little imbalance between what was considered surplus and where they had to incur as overtime. In the factory with 24 hours operation they had made an attempt to form a pool of people who were considered surplus in the mazdoor rank.

8.20 It is seen from the table given in para 8.18 that the overtime payments in the case of Sindri Unit have been rising from year to year. The overtime is not restricted to skilled personnel only, but is paid in all the departments including stores, Personnel, Administration Security, Estate, Medical and Transportation Departments. The Committee view with concern the rise in expenditure on overtime allowance especially when the surplus staff exists. The expenditure on overtime allowance instead of being allowed to increase should be brought down and incurred only when there were unavoidable circumstances. No such circumstances have been brought to the notice of the Committee.

The Committee hope that suitable measures would be taken by the Corporation to reduce the excessive expenditure on account of Overtime.

**IX**  
**LAND**

(Para 7, pp. 73-74)

9.1. The following table indicates the utilisation of approximately 6,400 acres of land acquired by the Corporation in 1945-46 from the State Government of Bihar at a cost of Rs. 58 lakhs (approximately).

Utilisation	Area in acres
(a) (i) Factory including Planning and Development unit	1,455
(ii) Township including Public Buildings and Places	2,914
	4,369
(b) (i) Leased to Public/Private Bodies	510
(ii) Permanently transferred to the Bihar Institute of Technology	380
(c) Not utilised upto 31st March, 1967	1,150
	6,400

9.2. The land acquired by the Corporation include an area of 115 acres of homestead land valued at Rs. 1.04 lakhs which has not been made over by the State Government to the Unit so far (May, 1967), with the result that a sum of Rs. 1.29 lakhs (Rs. 1.04 lakhs as acquisition cost plus Rs. 0.25 lakh paid for rehabilitation of the evictees) remains blocked.

9.3. Lease deeds in respect of 264.19 acres of land leased by the Corporation to various parties had not been executed so far (May, 1967) though some of the areas were leased as early as in 1950.

9.4. The Ministry have stated (November, 1967) that "Steps are being taken to get lease agreements executed".

9.5. While explaining the reasons for the increased acquisition of land in excess of actual requirements, the management have indicated that the break up of the land shown as unutilised was as follows:

(i) Riverbed	596.35 acres
(ii) Inun dated area	130.00 acres
(iii) Development/Undevelopment land etc.	423.65 cres
	1150.00 acres

9.6. The management have explained that the river bed area was useful for drawing water from the river, besides being the main sources for supply of sand. The inundated area was essential for safety of the embankments of the river and release of this land would lead to growth of slums. The developed|underdeveloped areas were required for future expansion of the factory and the township, the sulphuric acid plant having taken a size able area now.

9.7. It has been further explained that with the very large expansion programme already approved by the management, most of the usable unutilised land would be utilised in the near future.

9.8. As regards the failure to obtain possession of 115 acres of homestead land from the State Government, and why could not the land be surrendered after recovery of the amount incurred for acquisition, the management have stated that an area measuring 115.89 acres was still in the occupation of villagers. The Bihar Government was responsible for resettlement of evicted families from the acquired areas and to hand over to the corporation all and free from encumbrances. However, the delivery of the possession of the land by the State Government to the Corporation had been piece meal. Further there was difference of approach in regard to the matter of eviction of the villagers from their homesteads in the acquired lands on the part of the Resettlement Office and the Corporation.

9.9. It has been stated that the matter regarding eviction of the villagers from the acquired land was being pursued now vigorously with the assistance of the District Land Acquisition Office.

9.10. The Committee regret to note that after about 18 years of acquisition of land the Corporation has not got possession of all the land for which it has paid. This shows that the management of the unit and Board have not shouldered their responsibilities properly. They hope that concerted efforts will now be made to settle this matter with the State Government that the Unit can go on with its schemes of development.

**X**  
**INVENTORY**

Para (Pages 75—77)

101. (a) The following table indicates the comparative position of inventory and its distribution at the close of the four years ending with 31st March, 1968:

	(Rs. in lakhs)				
	1963-64	1964-65	1965-66	1966-67	1967-68
(i) Raw materials at cost	121.51	71.32	74.41	111.19	85.34
(ii) Stores, spare parts and packing materials (including (in-transit) and loose tools (including foodgrains at cost or under cost) . . . . .	564.48	559.32	537.72	564.34	533.60
(iii) Semi-finished good at cost . . . . .	3.05	2.97	16.45	20.47	23.72
(iv) Finished goods at cost	50.40	13.02	25.03	103.73	31.87
(v) By-products at sale price	0.87	0.90	1.38	0.96	0.98
<b>TOTAL</b>	<b>740.32</b>	<b>647.53</b>	<b>654.99</b>	<b>800.69</b>	<b>675.51</b>

10.2. Explaining the reasons for the rise in inventories, the management have stated that except in the case of stores and spare parts and semi-finished goods, there had been a substantial reduction in the inventory. The value of finished goods was moderate and in fact came down between 1963-64 and 1965-66. The value of inventory of finished stocks during the above period was 2.27% in 1967-68; 0.98% in 1964-65 and 3.38% in 1963-64. The abnormal increase in the stocks value in the year 1966-67 was mainly due to low despatches of fertilizers to Bihar due to draught condition. The position returned to normal during 1967-68 when the stock value came to Rs. 31.87 lakhs compared with Rs. 103.73 lakhs in 1966-67 and Rs. 25.03 lakhs in 1965-66. In physical terms the stock position in 1967-68 was even lower, on the average, than the corresponding quantities in 1965-66.

10.3. As regards raw materials, namely gypsum and coal it was stated that there were periods in the operations when the management were worried over shortages of raw material. Gypsum was transported from

all over Rajasthan including Mohangar near Jaiselmar area. Further more, the supply of gypsum was vitally linked with availability of wagons. To avoid bottlenecks in supply or any major interruption it was always necessary to be assured of adequate stock in the plants. Further, the stock of raw materials at the end of 1963-64 was 21 per cent of the annual consumption, 12 per cent. in 1964-65 and 1965-66 18 per cent in 1966-67 and 13 per cent in 1967-68. The average was, therefore, roughly six weeks' consumption. Considering the large distance over which the most important raw material viz., gypsum had to be transported and the consequent length of the lead time-six weeks' supply seemed to be a necessary safe margin.

10.4. As regards stores and spare parts it was stated that there had been as light reduction of stores and spare parts in 1967-68 (Rs. 5.34 crores) as compared with the stock (Rs. 5.64 crores) held at the end of 1963-64. The reduction in spare parts was Rs. 57.48 lakhs over this period, the figure of Rs. 5.34 crores for 1967-68 included stores in transit of the value of Rs. 14.93 lakhs which was not included in the figure for the year 1963-64 and increase in the unconsumed materials of Rs. 11.81 lakhs. The unconsumed materials largely represented the value of catalysts and platinum drawn during the year 1967-68 for consumption during the following months.

10.5. The stock of spare parts during the period 1959-60 to 1963-64 showed an increase to the extent of Rs. 2.09 crores. In other words, the stock at the end of 1963-64 (Rs. 4.27 crores) was almost double the stock at the end of 1959-60 (Rs. 2.18 crores). The increase was mainly due to increased orders for spare parts being placed playing safe. The management have explained that ordering of spares was a matter of judgement and for this reliance had to be placed entirely on the experience of the concerned Chief Engineers and their officers. The primary factors that governed such judgement were (a) the extent of major items of spares to be replaced (b) the schedule for replacements and quantum of ordering. In regard to (a) in the case of the old plants, previous consumption and the condition of the plant provided some guide. In the case of new plants, the suppliers advice and personal judgement played a large part.

10.6. In regard to (b)—the schedule and quantum of orders was dictated by the manner in which foreign exchange was made available. Even in March, 1958 Ministry of Commerce and Industry wanted them to explore possibility of obtaining deferred payment for Rs. 55 lakhs.

As terms quoted by M/S Ansaldo were high, the Ministry agreed to release free foreign exchange subject to scrutiny by a committee of Technical Officers. This was done and a Committee of three technical officers screened the demands from the indigenous angle and need. The confidence that they could order their requirements as and when require was shaken with the progressive drying up of foreign exchange availability. The lead time was about two years and with uncertain availability of foreign exchange in the future, it was expected to be more. The ordering was, therefore, projected to requirements for three years ahead and in addition fast moving spares and insurance spares were included.

10.7. The effect of those orders had boosted the inventories in the subsequent years. Excess ordering took place not only due to the deteriorating conditions of the above plants but also the uncertainties in foreign exchange availability.

10.8. It had further been stated that in the subsequent periods the purchase of spares had been kept below the consumption. This policy had its disadvantage also in that due to want of spares the maintenance and repairs of the plant could suffer. One instance was that the turbine Generator, No. 4 could not be commissioned immediately for want of stock of spare blades.

10.9. The stock of stores and spares of the Sindri Unit at the end of 1967-68 was Rs. 4.90 crores. The capital cost of the plant and machinery was Rs. 32.27 crores. The stock of stores and spares at the end of 1967-68 was about 16 per cent of the capital cost of the plant and machinery of the Sindri Unit.

10.10. According to information available with the F.C.I. the corresponding percentages in other undertakings were as under:—

1. Tata Chemicals Ltd.	16.34 %
2. Associated Battery Machines Ltd.	11.38%
3. National Rayon Corpn. Ltd.	10.52%
4. F.A.C.T. Alwaye	13.30%

10.11. It had been stated that the Sindri Unit had taken further steps for reduction of inventory, based on the latest control techniques. In addition, a Committee had been set up comprising of Plant Engineer, Industrial Engineer and Accounts Representative to investigate the surplus stores and spare parts held in the inventory.



10.12. Notwithstanding the explanations given by the management for the sharp rise in inventories of raw materials, stores, spare parts, semi finished goods, finished goods etc. in 1966-67, the Committee feel that there is scope for further reduction of inventory levels, particularly of spare parts. This view of the Committee finds support from the fact that the unit has set up a Committee to locate the surplus stores and spares. Thus there is need for laying down proper norms for such holdings, consistent with commercial prudence and practices. The Committee hope that inventory control will be exercised in future with a view to achieving greater economy in the operation of the plant.

**SURPLUS STORES, PARA 9(b) (PAGES 75-76)**

11.1. As on the 31st March, 1967, the Sindri Unit was holding surplus stores of the value of Rs. 75.33 lakhs. Besides, it had stores worth Rs. 12.03 lakhs which had not moved since 1956. The surplus and slow moving stores still awaited disposal (June 1967).

11.2. To a question as to why no action had been taken by the Corporation to bring down the holdings of surplus stores and of slow moving stocks of spares and tools inspite of the observations of the Committee on Public Undertakings made in paras 56 and 57 of their 6th Report (3rd Lok Sabha) on Fertilizer Corporation of India, the Chairman of the Corporation stated that there were very old stores which could not be used in any other fertilizer factory in India. They had either to retain them or sell them as scrap. Some of them, of course, could be used in future. The value of the total quantity of the equipment that they might not be able to use was about Rs. 12 lakhs. The General Manager further added that most of these surpluses were spares against the plant which was already in operation. Some of them belonged to equipment which had been scrapped like old bull-dozers or old type of trucks. These spares which belonged to equipment which were sold or which were no longer there, were really surplus, and they had been trying to dispose them of. Their total value was Rs. 10 lakhs. But the balance of the surplus could be utilised either here or elsewhere. Out of the spare parts worth Rs. 72 lakhs, the spare parts worth Rs. 57 lakhs corresponded to the equipment which were already in the plant. It was possible that it might not be used in six to seven years, but when sometimes if there was a breakdown or wear and tear over a period, some of them could be used; they were really in the nature of double insurance. He added that Rs. 3 lakhs to Rs. 4 lakhs worth of spares which they thought earlier as surplus were being now utilised by them. There were general stores worth about Rs. 11.9 lakhs which were mostly small cast-iron pipes, bends, plates, structural steel etc. Slowly these also could be utilised. There were also electrical stores worth Rs. 1,21,000 which they had declared surplus like small switches, cables and so on. In addition there were chemical stores which they originally purchase for dusting of the double salt which the Monkeatine had recommended. But they found that dusting was not necessary as it was not improving the material. They

were trying to dispose them of.

11.3. In the subsequent information furnished to the committee it has been stated that the value of surplus stores as on 31st March, 1968 was Rs. 72.53 lakhs and the category-wise value was as follows:—

	Rs. in lakhs
1. General Stores . . . . .	11.91
2. Elec. Stores . . . . .	1.21
3. Lubricant Stores . . . . .	0.21
4. Chemical Stores . . . . .	1.57
5. Spare Parts . . . . .	57.28
6. Instrumentation Stores . . . . .	0.26
7. Misc. Values & fittings . . . . .	0.09
	72.53

Further the Unit was having stores worth Rs. 12.03 lakhs which had not moved since 1956 and were surplus awaiting disposal. The items which had not moved since 1956 comprised the following categories of stores:—

Description	No. of items	Value in lakh
1. Tools, Bolts & Nuts Iron Mongary . . . . .	28	0.77
2. Electrical Stores likes motors of different H.P. Cap Coil Starter etc. . . . .	33	1.24
3. Spare parts for old plants mainly of the nature of Insurance spares like Armature Exciters, Motor Valves, Bearings, Compressor parts complete lubricator, spur gear, pump, etc. . . . .	323	10.02
TOTAL . . . . .	384	12.03

11.4. It had been stated that by the nature of things these stores were kept to meet emergencies only and the reduction in surplus stores specially in a chemical plant of a complex nature was a time-consuming process and had to be brought about gradually without affecting the operating conditions of the plant. The plants had already become old and any hasty steps designed purely to reduce the inventory might not be good in the overall interest of the safe and efficient running of the plant.

11.5. Referring to the present position of the utilisation|disposal of surplus stores the management have explained that systematic efforts were being made to utilise the surplus as well as slow moving stores.

A two tier team had been set up to investigate the surpluses comprising members from the plant, Industrial Engineering Cell, Maintenance Department and Accounts Department. This Committee would submit their findings and report every fortnight to a high level Committee which comprised the concerned Heads of Departments. However, the utilisation process had to be a slow and time taking one in the very nature of things. A decision had also been taken by the Board that obsolete and dead surpluses for which no future utilisation could be foreseen could be disposed at rates lower than the book value. This decision would help their disposal action.

11.6. The Committee regret to note that surplus stores worth Ra. 84.56 lakhs, out of which stores worth Rs. 12.03 lakhs had not moved since 1956, were still lying undisposed with the Sindri Unit inspite of the suggestion for their early disposal by this Committee in their 6th Report (Third Lok Sabha) and the Estimates Committee in 1961. Excessive procurement of stores has led to accumulations which have been a drag on the economy of this undertaking. The Committee trust that all the surplus, stores will be disposed of early and suitable measures will be taken by the management to ensure that purchases are kept at the minimum essential level in future.

**xii**

**PHYSICAL VERIFICATION OF STORES**

**Para 9(c) (Pages-76-77)**

12.1 The following table indicates the results of physical verification conducted during three years :—  
(Rupees in Lakhs.)

I	1964-65			1965-66			1966-67		
	Excess	Shortages	% age to turn over	Excesses	Shortages	% age to turn over	Excesses	Shortages	% ages to turn over
	2.	3	4	5	6	7	8	9	10
Gypsum	4.47	..	(+)1.445	2.07	..	(+)0.561	13.70	..	(+)3.650
Steam Coal	2.72	..	(+)2.463	1.17	..	(-)0.94	1.03	..	(+)0.768
Coking Coal	..	+2.88	(-)2.496	..	8.31	(-)5.79	7.75	..	(+)4.720
Coke	0.26	..	(+)0.243	4.51	..	(+)3.23	..	5.91	(-)4.160
Coke Breeze	..	0.03	(-)7.725	..	*0.11	(-)40.79	..	*0.01	(-)2.350
Ammonium Sulphate	..	15.70	(-)2.159	0.68	..	(+)0.081	4.66	..	(+)0.540
Double Salt	..	1.77	(-)1.05	..	1.44	(-)0.750	..	0.49	(-)0.226
Urea	..	2.63	(-)3.103	..	2.0	(-)2.290	..	1.35	(-)1.677
Recovered coke	..	..	..	..	..	..	0.04	..	(-)1.780
TOTAL	7.45	23.01	..	8.43	11.95	..	27.18	7.83	..

1964-65

Net results : Shortages  
Rs. 15.56 lakhs

1965-66

Shortages Rs. 3.52 lakhs

1966-67

Excess Rs. 19.35 lakhs.

NOTE : 1. Coke Breeze was not evaluated by the Unit. Hence this has been evaluated at the rate of Rs. 1 per M. ton on the basis of the evaluation done by the Unit in 1964-65, but has not been included in the total.

2. Transit losses and dust losses (Ammonium Sulphate) have been excluded from the above figures of excesses and shortages.

\* As per Audit Report (Commercial), 1968.

12.2. According to the management, excesses and shortages were due to approximation involved in determining ground balances and errors in reporting consumption on account of incorrect recording by automatic weighers. Although the Estimates Committee in para 28 of their 120th Report (Second Lok Sabha) had emphasised the need of correcting the defects, if any, in the existing procedure for custody and control of stocks, no norms had so far (July, 1967) been laid down in respect of the various kinds of losses except in the case of ammonium sulphate where dust loss in production had been fixed at 1 per cent.

12.3. To a question as to what was holding up the introduction of a special procedure of custody and control of stores as recommended by the Estimates Committee the management have stated that there was already a good and sound method of custody and control of stocks. The receipt and issue procedure followed in the Unit was consistent with the most modern practice on the subject. Thus actual receipts were weighed and stock charged on the basis of actual weighment, except in limited cases of coal in box wagons for which they did not have a weigh-bridge. The assessed weight based on volumetric measurement was taken for stock charging. Finished products were also continuously weighed on belt weighers and despatches were made on the basis of actual weighment by automatic machines. The results of the stock verification were investigated and surpluses and deficiencies adjusted in the books.

12.4. Regarding physical custody, the management have explained that the major stocks (except spare parts) comprised raw materials such as coal, gypsum and bags and finished products namely, ammonium sulphate, double salt and urea. The method of custody of stocks was adequate in the sense that covered accommodation was provided for gypsum and all other stores except coal. For weighment and assessment of consumption of raw materials etc., they had arrangement for belt weighers which recorded automatically weight of materials fed into the process.

12.5. Regarding fixation of norms, this had been engaging the attention of the organisation for quite sometime past. Before 1961-62 there was no weigh bridge for actual weighment of the full receipt of their most important raw material *viz.* gypsum. The Board, however, had decided (in 1954-55) that 4 per cent of total receipts of gypsum could be written off to take care of transit losses.

12.6. It has been explained that whereas 4% was being written off to cover transit losses, the actual shortages noticed during the annual stock taking was also linked up with the reporting of consumption, and in the absence of consumption norms during this period it was extremely difficult to fix any reliable norms for shortages during stock taking.

12.7. During 1961-62 the weigh-bridge facilities at Sindri became available for weighment of incoming gypsum. Simultaneously a belt weigher was also installed to continuously weigh gypsum fed into the plants. The Board, therefore, decided that since transit losses could not be determined by actual weighment, there was no question of writing off on the basis of 4% but the actual shortage between the R.R. weight and the actual weight would be written off as a transit loss. Data for shortages noticed during 1962-63 to 1967-68 both for transit (as per actual weight) and also during stock taking were as follows:—

Year	Transit loss	%age of receipts	Stock taking loss	%age of receipts
			+shortage —surplus	
1962-63	16381	2.15	18690(—)	2.46(—)
1963-64	14798	2.16	15325(—)	2.24
1964-65	17237	3.20	25041(—)	4.78(—)
1965-66	11241	1.70	3772	0.56
1966-67	3825	0.58	24180(—)	3.64(—)
1967-68	1595(—)	0.3(—)	35411	6.9

12.8. The management have stated that the transit losses had remained within 2 to 3% during the period 1962-63 to 1967-68. However, the stock taking losses widely fluctuated and both shortages as well as surpluses were noticed. As this result could be partly also due to inaccurate reporting of consumption.

in addition to the usual factors causing wastage and losses in transit, it was decided to entrust *inter-alia* the fixation of norms of consumption to the Kasturirangan Committee which was set up in the middle of 1964.

12.9. Similar difficulties were also experienced in the case of other important raw material *viz* coal. Till 1959-60 there was no weigh-bridge for weighing of coking coal and, therefore, transit losses could not be determined by actual weighing except for box wagons and these were found to vary widely, because such losses were caused by a number of factors—natural as well as through human action—which were beyond their control.

12.10. With a view to setting up reliable norms for shortages of raw materials as well as finished products, a high level committee was set up in 1966 to go into this question as well as to streamline and improve the methods of stock verifications, control and care and custody of stock. This Committee, after going into the details of circumstances in which such losses/shortages took place and also after examining practices in other Units, came to the conclusions that upto 2 to 2.5% of shortages in raw materials and upto 1.5 per cent shortages in finished products could be accepted as normal. Regarding transit losses no firm conclusion could, however, be reached. These findings and recommendations had already been considered by the Head Office of FCI and these had been referred to Planning & Development Division of FCI for further study. After receipt of the observations of Planning & Development Division endeavours would be made to set up firm norms both as regards transit losses and stock taking shortages of raw materials and finished products.

12.11. In the meantime, it had been decided by the Board to carry out quarterly stock verification and examine shortages/losses by a periodical Committee as soon as any unusual features were observed.

12.12. The management have stated that the transit losses specially for such bulk items as coal which constituted one of the largest raw materials for the factory arose from a number of causes some of which were natural causes while others were due to human errors or deliberate manipulation. A uniform norm of transit losses was not likely, therefore, to be any correct index for measuring the seriousness of actual transit losses on different consignments over a period of time. In this connection particulars



of transit losses of coking coal during the three years from 1965-66 to 1967-68 are given below:—

Year	Weight as per R/R	Actual Receipts M.T.	Shortage M.T.	Percentage of shortage	Value of shortage
					(Rs. in Lakhs)
1965-66	2,43,681	2,32,200	11,481	4.94	4.84
1966-67	2,94,325	2,81,169	13,156	4.68	5.94
1967-68	2,41,034	2,27,193	13,841	6.09	7.44

12.13. It will be seen from above that the transit losses varied between 4.68 per cent and 6.09 per cent during these years. Considering the practical situation and the empirical results obtained in the past it was considered by the management that shortages upto 4 per cent could be treated as normal with regard to transit losses for raw materials such as coal and gypsum.

12.14. It has been further stated that a technical Committee was being set up to go into the specific question of transit losses with regard to raw materials in order to identify and locate individual and specific causes for such shortages and transit losses and suggest ways and means for minimising such losses. Further a procedure from the beginning of 1966 had been introduced so that the difference between R/R weights and actual receipts (Actual weight or assessed weight) were reported fortnightly to the Commercial Manager so that discrepancy, if any, could be taken up with suppliers promptly.

12.15. This is another sphere in which the Sindri Unit during the 17 years of its existence has not been able to lay down proper norms or solve the problem of transit losses. The Committee are glad to note that a Technical Committee is being now set up by the management to examine the problem of transit losses of raw materials in order to identify and locate individual and specific causes for such shortages and suggest ways and means for minimising them. The Committee hope that the Technical Committee would complete its work expeditiously and suggest concrete steps which would bear fruitful results.

**XIII**  
**PRICING**

**Para 10 (Page 77)**

13.1. Retention prices of Ammonium Sulphate, Urea and Double Salt are fixed by the Government of India after a study of the cost of production. The table given below indicates the retention prices of the above products fixed by the Government of India in 1964 and the actual cost of production for three years:—

Name of the product	Retention price	Cost per M. ton		
		1964-65	1965-66	1966-67
	Rs.	Rs.	Rs.	Rs.
Ammonium Sulphate . . . . .	316·00	285·25	284·81	302·00
Urea . . . . .	582·00	522·63	500·34	513·16
Double Salt . . . . .	426·00	451·47	440·94	432·82

13.2. The Board of Directors decided in September, 1965 to approach Government for increase in the retention prices on the ground that, owing to statutory increase in the price of coal and freight on gypsum and the revision of pay scales and dearness allowance, the cost of production of Ammonium Sulphate, Urea and Double Salt had gone up by Rs. 23, Rs. 21 and Rs. 14 per M. ton respectively over the cost level of 1964-65 on the basis of which the existing retention prices had been fixed. The matter was still under correspondence (November, 1967).

In reply to a question as to why the cost of production of double salt was more than the retention price the management have stated that the high cost was due to the fact that they sold Ammonia instead of converting it to double salt. According to them the quantity of Ammonia sold during the three years 1964-65 to 1966-67 was as follows:—

1964-65 . . . . .	5,650 M.T.
1965-66 . . . . .	7,231 M.T.
1966-67 . . . . .	6,021 M.T.

13.4. If they had converted all this Ammonia to Double Salt without selling any quantity as Ammonia, their total production of Double Salt

and the cost of productions during the three years would have been as under:—

					<i>cost per metric ton</i>	
					Rs.	
1964-65	.	.	.	62640	414·29	
1965-66	.	.	.	74255	405·13	
1966-67	.	.	.	75868	402·91	

13.5. The actual cost, under these conditions, would be significantly less than the retention prices. However, because of sale of Ammonia as mentioned in para 13.3 the actual production and the production cost of Double Salt during the above three years had been as indicated in the table given in para 13.1.

13.6. The management have stated that the remedy would have been if they could produce more Ammonia by which they could not only sell the required quantity of about 6000 tonnes, but also feed the Double Salt Plant to enable it to operate at higher capacity. However, the production of Ammonia was necessarily limited because of low gas supply from the coke Oven Plant. In order to correct the situation they had already undertaken the Naptha Gasification Scheme which would be commissioned sometime in April/May, 1969. Thereafter, it was anticipated that the shortfall in Ammonia for utilisation in the Double Salt Plant would be made up and they would be able to achieve a sufficiently high capacity utilisation by which the cost of production would be brought down.

13.7. Another significant factor leading to high cost of production of end products including Double Salt was stated to be rise in the price of basic raw materials—mainly gypsum and coal. Freight charges, wages and salaries and cost of other services and facilities had also gone up appreciably since the fixation of the retention price in 1964.

13.8. Regarding the steps taken to bring down the cost of production per M.T. of Double Salt the management have explained that the most significant controllable factor in reducing cost was improved capacity utilisation. As explained in para 13.6 the shortfall in production in the Double Salt Plant relative to the attainable capacity was, mainly due to the shortfall in Ammonia in turn caused by shortage in Coke Oven Gas supply. The position would be improved with the commissioning of the Naptha Gasification Plant in April/May, 1969. Another

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\*Audit have pointed out that the figures indicated by the Ministry are based on the production cost of Ammonia produced in Expansion Plant only. As the ammonia sold was both from CCC Plant as well as Expansion Plant these figures would need revision.

step that would enable them to run the Nitric Acid and Ammonium Nitrate Sections of the Double Salt Plant at about the rated capacity would be the coming into operation of Ammonium Nitrate Plant. This plant was expected to come into operation towards the end of 1969. The Ammonium Nitrate produced from the Section would be sold as an explosive grade Ammonium Nitrate which would improve the overall economics of Double Salt Plant considerably.

13.9. To a question as to what was the cost of production of the products referred to in Audit para 10 *vis-a-vis* retention prices during 1967-68 it has been stated that the cost of production per M. ton of the products during 1967-68 *vis-a-vis* the retention prices was as follows:—

	Retention	Actual
	Price	csst per M. T
	Rs.	Rs.
A/Sulphate	343.50	382.26
Double salt	445.10	484.16
Urea	553.10	582.26

13.10. It was mentioned that the retention prices of all the three products were last revised on 1st April, 1967 with which the cost of production had been compared in the above table.

13.11. The higher cost of production during 1967-68 as compared with the previous years was mainly due to two reasons. Firstly, the lower operating capacity of the Expansion Ammonia Plant resulted in high cost of production of Ammonia utilised in the Double Salt Plant. Secondly, the rise in price of coal and other utilities and the contributed significantly to the higher increase in wages and salaries of labour and establishment unit cost. It was expected that with the higher capacity utilisation of the Double Salt Plant achieved after the commissioning of the Naphtha Gasification Plant and the Ammonium Nitrate Plant the cost of production would come down so as to make it comparable with the retention price. It was mentioned that with effect from 1st October, 1968 when free sale of fertilizers upto 70 per cent production would come into force, there would be no question of revision of price and the price settled with the Government for sale to them would be on negotiated basis.

13.12. The profitability of any undertaking depends to a large extent upon effective cost control. The Committee hope that with the higher utilisation of the existing capacities and commissioning of the Naptha Gasification Plant and the Ammonium Nitrate Plant the cost of production would be brought down.

## XIV

### UNNECESSARY PURCHASE OF EQUIPMENT

Para 11.01 (Page 78)

14.1. For reducing the dust nuisance in the Semi Water Gas Plant, the Corporation purchased in January, 1955, four dust collectors-Multiclone type valued at Rs. 1.64 lakhs from a firm of West Germany. The dust collectors were received in February, 1958 but could not be installed as certain modifications contemplated in the generators of the Semi-Water Gas Plant had not been completed.

14.2. The dust collectors were declared as surplus in August, 1963, and were still (May, 1967) lying in stock.

14.3. The Ministry stated (November, 1967) that "as the installation of the Dust Collectors was a major modification which had no direct bearing on the production, but at the same time, would result in appreciable downtime of the plant, it was not considered desirable to install these, particularly when the plant performance was not up to the mark, due to other difficulties" and that "efforts are being made to find a suitable use for these equipments".

14.4. The Committee enquired whether before placing the order for the dust collectors the management examined if it was possible to install them and whether the installation could have any direct bearing on production. The management have explained that it was no doubt known even at the time of placing the order for the dust collectors that some limitation in the Gas Plant production would become necessary with the installation of these. However, since the overall condition of the plant was satisfactory and gas plant had sufficient extra capacity for meeting the requirement of the Ammonia Plant it was felt that any small reduction in Gas Plant lead at the time of installation of these dust collectors would not affect the production in the Ammonia Plant. However, when the dust collectors were actually received in 1958 the condition of the Gas Plant had deteriorated so that it was then considered that the shortfall in production in the Gas Plant which would follow during installation of the dust collectors, might interfere with the required output of the Gas Plant necessary for operation of the Ammonia Plant.

14.5. To a question whether any responsibility had been fixed for the unnecessary purchase of these equipments and what was the present position of the utilisation/disposal of the 4 Dust Collectors; the management have stated that since the Dust Collectors were a standard equipment commonly used in various Industries, it was considered that these could be effectively put to use at Sindri itself in some other existing plants or in the new plants that were to come up under the Rationalisation Scheme. The utilisation of these was being actively considered by P & D Division. Since this equipment was purchased after due consideration of the then prevailing situation and since it could be utilised even now, there was no question of fixing any responsibility for the purchase. The utilisation of the equipment was under active consideration. There was no doubt that it could be profitably utilised either in Sindri itself or in some other units of the Fertilizer Corporation of India.

14.6. The Committee are distressed to note that no effective steps have been taken by the management to utilise or dispose of the four dust-collectors purchased at a cost of Rs. 1.64 lakhs in 1955. It is surprising that it took the management 5 years to declare the equipment as surplus and even after that "the utilisation of the equipment is under active consideration". The Committee are unhappy at the manner in which the management had dealt with this matter resulting in the continued blockage of a huge amount besides deterioration of the equipment due to efflux of time. The Committee desire that immediate steps should be taken to utilise or dispose of the equipment.

DEMURRAGE CHARGES

Para 11.02 (Page 78)

15.1. The following table indicates the demurrage charges paid by the Sindri Unit during the years 1961-62 to 1966-67 on account of detention of wagons beyond the permissible period:—

<i>Year</i>	<i>Amount</i>
1961-62	Rs. 7.00 lakhs
1962-63	Rs. 1.13 lakhs
1963-64	Rs. 1.68 lakhs
1964-65	Rs. 3.12 lakhs
1965-66	Rs. 2.60 lakhs
1966-67	Rs. 3.68 lakhs

15.2. In September, 1964, the Chief Finance and Accounts Officer submitted a report to the Board that the demurrage charges paid to the railways were high and that these could be brought down by better co-ordination between Transportation and Material Handling Sections, better supervision and control so as to avoid loss of time in vibrators, etc., and control of pilots.

15.3. In order to effect improvement, the Unit in December, 1964 purchase one H.G.S. class engine at a cost of Rs. 92,000 and carried out certain additions and alternations to increase the tripler capacity.

15.4. Notwithstanding the above improvements, the demurrage charges incurred by the Unit continued to be heavy as will be evident from the data for the years 1964-65 to 1966-67 given above.

15.5 The Committee desired to know as to what were the reasons for the increase in demurrage charges from Rs. 2.60 lakhs in 1965-66 to Rs. 3.68 lakhs in 1966-67, in spite of the purchase of one H.G.S. class engine by the Corporation from the railways. The management have explained that the figures of Rs. 2.6 lakhs in 1965-66 and Rs. 3.68 lakhs in 1966-67 also included estimated amounts outstanding at the end of each year, as the railways used to take time for submission of monthly bills. The actual payments made to the Railways as demurrage based on the monthly bills received later for the above two years were as follows:—

1965-66	Rs. 2.90 lakhs
1966-67	Rs. 3.09 lakhs.

15.6. The management have stated that on the basis of actual payment there had been only a marginal increase to the extent of Rs. 19,000 in the year 1966-67 as compared to 1965-66. Audit has, however, pointed out that the figure of Rs. 2.90 lakhs shown above against the year 1965-66 should be Rs. 2.55 lakhs as per monthly bills. The contention of the Ministry that there was only marginal increase during 1966-67 as compared to 1965-66 is therefore not correct as the increase was to the extent of Rs. 0.54 lakh.

15.7. The management have stated that some of the reasons for the increase in demurrage charges were as follows: -

- (i) The availability of engines for yard movement had been progressively coming down and to that extent detention of wagons in the factory increased.
- (ii) Marginally there was an increase in the total number of wagons handled during 1966-67 (70250) as compared to 1965-66 (68065).
- (iii) Of the two varieties of gypsum (amorphous and crystalline) amorphous material took longer time to unload. During 1966-67 receipt of amorphous material was more than crystalline as compared to previous years.
- (iv) In 1966-67, there was increase in the number of open wagons received during the rainy season as compared to the corresponding period of 1965-66. In 1965-66 the receipt of open wagons was 62% of the total receipt and as compared to this the receipt of open wagons in 1966-67 was 70%.

15.8. The management have explained that they have taken the following steps to reduce the payment of demurrage charges to the minimum:—

- (i) In 1964 an old HGS engine was purchased from the railways. However, this did not materially improve the overall availability of engines in the factory since other old engines were also deteriorating and their availability for operation was getting reduced. In order to improve engine availability in the factory they had placed order for two more diesel shunting engines and one of them was expected at Sindri very shortly.
- (ii) Movement of ash from the factory was done in Departmental wagons which were purchased as 'condemned wagons' from



the railways at a very nominal price. Due to continued usage over the period, many of these wagons had become unserviceable and as a result on some occasion it became necessary for the factory to make use of railway wagons for carrying ash and this in turn resulted in longer detention of of the Railway wagons and demurrage. Action had already been taken to progressively renovate the defective wagons and the position had considerably improved and it was hoped that this would enable the Sindri Unit to further reduce the usage and, therefore, the detention period of railway wagons.

- (iii) A fresh study of the utilisation of the engines and yard facilities at the factory had been entrusted to the Industrial Engineering Cell to locate areas where improvements could be effected and detention time reduced.

15.8. The Committee are concerned to note that the demurrage charges which had shown a declining trend in the years 1962-63, 1963-64 and 1965-66 had again risen in 1966-67 to Rs. 3.68 lakhs.

15.9. The Committee feel that the high demurrage charges could have been avoided if the intensive efforts that are being made at present to effect improvements in the utilisation of the engines and yard facilities had been started earlier. They hope the Sindri Unit will continue those efforts till demurrage is reduced to the minimum.

G. S. DHILLON,

*Chairman,*

*Committee on Public Undertakings.*

NEW DELHI;

April 15, 1969

Chaitra 25, 1890 (S)

**Appendix I**  
**Government of India Ministry of Productions**  
**NEW DELHI.**

No. 291/Fv/55

New Delhi  
the 12th Jan., 1955.

The Managing Director,  
Sindri Fertilizer & Chemicals Ltd.  
P.O. SINDRI.

Dear Sir,

*Sub: Sindri Expansion Scheme*

With reference to your letter No. MD|SES|Tech|55 dated the 6th January, 55, enclosing a record note of the meeting of the Committee of the Board of Directors, and the confirmation of the Committee's recommendations by the Board as intimated by the Chairman, I am directed to convey the sanction of the Government of India to the grant of a contract of M|s. Montecatiny Ltd. as recommended by the Negotiating Committee, at a cost not exceeding Rs. 6,955 crores for the installation of additional Plant sufficient for the production of 70 tons of Urea and 400 tons of Ammonia Sulphate Nitrate per day. 2. I am also to convey the approval of the Government in principle, to the company installing lean gas generators for underfiring the coke ovens the cost of which is estimated to be about Rs. 47 lakhs. The Company may arrange to invite competitive tenders for this purpose and on the basis of their scrutiny of such tenders submit their final proposals for the award of a contract to Govt. for approval.

3. I am further to convey that for assisting the company in financing the expansion project, as set out in the preceding paragraphs, the Government would be prepared to advance a sum not exceeding Rs. 7 crores, in instalments from time to time, as funds may be required, subject to availability of budget provision. A decision as to whether the sum advanced will be treated partly or wholly as a share capital and/or debentur loan will be taken at a later date. It is proposed that during the period of construction of these additions to the factory the sums advanced by Government from time to time within the total of

Rs. 7 crores will bear an interest of 3-1/2 per cent per annum payable annually. A formal sanction of funds can be made only on receipt of an application from the Company for an advance of funds, supported by a Resolution of the Board of Directors. An indication of the instalments in which the Company will need these funds should be also sent with the application.

4. The Company should also send as early as possible a detailed Project estimate covering the whole scheme, namely, (a) the imported equipment to be supplied by the selected contractor as well as their cost of erection and works in India to be done by the Contractor and (b) all ancillary works to be executed by Sindri Fertilizers and Chemicals Ltd., either directly as part of the commissioning of the new plant or as part of dovetailing of the new Plant with the existing production units at Sindri. In regard to both (a) and (b) loans and from the resources of Sindri should be indicated.

Yours faithfully.

Sd/-

(S. Jagannathan)

*Joint Secy. to the Govt. of India.*

**APPENDIX II**  
**No. F7 (2)-W&M|61**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF FINANCE**

(Department of Economic Affairs)

New Delhi, 1st June, 1961

**OFFICE MEMORANDUM**

**SUBJECT.—***Rates of interest applicable to Loans and Advances to Industrial Undertakings in the Public Sector.*

The undersigned is directed to state that the Government of India have had under consideration for some time past the question of the rates of interest that should be charged on the loans advanced to Industrial Undertakings in the Public Sector and the terms and conditions of such loans. They have come to the conclusion that the rates of interest on loans advanced to these undertakings should be and large be comparable with the interest rates paid by first class companies in the Private Sector for these borrowings. Accordingly it has been decided that, with immediate effect the following rates of interest would apply to the loans advanced to these undertakings:—

<i>Period of Loan</i>	<i>Rate of Interest</i>
(i) 2 to 4 years	5 per cent
(ii) 5 to 9 years	5.1/2 per cent
(iii) 10 to 15 years	6 per cent

These rates will be subject to annual review.

2. The question whether any period of moratorium for repayment of instalments of principal should be allowed has also been considered and it has been decided that the repayments of the loans may commence after two to five years after the disbursement of the loan, actual period of moratorium being decided in each case separately, having regard to the nature of the project, the stage of construction etc. The period of moratorium should not, however, exceed in any case beyond two years from the date of the project going into production, or in the

case of programmes of expansion, two years from the date of the expended project coming into operation. No moratorium will ordinarily be allowed in respect of interest payable on the loans.

3. The period of repayment of the Loan should not normally exceed 15 years. Individual cases where a longer period of repayment is considered necessary, should be dealt with separately on merits. The loan should be repayable in equal annual instalments commencing from the expiry of the period of moratorium referred to in para 2 above. A rebate of half per cent may be allowed for time repayment according to schedule. It follows that during the period of moratorium of principal, no rebate of interest will be allowed.

4. The terms and conditions mentioned above will apply to all loans to industrial undertakings in the Public Sector to be sanctioned hereafter. In cases in which a loan has already been sanctioned but the whole or part of the loan has not been drawn, the rate of interest already sanctioned will continue to apply in respect of instalments of loans to be drawn hereafter.

5. The above decisions will not apply to the loans given to financial institutions like the Industrial Finance Corporation, National Industrial Development Corporation, Industrial Credit and Investment Corporation of India, etc. which are lending bodies and the present basis will continue to apply to loans advanced to these institutions.

Sd/- R. P. Mukharji.

Under Secretary to the Govt. of India.

To

All Ministries, Departments, Departments & Sectts. of the Government of India.

All Divisions and Branches of the Department of Expenditure and Economic Affairs in the Ministry of Finance.

Copy forwarded for information to JS (FA) and D.S. (P).

**APPENDIX III**

No. Ferts. 14 (8) |60

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE & INDUSTRY

New Delhi, the 27th June, 1961

To

The Managing Director,  
Fertilizer Corporation of India Ltd.,  
157/48, Diplomatic Enclave,  
New Delhi.

**SUBJECT.**—*Payment of loan to Fertilizer Corporation of India Ltd.--  
Settlement of terms and conditions of loan.*

Sir,

I am directed to enclose a copy of the Ministry of Finance O.M. No.F.7(2)-W&M|61 dated the 1st June, 1961, on the question of the rates of interest applicable to loans and advances to industrial undertakings in the Public Sector and to say that it has been proposed that the terms and conditions laid down in that O.M. should be made applicable to the loans already advanced and to be advanced to the Fertilizer Corporation of India Ltd., for financing the Fertilizer Projects at Trombay, Assam, Gorakhpur etc.

2. In order to enable this Ministry to determine the terms and conditions of the loans, I am to request that the Corporation's proposals for the drawals of the loans from the Government for implementing the various Projects in hand and for repayment of the total loan with complete details of the dates of drawal and dates repayment may be furnished to this Ministry as early as possible.

Yours faithfully,

Sd|-

(N. Radhakrishnan)

Under Secretary to the Govt. of India.

## APPENDIX IV

30th October, 1961

No. A/HQ/96.

The Under Secretary to the Government of India,  
Ministry of Commerce & Industry,  
Udyog Bhavan,  
New Delhi.

Dear Sir,

Attn. Shri N. Radhakrishnan.

**SUBJECT.**—*Payment of loan to Fertilizer Corporation of India Ltd.—  
Settlement of terms and conditions of loan.*

**REFERENCE.**—*Your letter No. Ferts. 14 (8) /60 dated the 27th June, 1961.*

I send herewith a statement (*Annexure*) showing the loans already drawn upto 31-3-61 by the different units|Divisions of the Corporation, and to be drawn hereafter during 1961-62 onwards. The amount already repaid against the loans drawn by 31-3-1961 has also been indicated.

Regarding loans to be drawn for Nangal, Trombay, Assam and Gorakhpur Projects during 1961-62 and onwards and in the case of Sindri the balance outstanding against the loan upto 31-3-1961 it is not possible at this stage to forecast any probable dates by which these loans can be repaid. It is also not possible to furnish break up of the loan required in each of the years 1963-64 to 1965-66, and the total amount of loans required has been indicated in lumpsum in the statement of fresh loans required.

Yours faithfully,

for and on behalf of  
Fertilizer Corporation of India Ltd.

Sd/-

(D. P. Mathur)

Financial Adviser & Controller of Accounts

**APPENDIX IV—contd.**

*Loans sanctioned upto 31st March, 1961.*

(Figures in Lakhs)

Sanction No. and Date	Amount	Date on which drawn	Amount repaid upto 31-3-61	Date repaid	Balance outstanding on 1-4-61	Proposed date for payment 61-62 62-63 63-64, 64-65	Balance' payment which cannot be for cast this stage
Sindri 291/CY/55 Dt. 12-1-55	—	..	..	..	..	..	..
	95,00,000	31-3-55					
	87,00,000	18-8-55					
	76,00,000	19-3-56					
	60,00,000	13-2-57					
	50,00,000	17-3-57					
	62,00,000	17-3-57					
	63,00,000	18-7-57					
	70,00,000	20-1-58					
	1,24,00,000	20-3-59					
	14,00,000	2-3-60					
	<u>7,00,00,000</u>				7,00,00,000		7,00,00,000



## APPENDIX V

No. Ferts. 2 (25) |6

GOVERNMENT OF INDIA

DEPARTMENT OF HEAVY INDUSTRIES

(MINISTRY OF STEEL AND HEAVY INDUSTRIES)

New Delhi, the 10th May, 1963

To

The Managing Director,  
Fertilizer Corporation of India Limited,  
D-15, South Extension Area,  
Part II, Ring Road,  
New Delhi.

**SUBJECT.—***Loans to Messrs Sindri Fertilizers and Chemicals Limited—  
Finalisation of terms and conditions of.*

Sir,

I am directed to refer to then Ministry of Production's letter No. 291|Fy|55, dated the 12th January, 1955, addressed to the Sindri Fertilizers and Chemicals Limited (Copy enclosed) conveying sanction of the Government of India to the advancement of loan not exceeding Rs. 7 crores, in instalments from time to time, to the Sindri Fertilizers and Chemicals Limited, (now one of the units of the Fertilizer Corporation of India Limited) for their expansion scheme and to say that, while doing so, it was stipulated:

- (i) That a decision as to whether the sum advanced should be treated partly or wholly as share capital and/or debenture loan would be taken at a later date, and
  - (ii) that it was proposed that, during the period of construction of the expansion plants, the sum advanced by the Government from time to time within the total of Rs. 7 crores, would bear an interest of 3-1|2 per cent per annum payable annually.
2. The case has since been examined and it has been decided that:
- (i) the loan of Rs. 7 crores will bear interest at the rate of 3-1|2 per cent (three and one-half) per cent from the date of

drawal of each instalment upto the date of completion of the expansion scheme (i.e. the 30th September, 1959).

- (ii) With effect from the 1-10-1959 the loan will be treated as a fresh loan on the following basis:
- (a) The period of the loan will be 9 (nine) years.
  - (b) There will be a moratorium for a period of 2 years for repayment of the principal, the principal being repaid in seven equal annual instalments, commencing from the 1st October, 1961.
  - (c) All arrears of principles and of interest should be paid not later than 30th September, 1963.
  - (d) The other terms and conditions will be in accordance with those laid down in the Ministry of Finance (Department of Economic Affairs) O.M. No. F.7(2) W&M|61, dated the 1st June 1961.

Yours faithfully,

Sd|-

(N. Radhakrishnan)

Under Secretary to the Govt. of India

Copy forwarded to:-

1. Director of Audit, Food, Rehabilitation, Supply, Commerce, Steel & Mines, A.G.C.R. Buildings.
2. Director of Commercial Audit, 1 Queen Victoria Road Mess, New Delhi.
3. Ministry of Finance (Budget Division)
4. Ministry of Finance (H.I. Division) with reference to their H.O. No. HI|1059|63 dated 9-5-63.
5. Sanction file
6. Guard File

Sd|-

(N. Radhakrishnan)

Under Secretary to the Government of India.

## APPENDIX VI

S. Samaddar  
Deputy Secretary

Ref: No. Ferts. (II) 2 (25) |61

New Delhi-1, the 21st October, 64.

Dear Shri Bhattacharya,

Kindly refer to D.O. No. LS|XIII (5) |63|225-26, dated the 20th May, 1964 from Shri P. K. Rau to Shri K. R. Dangle, Secretary, Ministry of Petroleum and Chemicals about interest payable by the F.C.I. Ltd., on the loan of Rs. 7 crores.

2. The point raised by the audit has been carefully considered by Government. It has been decided that:

(a) The period of moratorium allowed being two years, the repayment of the principal should have commenced from 1st October 1962 and 1st October 1961, as specified in paragraph 2 (ii) (6) of the sanction letter No. Ferts. 2(25)|61 dated 10th May 1963. This letter is being amended accordingly to show the date of commencement of repayment correctly as 1st October 1962.

(b) The Corporation is entitled to a rebate of  $\frac{1}{2}$  per cent of the interest due for the period from 1st October 1962 to 30th September 1963 for having arranged punctual repayment of the 2nd instalment of the loan which thus fell due on 1st October, 1963. The Corporation would not be entitled to the rebate for the earlier period *viz.*, 1st October 1961 to 30th September 1962 as the first instalment was repaid in arrears.

(c) The F.C.I. is not liable to pay penal interest for delaying payment of the interest for the period 1st April 1963 to 30th September 1963 till 30th March 1964 in view of this Ministry's letter No. Ferts. (ii) 2(26)|61, dated 1st June 1964 regularising the delayed payment.

3. This issues with the concurrence of the Ministry of Finance.

Yours sincerely,  
Sd|  
(S. SAMADDAR)

**Shri N. K. Bhattacharya,**  
**A.G.C.W. & M.**  
**A.G.C.R. Building,**  
**New Delhi.**

**CC: The Fertilizer Corporation of India Ltd., New Delhi with reference  
to their D.O. No. A|HQ|Cent|27|1872 dated 16th July 1964.**

## APPENDIX VII

[Referred to in the Comments on reply to Question 3(a) . . . .]

K. C. Sharma,  
General Manager.

Ref: P|BKG-68|A4

21st October, 1968.

My Dear Jajodia,

*SUB: Supply of gypsum by M|s B.G.L.*

In April, 1967 M|s Bikaner Gypsum Limited offered to supply us one million tonnes of Gypsum spread over a period of 3 years from their Jallalsar and other mines nearby Jamsar at the rate of about 30,000 tonnes monthly from 1st April 1967. Accordingly we entered into a fresh agreement with them for the supply of gypsum to us vide our letter dated the 22nd August 1967. The terms and conditions of the agreement including the quantity to be supplied monthly were confirmed by them in writing in their letter dated the 5th September 1967.

2. In the month of November 1967, M|s B.G.L. vide their letter No. G|12-2803 dated the 21st November, 1967 requested us for an advance of Rs. 5 lakhs for the shifting of Jallas Jallalsar village and again assured us to supply us 30,000 tonnes of gypsum per month. Their request for the advance was accepted by us and they have been repaying the advance at the rate of Rs. 2|- per tonne on their gypsum supplies. We have already recovered from them about 50 per cent of the advanced amount as well as the interest at the rate of 6 per cent per annum.

3. It has been observed that the quantity of gypsum supplied by M|s B.G.L. monthly from the beginning was much less than their commitment. During the 18 months from 1st April 1967 to 30th September, 1968 the average monthly supplies works out to hardly 15,000 tonnes against their agreement for supplying 30,000 tonnes per month.

4. Despite our repeated written and oral requests to them to enhance loading and their assurances to do so, there has been no improvement in the matter of supplies of gypsum to us.

5. It has come to our notice that they have restricted supplies of gypsum to 40 wagons a day for Sindri whereas they have indented for

wagons for supply of gypsum to Cement factories at the rate of 45 wagons a day or even more upto 90 wagons daily. We would have not taken exception if they have been supplying us high purity gypsum to Sindri and low purity (below 80 per cent) to Cement factories. It is however, understood that they are supplying gypsum both to Sindri and Cement Factories etc., from one and the same heap from Jallalsar and other mines in Jamsar area. A copy of our D.O. letter No. GM|PS|Raw Mat. dated the 12th September 1968 addressed to Shri A. C. Dutta which is self explanatory, is enclosed. We have so far not received any reply from them to this letter though Shri A. C. Dutta promised vide his letter dated the 19th September, 1968 to write to us in the matter after the opening of the office on 7th October, 1968.

6. We consulted our solicitors M|s Orr Dignam in the matter who after going through out letter, agreement and other relevant papers have confirmed that M|s B.G.L. are legally committed to supply us about 30,000 tonnes of gypsum monthly and we can if necessary, sue them for breach of contract. We, however, do not wish to do so in the first instance. We are in the first instance serving them with a notice as prepared by our solicitors, copy enclosed, to suspend supplies of gypsum to other parties and fulfil their commitment as regards supplies of gypsum to Sindri are concerned. We shall watch their performance in future and depending on the developments serve them with a legal notice through our solicitors, if necessary, later.

7. You are requested to show this letter to the Chairman and Managing Director for his kind information.

8. With kind regards.

Yours sincerely,

Sd|

(K. C. SHARMA)

To

Shri P. B. Jajodia,  
Secretary,  
Fert. Corpn. of India Ltd.,  
F. 43 South Extension Area,  
Part I Ring Road, New Delhi 3.

M/s. Bikaner Gypsum Ltd.,  
135, Biplabi Rash Behari Basu Road, Calcutta 1.

21st October, 1968

Dear Sirs,

We refer to the correspondence resting with Mr. A. C. Dutta's letter dated the 19th September, 1968 to Mr. K. C. Sharma our General Manager, we have not yet heard from you although Mr. Dutta promised that you would write to us after the opening of your office on the 7th October, 1968.

You are aware that an Agreement was concluded by the following letters the sale of gypsum by you to us for three years from the 1st April, 1967:

- (i) Our letter No. P|BKG|62|AG dated the 22nd August, 1967 and our letter No. P|BKG|62|AG dated the 30th August, 1967.
- (ii) Your letter dated the 5th September, 1967.

One of the terms of the Agreement is that you shall supply to us gypsum at the rate of about 30,000 tonnes per month from your Jallalsar and other mines in the Jamsar Area.

By the letter dated the 21st November, 1967 from Mr. A. C. Dutta to Mr. K. C. Sharma you also assured us of the supply of 30,000 tonnes of gypsum per month.

It has been repeatedly brought to your attention that you are not fulfilling your obligation to supply to us gypsum at the rate of 30,000 tonnes per month. It appears from the letter No. 417-1|2|TG dated the 21st September, 1968 received by us from the Northern Railway Bikaner Division which is also addressed to you that you are loading gypsum for other parties. It has also come to our knowledge that you are supplying gypsum to us and also to other parties from the same heaps. It is clear therefore that although you are fully aware that under the Agreement you are required to supply to us 30,000 tonnes of gypsum per month and you had more wagons available you were loading 40 wagons per day for despatch of gypsum to Sindri.

Your failure to fulfil your obligation has been from the first month under the Agreement, namely April, 1967 as will be evident from the enclosed statement showing the monthly despatches of gypsum by you to us from the 1st April, 1967 to 30th September, 1968. We expected that there would be an improvement of the position which has not materialised.

In the circumstances we require you to make up immediately the deficit quantity of gypsum supplied for the period of 1st April, 1967 to

September, 1968 and you should deliver to us 30,000 tonnes of gypsum per month from October, 1968.

Please note that if you do not make up the deficit quantity and fulfil your obligation to supply gypsum to us at the rate of 30,000 tonnes per month we reserve the right to take such steps as we may consider necessary for the protection of our rights under the Agreement and for recover of damages, losses, costs and charges suffered and incurred by us by reasons of your failure to fulfil such obligation. This is without prejudice to our other rights and claims against you in respect of gypsum supplied or to be supplied under the agreement.

We trust you will now make up the deficit quantity immediately and fulfil your obligation as to supply of gypsum at the rate of 30,000 tonnes per month.

Yours faithfully,  
For and on behalf of FCI Limited  
Sindri Unit  
Sd/-  
K. C. SHARMA,  
General Manager,

Copy to:-

The Secretary, Head Office.  
F.C.I. Ltd., New Delhi

**GYPSUM SUPPLIED BY MESSRS. B. G. L. FROM JALLALSAR AND  
JAMSAR FROM 1ST APRIL, 1967 TO 30TH SEPTEMBER, 1968**

Month	Quantity in tonnes
April, 1967	6349.5
May, 1967	15,775.0
June, 1967	11,864.40
July, 1967	7,306.20
August, 1967	5,511.0
September, 1967	290.60
October, 1967	29,59.80
November, 1967	15,316.80
December, 1967	15,741.40
January, 1968	17,180.10
February, 1968	18,745.5
March, 1968	22,195.5
April, 1968	18,714.80
May, 1968	14,465.80
June, 1968	10,238.80
July, 1968	18,670.70
August, 1968	18,756.90
September, 1968	18,037.00
Average monthly supplies from 1-4-1967 to 30-9-68	2,38,118.40 + 13229 tonnes.



APPENDIX VIII

*Casual Labour Employed against Permanent vacancies 1966-67*

	Monthly Mandays	Rated Amount	Daily Mandays	Rated Amount
		Rs.		Rs.
April, 1966	1851·5	6592·34	1730	5641·79
May, 1966	2358·5	7587·08	1359·5	4741·05
June, 1966	1833	6375·12	1942	5630·56
July, 1966	1735	6012·04	2172·5	6676·92
August, 1966	1404	5084·52	2064	6629·89
September, 1966	1188	3829·94	1680	5383·68
October, 1966	1125	3631·89	1722	6043·67
November, 1966	24	75·83	348	1044·00
December, 1966	1637	5219·20	2661	9940·05
January, 1967	1526	4639·91	3140	10920·19
February, 1967	1495	4690·26	2856	9818·41
March, 1967	4371	15703·00	7232	25169·53
	20548	69,441·13	28907	97,639·74
		1967-68		
April, 1967	2922	10782·77	3543	14154·20
May, 1967	3532	13559·35	4500	14369·10
June, 1967	1955	7840·18	5685	19432·49
July, 1967	2900	10765·43	4395·5	14546·05
August, 1967	3688	13529·60	5027	16760·75
September, 1967	2582	10261·18	3247	12406·75
October, 1967	2840	10678·06	4850	15571·17
November, 1967	3420	15752·09	5963	21301·36
December, 1967	3287	12448·00	5575	19157·01
January, 1968	3303	13366·20	6241	21157·50
February, 1968	9377	35984·46	10463	37295·92
TOTAL	39,806	1,54,967,32	59,4955	2,06,152·30

## APPENDIX IX

### Summary of Conclusions/Recommendations of the Committee on Public Undertakings contained in the Report

S. No.	Ref. to Para No. of the Report	Summary of Conclusions/Recommendations
1	2	3

1. 1.11—1.13 The Committee feel that so long as the intention was to charge interest on the amount, as is clear from the letter dated the 12th January, 1955 of the Ministry of Production, it could not be treated as share capital. The description of the amount as 'loan' or 'advance' therefore, does not appear to be very significant. The Committee also do not agree with the Corporations contention that terms and conditions laid down in Government's letter of 1st June, 1961 were not applicable to the advance of Rs. 7 crores till it was made applicable by the letter of 10th May, 1963. In Commerce and Industry's letter of 27th June, 1961 to the Managing Director (Annexure III) it had been stated that "it has been proposed that the terms and conditions laid down in that O.M. (i.e. of 1st June, 1961) should be made applicable to the loans already advanced and to be advanced to the Fertilizer Corporation of India Ltd., for financing the Fertilizer Projects at Trombay, Assam, Gorakhpur etc." In reply to the above letter the Fertilizer Corporation Ltd. of India in their letter of 30th October, 1961 (Annexure IV) also stated that the amounts drawn by them were loans. In view of these facts it appears that the Corporation were aware that the sum of Rs. 7 crores was being treated as loan and was to be repaid in accordance with the terms stated in the Government O.M. dated 1-6-1961.

As regards the question of rebate, the Committee are not convinced that there was no lapse on the part of the Corporation for making repayment of the first instalment of Rs. one crore.

The Committee, however, feel that proper coordination did not exist between the Corporation and the administrative Ministry for prompt settlement of the terms and conditions of the loan. As a commercial undertaking it was the responsibility of the Corporation to see that the terms of the loan were promptly settled.

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2.	2.12	Production of ammonium sulphate depends to a large extent upon continuous supply of good quality gypsum. The Committee, however, regret to note that as against the stipulated quality of 30,000 tonnes per month only an average of 15,000 tonnes of gypsum was supplied by the contractor M/s. Bikaner Gypsum Ltd. It is regretted that no effective steps have been taken by the management to enforce the terms of the contract.
3.	2.16	The Committee are glad to note that the Sindri Unit has started covering gypsum with tarpaulin while transporting it in open railway wagons during rainy season. This fact might be brought to the notice of other public undertakings who suffer on account of deterioration of material during transport in open wagons during rainy season owing to scarcity of covered wagons. The Committee feel that shortage of covered wagons could have been minimised by proper planning on the part of the Railways. They hope that earnest steps would be taken by the Railways to provide more covered wagons to the public undertakings.
4.	2.22	The Committee feel that the continued shortfall of actual production <i>vis-a-vis</i> rated capacity despite so many years of experience in the line is a disquieting feature which requires to be remedied by scientific and rationalised planning. They would, therefore, stress the need for further augmenting the efforts to achieve the rated capacity as early as possible.
5.	3.5	The Committee regret to note that the production of Ammonia has been much below the rated capacity. The Expert Committee had recommended in 1961, that after the modifications and additions made to the plant during the years 1955 to 1957 the existing plant was capable of producing 1.05 lakh to 1.10 lakh M. tons per year. It is, therefore, surprising that the management feels that for various reasons production of more than 96,000 M. tons per year was not possible of achievement. It may be relevant to mention, in this connection, that the original plant had actually achieved production of 97,780 M. tons of ammonia in 1965-66 <i>vide</i> para 2.3. The Committee cannot help concluding that either the findings of the Expert Committee were based on inadequate data or the management failed to place the facts before the Expert Committee or the Expert Committee was not fully qualified since the management considers the implementations of its recommendations impossible. Whatever the causes the result is non-fulfilment of

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rated capacity. The Committee recommend that the whole matter should be urgently re-examined in a more practical manner and every possible endeavour be made to achieve the attainable capacity in the Ammonia Plant.

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4.11

The Committee regret to note that the stream efficiency of the Gas Reforming Plant which was initially prescribed as 330 days by the designers has been actually found to be not more than 309 days with the result that unutilised gas of the value of Rs. 14.10 lakhs had to be flared up during the years 1964-65 to 1967-68. This shows that either all the technical factors were not correctly assessed by the designers in fixing the stream efficiency at 330 days or the plant is not being efficiently run. The Committee, however, hope that with the installation of Naptha Gasification Unit by the revised scheduled date i.e. by April/May, 1969, it would be possible to attain the daily rated capacity of the plant, and thus minimise the loss due to flaring up of gas.

7.

5.12

It appear that the Corporation agreed to the payment of a subsidy of Rs. 3 lakhs for removal of the Jamsar Railway Station primarily for securing at least one million tons of gypsum of over 86 per cent purity. However, as it turned out they got a supply of a purity ranging from 76.97 per cent to 85.31 per cent. While the management's desire to secure an uninterrupted supply of gypsum can be understood, it is difficult to comprehend how the contractor invariably supplied gypsum of far below the 86 per cent purity envisaged in the agreement and how the total quantity supplied fell short of the initial estimate. The Committee cannot help feeling that the initial estimates of gypsum reserves were perfunctory and without proper scrutiny. The emphasis on the filterability of the gypsum as distinct from its purity seems to be more an after thought to justify the subsidy given for the transaction. The Committee regret to note that the management did not even claim any rebate from the contractor for supply of gypsum of a lower purity. Similarly, the contractor sold gypsum to a private cement factory in violation of the agreement with the Corporation, but no penalty could be imposed by the management due to defect in the agreement. The Committee are unhappy with the unbusiness like manner of dealing with this contractor and entering into a defective contract with him. They hope interests of the Corporation will be properly safeguarded in future.

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8.	G.18—6.23	<p>According to the Audit the shortages were noticed for the first time by the Manager Sindri Unit when he attempted to link the R. R. weights with the actual weights recorded by the Corporations weigh-bridge in October/November, 1962. Another strange feature noted by the Committee was that clear R Rs were issued by the Railway authorities without weighing the materials at their weigh bridge which had been out of order since April, 1962. This fact came to the notice of Corporation when they took up the matter with the railways at the close of 1962.</p> <p>The Committee were constrained to learn from the representatives of Fertilizer Corporation of India that they did not take serious cognizance of coal shortages till they became rather heavy i.e. over 15 per cent. They also considered them unavoidable and had expected them to balance against excesses. The Committee are unhappy with the way in which things were allowed to drift resulting in serious loss to the Corporation.</p> <p>It is unfortunate that neither the collieries nor the Railways are willing to accept the responsibility for the shortages and the blame has to be laid on pilferages during transit. The Committee feel that a lasting solution to this problem has to be found as it concerns several public undertakings and the Railways.</p> <p>The Committee feel that it is necessary to set up firm norms both as regards transit losses and stock taking shortages of raw materials and finished products at an early date. This should be done after ascertaining the position in countries outside India so that we might have some standards as guide line.</p> <p>The Committee hope that the various steps taken by the management to minimise and prevent short supply of coal, through constant vigilance and watching of shortages and energetic and timely pursuit of each case with the Railways would result in firm improvement of the position.</p> <p>The Committee also note that the Sindri Unit was solely depending on the Bejdih/Methani collieries for the supply of high volatile steam coal for blending for their coke over plant, since the National Coal Development Corporation did not have this type of coal in their mines. They, however, hope that before the exhaustion of mines of their present supplier the Sindri Unit would be able to make firm</p>

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		alternate arrangements for high coking coal from Jharia coal fields and Naphtha for gassification from Barauni.
9.	7.14	<p>The Committee are surprised to note that although during the scheduled overhaul of generator No. 4 in 1963 the plant staff had concluded that the blades of this generator would last only two to three years, no effort was made by the authorities concerned to obtain enough spare blades. This action was taken by the management only in October, 1966 when the machines broke down. Had the undertaking shown some fore-sight and obtained the foreign exchange in time for purchase of spare blades the extra expenditure of Rs. 35.19 lakhs paid to DVC for increased off take of power during the years 1965-66, 1966-67 and 1967-68 could have been avoided.</p>
10.	8.9—8.12	<p>The Committee are unhappy to note that the unit management of Sindri have been employing large scale casual labour continuously while they have surplus staff. The expenditure incurred on the employment of casual labour has also been rising during the past years.</p> <p>Besides this, the expenditure on overtime payments has also been steadily increasing.</p> <p>The Accounts Department has also been not able to reduce its strength according to the advice given to it by a firm of consultants in January 1963.</p> <p>This shows that neither the management of the unit nor the Board of the Corporation have made any serious effort to tackle this problem.</p>
11	8.16—8.17	<p>The Committee note that the Sindri Fertilizers &amp; Chemicals Ltd. now a unit of the Fertilizer Corporation of India (Ltd.) was set up on the 16th January, 1952. It is surprising that even after a lapse of over 17 years, the Sindri Unit has not been able to make a firm assessment of the actual requirement of staff, although various committees and specialist firms had been appointed to assess the work load and determine the staff strength.</p> <p>The Committee feel that a systematic assessment of work load and man power is indispensable for the healthy functioning of a large organisation on economic lines. The management was again contemplating to entrust to the National Productivity council detailed study for assessment of the staff. They hope</p>

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		that the recommendations made by the Council will not meet the fate of earlier assessments but will be expeditiously implemented.
12	8.20	It is seen from the table at para 8.18 that the overtime payments in the case of Sindri Unit have been rising from year to year. The overtime is not restricted to skilled personnel only, but is paid in all the departments including stores, Personnel, Administration, Security, Estate, Medical and Transportation Departments. The Committee view with concern the rise in expenditure on overtime allowance especially when the surplus staff exists. The expenditure on overtime allowance instead of being allowed to increase should be brought down and incurred only when there were unavoidable circumstances. No such circumstances have been brought to the notice of Committee. The Committee hope that suitable measures would be taken by the Corporation to reduce the excessive expenditure on account of overtime.
13.	9.10	The Committee regret to note that after about 22 years of acquisition of land the Corporation has not got possession of all the land for which it has paid. This shows that the management of the unit and the Board have not shouldered their responsibilities properly. They hope that concerted efforts will now be made to settle this matter with the State Government so that the Unit can go on with its schemes of development.
14.	10.12	Notwithstanding the explanation given by the management for the sharp rise in inventories of raw materials, stores, spare parts, semi finished goods, finished goods etc. in 1966-67, the Committee feel that there is a scope for further reduction of inventory levels, particularly of spare parts. This view of the Committee finds support from the fact that the unit has set up a Committee to locate the surplus stores and spares. Thus there is need for laying down proper norms for such holdings consistent with commercial prudence and practices. The Committee hope that inventory control will be exercised in future with a view to achieving greater economy in the operation of the plant.
15	11.6	The Committee regret to note that surplus stores worth Rs. 84.56 lakhs, out of which stores worth Rs. 12.03 lakhs had not moved since 1958, were still lying undisposed with the Sindri Unit in spite of the

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		<p>suggestion for their early disposal by the Committee in their 6th Report (Third Lok Sabha) and the Estimates Committee in 1961. Excessive procurement of stores has led to accumulations which have been a drag on the economy of this undertaking. The Committee trust that all the surplus stores will be disposed off early and suitable measures will be taken by the management to ensure the purchases are kept at the minimum essential level in future.</p>
16.	12.15	<p>This is another sphere in which the Sindri Unit during the 17 years of its existence has not been able to lay down proper norms or solve the problem of transit losses. The Committee are glad to note that a Technical Committee is being now set up by the management to examine the problem of transit losses of raw materials in order to identify and locate individual and specific causes for such shortages and suggest ways and means for minimising them. The Committee hope that the Technical Committee would complete its work expeditiously and suggest concrete steps which would bear fruitful results.</p>
17.	13.12	<p>The profitability of any undertaking depends to a large extent upon effective cost control. The Committee hope that with the higher utilisation of the existing capacities and commissioning of the Naphtha Gassification Plant and the Ammonium Nitrate Plant the cost of production would be brought down.</p>
18.	14.6	<p>The Committee are distressed to note that no effective steps have been taken by the management to utilise or dispose of the four dust-collectors purchased at a cost of Rs. 1.64 lakhs in 1955. It is surprising that it took the management 5 years to declare the equipment as surplus and even after that "the utilisation of the equipment is under active consideration". The Committee are unhappy at the manner in which the management has dealt with this matter resulting in the continued blockage of a huge amount besides deterioration of the equipment due to efflux of time. The Committee desire that immediate steps should be taken to utilise or dispose of the equipment.</p>
19.	15.8—15.9	<p>The Committee are concerned to note that the demurrage charges which had shown a declining trend</p>



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in the years 1962-63, 1963-64 and 1965-66 had again risen in 1966-67 to Rs. 3.68 lakhs.

The Committee feel that the high demurrage charges could have been avoided if the intensive efforts that are being made at present to effect improvements in the utilisation of the engines and yard facilities had been started earlier. They hope that Sindri Unit will continue these efforts till demurrage is reduced to the minimum.

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<b>DELHI</b>					
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25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	70
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30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
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PUBLISHED UNDER RULE 322 OF THE RULES OF PROCEDURE AND CONDUCT OF  
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL  
MANAGER, GOVERNMENT OF INDIA PRESS, MENTO ROAD, NEW DELHI

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