E. C. No. 324

ESTIMATES COMMITTEE
1962-63

TWENTY-EIGHTH REPORT

(THIRD LOK SABHA)

MINISTRY OF MINES AND FUEL

Indian Oil Company Limited, Bombay

(Reports & Accounts)

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

March, 1963/Phalguna, 1884 (Saka)

Price : Re. 0·90 nP.

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(1962-63)

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Shri N. N. Mallya—*Deputy Secretary*.

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*Elected w.e.f. 15th November, 1962 *vice* late Shri B. J. Singh.

**Elected w.e.f. 18th August, 1962 *vice* Shri Shivram Rango Rane resigned.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee present this Twenty-Eighth Report on the Ministry of Mines and Fuel—Indian Oil Company Ltd., Bombay.

2. A general examination of the published Annual Reports and Accounts of the Indian Oil Company (Ltd.) for the year ending 31st March, 1961 was conducted by the Sub-Committee of the Estimates Committee on Public Undertakings which took the evidence of the representatives of the Ministry of Mines and Fuel and the Indian Oil Company Ltd. on the 20th October, 1962. The Report was adopted by the Sub-Committee on the 25th and 27th February, 1963 and finally approved by the whole Committee on the 4th March, 1963.

3. A statement showing an analysis of the recommendations contained in this Report is also appended (Appendix IV).

4. The Committee wish to express their thanks to the officers of the Ministry of Mines and Fuel and the Indian Oil Company Ltd. for placing before them the material and information that they wanted in connection with the examination of the Annual Reports and Accounts of the Indian Oil Company Ltd.

NEW DELHI;
March 20, 1962.
Phalguna 29, 1884 (*Saka*).

H. C. DASAPPA,
Chairman,
Estimates Committee.

I

INTRODUCTORY

The Indian Oil Company Ltd. was registered on the 30th of June of 1959, as a limited company under the Companies Act, 1956 with its Head Office at Bombay. It was set up with the object of distributing the entire * production of the two public sector refineries *viz.* Nunmati and Barauni and also of taking over ultimately 50 per cent of the import trade in petroleum products. The company is wholly Government owned with an authorised capital of Rs. 12 crores. The total paid-up capital of the Company was Rs. 2·97 crores on the 31st March, 1962. **Constitution.**

2. The main objectives of the Indian Oil Company Ltd. as set out by Government in the Instrument of Instructions issued on the 8th September, 1959 and as subsequently amended on the 12th March, 1962 are as follows:— **Objectives.**

(a) The Company shall take necessary steps to ensure that within the shortest possible time, it is in a position to arrange for the supply of petroleum product requirements of all Government organisations (Central and States) all over the country.

(b) With a view to be able to handle ultimately at least half of the trade in imports of deficit petroleum products, the Company shall take necessary steps to build up storage and other facilities so that, wherever advantageous, imports can be effected not only from sources already availed of by the trade but from alternative sources as well.

(c) The Company shall build up, as far as possible, such additional distribution facilities (including retail outlets) as may be warranted by the growing demand for petroleum products.

(d) The Company shall take over, at the refinery points or at such other points as may be mutually settled on such terms as may be agreed upon, either as agent or as owner, such products or portions of the products of the two refineries of the Indian Refineries Limited at Nunmati in Assam and at Barauni in Bihar as the Indian Refineries Limited may decide, from time to time, in prior consultation with the Company.

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*This was later on amended *vide* para 2(d) below.

(e) The Company shall, either on its own account or as agent of the Indian Refineries Ltd., sell at the said two refinery points (or at such other points as may be mutually agreed upon) to other marketing companies, for distribution and sale through their own distribution facilities, such part of the output of the aforesaid refineries that the Company would not be distributing through its own facilities.

Amendments to the Instrument of Instructions

3. The amendments made on 12th March, 1962 relate to clauses (d) and (e) of the Instrument of Instructions. The clauses originally read as follows:—

(d) The Company shall take over at the refinery points the entire output (totalling about 2·5 million tons of petroleum products) of the two refineries that the Indian Refineries Limited shall construct at Nunmati in Assam and at Barauni in Bihar.

(e) The Company shall sell at the said two refinery points (or at such other points as may be mutually agreed upon) to other marketing companies, for distribution and sale through their own distribution facilities, such part of the output of the aforesaid refineries that the Company would not be distributing through its own facilities.

It will be seen that three changes were effected in the original clause (d).

(i) The Indian Oil Company was originally expected to take over the entire output of the two refineries. By the amendment it can take over such products or portions of the products as may be decided by the Refineries in prior consultation with the Indian Oil Company.

(ii) Originally the Company was to take over the products of the Refineries evidently as owner but as amended, it can take over as agent or owner.

(iii) In the original clause the products were to be taken over at the refinery points, whereas the amendment provides for the products being taken over at the refinery points or at such other points as may be mutually agreed upon.

In regard to clause (e) it was made clear by amendment that the Company could sell on its own account or as agent of the refineries.

4. *The Committee consider these amendments significant as their implications seem to be far reaching.*

In the first place though Government originally intended that all the products of the two refineries should be taken over by the I.O.C. and nothing sold by the Refineries themselves, it is now open to the latter to withhold from the I.O.C. such products or portions of the products as they may deem fit and deal with them directly. In that case, the I.O.C. cannot deal with the products even as agent of the Refineries.

The amendment relating to the delivery of the products either at the Refineries points or at such other points as may be mutually agreed upon, has perhaps, been necessitated by the laying of the product pipeline from the Refineries. In that case the responsibility for any shortage etc., will rest with the Refineries till the delivery is effected.

The matter assumes importance when one has to consider what the future set up of both these two limbs of the oil industry in the public sector is to be. This raises the issue whether there should not be one organisation at the top to coordinate the activities both of production and of distribution as in the case of some of the well known concerns in the line like Burmah Shell, E.N.I. of Italy etc.—an arrangement which the Committee favour. This subject has been dealt with in their report on the Indian Refineries Ltd.

5. The Company started trading with the imports of deficit petroleum products like superior kerosene and High Speed Diesel Oil against rupee payment from Russia in pursuance of an agreement concluded with V/O "SOJUZNEFTEEXPORT" of Moscow on the 15th July, 1960. The Nunmati Oil Refinery, the first of the two public sector refineries, was inaugurated on 1st January, 1962. Its products have been made available to I.O.C. from February, 1962.

II

TRADING ACTIVITIES

(a) *Plan of Operation*:

Phased Plans of Development: (i) 1st Phase Plan.

6. The Instrument of Instructions enjoined the Company to formulate detailed proposals for the fulfilment of its objectives as early as possible and to submit the same for the consideration and approval of Government. In pursuance thereof the I.O.C. prepared a plan, called the First Phase of Development covering the period from January 1961 to 31st March, 1962, and submitted it to Government on the 16th July, 1960. The plan was approved by Government on the 13th June, 1961 *i.e.* about a year after its submission by the I.O.C. and six months after the date it commenced operation. During the First Phase Plan period the Company expected to develop a total storage capacity of 1,35,000 tonnes at the main ports and 1,00,400 tonnes at the main inland centres in Eastern India and to establish 15 major and 35 minor inland depots at various places in the country. It also expected to import approximately 3 lakh tonnes of petroleum products during that period.

(ii) Second Phase Plan.

7. The Company drew up a second phase plan for the year 1962-63. This plan envisaged the development of additional storage capacity of 1,09,000 tonnes at the main ports and of 28,600 tonnes at main inland centres. The imports were expected to be approximately 3,50,000 tonnes. The plan was submitted to Government in December 1961 and was approved by it in September, 1962 *i.e.* ten months after its submission by I.O.C. and six months after the date of its coming into operation.

(iii) Third Phase Plan.

8. At the time of the submission of Second Phase Plan, it was stated by the Company that the Third Phase Plan for 1963-64 was under compilation and would be submitted by March 1962. This was not done. During evidence the Managing Director of the Company informed the Committee that the Third Phase Plan was still under preparation and was expected to be submitted to Government in November, 1962.

9. As set out in the preceding paragraphs it took the Government about a year to approve the First Phase Plan, and about ten months to approve the Second Phase Plan. It was explained that as these plans had to be referred to the

Ministry of Finance and the Planning Commission and ultimately submitted to the Cabinet, there had been delays in according approval. But this had not affected the programme of work of the Company which was permitted to go ahead with the phased programme in anticipation of approval.

The representative of the Ministry of Finance stated that they had to call for further information and clarification on various points especially regarding the volume of trade but admitted that no material changes had been made in these plans as a result of their scrutiny.

10. *The Committee regret to note that it took the Government a period of nearly a year each to approve the First and Second Phase Plans of Development of the Company even though the representatives of the administrative Ministry and Finance Ministry had earlier approved the Plans as Directors of the Company. Further para 4 of the Instrument of Instructions enjoins that:—* **Expeditious approval of Plans stressed.**

> "Till such detailed proposals are considered and approved by Government, the Company shall not undertake any construction work or incur any heavy expenditure."

The issue of sanctions six months after the commencement of the plans would indicate that this direction is not being followed in practice thus reducing the scrutiny and approval more or less to a formality. The Committee feel that such a situation in which specific instructions issued by Government are not observed, is neither conducive to proper direction and control by the Government nor the timely execution of plans by the Company. Where prior sanction of Government is necessary, it should be accorded in time if it is to serve its purpose. The Committee would, therefore, suggest that all such cases of approval of plans by Government should be dealt with expeditiously, if necessary, within a specified outer time limit. Any matter likely to hold up or delay the sanction should normally be clarified by direct discussion with the persons concerned and not through correspondence which normally is a time consuming process.

(b) *Storage and other Facilities*:

11. It is one of the objectives of the Company that it should take necessary steps to build up storage and other facilities with a view to handle ultimately 50 per cent of the trade in imports of deficit petroleum products and to market the products of the two refineries. In its first and second phase plans *i.e.* for the years 1960-61 and 1961-62 respectively, the Company envisaged the development of 2,35,400 tonnes and 1,37,600 tonnes of storage capacity respectively. Towards this end, the I.O.C. started negotiations with the Ministry of Defence for taking over some of the installations **Installations.**

which were no longer required by them. It took over Defence Installations at (i) Antop Hills, Bombay, with a capacity of 13,000 tonnes in May 1960; (ii) Willingdon Island, Cochin with a capacity of 6,000 tonnes in October 1960; and (iii) Visakhapatnam with a capacity of 25,700 tonnes in March, 1961. This gave the Company a total tankage capacity of 44,700 tonnes.

Storage Capacity.

12. The details of the tankage capacity, depots etc. targetted and developed during the First and Second Phase Plans are as follows:—

(Ion tonnes)

Installations Name of Ports (Main & Inland)	First Phase Plan: Storage target for Ist Phase Plan	First Phase Plan: Storage capacity developed	Second Phase Plan: Storage target proposed for the 2nd Phase Plan including that of Ist Plan	Second Phase Plan: Storage capacity developed
Kandla	32,000	37,900	38,000	54,700
Bombay	23,000	36,600	50,000	37,200
Cochin	25,000	15,700	40,000	35,100
Vizag	35,000	35,000	35,000	64,500
Clacutta	20,000	6,400	24,000	22,000
Okha	Nil	..	35,000	23,000
Madras	Nil	..	22,000	..
Siliguri	50,000	..	50,000	40,300
Asansol	20,000	..	2,000	..
Barauni	Nil	..	2,000	..
Kanpur	30,000	..	10,000	..
Shakurbasti	400	..	25,000	23,000
Hissar	Nil	..	5,000	..
Intermediate Ports (seven ports)	Nil	..	35,000	..
TOTAL	2,35,400	1,31,600	3,73,000	2,99,800

	First Phase Plan				2nd Phase Plan (including 1st)			
	Number (Target)	Target capacity	Number actual	Capacity developed	Number target	Target capacity	Number actual	Capacity developed
Depots	50	12,100	14	3,950	100	40,000	66	21,824
Retail Outlets/ Consumer/ Kerbside Pumps	200	NA	80	NA	650	—	400	—

13. It will be seen that as against the total storage capacity of 2,35,400 tonnes contemplated in the First Phase Plan,

the Company was able to develop tankage capacity of the order of about 1,31,600 tonnes *i.e.* 55.5 per cent only. Similarly, against a target of 50 Depots of 12,100 tonnes capacity, only 14 depots of 3,950 tonnes capacity (*i.e.* 32.6 per cent of the total) could be installed during that period. In the second Plan also the programme is lagging behind. Explaining the reasons for this shortfall, the Managing Director stated that their main difficulties were in getting suitable land and steel of required specifications. Besides, there were certain procedural delays. Shortage or breakdowns of power also contributed to the delays in the construction of installations. It was stated that special measures had now been taken to complete the work as early as possible.

Need for speedy development of storage capacity.

14. *Considering that the Company was required (a) to handle the products of the two refineries—one of which* viz. *Nunmati with a production capacity of 7½ lakh tonnes annually, went into production in early* 1962, *and (b) to handle* 50 *per cent of imports of petroleum products, which in* 1961 *stood at* 24·75 *lakh tonnes, the planning of storage and other facilities by it during the First and Second Phase Plans seemed to be meagre. That even these modest targets were not fulfilled and fell short by about* 45 *per cent is regrettable. This would seem to indicate that the realisation of targets was not pursued vigorously by the Management at the time**.

The Committee consider that the difficulties about acquisition of land and steel etc. are not uncommon in construction work and should have been foreseen while laying down the targets. They feel that with concerted action and efforts, it should have been possible for the Company to achieve the modest targets. The Committee trust that the task of developing adequate storage capacity, which has a very important bearing on the scale of operation of the Company would be given anxious consideration and suitable steps taken for the speedy execution of the programme.

(c) *Imports*:

Agreement with Russia.

15. Another objective of the Company is to ultimately handle 50 per cent of the trade in imports of deficit petroleum products. With this end in view the Company entered into an agreement in July 1960 with V/O "SOJUZNEFTEEXPORT" of Moscow for import during a period of four years ending September, 1964 of about 1·5 million tonnes (19·26. 000 kl) of deficit petroleum products *viz.* High Speed Diesel and Superior Kerosene including A.T.F. The Company also concluded another agreement on the 11th September, 1961 with the Soviet Organisation for import of 50,000 tonnes of

* "At the time of factual verification of the Report, the Ministry furnished a statement showing the revised targets during the two phases which is placed at Appendix I. The revised targets were not brought o the notice of the Committee either while furnishing written replies or ; ile nce."

furnace oil. Two other agreements were also entered into for the import of 6,000 tonnes Axle Oil and 2,000 tonnes Transformer Oil with M/s. Petrol-export of Rumania in April, 1962.

Schedules of Delivery. 16. The details of the schedules of delivery in respect of each of these agreements and the actual imports against them are given below:—

Russian Contract for Petroleum Products

(In Metric Tonnes)

Period	Delivery Schedule	Actual Imports
First Year (Sept., 1960 to Sept. 1961)	3,00,000	2,70,527 (upto March, 1962.)
Second Year (Oct., 1961 to Sept., 1962)	3,50,000	4,06,623 (up to February 1963) Total 6,77,150
Third Year (Oct., 1962 to Sept. 1963)	4,00,000	
Fourth Year (Oct., 1963 to Sept., 1964)	4,50,000	
TOTAL .	15,00,000	

Russian Contract for Furnace Oil

Nov.—December, 1961 .	10,000	10,571 (February, 1962)
January, 1962	10,000	
March, 1962	10,000	
May, 1962	10,000	
July, 1962	10,000	
TOTAL .	50,000	

Rumanian Contract for Axle and Transformer Oil

Axle Oil:		
Second Quarter of 1962 .	2,000	1,000 tonnes of Heavy Axle Oil received in Aug. 1962.
Second half of 1962 .	4,000	No programme of further shipment worked out.
Transformer Oil:		
At the rate of 200 tonnes per month beginning with May, 1962	2,000	Nil
(The rate can be increased by mutual consultation between buyer and seller).		

Phased Programme of import suggested. 17. It will be seen that the schedule of delivery as laid down in the agreements has not been adhered to in any case. It was explained that though the agreement with Russia was signed in August, 1960, the actual imports did not commence for some time. Further, in the early stages of the working of the agreement, the I.O.C. had not equipped itself to receive the quantities of the petroleum products which the U.S.S.R.

was prepared to send. Therefore, imports from U.S.S.R. had to be curtailed. The Company, however, did not suffer any financial loss due to these changes in the schedule of imports. The Managing Director assured the Committee that the imports from Russia would now be completed long before due date. He expected to import 4,00,000 tonnes during second year, 7,00,000 tonnes during third year and the rest during the fourth year of the agreement.* He also stated that the import of 52,000 tonnes of furnace oil has been completed during this year.**

It is thus seen that the shortfall in imports during the first half of the period was mainly due to the Company not being prepared to receive them. The Committee are assured that the full quantity of targetted imports would be imported by the end of the fourth year and it is hoped that there will be no difficulty in keeping upto the schedule.

18. The import of various petroleum products in the country during the last two years and the estimated imports during 1962-63, 1963-64 and 1964-65 are given below:—*** **Estimated Import.**

(000 metric tonnes)

Item	Actual		Estimated		
	1960 Imported	1961 Imported	1962-63 Total Imports	1963-64 Total Imports	1964-65 Total Imports
Light Distillates (AV. Gas)	93	96	70	63	56
Kerosene/A.T.F.	1,215	1,397	1,498	1,699	1,774
Diesels (HSD./L.D.O./M.D.O.)	299	418	539	369	165
Furnace Oil	93	213	528	906	1,152
Lubes	215	295	328	365	406
Bitumen	16	13	20	25	30
Other special products such as solvent oils, vapourising oil, exane and mineral turpentine	100	53	60	59	56
TOTAL	2,031	2,475	3,043	3,436	3,639

* "At the time of factual verification it was stated that the commitment in respect of the contract for import of 1·5 million tonnes of petroleum products from Russia was expected to be fullfilled by the end of 1963".

** "At the time of factual verification it was stated that the Company had imported 71,624 tonnes of Furnace Oil by November, 1962".

***"At the time of fectual verification, the Ministry intimated that the estimated imports during 1966 would be of the order of 16·73 lakhs metric tonnes, which would include Light Distillates (62,000 tonnes), Kerosene (993000 tonnes), Furnace Oil (181,000 tonnes) Lubricants (429,000 tonnes) and others (8,000 tonnes)".

19. During evidence the Secretary of the Ministry informed the Committee that these estimates of import were based on the likely demand after taking into account the capacity of the refineries in the country. In 1965-66, the imports were estimated to be of the order of about 3 million tonnes. It will be seen that out of the total imports of about 24.75 lakh tonnes during the year 1961, the I.O.C. handled only 2.7 lakh tonnes. In 1962-63 it expects to import about 5 lakh tonnes out of a total import of 30·43 lakh tonnes *i.e.* about 16 per cent. The Committee were informed that during 1963-64, the Company expects to import about 35% of the total deficits and during 1964-65, it expects to handle the target of 50% of the overall imports.

Judging from the past performance of the Company in this regard and the progress made in the development of storage capacity so far, the Committee feel that energetic measures are called for by the Management if it is to import 50% of deficit petroleum products by 1964-65. *Detailed plans and programmes have to be made by the Company to achieve this objective.*

(d) *Surplus in the production of Motor Spirit*:

20. The chief feature of the indigenous petroleum industry is the lack of balance between the pattern of production and the demand for petroleum products particularly in the case of motor spirit which is in surplus and the middle distillates which are in defiicit. The following tables indicate the extent of current imbalances as well as the imbalances which are likely to emerge by the end of the Third Plan.

Current Rate of Imbalances

(Figures in '000 metric tonnes)

Product	Production	Demand	Surplus(+) Deficit(—)
Light Distillates .	1,281.00	1,042.26	+238.74
Kerosenes . .	1,300.80	2,712.36	—1,411.56
Diesels . . .	2,023.60	2,298.00	—274.40
Heavy Ends . .	1,861.80	2,303.00	—441.20
	6,467.20	8,355.62	—1,888.42

*Rate of Imbalances at the end of the Third Plan**

Products		Estimated Production	Estimated Demand	Surplus(+) Deficit(—)
Light Distillates	.	2,014.20	1,322.00	+692.20
Kerosenes	. .	2,309.20	4,191.00	—1,881.80
Diesels	. . .	3,053.20	3,800.00	—746.80
Heavy Ends	. .	2,657.70	4,392.00	—1,734.30
		10,034.30	13,705.00	(—)3,670.70

NOTE:—This does not take into account possible future expansion in the refining capacities.

21. *It will be seen that while there is serious shortage of kerosene and Diesel Oils necessitating large expenditure of foreign exchange, there is a surplus of motor spirit. It is particularly noteworthy that these imbalances are expected to increase considerably by the end of Third Plan.* Export of Motor Spirit

22. *Though this may create a problem for disposal of motor spirit produced in the country as a whole, the Committee are assured that as far as I.O.C. is concerned, they will have no surplus of motor spirit on its hands. Nevertheless the question of finding foreign market for the surplus motor spirit such as there may be has to be faced and it is hoped that every effort would be made by the producers of motor spirit for its disposal as it will bring foreign exchange into the country.*

(*e*) *Sales*:

23. A statement showing the sales targets and actual sales of various products in the first phase plan of the Company is given below:—

(In tonnes)

Product	Target	Actual Sales	percentage increase/decrease over target
1	2	3	4
Superior Kerosenes :			
(*i*) Direct sales by IOC	86,000	96,411	+12·1%
(*ii*) Sales to M/s. Hindustan Organisers by IOC . .	50,000	37,058	—25·9%
TOTAL .	1,36,000	1,33,469	—1·9%

*At the time of factual verification, the Ministry furnished figures for rate of imbalances during the year 1966, which is given in Appendix II.

1	2	3	4
High Speed Diesels :			
(*i*) Direct sales by IOC	58,000	58,916	+1·6%
(*ii*) Sales to M/s. Hindustan Organisers by IOC . .	6,000	Nil	—100%
TOTAL .	64,000	58,916	—7·9 %

It will be seen that actual sales were nearly 98% of the target in the case of kerosene and 92% in the case of H.S.D. The shortfall in the case of H.S.D. was attributed mainly due to the failure on the part of M/s Hndustan Organisers Ltd. to lift the contracted quantities, as discussed in para 27.

(i) Sale through Co-operatives

24. The Committee were informed that for distribution of kerosene, t he Company have preference to *bonafide* co-operative societies, registered under the Cooperative Societies Act and affiliated to the Apex Societies. The Apex Societies, in turn, distributed kerosene to the primary Cooperative Societies in the various States. However, where an apex body had failed to organise its sales and had not improved in spite of help, guidance and warnings, primary cooperative societies were given kerosene dealership directly provided they were well organised and were functioning effectively.

For operating petrol and H.S.D. pumps through retail outlets, cooperatives were given encouragement by offering price advantage in comparison with private parties. The company is maintaining a defferential of Re. 1 per kilo litre beween the rates for Coopratives and private individuals for motor spirit and H.S.D. In the case of kerosene, however, whereas the price differential currently is only 10 nP. between the two rates, a concessional rebate of 90 nP. kilo litre for Apex Cooperatives and 40 nP. per kilo litre for primary Cooperatives is allowed. At present there are about 18 Co-operatives in all the States. Only nine Cooperatives are stated to have taken interest in this work and are showing satisfactory progress.

The Committee are aware of the difficulties that will be encountered in the matter of setting up and working of Co-operatives successfully. This is a new experiment on a national scale which needs to be sympathetically considered and encouraged. The Committee would very much desire the experiment to be a success. They would, therefore, urge that the working of these Cooperatives should be closely watched and where necessary, proper help and guidance provided.

(ii) *Agreement between I.O.C. and M/s. Hindustan Organisers Ltd.*

25. The I.O.C. entered into a long term agreement with M/s. Hindustan Organisers Ltd. in August, 1960 for the bulk sale of superior kerosene and H.S.D. The salient feautres of the agreement are as follows:— **Salient features of the agreement.**

(i) M/s. Hindustan Organisers were to buy a minimum quantity of 40,000 metric tonnes of superior kerosene and 5,000 metric tonnes of H.S.D. per year for the first four years.

(ii) The price for each lot was to be calculated as being the same as the lowest quotation published in "Platts Oilgram" of the date of the Bill of Lading, but a fixed discount of 15% on kerosene and 12% on H.S.D. was to be allowed on these F.O.B. prices.

(iii) The Buyers could at their option, purchase any additional quantities of these commodities by giving four months' notice, when the sellers were bound to supply the same, consistent with any other special commitments. For this quantity an additional concession on price was to be allowed to the buyers.

(iv) The responsibility for obtaining the import licence and necessary clearance from the Indian Exchange Control for imports was that of the seller.

(v) A credit free of interest for a period of 135 days was to be allowed for each consignment to M/s. Hindustan Organisers, from the date of delivery of the particular lot.

(vi) The agreement, was for a period of four years ending 31st December, 1964. The agreement was automatically renewable for successive periods of four years unless before the expiry of any four years period, either party gave at least twelve calendar months' notice in writing of its intention to terminate the same.

(vii) All disputes and differences arising either in the interpretation or the implementation of the contract were to be resolved mutually, and failing such mutual agreement referred to a single arbitrator at Bombay to be selected by the Buyers from a panel of three names from the judiciary suggested by the sellers.

26. It will thus be seen that under the terms of this Agreement [clause 2 (a) Appendix I] M/s. Hindustan Organisers were to purchase from Indian Oil Company 40,000 metric tonnes of Superior Kerosene and 5,000 metric tonnes of H.S.D. every year. In terms of Clause 17 of this agreement, M/s. Hindustan Oraganisers were to submit to the I.O.C. a delivery schedule in advance for each quarter for taking delivery of Superior Kerosene and H.S.D. in each month of the quarter and they were to adhere as

nearly as possible from month to month to this delivery schedule. It was also agreed that the committed off-take for each quarter would be approximately 1/4 of the aggregate quantity to be delivered in one year. Thus, M/s. Hindustan Organisers were bound to take 10,000 metric tonnes of superior kerosene and 1,250 metric tonnes of H.S.D. during the year ending August, 1961.

Non-Compliance of the terms by M/S. Hindustan Organisers.

27. The Committee were informed that during the course of the first year of the Agreement (ending August 1961), however, M/s. Hindustan Organisers did not comply with the above mentioned provisions of the agreement dated 23rd August, 1960. First, they never gave in advance any delivery schedule for any quarter and secondly, they failed to take delivery of the stipulated minimum quantities for both Superior Kerosene and H.S.D. In fact, they did not take any quantity of H.S.D. at all and their off-take of Superior Kerosene amounted only to 30,000 metric tonnes as against the stipulated quantity of 40,000 metric tonnes.

Since M/s. Hindustan Organisers were not cooperating with I.O.C. fully and were also under-cutting, it was decided to terminate the agreement with them. The agreement was accordingly terminated by I.O.C.'s letter dated 29th September, 1961.

Thereupon on 8th November, 1961, M/s. Hindustan Organisers filed a suit in the High Court of Bombay (Suit No. 379 of 1961) asking for specific performance of the contract or in the alternative damages to the extent of Rs. 80 lakhs. On 4th December, 1961 (*i.e.* on the date on which the suit was to come up for hearing in the High Court) M/s. Hindustan Organisers indicated through their legal advisors to the Legal Advisors of the I.O.C. that they would be agreeable to withdraw the suit without claiming any damages and would take delivery of all outstanding H.S.D. oil and would continue to take agreed quantities of both H.S.D. and Superior Kerosene, provided the Agreement was kept alive upto December 1964. They gave an assurance to cooperate and not to under-cut the I.O.C. in future. In view of the changed attitude of M/s. Hindustan Organisers and also the uncertainty of the outcome of the legal suit, it was agreed to discuss their proposal. A meeting was accordingly held between the representatives of I.O.C. and M/s. Hindustan Organisers at which the representatives of M/s. Hindustan Organisers were told that fresh discussions would be possible on the following terms and conditions:—

(1) The old Agreement would become null and void, but I.O.C. would be prepared to negotiate a new Agreement.

(2) In this new Agreement H.S.D. would have to be omitted altogether as M/s. Hindustan Organisers were obviously not in a position to handle this product; and

(3) The rate of discount for kerosene would be the rate recommended in the Damle Committee Report.

This basis of the new arrangement was approved by the Board of Directors at their meeting held on 31st December, 1961 and a new Agreement with M/s. Hindustan Organisers was finalised on 16th January, 1962. On signing of the new Agreement, M/s. Hindustan Organisers withdrew their suit.

Circumstances leading to the agreement.

28. Explaining the circumstances leading to the first Agreement with M/s. Hindustan Organisers, it was stated in written replies that M/s. Hindustan Organisers Private Ltd. were negotiating a contract for import of petroleum products with V/o Sojeznefteenxport from Russia, immediately prior to the formation of the I.O.C. After the decision to form the Indian Oil Company was taken, they were asked to discontinue these negotiations, and it was decided that the I.O.C. should negotiate with V/o Sojeznefteexport for import of petroleum products. It is further stated that in order to compensate M/s. Hindustan Organisers, the I.O.C. entered into a contract with them for supply of petroleum products in bulk in August, 1960.

Affidavit filed in the Court.

It is, however, significant to note that in the affidavit filed in the Court on behalf of the I.O.C. which was furnished to the Committee after the evidence, it has been stated that the I.O.C. was registered in June, 1959 and M/s Hindustan Organisers approached them towards the end of that year for the bulk sale of petroleum products, particularly Superior Kerosene and H.S.D. Oil. During the course of negotiations, M/s. Hindustan Organisers informed the I.O.C. that they had entered into an Agreement with V/o Sojeznefteexport for a period of five years for importing large quantities, over 1,00,000 tonnes of superior kerosene and about 20,000 tonnes of H.S.D. per year. This agreement which was signed in March, 1960, was abandoned as M/s. Hindustan Organisers were not able to get the requisite foreign exchange and import license. Subsequently in July 1960, the I.O.C. concluded an agreement for the import of petroleum products with the Russian Oil Export Agency and later on in August 1960, entered into the agreement referred to in para 25 with M/s. Hindustan Organisers.

Thus it would be seen that the information supplied to the Committee is at variance with that in the affidavit sworn before the Court. Further it is seen that even after their being asked to discontinue their negotiations with V/o Sojeznefteexport, M/s. Hindustan Organisers have gone ahead and *entered into an agreement with them in March* 1960. *It is also not possible to reconcile the fact of M/s. Hindustan Organisers approaching I.O.C. towards the end of* 1959 *for the bulk sale of petroleum products and their concluding an agreement with the Soviet Exporters with reference to the same products three months later.*

29. During evidence the Managing Director stated that he was not aware of any insistence by the Russian export agency for appointing M/s. Hindustan Organisers as agents of the I.O.C. in order to compensate them for their earlier agreement with the Russians.

Comments of the Committee. 30. *The reasons advanced by the I.O.C. for entering into an agreement with M/s. Hindustan Organisers are neither clear nor convincing. The Committee find some unusual features in this transaction which demand notice.*

(i) *When they held no import license to import petroleum products there could be no obligation on the part of the I.O.C. to think in terms of compensation to M/s. Hindustan Organisers and to accord to them any preferential treatment from what was followed as a general policy in regard to the pattern of distribution.*

(ii) *The terms of the agreement seem to be very much in favour of the M/s. Hindustan Organisers. The price concession given to M/s. Hindustan Organisers which left to I.O.C. only a margin of 3% in the first agreement was unusually high. It is particularly noteworthy that the concession price was exactly what M/s. Hindustan Organisers had sought to get from Russia in their agreement of March,* 1960. *That it was so is evident from the fact that in the second agreement the I.O.C. reserved to itself another* 3% *making a total of* 6%.

Even with this new agreement the price advantage permitted to M/s. Hindustan Organisers seems to be unusually high. The price of kerosene charged by the I.O.C. to M/s. Hindustan Organisers is lower by Rs. 39* *per kilo litre than that charged to private dealers. It was explained that since kerosene was supplied to M/s. Hindustan Organisers direct from the tankers and not from the I.O.C. installations the*

*The price chargeable to the various parties currently are indicated below:—

M/s. Hindustan Organiser: Rs. 110·61. per kilo litre which is the C.I.F. value ex-Bombay. Over and above this they have to pay a duty of Rs. 101·15 per kilo litre and other port charges amounting to about Rs. 2·29 per kilo litre. (This total cost of 1 K. L. of kerosene to M/s. Hindustan. Organisers works to Rs. 214·05.

(b) Cooperatives: Rs. 252·50 per kilo litre ex. M.I. Bombay.

(c) Private dealers: Rs. 253·00 per kilo litre ex. M.I. Bombay.

latter did not incur installation and other administrative charges. But these charges amount to Rs. 15 per kilo litre and that would still leave a margin of Rs. 24 per kilo litre to M/s. Hindustan Organisers over other private dealers, which means a net advantage of about Rs. 10 lakhs per year for the whole quantity of 40,000 tonnes of kerosene contracted for.*

(iii) *There were other special concessions. One of them was an interest free credit of 135 days allowed to M/s. Hindustan Organisers for payment of kerosene lifted by them—a concession which was not allowed to other dealers—individual or cooperative to whom delivery was against cash payments. M/s. Hindustan Organisers seem to be taking odvantage of this concession for in October 1962, it is seen that a sum of Rs. 7 to 8 lakhs was outstanding against them. It is also seen that there is no provision for taking any security for this interest free credit which is an elementary precaution in such matters.*

(iv) *The terms provide for the supply of additional quantities of petroleum products at the option of the buyers, and what is more, at additional price concessions. This clause was considered to be unfair even by the representative of the Ministry.*

31. *It will be seen that on the failure of M/s. Hindustan Organisers to lift the quantity of H.S.D. specified in the contract, there was an attempt to terminate the contract. But when M/s. Hindustan Organisers went to Court for specific performance of the contract there was a settlement out of Court, even before going into evidence. The net outcome of it all was a fresh agreement with M/s. Hindustan Organisers by which the earlier condition on the part of M/s. Hindustan Organisers to lift H.S.D. was waived. Even at this stage the clauses which allowed the preferential treatment to them such as lower price than for other institutions, interest free credit for 135 days etc. were not revised, except to the small extent of raising the margin left over to the I.O.C. by another 3%. It is also inexplicable why contrary to the mutual consultation and arbitration clause provided in the agreement, the matter was taken to Court and the I.O.C. also became a party to it.*

32. *All these unusual features suggest that proper care and thought were not exercised in entering into this agreement by the Board of I.O.C. which it may be seen had on it representatives of the administrative Ministry and the Ministry of Finance. There have been some public criti-*

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*Installation charges Rs. 5·89.
Administrative charges Rs. 8·75.

Total:	Rs. 14·64

The other charges like Distribution charges etc. are common to M/s Hindustan Organisers, Cooperatives and private dealers.

cisms of the agreement. The present agreement will run upto December 1964 and is terminable by either party on a year's notice being given. During evidence the Committee were informed by the Managing Director that he proposed to terminate the agreement after giving due notice.

(*iii*) *Sale to Government Organisations*

33. Another objective of the Company is that it shall take necessary steps to ensure that within the shortest possible time, it is in a position to arrange for the supply of requirements of petroleum products of all Government organisations (Central and States) all over the country. The estimated all-India requirements of petroleum products of four major categories of Government customers *viz.*, Railway, Defence, other D.G.S. & D. customers and State Transports during 1962-63 only are given below:

(*Kilo litres*)

Category of Government Organisation	AV GAS 100/130	AV GAS 115/145	Motor Spirit	Kerosene	Aviation Turbine Fuel	H.S.D. Oil	Light Diesel Oil	Furnace Oil	Lube
Railways	..	..	N.A.	14000	..	180000	6500	25000	..
Defence	34500	13700	71450	17800	130000	9600	4900	78000	..
Other Customers Electricity Boards	..	..	5000	3000	..	80000	20000	47000	..
State Transports	..	..	10000*	..	..	250000	..	..	..
TOTAL:	34500	13700	86450	34800	130000	519600	31400	150000	..

34. It was stated that detailed and complete information regarding the estimated requirements of all petroleum products during the rest of the Third Plan *i.e.* upto 1966 was not available with the Company and was being collected and compiled. The percentage of supplies of H.S.D. made by the I.O.C. of the total requirements of the various Transport Undertakings during 1961-62 were as under:—

(a)	B.E.S.T.	46%
(b)	Maharashtra State Transport	4%
(c)	U.P. Government Roadways	12%
(d)	Andhra Pradesh State Transport	10%
(e)	Kerala State Transport (Since November, 1961)	100%
(f)	Gujarat State Transport (Supplies from April, 1962)	25%
(g)	Central Government	N.K.

35. It will be seen that till 1961-62 the I.O.C. had not been able to supply all the Central and State Government Organisations *e.g.* Punjab Roadways, Delhi Transport Undertaking, Calcutta State Transport Company etc. Even in regard to others, *e.g.* Maharashtra State Transport, U.P. Government Roadways, Andhra Pradesh State Transport, their supplies were very small. It was stated that during 1961-62, I.O.C. was able to make up only about 10 per cent of supplies to Government and these bodies.

Compilation of comprehensive data suggested.

The Company planned to meet the entire requirements of Government organisations (Central and States) progressively and as early as possible*. *The Committee feel that the past performance of the Company in achieving the object of meeting the full requirements of Government organisations has not been quite encouraging. They regret to observe that its future plans in this regard are also vague as neither complete information on the estimated requirements of petroleum products of all Government organisations has so far been collected and compiled nor any detailed plans and targets formulated to meet them progressively. The Committee urge that action should be taken to compile such data expeditiously and plans made to meet the requirements as early as possible.*

(f) *Product Exchange Arrangements*:

36. The Company has entered into Product Exchange Arrangements with the other Oil Companies in the private sector. These arrangements provide for exchange of products of the various refineries in the country between the marketing companies within the economic supply area, worked on the basis of railway freight, for each refinery. It was stated that at present the I.O.C. did not have the marketing facilities to handle the entire products of Nunmati Oil Refinery directly and was marketing approximately 75% of its production through other oil companies under the Product Exchange Arrangements. These products were being made available to the other oil companies on outright sale/purchase basis. Similar reciprocal facilities were not stated to be available to I.O.C. from the other oil companies or their refineries and the issue was at present under discussion with them.

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*At the time of factual verification, it was stated that the requiremen of petroleum products of Government organisations for subsequent years are not very definite. The same, however, are being collected by the Company and are continuously brought uptodate." The company's plans for the sale of petroleum products include all potential customers including Government Organisation . These plans are formulated on the basis of the company's anticipated ability (commensurate with its supply position) to meet the requirements of these organisations. The usual procedure adpoted by the organisations is to obtain supplies on the basis of competitive tenders and the extent to which the company succeeds in competing with the private companie ,it meets the requirements of these organisations.

37. It is further stated that on the Product Exchange transactions, the I.O.C. loses all the profit margin provided in the Damle Committee's Cost 'build up'. Further as the price 'build up' is on the basis of import parity principle, the under recovery of freight which would amount to approximately Rs. 98 lakhs on the production of Nunmati Refinery during the current financial year, is entirely to be born by the Indian Oil Company and Indian Refineries Ltd. as the other oil companies have refused to bear any part of it.

38. It is thus seen that the I.O.C. earns no profit from the sale of products of Nunmati Refinery to other Oil Companies under the Product Exchange Arrangements. On the other hand, it has to share with Indian Refineries Ltd., the expenses on account of under recovery of freight. The I.O.C. is not getting reciprocal facilities to obtain the products from these private sector companies or their refineries. *It is thus seen that the Product Exchange Arrangements is a misnomer. Considering these factors the Committee fail to understand the real commercial advantages accruing to the I.O.C. from these arrangements. They feel that the terms of such arrangements should be drafted in such a way as are capable of being worked to mutual advantage of the parties concerned. They suggest that the existing arrangements should be examined and revised as early as possible.*

(g) *Agency Commission*:

39. The Committee understand that the quantum of agency commission which would be available to the I.O.C. on the product exchange transactions from the Indian Refineries Ltd., is not yet known as the agreement with Indian Refineries Ltd. is still to be finalised. *They are somewhat surprised to find that although the Nunmati Oil Refinery had gone on stream over a year ago, no agreement has been finalised between the I.O.C. and the I.R.L. for the purchase of products from the refinery. They hope that an agreement will be finalised without any further loss of time.*

(h) *Construction of a Wagon Ferry*:

40. The Nunmati Oil Refinery, the first of the two public sector refineries, was expected to go on stream with effect from 1st January, 1962. As the bulk of its products had to be carried out of Assam after crossing Brahmaputra and Brahmaputra Railway bridge was not expected to be ready by that time, the Company made special arrangements with the North-East Frontier Railways to conduct an additional unit of the wagon ferry to carry about 60 tank wagons per day at the cost of the Company. For this purpose, Rs. 12·29 lakhs were deposited with the Railways and an assu-

rance secured from them that this unit would be got ready by the 15th December, 1961 *i.e.*, in good time for the movements of products of the Nunmati Refinery.

41. The Committee are informed that the wagon ferry was constructed and got ready on the 6th February, 1962 at a cost of Rs. 15·55 lakhs. As the bridge has been commissioned on 1st November, 1962, the ferry would be dismantled and the cost of materials received would be credited to the I.O.C. by the Railways. The amount of credit expected from Railways is approximately Rs. 5·34 lakhs, thus resulting in a loss of Rs. 10·21 lakhs. Till the end of October, 1962, the wagon ferry had lifted approximately 84,000 metric tonnes of products or 2,892 tank wagons only.

42. *It would be seen that the wagon ferry had a short operational life of about nine months only and even during that period it was utilised far below its rated capacity. Since the Nunmati Refinery has not reached its rated capacity as yet and in any case could not have been expected to reach it in the initial stages of commissioning, the Committee are doubtful whether the construction of a 60 tank wagon ferry at such a high cost was at all necessary. They cannot help feeling that the decision to construct such a big wagon ferry was unwise and that most of the expenditure on that account was avoidable.*

43. The construction of the wagon ferry which has resulted in a loss of over Rs. 10 lakhs to the Company has been attributed to the delay in the commissioning of the Brahmaputra Railway bridge which originally should have been completed before the Nunmati Refinery was expected to go on stream. *The Committee feel that in such cases where the commissioning of the various projects are interlinked and the failure of one party to keep to schedule dates seriously affects the working of other projects and results in considerable extra expenditure, an endeavour should be made to discuss the matter at the highest level between the various parties with a view to determine the necessity as well as the responsibility for incurring extra expenditure.*

(i) *Pricing Policy*:

44. The I.O.C.'s selling activities till recently have been confined to H.S.D./Superior Kerosene imported from Russia. With a view to enter, what was a new field, the I.O.C. till recently had been maintaining a differential of Rs. 2·20 per kilo litre in its rates compared to those of the other oil companies for H.S.D. In the case of kerosene superior it offered special rates. In addition certain special rebates were given to Cooperatives. There was an overall

price differential of Rs. 15 per kilo litre; this differential was gradually reduced and with effect from 1-8-62, the differential has been Rs. 5 per kilo litre. Following the implementation of the Oil Price Enquiry Committee (Damle Committee) recommendations, the Oil Companies have with effect from 1st June, 1962 dispensed with all allowances other than the prescribed commission to agents and dealers and brought their prices to same level as those of the ceiling selling prices fixed by Government. With effect from 1st September 1962, I.O.C. has also fixed its prices of H.S.D. at the ceilings fixed by Government and has given the same commission to agents and dealers as fixed in the Damle Committee Report. In regard to kerosene also the I.O.C. has increased the rates w.e.f. 1st August, 1962 and intends to raise them further in due course so as to bring them in line with the ceiling selling prices fixed by Government.

45. In this connection it has been stated that as soon as supplies of H.S.D. landed for the first time from Russia on I.O.C.'s account in August, 1961, the foreign oil companies realised that in the absence of retail outlets the I.O.C. could only sell H.S.D. to bulk consumers like D.G.S. & D., State Transport Undertakings etc. In a bid to retain their business they quoted special lower rates to the State Transport Undertakings. To secure business, the I.O.C., in its turn, had to enter into contracts at competitive terms which resulted in the I.O.C.'s securing the business at very uneconomical rates.

Long term contracts at reduced rates.

46. The Committee learn that while the I.O.C. entered into long-term contracts with the various State Undertakings at reduced rates, the agreements of other oil companies were for short periods and that they restored the price cuts after some time. It was explained during the evidence that the IOC had also to enter into contracts with some buyers at competitive terms for the periods upto which the other oil companies had offered to make supplies. As a result the Company had to enter into long-term agreements with some buyers. While no information about the period upto which the other companies had made supplies at reduced prices was furnished to the Committee, they note that the I.O.C. had undertaken to supply H.S.D. at reduced rates for periods extending over one year in many cases.

47. *While the Committee appreciate the circumstances under which I.O.C. had to resort to price cuts, they consider that the long term agreements that the Company en-*

tered into committing itself to lower rates, the non-fixing of the rates of kerosene oil par with those of the ceiling selling prices and the delay of three months in raising the prices of H.S.D. compared to other oil companies, all seems to indicate that the interests of the Company have not been keenly watched and may partly be due to the inexperience of the officers concerned. It is well known that the I.O.C. has to compete with well established competitors which have been in the line for a long time. It is, therefore, of vital importance that utmost care and caution is exercised in such matters.

(j) *Diversion of Tankers*:

48. The Committee note that in 14 out of 29 cases, the tankers were diverted to two ports and that an additional freight of Rs. 2.41 lakhs was paid by the Company on that account upto February, 1962. It was explained that these diversions were necessitated partly due to the inability of the Company to take the entire load from the tankers in one installation, the draught restrictions at various ports, and in some cases to non-adherence to loading dates by the suppliers.* *The Committee consider that with better planning such expenditure can be considerably reduced. They hope that concerted efforts would be made to minimise the expenditure on this account.*

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*"These diversions did not result in extra expenditure to the Company inasmuch as the pricing of products included, ocean freight to each port."

III

FINANCE AND ACCOUNTS

(a) *Capital and Loans*:

49. The authorised capital of the Company is Rs. 12 crores. The total paid up capital upto 31st March, 1962 amounted to Rs. 2,97,25,000. The capital requirements for 1962-63 are placed at Rs. 3.5 crores, out of which Rs. 3 crores are proposed to be met by loan and Rs. 50 lakhs by issue of share capital as the present policy of Government regarding investment of funds in public sector undertakings is to maintain a ratio of 50 : 50 in equity and loan capital.

(b) *Sundry Debtors*:

50. It is seen that Rs. 30.83 lakhs have been shown against 'Sundry Debtors—unsecured but considered good in the Balance Sheet appended to the Second Annual Report of the Company for the year 1960-61. Their details are as follows:—

Unsecured considered good:

	(Rs. in lakhs)
1. *Oil customers* :	
(*a*) M/s. Andhra State Road Transport Corporation	9·33
(*b*) B.E.S.T.	4·36
(*c*) Hindustan Organisers Pvt. Ltd.	5·11
(*d*) Pay and Accounts Officer	6·73
(*e*) Tractor Engineer (Nagpur)	1·00
(*f*) Other Sundry Debtors	2·75
TOTAL	29·28
2. Hindustan Organisers (for customs duty)	1·50
3. Indian Refineries Ltd.	0·01
4. Recoveries from staff	0·04
TOTAL	30·83

51. In the latest report of the Company (1961-62) it is noted that the Sundry Debtors have risen to about Rs.

2.05 crores. It will be seen that in 1960-61 most of the amount *viz.*, Rs. 29.28 lakhs, was due from oil customers. *The Committee feel that such large outstandings adversely affect the economical functioning of the Company. They, therefore, suggest that effective measures should be taken to recover outstanding dues as early as possible.*

(c) *Cost Accounting*:

52. The Committee understand that at present there is no proper cost accounting cell in the Company, but the same is being set up now. The process of costing at different stages has, however, been started in the Company but it is not yet complete. The Committee has all along been recommending the setting up of cost accounting cells in the public undertakings. The Secretary of the Ministry as well as the Managing Director of the Company also agreed that cost accounting should have been introduced in the Company from the very beginning. *The Committee regret to note that although nearly three and a half years have elapsed when the Company was set up, no proper cost accounting was introduced till recently. They recommend that immediate and energetic measures should be taken to make cost accounting a reality so as to enable the management to exercise effective control over opertional expenses.*

(d) *Accounting*:

53. *The Committee regret to note that the Chartered Accountants of the Company, who audited the Balance Sheet and Profit and Loss Accounts of the Company for the year* 1961-62, *have observed as follows*:

> "Records in respect of Sales, Stores and Oil Stocks were not properly kept and as a result we have not been able to satisfy ourselves regarding their adequacy. Proper documents in support of cash payments were not available in many cases."

The Committee hope that immediate remedial measures would be taken by the Company to improve the methods of accounting and to keep them in proper form.

(e) *Operational Costs*:

54. The Committee were informed that the cost of operation of the I.O.C. for the year 1960-61 was Rs. 35.16 per kilo litre. It came down to Rs. 31.68 per kilo litre in the year 1961-62. During 1962-63, the cost of operation which was Rs. 40.56 per kilo litre in April, 1962 is stated to have been brought down progressively to Rs. 25.63 in September, 1962. Against this, the Oil Price Enquiry Com-

mittee (Damle Committee) has estimated the expenses of the oil industry towards installation, administration and distribution in kerosene at Rs. 24.41 per kilo litre.

55. *It is thus seen that the operational expenses of the I.O.C. are higher compared to those of others in the oil industry. The Committee appreciate the downward trend in the operational costs which has been brought about recently. They hope that by utilising modern methods of cost control, the operational expenses will be further reduced.*

(f) *Losses*:

56. The I.O.C. has been incurring losses since its inception. The losses in the three years were as under:

Year	*Loss* (Rs.)
1959-60	28,808
1960-61	2,60,714
1961-62	13,95,528

57. The Committee were informed that if the I.O.C. incurs the same expenses towards administration/distribution as prescribed in the Damle Committee Report and the products are sold at ceiling selling prices fixed by Government, it would earn them a profit element of 56 nP. per kilo litre on H.S.D. and Rs. 17 per kilo litre on kerosene superior. On this basis, the Company should have made a profit of Rs. 29.53 lakhs on its transactions upto 1961-62. *It is rather surprising that instead of making any profit, the Company incurred a loss of about Rs. 17 lakhs during this period.*

58. *The Committee feel that there is no justification whatsoever for a distributing oil company to incur such heavy losses. They recommend that effective measures should be taken by the Company immediately not only to obviate losses but to earn profits.*

IV

ORGANISATIONAL AND PERSONNEL MATTERS

(a) *Headquarters/Branch Offices*:

59. The Headquarters of the Company is at Bombay. It has four Branches at Bombay, Delhi, Calcutta and Madras and each is headed by a Branch Manager. Each Branch Manager has under him installations at main ports and inland points and depots at up-country points. The Branch Manager has also under his control Executive Assistants (Sales Representatives) who are posted at different places for developing sales in their respective areas and an Accounts Officer with a nucleus accounts staff for maintenance of accounts in the Branch and rendering financial advice to the Branch Manager.

(b) *Board of Directors*:

60. The Company is managed by a Board of Directors, all of whom are appointed by the President of the Union. The Board at present consists of ten Directors including a Chairman* and a Managing* Director. The Managing Director is the Chief Executive who implements the plans and policies of the Company as decided by the Board of Directors. Of the ten Directors, three are non-officials and seven officials. The Committee are informed that official Directors are nominees of such Ministries of the Central Government as are concerned with some major aspects of Company's working. The Company is concerned, *inter alia,* with rail movement of its products; port administration, Defence installations and Petrol, Oil and Lubricants requirements and with the policies of the Government in regard to financial matters and petroleum resources and petroleum prices. Therefore, officers from the Ministries of Railways, Transport, Defence, Finance and Mines & Fuel are appointed as Directors. For coordination with the public sector refineries, the Managing Director of Indian Refineries Ltd. is also appointed as a Director.

61. *The Committee note that there were frequent changes in the membership of the Board. It was stated that this was due to the changes in official Directors. The Committee do*

*After the evidence of the Ministry the Managing Director has now been appointed as the Chairman of the Company.

not consider such changes conducive to the efficient working of the Board. Further they feel that the number of officials on the Board is also on the high side. In this connection the Committee would invite a reference to the decisions of the Government on the recommendations contained in Krishna Menon Committee Report wherein Government have decided to generally appoint only one representative each from the administrative and the Finance Ministries on the Board of Public Undertakings. The Committee recommend that the question of reducing the representation given to the various official interests on the Board of the Company may be examined by Government.

62. Regarding non-official Directors, it was stated that persons who had experience of administration of commercial undertakings or other administrative organisations were appointed on the Board. *The Committee note that except one, no other non-official Director has any experience of administration of commercial undertakings. Further none of the Directors (official or non-official) has any experience or special knowledge of oil industry or marketing of oil. The Committee suggest that one of the considerations in making appointments of officials or non-officials to the Board of Public Undertakings should be their aptitudes, special qualifications, and experience in that particular field so that they could be of real use and assistance to the Undertaking.*

(c) *Managing Director*:

63. The criterion adopted by the Government at the time of selecting a person for appointment as Managing Director is that the person to be so appointed should have had wide experience in administering large projects or organisations in a very high capacity and should possess administrative capability of a high order. The Committee were informed that the first Managing Director of the Company was a retired General Manager of Railways. According to the Secretary of the Ministry that was probably the main consideration which weighed with Government in selecting him for that post. He was appointed as the Managing Director on 8th January, 1960 on a three year contract. The Secretary of the Ministry stated that since he did not come upto expectations, he was replaced by the present Managing Director on 2nd June, 1962. The Committee are also surprised to note that the original letter of appointment of the ex-Managing Director did not contain any provision for termination of his services earlier than the contracted period and that such provisions were added only after 1½ years' of his appointment.

64. *Considering the general performance of the Company since its inception, the Committee regret to observe*

that Government took a long time to realise the unsuitability of the ex-Managing Director and took about 2½ years to replace him. In the Committee's view, it is of vital importance to the successful working of public undertakings that the man at the top is held responsible for showing good results and the continuity of his tenure is related to actual performance. They recommend that whenever new undertakings are set up by Government, utmost care should be exercised in making initial appointments to these important posts. It would be very desirable if experienced persons of proved worth from existing public undertakings are appointed to top posts e.g. *Managing Director and Financial Controller, in the new undertakings.*

(d) *Staff*:

65. The total strength of various categories of staff of the Company including Branch Offices and Installations was about 824 on the 31st August, 1962. It was stated that staff requirements were assessed primarily in the light of anticipated trading of the Company in petroleum products, actual sales targets achieved and the extent of engineering and other services required for installing/maintaining storage and other facilities commensurate with the sales effort of the Company. During evidence the Managing Director of the Company stated that no standards had, however, been laid down to determine the strength of the various categories of staff of the Company but it would take another three or four months to fix these standards.

66. *The Committee consider that it should have been possible for the Company by now to lay down standards to determine the strength of the various categories of staff of the Company, particularly when it was set up about three and a half years ago. They recommend that an expeditious action should be taken in the matter.*

(e) *Recruitment of Scheduled Castes/Scheduled Tribes*:

67. The total number of scheduled castes/scheduled tribes staff employed in the Company is 13 out of which two are in Class III and 11 are in Class IV categories, *i.e.* nearly 1.57 per cent. The representatives of the Ministry and the Company informed the Committee that they were unable to recruit persons from scheduled castes/scheduled tribes as suitable candidates with minimum qualifications had not been forthcoming in sufficient number. *The Committee recommend that concerted efforts should be made by the Company for recruitment of more candidates belonging to scheduled castes/scheduled tribes.*

(f) *Sanction of Advance Increments to Staff*:

68. The Committee were informed that in a large number of cases advance increments had been given to the employees of the Company on first recruitment. Out of 87 such cases, 85 persons were given advance increments at the time of their initial appointment. The number of increments given to an individual varied from 1 to 14 at a time. During evidence, the representative of the Company stated that the Managing Director had the power to sanction five increments and if more than five increments were to be given to an employee the sanction of the Board of Directors was necessary. However, it transpired that in certain cases, even the sanction of the Board had not been obtained where the persons had been given more than five increments. The Secretary of the Ministry stated that the matter did not come to the notice of the Ministry as it was not put up before the Board. The Committee were, however, informed that the present Managing Director of the Company had now decided that in future no advance increments would be granted to the persons on their first recruitment unless there was full justification.

69. The Committee feel that there was no justification for giving advance increments on such a large scale especially when there appears to be no paucity of applicants for the posts advertised by the Company. It is observed that recently the Company has received over 27,000 applications for 161 posts. Advance increments were given in the past to practically all categories of staff including drivers and stenographers which practice has been stopped by the present Managing Director. *This would seem to indicate that not much discrimination was exercised in this respect in the past. Such raising of salaries unnecessarily add to the operational cost of the Company. It is all the more regrettable that the ex-Managing Director exceeded his powers in this regard for he did not obtain the approval of the Board even in cases where more than five increments were allowed.*

(g) *Training*:

70. For the overall development and training of the sales staff as a whole, a training scheme has been evolved by the Company recently. A training programme of two weeks duration for the Executive Assistants and Junior Sales Representatives was started on the 17th September, 1962. No coordination has, however, been maintained by the Company with the training schemes of the private companies like Burmah Shell/ESSO/Caltex etc.

71. *The Committee cannot over-emphasise the importance of a well-designed employees training scheme for a*

company whose principal function is marketing. They regret that no efforts were made by the Company to evolve such a scheme for its employees till recently. The Committee suggest that the feasibility of organising a regular training scheme for the employees may be examined expeditiously by the Company.

(h) *Recruitment and Service Rules*:

72. Rules governing conditions of service of the staff of the Company had been framed on certain subjects only *viz.*, Provident Fund, Leave, Leave Travel Concession, Rent Rules and Rules regulating advances for purchase of Motor Vehicles. It was stated that pending finalisation of rules in regard to other subjects, the rules applicable to the Central Government employees were being followed. *The Committee hope that complete Service and Recruitment Rules for employees of the Company would be finalised as early as possible. In this connection they would also invite the attention of the Government to para 12 of their 156th Report (Second Lok Sabha) on the National Mineral Development Corporation Ltd. wherein they have recommended the drawing up of Model Service and Recruitment Rules for all public undertakings by Government.*

(i) *Relationship with Government*:

73. The Committee were informed that a Deputy Secretary in the Ministry was incharge of the affairs of the Company. He was also a Director on the Board of the Company. This arrangement enabled the Government to maintain liaison with the working of the Company.

74. During evidence it transpired that there were no set rules for regulating the relationship of a public undertaking with the Ministry concerned. In 1961 the Ministry had written a number of letters to the Company to make adequate arrangements for lifting the products of Nunmati Refinery, to build storage capacity, to enter into product exchange arrangements with other oil companies, and to establish adequate number of retail outlets. It was stated that the Ministry did not issue a single directive to the I.O.C. under Article 96 of the Articles of Association of the Company even when it became apparent that things were going wrong.

75. *It is thus obvious that the Ministry has not been able to exercise that measure of control which would appear to be desirable particularly in the case of new undertakings. The Committee feel that this was perhaps due to some misconception with regard to the nature of responsibility attaching to Government in relation to the public undertakings and the nature and extent of control that should be exercised*

over them. They, therefore, recommend that it would be desirable to review the whole question comprehensively with a view to determine what exactly should be the relationship that should subsist between the undertaking and the Ministry particularly in the formative stages of the undertaking, and also when and where the Ministry should intervene by way of advice or by issue of a directive.

Conclusion.

76. *The Committee have referred to certain shortcomings in the working of the I.O.C. in the earlier paragraphs. They are, however, not unaware of the difficulties that a new venture like the I.O.C. had to face in the field of oil distribution where competition from well established concerns in keen. Their task was not an easy one particularly when there were no experienced persons either in the Ministry or the Company as stated by the representative of the Ministry. Despite all the handicaps and limitations like absence of any storage capacity, and retail outlets, inexperienced personnel etc., the Company has been able to build a nucleus good enough for further expansion. The Committee hope that the Company will ensure that while there is expansion of its activities, the shortcomings that have been pointed out will be avoided and it will make steady and rapid progress.*

NEW DELHI;
March 20, 1963.
Phalguna 29, 1884 (*Saka*).

H. C. DASAPPA,
Chairman,
Estimates Committee.

APPENDIX I

(*Vide para 14*)

(*Statement showing the revised targets of storage capacity during the two phased Plans of development*)

STORAGE CAPACITY

(Figures in Water Tonnes)

INSTALLATIONS (Main Ports & Inland)	First phase (upto 31-3-62)			Second Phase (up to 31-3-63) (including first phase)			
	Target as originally proposed	Target as amended subsequently	Developed	Target as originally proposed	Target as amended subsequently	Developed up-to-date	Expected to be developed during March, 1963
1	2	3	4	5	6	7	8
Kandla	32,000	32,000	37.900	38,000	38,000	54,700	—
Bombay	23,000	23,000	36,600	50,000	50,000	37,200	1,780
Cochin	25,000	25,000	15,700	40,000	40,000	35,100	3,900
Vizag	35,000	35,000	35,000	35,000	51,600	64.500	—
Calcutta	20,000	20,000	6,400	24,000	24,000	22,000	3,950
Okha	—	—	—	35,000	35,000	23,000	6,500
Madras	—	—	—	22,000	—	—	—
Siliguri	50,000	50,000	—	50,000	50,000	40,300	—
Asansol (Dhanbad)	20,000	—	—	2,000	—	—	—
Kanpur	30,000	—	—	10,000	—	—	—
Shakurbasti	400	400	—	25,000	25,000	23,000	—
Barauni (Garhara)	—	—	—	21,000	2,000	—	—
Hissar	—	—	—	5,000	—	—	—
Intermediate (Ports 7)	—	—	—	35,000	—	—	—
	235,400	185,400	131,600	373,000	315,600	299,800	15,180

APPENDIX II

(Vide para 20)

Rates of imbalances during 1966

(Figures in '000 metric tonnes)

Products	Estimated Production	Estimated Consumption	Surplus (+) Deficit (—)
Light Distillages	2903	1307	(+)1596
Kerosenes	3152	4145	(—)993
Diesels	4401	3837	(+)564
Heavy Ends	4269	4450	(—)181
Bitumens	761	620	(+)141
Lubes	71	500	(—)429
Others	1803	1811	(—)8
	17360	16670	(—)1611 (actual imports)

APPENDIX III

Summary of Conclusions/Recommendations

Serial No	Reference to para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	3-4	The Committee consider the amendments made to Clauses (*d*) and (*e*) of Instrument of Instructions, significant as their implications seem to be far reaching. The matter assumes importance when one has to consider what the future set up of various limbs of the Oil Industry in the public sector is to be. This raises the issue whether there should not be one organisation at the top to coordinate the activities both of production and of distribution units as in the cases of some of the well known concerns in the line like Burmah Shell, E.N.I. of Italy etc.—an arrangement which the Committee favour. This subject has been dealt with in their Report on Indian Refineries Ltd.
2	10	The Committee regret to note that it took the Government a period of nearly a year each to approve the First and Second Phase Plans of development of the company even though the representatives of the administrative and Finance Ministries had earlier approved the plans as directors of the Company. The Committee feel that such a situation in which specific instructions issued by Government, are not observed, is neither conducive to proper direction and control by the Government nor the timely execution of plans by the Company. Where prior sanction of Government is necessary, it should be accorded in time if it is to serve its purpose. The Committee would, therefore, suggest that all such cases of approval of plans by Government should be dealt with expeditiously, if necessary, within a specified outer time limit. Any matter likely to hold up or delay the sanction should normally be clarified by direct discussions with the persons concerned and not through correspondence which normally is a time consuming process.

1	2	3
3	14	Considering that the Company was required (a) to handle the products of the two refineries and (b) to handle 50% of imports of petroleum products, the planning of storage and other facilities by it during the First and Second Phase Plans seemed to be meagre. That even these modest targets were not fulfilled and fell short by about 45 is regrettable. This would seem to indicate that the realisation of targets was not pursued vigorously by the Management at the time.
		The Committee consider that the difficulties about acquisition of land and steel etc. are not uncommon in construction work and should have been foreseen while laying down the targets. Thay feel that with concerted action and efforts, it should have been possible for the Company to achieve the modest targets. The Committee trust that the task of developing adequate storage capacity, which has a very important bearing on the scale of operation of the Company would be given anxious consideration and suitable steps taken for the speedy execution of the programme.
4	17	It is seen that the shortfall in imports during the first half of the period was mainly due to the Company not being prepared to receive them. The Committee are assured that the full quantity of targetted imports would be imported by the end of the fourth year and it is hoped that there will be no difficulty in keeping up to the schedule.
5	19	Judging from the past performance of the Company in the matter of import of petroleum products and the progress made in the development of storage capacity so far, the Committee feel that energetic measures are called for by the Management if it is to import 50% of deficit petroleum products by 1964-65. Detailed plans and programmes have to be made by the Company to achieve this objective.
6	21-22	It will be seen that while there is a serious shortage of kerosene and Diesel Oils necessitating large expenditure of foreign exchange, there is a surplus of motor spirit. It is particularly noteworthy that these imbalances are expected to increase considerably by the end of Third Plan.
		Though this may create a problem for disposal of motor spirit produced in the country as a whole, the Committee are assured that as far as I.O.C. is concerned,

1	2	3
		they will have no surplus of motor spirit on its hands. Nevertheless the question of finding foreign market for the surplus motor spirit such as there may be, has to be faced and it is hoped that every effort would be made by the producers of motor spirit for its disposal as it will bring foreign exchange into the country.
7	24	The Committee are aware of the difficulties that will be encountered in the matter of setting up and working of Cooperatives successfully. This is a new experiment on a national scale which needs to be sympathetically considered and encouraged. The Committee would very much desire the experiment to be a success. They would, therefore, urge that the working of these Cooperatives should be closely watched and where necessary, proper help and guidance provided.
8	28	It would be seen that the information supplied to the Committee is at variance with that in the affidavit sworn before the Court. Even after their being asked to discontinue their negotiations with V/O Sojuznefteexport M/s Hindustan Organisers have gone ahead and entred into an agreement with them in March 1960. It is also not possible to reconcile the fact of M/s Hindustan Organisers approaching I. O. C. towards the end of 1959 for the bulk sale of petroleum products and their concluding an agreement with the Soviet exporters with reference to the same products three months later.
9	30	The reasons advanced by the I.O.C. for entering into an agreement with M/s. Hindustan Organisers are neither clear nor convincing. The Committee find some unusual features in this transaction which demand notice. (*i*) When they held no import licence to import petroleum products there could be no obligation on the part of the I.O.C. to think in terms of compensation to M/s. Hindustan Organisers and to accord to them any preferential treatment from what was followed as a general policy in regard to the pattern of distribution. (*ii*) The terms of the agreement seem to be very much in favour of the M/s. Hindustan Organisers. The price concession given to M/s. Hindustan Organisers which left to I.O.C. only a margin of 3% in the first agreement was unusually high. It is particularly noteworthy that the concession price was exactly what M/s. Hindustan Organisers

1	2	3
		had sought to get from Russia in their agreement of March 1960. That it was so is evident from the fact that in the second agreement the I.O.C. reserved to itself another 3% making a total of 6%. Even with this new agreement the price advantage permitted to M/s. Hindustan Organisers seems to be unusually high. The price of kerosene charged by I.O.C. to M/s. Hindustan Organisers is lower by Rs. 39/- per kilo litre than that charged to private dealers. It was explained that since kerosene was supplied to M/s. Hindustan Organisers direct from the tankers and not from the I.O.C. installations the latter did not incur installation and other administrative charges. But these charges amount to Rs. 15/- per kilo litre and that would still leave a margin of Rs. 24/- per kilo litre to M/s. Hindustan Organisers over other private dealers, which means a net advantage of about Rs. 10 lakhs per year for the whole quantity of 40,000 tonnes of kerosene contracted for. (*iii*) There were other special concessions. One of them was an interest free credit of 135 days allowed to M/s. Hindustan Organisers for payment of kerosene lifted by them—a concession which was not allowed to other dealers—individual or cooperative to whom delivery was against cash payment, M/s. Hindustan Organisers seem to be taking advantage of this concession for in October, 1962 it is seen that a sum of Rs. 7 to 8 lakhs was outstanding against them. It is also seen that there is no provision for taking any security for this interest free credit which is an elementary precaution in such matters. (*iv*) The terms provide for the supply of additional quantities of petroleum products at the option of the buyers, and what is more, at additional price concessions. This clause was considered to be unfair even by the representative of the Ministry.
10	31	**It is also inexplicable why contrary to the mutual consultation and arbitration clause provided in the agreement, the matter was taken to Court and the I.O.C. also became a party to it.**

1	2	3
11	32	All these unusual features suggest that proper care and thought were not exercised in entering into this agreement by the Board of I.O.C. which it may be seen had on it representatives of the administrative Ministry and the Ministry of Finance. There have been some public criticisms of the agreement. The present agreement will run upto December, 1964 and is terminable by either party on a year's notice being given. During evidence the Committee were informed by the Managing Director that he proposed to terminate the agreement after giving due notice.
12	35	The Committee feel that the past performance of the Company in achieving the object of meeting the full requirements of Government organisations has not been quite encouraging. They regret to observe that its future plans in this regard are also vague as neither complete information on the estimated requirements of the petroleum products of all Government organisations has so far been collected and compiled nor any detailed plans and targets formulated to meet them progressively. The Committee urge that action should be taken to compile such data expeditiously and plans made to meet the requirements as early as possible.
13	38	It is seen that the Product Exchange Arrangements is a misnomer. Considering these factors the Committee fail to understand the real commercial advantages accruing to the I.O.C. from these arrangements. They feel that the terms of such arrangements should be drafted in such a way as are capable of being worked to mutual advantage of the parties concerned. They suggest that the existing arrangements should be examined and revised as early as possible.
14	39	The Committee are somewhat surprised to find that although the Nunmati Oil Refinery had gone on stream over a year ago, no agreement has been finalised between the I.O.C. and the I.R.L. for the purchase of products from the refinery. They hope that an agreement will be finalised without any further loss of time.
15	45	It would be seen that the wagon ferry had a short operational life of about nine months only and even during that period it was utilised far below its rated capacity. Since the Nunmati refinery has not reached its rated capacity as yet and in any case could not have been

1	2	3
		expected to reach it in the initial stages of commissioning, the Committee are doubtful whether the construction of a 60 tank wagon ferry at such a high cost was at all necessary. They cannot help feeling that the decision to construct such a big wagon ferry was unwise and that most of the expenditure on that account was avoidable.
16	43	The Committee feel that in such cases where the commissioning of the various projects are inter-linked and the failure of one party to keep to schedule dates seriously affects the working of other projects and results in considerable extra expenditure, an endeavour should be made to discuss the matter at the highest level between the various parties with a view to determine the necessity as well as the responsibility for incurring extra expenditure.
17	47	While the Committee appreciate the circumstances under which the I.O.C. had to resort to price cuts, they consider that the long term agreements that the Company entered into committing itself to lower rates, the non-fixing of the rates of kerosene on par with those of the ceiling selling prices and the delay of three months in raising the prices of H.S.D. compared to other oil companies, all seems to indicate that the interests of the Company have not been keenly watched and may partly be due to the inexperience of the officers concerned. It is well known that the I.O.C. has to compete with well established competitors which have been in the line for a long time. It is, therefore, of vital importance that utmost care and caution is exercised in such matters.
18	48	The Committee note that in 14 out of 29 cases, the tankers were diverted to two ports and that an additional freight of Rs. 2.41 lakhs was paid by the Company on that account upto February, 1962. They consider that with better planning such expenditure can be considerably reduced. They hope that concerted efforts would be made to minimise the expenditure on this account.
19	51	The Committee feel that large outstanding dues adversely affect the economical functioning of the Company. They, therefore, suggest that effective measures should be taken to recover outstanding dues as early as possible.

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20	52	The Committee regret to note that although nearly three and a half years have elapsed when the Company was set up, no proper cost accounting was introduced till recently. They recommend that immediate and energetic measures should be taken to make cost accounting a reality so as to enable the management to exercise effective control over operational expenses.
21	53	The Committee hope that immediate remedial measures would be taken by the Company to improve the methods of accounting and to keep them in proper form.
22	55	It is seen that the operational expenses of the I.O.C. are higher compared to those of others in the oil industry. The Committee appreciate the downward trend in the operational costs which has been brought about recently. They, however, hope that by utilising modern methods of cost control, the operational expenses will be further reduced.
23	58	The Committee feel that there is no justification whatsoever for a distributing oil company to incur such heavy losses. They recommend that effective measures should be taken by the Company immediately not only to obviate losses but to earn profits.
24	61	The Committee note that there were frequent changes in the membership of the Board. The Committee do not consider such changes conducive to the efficient working of the Board. Further they feel that the number of officials on the Board is also on the high side. In this connection the Committee would invite a reference to the decisions of the Government on the recommendations contained in Krishna Menon Committee Report wherein Government have decided to generally appoint only one representative each from the administrative and the Finance Ministries on the Board of Public Undertakings. The Committee recommend that the question of reducing the representation given to the various official interests on the Board of the Company may be examined by Government.
25	62	The Committee suggest that one of the considerations in making appointments of officials or non-officials to the Board of Public Undertakings should be their aptitudes, special qualifications, and experience in that particular field so that they could be of real use and assistance to the undertaking.

1	2	3
26	64	Considering the general performance of the Company since its inception, the Committee regret to observe that Government took a long time to realise the unsuitability of the ex-Managing Director and took about 2½ years to replace him. In the Committee's view, it is of vital importance to the successful working of public undertakings that the man at the top is held responsible for showing good results and the continuity of his tenure is related to actual performance. They recommend that whenever new undertakings are set up by Government, utmost care should be exercised in making initial appointments to these important posts. It would be very desirable if experienced persons of proved worth from existing public undertakings are appointed to top posts *e.g.* Managing Director and Financial Controller, in the new undertakings.
27	66	The Committee consider that it should have been possible for the Company by now to lay down standards to determine the strength of the various categories of staff of the Company, particularly when it was set up about three and a half years ago. They recommended that an expeditious action should be taken in the matter.
28	67	The Committee recommend that concerted efforts should be made by the Company for recruitment of more candidates belonging to scheduled castes/scheduled tribes.
29	69	The Committee feel that there was no justification for giving advance increments on such a large scale especially when there appears to be no paucity of applicants for the posts advertised by the Company. This would seem to indicate that not much discrimination was exercised in this respect in the past. Such raising of salaries unnecessarily add to the operational cost of the Company. It is all the more regrettable tha the ex-Managing Director exceeded his powers in this regard for he did not obtain the approval of the Board even in cases where more than five increments were allowed.
30	71	The Committee cannot over-emphasise the importance of a well-designed employees training scheme for a Company whose principal function is marketing. They regret that no efforts were made by the Company to evolve such a scheme for its employees till recently.

1	2	3
		The Committee suggest that the feasibility of organising a regular training scheme for the employees may be examined expeditiously by the Company.
31	72	The Committee hope that complete Service and Recruitment Rules for employees of the Company would be finalised as early as possible. In this connection they would also invite the attention of the Government to para 12 of their 156th Report (Second Lok Sabha) on the National Mineral Development Corporation Ltd., wherein they have recommended the drawing up of Model Service and Recruitment Rules for all public undertakings by Government.
32	75	It is obvious that the Ministry has not been able to exercise that measure of control which would appear to be desirable particularly in the case of new undertakings. The Committee feel that this was perhaps due to some misconception with regard to the nature of responsibility attaching to Government in relation to the public undergtakings and the nature and extent of control that should be exercised over them. They, therefore, recommend that it would be desirable to review the whole question comprehensively with a view to determine what exactly should be the relationship that should subsist between the undertaking and the Ministry particularly in the formative stages of the undertaking, and also when and where the Ministry should intervene by way of advice or by issue of a directive.
33	76	The Committee have referred to certain shortcomings in the working of the I.O.C. in the earlier paragraphs. They are, however, not unaware of the difficulties that a new venture like the I.O.C. had to face in the field of oil distribution where competition from well established concerns is keen. Their task was not an easy one particularly when there were no experienced persons either in the Ministry or the Company as stated by the representative of the Ministry. Despite all the handicaps and limitations like absence of any storage capacity, and retail outlets, inexperienced personnel etc., the Company has been able to build a nucleus good enough for further expansion. The Committee hope that the Company will ensure that while there is expansion of its activities, the shortcomings that have been pointed out will be avoided and it will make steady and rapid progress.

APPENDIX IV

(*Vide* Introduction)

Analysis of the recommendations contained in the Report

I. Classification of recommendations :—

A. Recommendations for improving the organisation and working:

S. Nos. 1, 2, 3, 4, 23, 24, 25, 26, 27, 28, 29, 30, 31, and 32.

B. Recommendations for effecting economy :

S. Nos. 18 and 22.

C. Miscellaneous:—

S. Nos. 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 19, 21, 22 and 33.

II. Analysis of the Recommendations directed towards economy:

Serial No.	No. as per summary of recommendations	Particulars
1	18	Reduction in additional freight on diversion of tankers to two ports.
2	22	Reduction in operational expenses of the Company.

GMIPND—LS—I—2188 (Ali) LS—26-3-63—1100

DELHI

34. Jain Book Agency, Connaught Place, New Delhi.

35. M/s. Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.

36. Atma Ram & Sons, Kashmere Gate, Delhi-6.

37. J. M. Jaina & Brothers, Mori Gate, Delhi-6.

38. The Central News Agency, 23/90, Connaught Circus, New Delhi.

39. The English Book Shop, 7-L, Connaught Circus, New Delhi

40. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.

41. Lakshmi Book Stores, 42, M.M. Janpath, New Delhi.

42. Kitab Mahal (W.D.) (Private) Ltd. 28, Faiz Bazar, Delhi.

43. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.

44. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.

45. Oxford Book & Stationery Company, Scindia House. Connaught Place. New Delhi-1.

46. People's Publishing House, Rani Jhansi Road, New Delhi-1.

47. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.

48. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.

49. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.

50. Hind Book House, 2 Jan Path, New Delhi.

51. Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.

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52. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.

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53. The Secretary, Establishment Department, The High Commission of India, India House Aldwych, LONDON W.C.-2.

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