

on 22-3-66
by Shri. N. Chandrababu Naidu
Signature

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

FIFTEENTH REPORT

Action taken by Government on the recommendations contained in the Hundred and Twentieth Report of the Estimates Committee (Second Lok Sabha).

SINDRI FERTILIZERS AND CHEMICALS LTD.

[Since merged with the Fertilizer Corporation of India Ltd.]

MINISTRY OF PETROLEUM AND CHEMICALS



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1966
Phalguna, 1887 (Saka)

Price 10.75 Paise

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CORRIGENDA

Fifteenth Report of the Committee on Public Undertakings (Third Lok Sabha)

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COMMITTEE ON PUBLIC UNDERTAKINGS

(Third Lok Sabha)

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Shri H. G. Paranjpe—*Under Secretary.*

-
- * Appointed as Chairman w. e. f. 24-1-1966 vice Shri Panampilli Govinda Menon, ceased to be a member of the Committee on his appointment as Minister.
 - ** Elected w. e. f. 23-2-1966 in the vacancies caused by appointment of Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

INTRODUCTION .

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fifteenth Report on the action taken by Government on the recommendations contained in the Hundred and Twentieth Report of the Estimates Committee (Second Lok Sabha) on Sindri Fertilizers and Chemicals Limited (now part of Fertilizer Corporation of India Limited).

2. The Hundred and Twentieth Report of the Estimates Committee was presented to the Lok Sabha on 1st April, 1961. Government furnished their replies indicating the action taken on the recommendations contained in that Report between 9th June, 1963 and 10th December, 1965. As the Public Undertakings are now to be examined by the Committee on Public Undertakings the replies of Government to the recommendations made by the Estimates Committee in the aforesaid Report have been considered by them. The draft Report was adopted by the Committee on 23rd December, 1965.

3. The Report has been divided into the following four Chapters:—

I. Report.

II. Recommendations that have been accepted by Government.

III. Recommendations which the Committee do not desire to pursue in view of Government's reply.

IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

4. An analysis of the extent of acceptance of the recommendations is given in Appendix IX.

NEW DELHI;
2nd March, 1966
Phalguna 11, 1887 (S)

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

Production

In para 3 of their 120th Report on Sindri Fertilizers and Chemicals Limited, the Estimates Committee (1960-61) pointed out that the production of ammonium sulphate at Sindri had been declining from 1957-58. In 1959-60 the production amounted to 2.85 lakh tons which was only 81.5% of the rated capacity of 3.5 lakh tons of the Plant. The Committee also pointed out in para 19 of that Report that the shortfall in production was the main reason for the low ratio between capital employed and the sales.

2. In their reply Government have stated that with the limitation in regard to the quality of gypsum available from Rajasthan, the maximum production of Ammonium Sulphate that could be expected from the Sindri Plant as designed is about 3,30,000 tonnes per annum.

3. The Committee on Public Undertakings find that the production of Ammonium Sulphate at Sindri since 1959-60 has been lower than even the revised estimated capacity (3,30,000 tonnes) of the Plant as shown below:—

	<i>Tonnes.</i>
1959-60	2,89,826
1960-61	3,05,218
1961-62	2,84,326
1962-63	3,23,523
1963-64	3,07,107

4. The Committee regret to observe that although the production of Ammonium Sulphate at Sindri has been much below the rated capacity all these years, no effective steps have been taken to improve the position. Although certain proposals in this regard have been under consideration for some years (c.f. Government's reply to para 15) firm decision for implementing some of the items of work was taken only recently. It is evident that instead of taking immediate remedial measures, matter has been allowed to drift for years.

5. The Committee would invite attention in this connection to para 73 of their 6th Report (Third Lok Sabha) on Fertilizer Corporation of India Limited presented to Parliament in April, 1965, wherein they

have recommended that Government should set up an Expert Committee to examine the various alternative proposals under their consideration to rehabilitate the Sindri Unit and to evolve a suitable scheme after considering the technical, financial and other aspects. They hope that urgent attention would be paid to this matter now.

Profits

6. In para 20 of their Report, the Estimates Committee pointed out that percentage of net profits to the total capital of the Sindri Unit during 1958-59 was 5.04%. They observed that this was a low rate. In reply, Government have stated that the rate of profitability depended to a large extent on the price secured for the products of the factory. The retention price allowed to the Sindri Factory during the period from 1952-53 to 1958-59 was determined by Government on ad hoc considerations. If the factory had been allowed a retention price equal to the imported price during this period, the additional realisation from sales would have amounted to Rs. 3.90 crores. Spread over a period of seven years (from 1952-53 to 1958-59) this would have meant an increase in the profitability by 3.3% on the Share Capital of Rs. 17 crores.

7. From a statement furnished by the Ministry at the instance of the Committee (Appendix I) it is observed that since 1959-60, the retention price allowed for the product of the Sindri Factory has been higher than that of the imported material. Even then the results of the working of the Sindri Unit have been unsatisfactory and the percentage of net profits (before providing for interest on loan but taking into consideration the additional increase in retention price from 1st April, 1962) to the total capital employed was 1.72, 5.5 and 2.23 only during the years 1961-62, 1962-63 and 1963-64 respectively. It is therefore evident that the reasons for the unsatisfactory position at Sindri could hardly be attributed to the low retention allowed for its products. From the information furnished to the Committee during their examination of Fertilizer Corporation of India they find that there is scope for economy in the operation of the Plant as pointed out in para 277 of the Sixth Report (1964-65). The Committee would therefore reiterate the earlier recommendation of the Estimates Committee and desire that effective steps be taken to improve the working of the Sindri Unit.

Indigenous manufacture of Spares

8. In para 1 of their First Report (Second Lok Sabha), the Estimates Committee, while commenting upon the need to develop indigenous manufacture of spare parts suggested that a list of spares which could be met only by imports should be drawn up by the Sindri Fertilizers and Chemicals Limited and that this list should be periodically

reviewed. They also suggested that the list and necessary information regarding the items therein should be made available to Associations of Manufacturers and Engineering Industries and possibility of utilising spare capacity in Defence Industries should be explored. In para 36 of their 120th Report, the Estimates Committee regretted that inspite of their earlier recommendation nothing had been done in that direction and hoped that Government would take action in the matter. In their reply Government have stated *inter alia* that items of spares which are available in the country are not imported. Most of spares required for equipment are however of a proprietary nature for which manufacturers do not supply fabrication drawings and details. Moreover the number of individual items consumed per year are few and fabricators are, therefore, reluctant to take up their manufacture. There is, therefore, very little scope for getting these spares manufactured in India by the Indian manufacturers. It may however be possible to take up the manufacture of spare parts of proprietary nature as well in cases where the Indian entrepreneurs would have already taken up the production of the main equipment in collaboration with the foreign firms. With the development of industries for the manufacture of main equipment the need for import of spares of proprietary nature also would come down.

9. The Committee are not satisfied with the above explanation. They feel that with the present progress in engineering and steel industries it should be possible to produce almost all the spares required by the fertilizer plants within the country. Further, with the development of fertilizer industry, the requirements of spares have also greatly increased. Therefore, in order to avoid the drain on foreign exchange it is essential that every effort should be made to develop indigenous production of spares. Even in case of spares of proprietary nature, the Committee feel that while entering into agreements with manufacturers for the supply of plant and machinery, it should be possible to provide for procurement of fabrication drawings and details of such spare parts even if it be on payment. The Undertakings will then be in a position to take up the manufacture of these spares either in their own workshops or with the assistance of ancillary industries. The Committee suggest that this should be borne in mind while entering into agreements with the suppliers of plant and machinery and equipment in future. They further suggest that a list of all the spare parts which are imported should be prepared with complete specifications and circulated to all concerned for encouraging indigenous production.

The Committee also desire that the information regarding the quantity and value of annual imports and the spares obtained indigenously should be included in the Annual Reports of all Public Undertakings.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2)

It is difficult to understand why the company kept quite for so long without looking into the condition of the plant and allowed it to deteriorate so markedly. The Committee feel that comprehensive enquiry into the matter should have been made and remedial measures adopted much earlier. They trust that management would now take necessary steps to implement the remedial measures suggested by the Expert Committee without delay (para 8).

REPLY OF THE GOVERNMENT

The main recommendations made by Dr. Husain Zaheer are the following:—

- (1) In order to maintain a high level of production and in order to keep the gas generators in good shape with no clinking troubles, un-interrupted and uniform supplies of different types of coals should be ensured and the coals should be blended in a certain proportion.
- (2) Immediate steps should be taken for complete overhaul of all the eight gas generators and repairs and replacements of worn out parts, including ash removal grates and plates of the jacketed boilers of the generators.
- (3) The coal and coke handling units should be thoroughly re-designed and renovated with the assistance of experts in the line.
- (4) All old stocks of weathered coal should be disposed of immediately.

Arrangements have been made to make available the recommended quantities of the different types of coals for the Sindri coke oven plant. It has not, however, been possible in actual practice to secure un-interrupted supplies of all the required quantities of the different types of coal because of competing demands for the same types of coal for other equally important purposes, e.g. for making steel. The position is, however, very much better than it was in 1950-50.

The ash removal grates have been replaced in all the eight gas generators. As regards plates of the jacketed boilers, on the basis of the recommendations of another Committee of Experts subsequently appointed by the Board of Directors with Dr. Husain Zaheer as Chairman and with Shri H. N. Sethna and a foreign expert (Dr. Hamm) as members, replacement of the boiler jackets is being effected as and when found necessary on periodical inspection of their condition. So far such replacement has been effected in one generator.

The entire material handling arrangements have been redesigned with the assistance of M/s Simon Carves, a reputed firm for material handling lay-outs. The work has been given on contract after inviting tenders from leading firms. The work is in progress. All the old stocks of weathered coal have since been disposed of.

[Ministry of Steel and Heavy Industries (Department of Heavy Industries) D.O. letter No. Ferts. 13(7)/60 dated 9th June, 1963].

Recommendation (Serial No. 7)

The Committee trust that the Company would review the present practice in regard to the provision of depreciation so as to build up adequate reserves for replacement of old plant and machinery when due. (Para 22).

REPLY OF THE GOVERNMENT

The Company is being asked to keep this in view, but implementation would depend upon the retention price paid to the Company by Government.

[Ministry of Steel & Heavy Industries (Deptt. of Heavy Industries) D.O. letter No. Ferts. 13(7)/60, dated the 16th March, 1964].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The policy of Government in regard to the provision of depreciation by public undertakings, including Fertilizer Corporation of India may be stated.

[L.S.S. O.M. No. 16-PU/62, dated the 13th October, 1964]

REPLY OF THE GOVERNMENT

A copy of the Ministry of Finance (Department of Expenditure) O.M. No. F. 3(5)-PC/62, dated 11th April, 1963, indicating the Government's policy to be followed by public undertakings in providing for depreciation is enclosed. Appendix II).

[Ministry of Petroleum & Chemicals O.M. No. (II)-18(7)/60, dated the 4th December, 1964].

Recommendation (Serial No. 10)

It would appear desirable that the term net profits should be used to mean only disposable profits which remain for dividend distribution and for Reserves. The Committee suggest that the matter regarding the computation of net profits by the public undertakings may be examined by Government in consultation with Comptroller and Auditor General with a view to lay down a uniform procedure to be followed in all public undertakings in this regard. (Para 26).

REPLY OF THE GOVERNMENT

The recommendation has been accepted and necessary instructions have been issued in the Ministry of Finance (Department of Expenditure) O.M. No. F. 3(1)-PC/62, dated 3rd August, 1963. (Appendix III).

[Ministry of Steel and Heavy Industries (Deptt. of Heavy Industries) D.O. letter No. Ferts. 13(7)/60, dated 16th March, 1964].

Recommendation (Serial Nos. 11 and 12)

The Committee feel that it should not be difficult to lay down limits of normal shortages for raw material and finished goods of the company when the Company has been in existence for nearly a decade. They recommend that the limits of shortages for various items should be fixed without any further delay. They would also suggest that since the losses on physical verification of stock amounting to Rs. 16 to 17 lakhs in a year are apparently very high, the matter may be thoroughly investigated in order to find out and correct the defects, if any, in the existing procedure for custody and control of stocks. (Para 28).

The Committee suggest that the reasons for the abnormal wastage of gypsum may be investigated. (Para 30).

REPLY OF THE GOVERNMENT

The stocks are physically verified at the close of every financial year by surveying. Differences occur between these physically assessed stocks and the book stocks mainly on account of the following reasons:—

- (i) Physical assessment of stocks of raw materials like gypsum and coal is made by measuring the dimensions of the heaps and working out their volume. As the heaps are not of a regular geometric shape (nor is it possible to

make them) the volume so determined would be subject to large errors. The weight of material in a heap is then determined on the basis of the bulk density. The bulk density naturally varies widely depending upon the size range of the material and the degree of homogeneity existing in the heap. This again introduces a certain percentage of error.

- (ii) There were no weigh-bridges on the wagon tripler line to measure the total quantity of gypsum received in wagons. Again at the Kavas and Uttarlai mines of the factory there is no weigh-bridge for determining the exact quantity of gypsum despatched. The Railways estimate the quantity on the basis of rough volumetric measurements. It is, therefore, not very certain that the quantities given in the Railway Receipts are actually being received at Sindri.
- (iii) The consumption of coal and gypsum in the plant was also not being properly weighed and recorded.

2. The following remedial measures have been taken:—

- (i) A weigh-bridge has been installed (and is functioning from October, 1961) at the Gypsum Tippler line at Sindri and all wagons received are being weighed at the weigh-bridge. Although the question of installing a weigh-bridge at Uttarlai Mines also had been taken up with the Railways and the latter had prepared the necessary designs, it has since been decided not to proceed with the installation as the Uttarlai Mines are nearing exhaustion. However, the inspection at the time of loading has been tightened up and this has resulted in bringing down the shortages between despatches and receipts to less than 1%.
- (ii) A belt weigher has been installed for measuring and recording the exact quantity of gypsum supplied to the Sulphate Plant. This is in operation since May, 1961. A weigher for measuring coal supplied to the Coke Oven Plant has recently been received and action to instal it is in hand.

[Ministry of Steel & Heavy Industries (Deptt. of Heavy Industries)
D.O. letter No. Ferts. 13(7)/60, dated the 9th July, 1963].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The limits of normal shortages for raw material and finished goods, if any, laid down in pursuance of the recommendation may be intimated.

[L.S.S. O.M. No. 16-PU/62, dated 4th October, 1963].

REPLY OF THE GOVERNMENT

It was decided by the Corporation that 4% of the total quantity of gypsum despatched may be taken as normal loss in transit. A Weighbridge for weighment of incoming gypsum has been installed in the Factory, with effect from 13th November, 1961, and since then it has been possible to measure the actual loss in transit. At the moment, it does not exceed 2 to 3% on the average of the quantity despatched. It may further be mentioned that losses are ascertained after a physical verification of the stock at the end of the financial year. This verification is done by surveying and applying a factor for conversion from volumetric to mass measurements. As the heaps are irregular in shape and bulk density of the material varies widely, complete accuracy cannot be ensured.

As regards finished products, 1% dust loss has been prescribed as normal loss of Ammonium Sulphate. But as regards Double Salt and Urea, no such limits have been laid down. Due to unsatisfactory keeping qualities of Double Salt, it cakes up in storage and has to be broken manually before bagging. The other product, Urea, because of its hygroscopic character, absorbs moisture and decomposes gradually into Ammonia and CO². Losses on this account will, therefore, depend on the period of storage.

[Ministry of Petroleum & Chemicals O.M. No. Fertis. 13(7)/60, dated 15th April, 1964].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

It may please be stated whether any limits of shortages have been laid down in respect of double salt and urea after taking into account the factors mentioned in the reply.

[L.S.S. O.M. No. 16-PU/62, dated 13th October, 1963].

REPLY OF THE GOVERNMENT

The limits of shortages in respect of double salt and urea have not yet been fixed. However, shortage/excess, if any, noticed in

physical verification is thoroughly investigated. A copy of the stock verification results for 1963-64 is enclosed. (Appendix IV).

[Ministry of Petroleum & Chemicals O.M. No. Ferts. (II) 13(7)/60, dated 7th April, 1965].

Recommendation (Serial No. 13)

While it may be reasonable to expect the Company to maintain a margin over its immediate requirements to provide for emergencies, it does not appear necessary to hold stocks of stores and spare parts to the extent of nearly three and a half times the value of annual consumption. The Committee trust that the management of the concern would examine the matter to determine the minimum requirements of stores and spare parts with reference to normal annual consumption. (Para 32).

REPLY OF THE GOVERNMENT

The stocks of spare parts have no doubt shown an increasing trend. This is due to the aging of various items of equipments in the factory and increased consumption of spare parts for the proper up-keep of the equipments. One of the main reasons for overstocking of spares is the delay in obtaining quotations and deliveries of stores from abroad, which to a large extent influences various Departmental officers to indent for ample spares to be on the safe side. Steps have been taken to exercise rigid scrutiny of all material indents to ensure that only the minimum quantities are ordered. Unwanted stocks are being offered to other units where they could be used. Others are being sold or auctioned.

[Ministry of Steel & Heavy Industries (Deptt. of Heavy Industries) D.O. letter No. Ferts. 13(7)/60, dated 9th June, 1963].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

It may please be stated whether any maximum and minimum limits of stocks have been fixed, as is normally the case in other industries.

[L.S.S. O.M. No. 16-PU/62, dated 13th October, 1964].

REPLY OF THE GOVERNMENT

The maximum and minimum limits in respect of stores have been fixed in consultation with the technical authorities taking into consideration the availability of stores, rate of consumption etc.

[Ministry of Petroleum & Chemicals O.M. No. Ferts. (II)-13(7)/60, dated 7th April, 1965].

Recommendation (Serial No. 17)

The Committee are surprised that despite their recommendation for introducing a proper cost accounting system 5 years ago the Company has not yet done it. They trust that the Board of Directors would arrange to introduce an effective cost accounting system in the Company before long (*para 38*).

REPLY OF THE GOVERNMENT

There appears to be some misunderstanding in regard to the costing system at Sindri. In fact arrangements for cost accounting have existed ever since the formation of the Company. The Estimates Committee recommended in their First Report, (Second Lok Sabha) 1955-56, that proper cost accounting should be done and the actual cost of production of each bye-product should be worked out. They were informed in the Ministry of Production O.M. No. Fy. 1.13(1)/55 dated the 14th February, 1956 that it was already being done in respect of Ammonium Sulphate and the various intermediate products. In respect of the bye-products of the Coke Oven Plant the procedure followed was explained in the Ministry of Commerce and Industry O.M. No. Ferts. 13(1)/58 dated the 2nd June, 1960. The whole system of cost accounting of coke and bye-products of the Coke Oven Plant of the Sindri was examined by the Chief Cost Accounting Officer in February, 1961. He has made certain suggestions and recommendations for the proper costing of these items. A copy of his report is enclosed (not printed). The recommendations made in the report have been accepted and the management has been asked to follow them.

[Ministry of Steel and Heavy Industries, (Department of Heavy Industries), D.O. letter No. Ferts. 13(7)/60 dated the 9th June 1963].

Recommendation (Serial No. 18)

The Committee trust that vigorous attempts would be made to rationalise staff strength. They feel that the test of efficiency of an Organisation is that it should be able to cope with the increase in production without an equivalent increase in its staff strength (*para 40*).

REPLY OF THE GOVERNMENT

A Technical Manpower Committee was appointed to assess and make recommendations on the correct strength of the personnel in all ranks in Sindri's Technical Departments. This Committee had on it, in addition to the Corporation's senior technicians, two outside

experts—Shri Bhagavat of Tata Chemicals and Shri J. H. Doll who was Sindri's Maintenance Superintendent till some years ago. The Committee has *inter alia* recommended that the strength of staff in the Technical Divisions should not be more than 6,264 against the sanctioned strength of 8,021. The surplus posts are being abolished with the co-operation of the Labour Union and their incumbents are being offered employment in other units of the Corporation.

On the non-technical and administration side a firm of efficiency experts (Messrs Robson Morrow and Company) have been engaged to study work loads in relation to the staff currently employed in about a dozen Departments to start with. Their report is awaited.

[Ministry of Steel and Heavy Industries (Department of Heavy Industries) D.O. letter No. Ferts. 13(7)/60 dated the 9th June, 1963].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLY

Recommendation (Serial No. 1A)

It is a matter of regret that though the committee had fairly detailed discussions with the representatives of the Ministry and the Company on the 9th November, 1960 regarding the reasons for short-fall in production, none of them referred to the appointment of the Expert Committee headed by Dr. Hussain Zaheer to investigate the reasons for set back in production in the Sindri factory (*para 5*).

REPLY OF THE GOVERNMENT

As already explained in the Ministry of Commerce and Industry O.M. No. Ferts. 13(7)/60, dated the 28th March, 1961, there was no deliberate intention to conceal the fact that Dr. Hussain Zaheer had undertaken a detailed investigation into the reasons for the fall in production at Sindri and that he had prepared a report after his investigation.

[*Ministry of Steel and Heavy Industries (Department of Heavy Industries) D.O. No. Ferts. 13(7)/60 dated 9th June, 1963*]

Recommendation (Serial No. 8)

Considering that the Company has been in existence for nearly a decade the Reserves built up by it cannot be considered satisfactory (*para 23*)

REPLY OF THE GOVERNMENT

The amount of Rs. 181.77 lakhs referred to in this paragraph as the balance of reserves and surplus of the Company as at the end of 1958-59 is made up of the balances lying in the capital reserve, general reserve and the undistributed surpluses as per the Appropriation Accounts. In addition to these surpluses, the Company had built up a development rebate reserve, a taxation reserve and reserve for repairs and renewals as under:—

	Rs.
(a) Development Rebate Reserve	37,81,026
(b) Taxation Reserve	1,00,00,000
(c) Reserves for Repairs and Renewals	2,55,84,546
	<hr/>
	3,93,65,572
	<hr/>

The balances in the above reserves are also in the nature of surpluses as no liability existed against them. If these reserves are also taken into account, the total amount of reserves, as on 31st March, 1959, would be Rs. 5.75 crores over a period of seven years. These reserves have been built up after paying a total dividend of Rs. 3.57 crores, during the period 1954-55 to 1958-59. Had the retention prices allowed to the Company been kept at par with the prices of imported fertilizers, it would have been possible to increase the amounts of reserves and surpluses by an additional amount of Rs. 3.90 crores, so that the total amount as on 31-3-1959, would have been Rs. 9.65 crores

[*Ministry of Steel and Heavy Industries (Department of Heavy Industries) D.O. letter No. Ferts. 13(7)/60, dated the 16th March, 1964.*]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The figures of various reserves built by the Company during each of the years subsequent to 1958-59 may be furnished.

[*L.S.S.O.M. No. 16-PU/62, dated 13th October, 1964*]

REPLY OF THE GOVERNMENT

The figures of various reserves of the Corporation built out of the profits of Sindri and Nangal Units during each of the years subsequent to 1958-59 are given (Appendix V). As appropriations to the various reserves, after the formation of the Corporation, have been made out of the combined profits of the two units, it is not possible to bifurcate the reserves in respect of Sindri Unit only.

[*Ministry of Petroleum & Chemicals, O. M. No. Ferts. (ii)-13(7)/60 dated the 7th April, 1965.*]

Recommendation (Serial No. 14)

The Committee are distressed to find that although the Gas Plant was installed in 1954 the management did not lay adequate spare parts for it even though the value of their inventory stocks came to Rs. 337 lakhs (*para 33*).

REPLY OF THE GOVERNMENT

Spare parts required for the repair of the Gas Generators are major ones like Spur ring, Grate Table, etc. These spares are costly items and were not obtained in large numbers earlier because it was not anticipated that they would require replacement after a short period of operation. In fact these parts would not have worn out if the Gas Generators had been supplied with the correct type of coke.

This could not be done due to non-availability of the required quantities of the right types of coal for making coke. There was, therefore, mechanical troubles in the generators and the ash removal grates wore out earlier than expected. When this came to notice the management initiated action to procure the spares.

[Ministry of Steel and Heavy Industries (Department of Heavy Industries D.O. letter No. Ferts. 13(7)/60 dated 9th June, 1963].

Recommendation (Serial No. 16)

The Committee are unable to appreciate why commercial undertakings like the Sindri Fertilizers and Chemicals Ltd. should allow large outstandings of book debts to accumulate especially when the bulk of their products is sold to the State Governments. They consider this unbusinesslike particularly when the undertaking had to borrow Rs. 88 lakhs from the State Bank of India for their working expenses in 1958-59. The Committee recommend that suitable action to bring down the Book debts should be taken by the Concern. (Para 37)

REPLY OF THE GOVERNMENT

Of the amount of Rs. 358 lakhs referred to as "Book Debts" only a sum of about Rs. 236 lakhs actually represents "Book Debts", the balance of Rs. 122 lakhs being 'Advances'. The major items (over Rs. 10 lakhs) included in the Book Debt of Rs. 236 lakhs are the following:—

	Rs. in lakhs
(1) Due from Ministry of Food and Agriculture on account of sale of fertilizer	177
(2) Due from Damodar Valley Corporation for electric power supplied	22
(3) Due from A.C.C. for chalk sludge supplied	14
Total	213

The arrangement with the Ministry of Food and Agriculture is for 90% bills being paid on presentation along with proof of despatch. The 10% bills have to be submitted after obtaining the consignees' receipts or after following the detailed procedure prescribed for payment of 10% claims without consignees' receipt. The normal time lag between the date of despatch of fertilizers and payment of the 90% bills works out in practice to about 30 days. As far as the 10% bills are concerned the average time lag is of the

order 3—6 months. Taking the approximate sales to be of the order of Rs. 10 crores a year, even by a very rough and ready calculation it can be seen that the outstanding as on any one date is likely to be as under:—

	Rs. in crores
90% bills in respect of say 30 days despatches	0.75
10% bills in respect of approximately 4 months despatches	0.33
	<hr/>
Total	1.08
	<hr/>

This alone would account for a normal outstanding of approximately Rs. 1.08 crores under book debts. In the year ended 31-3-1959, however, there was an additional factor that contributed to increase the book debts by Rs. 33 lakhs. Sindri were granted an increase in price at Rs. 10—per ton on despatches of Sulphate of Ammonia during the year ended 31-3-1959. This price increase was actually sanctioned on 3-9-1959. Nevertheless, it had to be adjusted in the accounts for the year ended 31-3-1959 though the relevant bills were raised only at a very later date. In addition to the above there was a case of Sales Tax Reimbursement of Rs. 7 lakhs for which Sindri raised a bill in March 1959, and payment was received in March 1960.

As regards the Damodar Valley Corporation the outstanding of Rs. 22 lakhs mainly consists of amount recoverable from them on account of power supplied to them. There was a dispute between the company and the D.V.C. on the rate at which electricity supplied to them had to be charged and the matter was referred to Arbitration. The outstanding has since been cleared.

As for the Associated Cement Co., the outstanding was mainly on account of:—

	Rs.
Chalk Sludge	8,18,774
Haulage & Taulage Charges	5,28,395]

These are normal trade debts.

*The main items under 'Advances' (items over Rs. 10 lakhs) are the following:—

	Rs.
(i) M/s Babcock and wilcox of India Limited	32,53,951
(ii) M/s Montecatini and Ansaldo	30,58,032
(iii) Pay and Accounts Officer, Works, Housing and Supply	10,56,980
Total	<u>73,68,963</u>

Two orders had been placed on M/s Babcock and Wilcox for supply and erection of a boiler and extension of a boiler house. The terms of payment were that 90% value of the imported materials would be paid against Railway Receipt and the balance was to be paid after completion of erection. The payment made up to 90% against Railway Receipt was treated as an advance, as the erection had to be done by the same supplier. This was subsequently adjusted in 1959-60 account on completion of erection and commissioning of the boiler.

With the approval of the Government of India a sum of Rs. 78 lakhs was advanced as a loan to M/s Montecatini to be adjusted against their contract for the Sindri Expansion Scheme. This was adjusted from time to time against the rupee payment due under the terms of the contract. On 31-3-1959 the advance outstanding on this account against Montecatini was Rs. 30,58,032/- This balance was finally adjusted by January, 1960.

For purchase of stores etc. against orders placed on Director General (Supplies and Disposals), Sindri were required to make advances to the pay and Accounts Officer, Works, Housing and Supply from time to time to be adjusted against future supplies. The outstanding of Rs. 10,56,980/- as on 31-3-1959 stood fully cleared by December, 1959.

In view of the position explained above the Book Debts including Advances as on 31-3-1959 cannot be considered excessive.

[Ministry of Steel and Heavy Industries (Department of Heavy Industries) D.O. letter No. Ferts. 13(7)/60 dated 9th July, 1963].

Recommendation (Serial No. 19)

The Committee feel that the system of *ex-gratia* payments is not desirable and that such payments should be related to the output as far as possible.

They trust that Sindri would be able to introduce before long a scientific system of incentive wages (*paras* 41-42).

REPLY OF THE GOVERNMENT

The question of introducing incentive award schemes related to productivity in all public sector undertakings is being examined by Government. Various Committees and teams of experts have gone into the question and submitted reports. A Bonus Commission has also been set up by Government and its terms of reference include the question of payment of bonus in some of the industries established in the public sector. A decision on the question of introducing an incentive bonus scheme at Sindri will have to await a decision by Government on the general question.

[*Ministry of Steel and Heavy Industries (Department of Heavy Industries) D.O. letter No. Ferts. 13(7)/60 dated 9th June, 1963.*]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The latest position regarding the introduction of incentive schemes in public sector undertakings generally and Sindri in particular may be stated.

(LSS O. M. No. 16-PU/62 dt. 4-10-63)

REPLY OF THE GOVERNMENT

The Bonus Commission has since submitted its Report which is under consideration of Government. This question will be further examined in the light of Government's decision thereon.

[*Min. of Pet. & Chemicals O. M. No. Ferts. 13(7)/60 dt. 15-4-64*]

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The amounts of *ex-gratia* payments if any made by the Corporation during the years subsequent to 1958-59 and the policy of the management in this regard may be stated. It may also be indicated whether the Bonus Commission in their Report has taken such payments into account. The decision, if any, reached regarding the introduction of an incentive bonus scheme as a result of recommendations of the Bonus Commission may also please be intimated.

(L.S.S. O. M. No. 16-PU/62 dated 13th October, 1964)

REPLY OF THE GOVERNMENT

The amounts of *ad hoc ex-gratia* payments made by the Corporation for the year 1958-59 and thereafter are indicated below:—

Rs. in lakhs

Year	Ex-gratia payments made to Sindri Workers
1958-59	15.80
1959-60	11.58
1960-61	Nil
1961-62	Nil
1962-63	11.09

The above *ad hoc* payments, equal to one months' salary were made to workers drawing pay upto Rs. 500/- on the basis of the profits and performance of the Unit. As regards 1963-64, the minimum bonus of 4% of annual wages payable under the Bonus formula has been paid. In addition, *ex-gratia* payment has been made to workers of production Units drawing pay upto Rs. 500/- per month to make up the total disbursement of bonus and *ex-gratia* payment equal to one months' pay, subject to an overall minimum limit of Rs. 110/- and the maximum limit of Rs. 300/-.

[Ministry of Petroleum & Chemical O.M. No. Ferts. (II)-13 (7)/60 dated 7th April, 1965].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The justification for making *ex-gratia* payment to the workers in 1963-64 besides payment of bonus as admissible under the Bonus formula and (ii) the decision taken regarding introduction of incentive award scheme related to productivity instead of making *ex-gratia* payments may be intimated to the Committee.

(L.S.S.O.M. No. 14-PU/64 dt. the 3rd Nov., 1965)

REPLY OF THE GOVERNMENT

(i) The payment of Bonus Ordinance, 1965, does not apply to the year 1963-64 as appears to have been presumed by the Lok Sabha Secretariat. Ordinarily, the Corporation would have disbursed *ex-gratia ad-hoc* payment equal to one month's wages to employees drawing pay upto Rs. 500/- per month. However, payment of the minimum bonus at 4% of annual wages (equivalent to about 14½% days' salary).

recommended by the Bonus Commission was made to the employees of Sindri and Nangal Units drawing pay up to Rs. 1800/- per month on the basis of Government's letter No. G. 16(17)/64 dated 30th November, 1965 (Appendix VI). In para (ii) (b) of this letter FCI was instructed as follows:—

“To those employees who are drawing above Rs. 500 per month and who were excluded from the *ex-gratia* payment last year for that reason, bonus may be paid at the rate admissible under the recommendations of the Bonus Commission.”

As regards employees drawing up to Rs. 500/- per month, the total payment disbursed (whether as part of Bonus Commission's recommendations or not) amounted to a month's wages as in the previous year.

(ii) A production bonus scheme has been worked out for the production units and is coming up for consideration of the Board of Directors of the Corporation.

[Ministry of Petroleum & Chemical O.M. No. Ferts. (II) (13) (7)/60 dated the 10th December, 1965].

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 1)

The production of ammonium sulphate (which is the principal item of production) recorded an increasing trend up to the year 1956-57 but has been declining from 1957-58; in 1959-60 it amounted to only 81 per cent of the rated capacity of the plant. Similarly, the production of Ammonia Gas and Coke also started falling down from 1958-59. In no year has the rated capacity in respect of the main product of the factory *viz.* ammonium sulphate been reached (*para* 3).

REPLY OF THE GOVERNMENT

The Sindri factory was designed for an annual production of 350,000 long tons of ammonium sulphate. This was based on an anticipated ammonia efficiency of 95.4 per cent. The figure of 95.4 per cent for ammonia efficiency was calculated on the assumption that gypsum from Daudkhel-khewra (now in Pakistan) with an average purity of 93 per cent would be processed in the sulphate plant. This meant that 0.27 ton of ammonia would be consumed for the production of one ton of ammonium sulphate.

In actual practice, the factory had to process Rajasthan gypsum of relatively lower purity compared to Daudkhel-khewra gypsum. To start with, Rajasthan gypsum supplies had an average purity of 87 per cent but the standard of purity has gradually deteriorated and is now of the order of 80 to 81 per cent only. With the average purity at 87 per cent, the ammonia efficiency was about 90 per cent; in other words 0.288 ton of ammonia was consumed per ton of ammonium sulphate. At present, with 80 to 81 per cent pure gypsum, ammonia efficiency is never higher than 88 per cent and most of the time it averages 85 per cent. At 88 per cent efficiency ammonia consumption per ton of ammonium sulphate would be 0.292 ton per ton of ammonium sulphate and at 85 per cent efficiency ammonia consumption would be 0.302 ton per ton of sulphate.

The designed capacity of the ammonia plant at Sindri is 94,500 long tons per annum on the basis of an average daily production

of about 270 tons for 350 days in the year. Assuming a theoretical 100 per cent ammonia efficiency, this quantity of ammonia should produce 366,900 long tons of ammonium sulphate, which would mean that 0.2576 ton ammonia will produce one ton of ammonium sulphate. With 95.4 per cent efficiency anticipated by the manufacturers of the plant on the basis of Daudkhel-khewra gypsum of average 93 per cent purity the same quantity of ammonia would produce 350,000 long tons per year, the consumption of ammonia being 0.27 ton per ton of ammonium sulphate. With 90 per cent ammonia efficiency (gypsum of 87 per cent purity), the production of ammonium sulphate from 94,500 long tons of ammonia would be 330,210 long tons. Assuming the availability of the same quantity of ammonia, the production of ammonium sulphate would come down to 322,850 long tons with 88 per cent ammonia efficiency and to 311,830 tons with 85 per cent ammonia efficiency. It will, therefore, be clear that with the Rajasthan gypsum of not more than 87 per cent average purity, the maximum production of ammonium sulphate that can be expected from the plant as designed is about 330,000 tons per annum. This production was achieved during the years 1956-57, 1957-58 and 1958-59. It will not, therefore, be strictly correct to say that the plant has never achieved the rated capacity.

[*Ministry of Steel & Heavy Industries (Department of Heavy Industries) D.O. No. Ferts. 13(7)/60 dated 9th June, 1963*].

COMMENTS OF THE COMMITTEE

Please see paras 1—5 of Chapter I.

Recommendation (Serial No. 3)

If the findings of the Expert Committee are correct, it would seem that the generators were worked beyond the normally permissible limits to keep up flagging production. This was obviously neither correct nor prudent. It has been somewhat of a costly mistake contributing to the loss in production and earnings on the one hand and avoidable damage to the plant on the other. The Committee trust that Government would investigate these aspects without delay not only with a view to fix responsibility but also to learn the necessary lessons and to guard against such lapses in this and other undertakings in future (*para 12*).

REPLY OF THE GOVERNMENT

All the aspects relating to the fall in production at Sindri factory in 1959-60 have been thoroughly investigated by the Experts Committee headed by Dr. Husain Zaheer referred to in reply

to para 8 above. The Committee has made certain recommendations relating to the proper maintenance and operation of the plant. These recommendations are being implemented by the management.

It is hardly possible to fix responsibility for the lapses in the past. This has to be attributed to the lack of experience of Indian personnel in operating major chemical plants.

[*Ministry of Steel & Heavy Industries (Deptt. of Heavy Industries)*,
D.O. No. Ferts. 13(7)/60 dated 9th June, 1963].

COMMENTS OF THE COMMITTEE

The Committee are not convinced with the above explanation for not fixing responsibility for the lapses in the past. Inexperience of Indian personnel in operating major chemical plants cannot be an acceptable explanation for such major lapses. They feel that responsibility should have been fixed after a thorough enquiry into the matter.

Recommendation (Serial No. 4)

It would appear that the Expansion Scheme has been encountering heavy weather from the very beginning. The Committee trust that the defects in the Expansion Plant would be got rectified by M/s Montecatini before long and the plants run at their rated capacity (*para 15*).

REPLY OF THE GOVERNMENT

There was a standing offer from Messrs. Montecatini to set right the defects in the Expansion Plants. This offer was on the understanding that, if they were to succeed, the penalty recovered for short production in the plant should be re-imbursed to them. After considering the pros and cons of the proposal the Board of Directors of the Fertilizer Corporation have finally decided that no further consideration should be given to this offer. Instead, they have suggested the formulation of proposals for changing over from the Gypsum process to direct acid neutralisation process for the manufacture of Ammonium Sulphate required for double salt production. The Management is examining the economics of such a proposal.

The penalty of Rs. 19.50 lakhs recovered from Messrs. Montecatini for delay in commissioning the Expansion Plants was arrived at after protracted discussion with the Contractors and after allowing for delay in shipments due to the Suez crisis. This figure has

been accepted by the Board of Directors and by the Government in full and final settlement of the penalty due to delay. There is, therefore, nothing more to be recovered from the contractors.

[Ministry of Steel & Heavy Industries (Deptt. of Heavy Industries)
D.O. letter No. Ferts. 13(7)/60 daed 9th June, 1963].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The decision reached in regard to changing over from gypsum process to direct acid neutralisation process, together with the cost involved may be intimated. (LSS O.M. No. 16-PU/62 dt. 4-10-63).

REPLY OF THE GOVERNMENT

A decision has been taken to change-over a part of the ammonium sulphate production in Sindri from gypsum process to direct acid-neutralisation process and for this purpose, the Corporation has entered into a firm commitment for an off-take of 200 tons of sulphuric acid per day, from Messrs. Pyrites and Chemicals Development Company Ltd., who are installing a 400 ton sulphuric acid plant at Sindri, based on Amjore Pyrites. The cost in the change-over has been estimated by the Corporation at Rs. 5.58 lakhs, including cost of equipment and working capital. This is exclusive of the depreciated value of equipment that would be rendered surplus as a result of the change-over to direct neutralisation process.

[Ministry of Petroleum & Chemicals O.M. No. Ferts. 13(7)/60 dated 15th April, 1964].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

It has been stated that a decision has been taken to change over a part of the ammonium sulphate production in Sindri from gypsum process to direct acid neutralisation process. However, during the discussion which the Committee on Public Undertakings had with the officers of Sindri Factory at Durgapur on 31st July and 1st August, 1964, it was stated that the question of change-over to direct acid neutralisation process was still under consideration. The exact position in the matter may please be intimated. (LSS O.M. No. 16-PU dt. 17-8-64).

REPLY OF THE GOVERNMENT

Letter No. Secy/HQ/1(7)B/64/3531 dated 23rd September, 1964 from the Fertilizer Corporation of India Ltd, as reproduced below

explains the latest position in respect of the change-over to sulphuric acid process from gypsum process.

[Ministry of Petroleum & Chemicals O.M. No. Fert. II-13(7)/60 dated the 24th September, 1964].

"The position regarding the change-over to direct neutralisation process is given below:—

1. As a first step it was decided that ammonium sulphate required for Double Salt manufacture, will be made by direct neutralisation with sulphuric acid. For the purpose a firm commitment had been made on M/s. P.C.D.C. for purchase of 200 tonnes of sulphuric acid from their 400 tonne/day plant that M/s. P.C.D.C. are going to instal at Sindri.
2. As a second step a complete change-over to sulphuric acid method has been decided upon. M/s. P.C.D.C. have been advised that we are agreeable for an off-take of another 700 tonnes of sulphuric acid per day plus or minus 10 per cent.
3. The complete change-over to sulphuric acid process offers the following possibilities:—

Either,

Direct neutralisation as such of all ammonia required for ammonium sulphate manufacture,

or

manufacture of phosphatic fertilizers with rock phosphate and sulphuric acid and manufacture of ammonium sulphate again with by-product gypsum that will be available from the manufacture of phosphatics.

These are under consideration and a final decision is awaited.

4. In the meantime M/s. P.C.D.C. have written to us [Ref. D.O. No. PV/WM/SA (Genl) 63 dated the 7/9th July, 1964]

"The proposed 400 tonne per day plant at Sindri, for which global tenders had been called and a decision is likely to be finalised very soon, is likely to go into production by the middle of 1966. The balance of your requirements of 700 tonne per day may be met by sulphuric acid produced from imported elemental sul-

phur in the first instance and this plant may be put into production by the end of 1966 subject to the approval of the Government. At a later date, the sulphur based plant may be changed into a plant based on Pyrites ore or pyrrhotite depending on the development of our other projects'.

5. Our Board of Directors desired, at its meeting held on 17th of August, that categorical confirmation should be obtained of the above programme of M/s. P.C.D.C. within a month. The Board's feeling was that if M/s P.C.D.C. have any difficulties at all about arranging for the extra production of 700 tonnes of sulphuric acid per day, it would be best if they were to go ahead with the installation of only a 400 tonne/day plant as planned at present and leave it to the Fertilizer Corporation to arrange for the installation of a further production capacity of 700 tonnes of sulphuric acid per day as early as possible, the plant being so designed as to be able to process elemental sulphur to start with and change-over later to pyrites.
6. Accordingly confirmation from M/s. P.C.D.C. has been sought for and their reply is awaited."

COMMENTS OF THE COMMITTEE

Please see paras 1—5 of Chapter I.

while

Recommendation (Serial No. 5)

While the Committee appreciate the reasons advanced for the low turnover on the capital employed, they feel that this is mainly due to the production having not reached the required level. (para 19).

REPLY OF THE GOVERNMENT

As already explained in reply to para 3 of the Report, with the limitations in regard to the quality of gypsum available from Rajasthan, the maximum production of Ammonium Sulphate that could be expected from the Sindri Plant as designed is about 330,000 tons, per annum. This production was achieved during the years 1956-57, 1957-58 and 1958-59; and it has to be noted that it is not possible to improve substantially on this production.

[Ministry of Steel & Heavy Industries (Department of Heavy Industries) D.O. No. Ferts. 13 (7)/60 dated 16th March, 1964].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The figures as well as the ratio of total capital net worth and net working capital to sales during each of the years subsequent to 1958-59 may be furnished.

[L.S.S. O.M. No. 16-PU/62, dated the 13th October, 1964].

REPLY OF THE GOVERNMENT

A statement showing the total share capital net worth, net working capital and their ratio to sales, during each of the years 1959-60 to 1963-64 is enclosed. (Appendix VII).

[Ministry of Petroleum & Chemicals O.M. No. Ferts. (ii) 13(7)/60 dated the 7th April, 1965].

COMMENTS OF THE COMMITTEE

Please see paras 1—5 of Chapter I.

Recommendation (Serial No. 6)

The percentage of net profits (before tax and interest) to the total capital and of net profits (after tax and interest) to the net worth indicates that the rate of profitability of the Company is low. (para 20).

REPLY OF THE GOVERNMENT

The rate of profitability depends to a large extent on the price secured for the products of the factory. The retention price allowed to the Sindri factory during the period from 1952-53 to 1958-59 was determined by Government on *ad hoc* considerations. The prices determined from time to time had no direct relation either to market conditions or to the imported price of fertilizers. If the factory had been allowed a retention price equal to the imported price during this period, the additional realisation from sales would have amounted to Rs. 3.90 crores, as detailed below:— *import*

Rs. in crores

Year	Total Sales (Tons)	Value realised at retention Price	Value at imported Price	Additional realisation
1	2	3	4	5
1952-53	1,78,857	5.92	6.56	0.64
1953-54	2,70,266	7.74	7.97	0.23
1954-55	3,39,686	9.29	10.19	0.90
1955-56	3,17,093	8.56	9.67	1.11

1	2	3	4	5
1956-57	3,61,082	9.82	11.55	1.73
1957-58	3,29,829	9.23	10.55	1.32
1958-59	3,32,503	9.64	7.61	2.03
	21,29,316	60.20	64.10	3.90

This additional realisation spread over a period of seven years would have meant an increase in the profitability by 3.3 per cent on the share capital of Rs. 17 crores.

[Ministry of Steel & Heavy Industries, (Deptt. of Heavy Industries), D.O. letter No. Ferts. 13(7)/60, dt. 16-3-64].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The figures of total sales, value realised at retention price, value at imported price and additional realisation in respect of each year subsequent to 1958-59 may be furnished.

[L.S.S. O.M. No. 16-PU/62, dated the 13th October, 1964].

REPLY OF THE GOVERNMENT

A statement indicating the sale value realised at retention prices, the value of imported prices and the difference for the years 1969-60 to 1963-64 is enclosed (Appendix I).

[Ministry of Petroleum & Chemicals, O.M. No. Ferts. (ii)-13(7)/60, dated the 7th April, 1965].

COMMENTS OF THE COMMITTEE

Please see paras 6-7 of Chapter I.

Recommendation (Serial No. 9)

In the Committee's opinion, a public undertaking should not only give a reasonable return on the capital after providing for depreciation and reserves, but also provide funds for expansion. Alternatively, the undertaking should be in position, after a specified period, to redeem from its accumulated funds its capital which

can be utilised by Government for other purposes. The Sindri Fertilizers and Chemicals Ltd., has not so far been able to meet these requirements. The Committee hope that the future working of the undertaking would satisfy these requirements (para 24).

REPLY OF THE GOVERNMENT

The Committee's observation is being brought to the notice of the Company. It may, however, be mentioned that results would depend upon how the retention price is fixed.

[Ministry of Steel & Heavy Industries (Department of Heavy Industries, D.O. letter No. Ferts. 13 (7) /60. dt. 16-3-64].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

The policy of the Government in regard to the opinion expressed by the Committee in this paragraph i.e. "a public undertaking should not only give a reasonable return on the capital after providing for depreciation and reserves, but also provide funds for expansion; alternatively the undertaking should be in a position, after a specified period, to redeem from its accumulated funds, its capital which can be utilised by Government for other purposes, may be stated."

[L.S.S. O.M. No. 16-PU/62, dt. 13-10-1964].

REPLY OF THE GOVERNMENT

A reference is invited to paras 18 & 59 of Chapter VI of the Third Five Year Plan and para 86 of the Annual Report on the working of Industrial and Commercial undertakings for 1962-63, which lay emphasis on the surpluses of public undertakings. Internal resources generated by public undertakings are also taken into account while determining the capital funds to be provided for each project from the Central Government budget.

[Ministry of Petroleum & Chemicals, O.M. No. Ferts. (II)-13 (7) /60, dated 4-12-1964].

COMMENTS OF THE COMMITTEE

The Committee have dealt with the question of contribution of Fertilizer Corporation of India in paras 292-295 of their Sixth Report (1964-65). They would pursue this matter in their 'Action Taken' Report on the Sixth Report.

Recommendation (Serial No. 15)

The Committee regret that in spite of the recommendation 8 years ago for the compilation of a list of spares imported by the company and its circulation to the Indian Manufacturers nothing has been done in this direction and it is proposed to take up the matter only now. They trust that Government will take action in the matter at least now. (para 36).

REPLY OF THE GOVERNMENT

The suggestions made by the Committee in regard to indigenous manufacture of spares have been gone into by the Sindri Management. They have drawn attention to the fact that normally it is not the practice in any chemical factory to take up the manufacture of machinery spare parts. The reasons are the following:—

- (i) The material of construction of the spare part is not usually known. Special grades of steel and alloy are used in the manufacture of the spare parts. Such steels and alloys are not readily available in the market.
- (ii) The manufacturers never supply complete drawings of the spare parts. They do not also give detailed specifications in matters such as tolerances, heat treatment, etc.
- (iii) It is not economical to manufacture spare parts as the replacements are not sufficiently large. Indigenous manufacturers are usually reluctant to take up the manufacture of single items.

A distinction must be made between machinery spare parts for a chemical plant and components of a machine which is being produced for sale. A good example of the latter would be the Lathes produced at HMT, Bangalore. It is good to encourage the manufacture of components as it is usually uneconomical to manufacture small items in a large plant. The usual practice is to sub-contract the manufacture of components to small manufacturers. It would not be correct to extend the same principle to spares of a chemical plant, as the effort required to be made and the cost involved are prohibitive. The normal practice is to go back to the original manufacturers for buying spare parts required as replacements.

Nevertheless, Sindri has been arranging for the manufacture of a number of items where the materials of construction are known, the drawings can easily be prepared and fabrication undertaken. Some of these items are made in Sindri's own workshop while others are

ordered on outside suppliers. A list of a few important items is enclosed (*Appendix VIII*).

[*Ministry of Steel & Heavy Industries (Department of Heavy Industries) D.O. Letter No. Ferts. 13(7)/60 dated the 9th July 1963*].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

Please state whether a list of spare parts imported by the Company had been compiled and circulated to the Indian manufacturers.

[*L.S.S. O.M. No. 16-PU/62 dated 4th October 1963*].

REPLY OF THE GOVERNMENT

Items of spares which are available in the country are not imported. Most of the spares required for equipment, are however, of a proprietary nature for which manufacturers do not supply fabrication drawings and details. There is, therefore, very little scope for getting these spares manufactured in India by the Indian manufacturers. Moreover, the number of individual items consumed, per year, are few and fabricators are, therefore, reluctant to take up their manufacture.

[*Min. of Pet. & Chemicals O.M. No. Ferts. 13(7)/60 dt. 15-4-1964*].

FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

From the further information furnished under the Ministry's O.M. No. Ferts. 13(7)/60 dated 15th April, 1964, it is noted that most of the spares required for equipment are of a proprietary nature for which manufacturers do not supply fabrication drawings and details. Government policy in this regard may be stated.

[*L.S.S. O.M. No. 16-PU/62 dated 13th October, 1964*]

REPLY OF THE GOVERNMENT

It is difficult to get fabrication drawings and details of items of proprietary nature if these are to be produced only as replacement spares, the requirements of which are varied and limited. It may, however, be possible for the Indian entrepreneurs to take up the manufacture of spare parts of proprietary nature as well, in cases where they would have already taken up the production of the main equipment in collaboration with the foreign firms. It is hoped that with the development of industries for the manufacture of main

equipment, the need for import of spares of proprietary nature also would come down.

[Ministry of Petroleum & Chemicals O.M. No. Ferts. 13(7)/60 (II) dated 15th September, 1965].

COMMENTS OF THE COMMITTEE

Please see paras 8-9 of Chapter I.

NEW DELHI;

2nd March, 1966

Phalgun 11, 1887(S) .

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Vide Chapter I, para 7)

THE FERTILIZER CORPORATION OF INDIA LIMITED—SINDRI UNIT

Statement showing total sales (Tonnes) value realised at retention price and at imported price

Years	Ammonium Sulphate			Double Salt			
	Quantity sold	Value at Retention price	Value at Imported price	Quantity sold	Retention Price	Value at Imported price	Difference
1959-60	2,74,725	8,24,17,618	6,32,69,167	5,749	22,99,517	15,57,979	7,41,538
1960-61	2,77,952	8,20,51,319	5,61,46,304	44,537	1,75,47,518	1,16,24,157	59,23,361
1961-62	3,13,766	9,25,23,753	6,43,22,030	63,865	2,51,62,811	1,69,53,603	82,09,208
1962-63	3,05,654	10,05,60,133	6,42,78,475	54,366	2,40,84,182	1,44,31,998	96,52,184
1963-64	3,52,515	11,63,30,181	7,08,73,342	51,425	2,26,27,220	1,36,50,280	89,76,940

Contd. on page 43

APPENDIX II

(Vide Chapter II, S. No. 7)

No. F. 3(5)-PC/62

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Expenditure)

New Delhi-2, the 11th April, 1963

OFFICE MEMORANDUM

SUBJECT.—*Policy to be followed by the Public Undertakings in providing for depreciation.*

The undersigned is directed to enclose a copy of the reply given to paragraph 47 of the 125th Report of the Estimates Committee (Second Lok Sabha) on the Neyveli Lignite Corporation on the subject mentioned above. It is requested that public undertakings may please be instructed to take necessary action on the lines indicated in the reply. The action taken may please be intimated to the Ministry in due course.

Sd/- E. R. K. MENON.

Under Secretary to the Government of India.

To

All Ministries of the Government of India

No. F. 3(5)-PC/62

Copy forwarded to:—

- (1) The Departments of Economic Affairs and Revenue;
- (2) The heads of Divisions in the Department of Expenditure and Finance Representatives on Public Undertakings.

Sd/- E. R. K. MENON,

Under Secy. to the Govt. of India.

125th Report of the Estimates Committee on the Neyveli Lignite Corporation Limited

Sl. No. Para No. Summary of Recommendation Reply of Government

19 47 The Committee trust that Government will examine the question of policy to be followed by the Public Undertakings in providing for depreciation bearing the suggestion made in this para in mind and issue clear instructions to be followed by all Public Undertakings.

Necessary instructions are being issued by the Ministry of Finance to all undertakings which are following 'diminishing balance' method to switch over to the 'straight-line method' as soon as may be convenient. For this purpose the overall percentage of annual depreciation may be worked out on the basis of composition of different classes of assets and their useful lives as suggested by their Technical Consultants or as may be dictated by their own or other experience.

APPENDIX III

(Vide Chapter II, S. No. 10)

No. F. 3 (1)/PC/62

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(Department of Expenditure)

New Delhi-2, the 3rd August, 1963

OFFICE MEMORANDUM

SUBJECT.—*Uniformity in the exhibition of tax provisions etc. in the Profit & Loss Account of Public undertakings—120th Report of the Estimates Committee 1960-61 (Second Lok Sabha) on the Sindri Fertilizers and Chemicals Ltd.*

The undersigned is directed to refer to paras 25 and 26 of the 120th Report of the Estimates Committee 1960-61 (Second Lok Sabha) on the Sindri Fertilizers & Chemicals Ltd. (copy enclosed) wherein they have pointed out that there is no uniformity as regards the exhibition of tax provisions, etc. in the annual accounts of Public Undertakings. The Estimates Committee had stated that the net profits should mean only disposable profits which remain for dividend distribution and for reserves. Accordingly, provision for obligatory taxes and charges like income-tax provision for doubtful debts etc. should rightly be a charge on profits, these items being shown as the last item in the Profit and Loss Account to facilitate checking of the net profit before taxation. On the other hand, all appropriations of profits e.g. transfer to Development Rebate Reserve, general or any other reserves and proposed dividends etc. should find a place in the Profit and Loss Appropriation Accounts. After consultation with the Comptroller and Auditor General and Department of Company Law Administration, it has been decided that a uniform procedure as recommended by the Estimates Committee should be followed by all Public Undertakings.

2. It is requested that the Ministry of Commerce and Industry etc. may kindly issue necessary instructions to the public undertakings under their administrative control to implement this decision.

Sd/- E. R. K. MENON.

Under Secy. to the Govt. of India.

To

All Ministries/Departments of the Govt. of India.

APPENDIX IV

(Vide Chapter II, S. No. 11)

THE FERTILIZER CORPORATION OF INDIA LIMITED—SINDRI UNIT

(Figures in tonnes)

Sl. No.	Item	As on 31st March 1964		Discrepancy		Turn over in 1963-64	Discrepancy as % of Turn Over	Reasons for the Discrepancy
		Book Stock	Physical Stock	Excess	Shortage			
8.	Double Salt	3,168.976	3,769.786	600.810	..	47,211.000	(+) 1.273	(a) The test run of FT-9 Belt weigher conducted in 63-64 revealed that the weigher recorded less than the actual material passed on the belt. The difference shown in stock verification results, therefore, may be attributed to the errors in the weigher.
9.	Urea	3,935.940	3,572.842	..	363.098	18,114.520	(-) 2.004	(a) Several factors affect the accuracy of the "Tipping

"Type" of product
weigher installed for
weighment of Urea.

(b) Urea being of
very hygroscopic na-
ture absorbs mois-
ture and decom-
poses into Ammonia
and CO₂ in storage
a small amount of
loss will be on this
account.

(c) Spillage of Urea
from Belt conveyors
Elevators and trans-
fer points are not
reclaimable due to
its hygroscopic na-
ture and no al-
lowance has been
made for this loss.

APPENDIX V

(Vide Chapter III, S. No. 8)

THE FERTILIZER CORPORATION OF INDIA LIMITED

Statement showing the position of various Reserves built by the Corporation at the end of each year subsequent to 1958-59

Sl. No.	Particulars	1959-60	1960-61	1961-62	1962-63	1963-64
1	Capital Reserve	11.39	11.39	16.43	8.49	8.54
2.	General Reserve	17.00	23.62	28.56	28.56	28.56
3.	Development Rebate Reserve	129.81	129.81	141.81	264.81	584.81
4.	Taxation Reserve	100.00	100.00	100.00	100.00	100.00
5.	Reserve for Repairs and Renewals	242.23	230.21	217.89	194.43	221.52
6.	Reserve for Doubtful Debits	2.97	3.10	2.74	2.14	3.29
7.	Subsidy on Industrial Housing	6.43
8.	Residual balance in the Profit and Loss Account	2.40	44.21	1.90	15.31	15.76
		505.80	542.34	509.33	616.24	968.91

APPENDIX VI

(Vide Chapter III, Serial No. 19)

Secretary,

Government of India

Ministry of Petroleum & Chemicals, New Delhi.

No. G. 16(17)/64.

November 30, 1964.

My dear Mukharji,

Please refer to your D.O. letter No. A/HO/P/74(II) dated 20th November, 1964 about payment of bonus to employees of Fertilizer Corporation of India Limited. Shri P. M. Menon, Secretary, Ministry of Labour & Employment, has since clarified the position in regard to the points raised by you as follows:—

- (i) The recommendations of the Bonus Commission are applicable to the Fertilizer Corporation of India Limited.
- (ii) It is being considered, in consultation with the Law Ministry, whether a suitable provision can be made in the legislation relating to bonus, for computation and payment of bonus on a 'unit-wise' basis as against 'company-wise' basis. On the assumption that there will be no difficulty in making the afore-said provision, action can be taken on the following lines:—
 - (a) Calculation may be made separately for each unit, on the basis of the recommendations of the Bonus Commission, as accepted by Government in regard to the amount payable to employees drawing upto Rs. 500 per month. But if this amount happens to be less than that paid last year by way of *ex-gratia* payment, and if the profits and performance are not less than last year, the higher amount may be paid on an *ex-gratia* basis.
 - (b) To those employees who are drawing above Rs. 500 per month and who were excluded from the *ex-gratia* payment last year for that reason, bonus may be paid at the rate admissible under the recommendations of the Bonus Commission.

(iii) The question whether a scheme of production bonus shall be introduced *in addition to the Bonus Commission's formula* being of general application to all Public Sector Undertakings, is still under consideration of the Department of Industry. You will hear from us in this regard as soon as a general decision has been taken.

2. I may add here that in the Private Sector in some industries, Employers and Workers Organisations have recently entered into voluntary interim Bonus settlements on the understanding that it will be subject to such further adjustments as may be found necessary in the light of the proposed Bonus legislation. You may explore the possibility of some such interim Bonus settlements with the works organisations of your company.

Shri B. C. Mukharji,
Chairman, Fertilizer Corporation of India Ltd.,
New Delhi.

Yours Sincerely,
Sd/- NAKUL SEN.

APPENDIX VII

(Vide Chapter IV, S. No. 5)

THE FERTILIZER CORPORATION OF INDIA LIMITED—SINDRI UNIT

(Figures in lakhs)

Particulars	1959-60	1960-61	1961-62	1962-63	1963-64	Remarks
I. Serial No. 5 (Para No. 19).						
(a) Total Share Capital	1700.00	1700.00	1700.00	1700.00	1700.00	
(b) Net Worth	2205.80	2242.34	2221.94	2239.45	2409.93	
(c) Net Working Capital	560.29	768.78	827.38	1033.95	1102.04	
(d) Sales	951.93	1152.63	1392.78	1483.59	1604.37	
(i) Ratio of Sales to Capital	100: 56	100: 68	100: 82	100: 87	100: 94	
(ii) Ratio of Sales to Net Worth	100: 43	100: 51	100: 63	100: 66	100: 67	
(iii) Ratio of Sales to Working Capital	100: 177	100: 150	100: 168	100: 143	100: 140	

NOTE: With effect from 1-1-1961, the share capital of Sindri Unit was merged with the Share Capital of the Corporation.

Urea

Years	Quantity sold	Value at		Difference
		Retention price	Imported price	
1959-60	3,206	20,83,752	15,10,250	5,73,502
1960-61	10,210	65,95,864	42,47,360	23,48,504
1961-62	13,787	89,06,567	64,85,405	24,21,162
1962-63	18,426	1,15,71,748	80,78,880	34,92,868
1963-64	16,618	1,03,03,005	60,97,144	42,05,861

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APPENDIX VIII

(Vide Chapter IV, S. No. 15)

Indigenous supply of spare parts in place of previously Imported Ones

Gas Plant

1. Generator Grate Drive Rack and Pinion.
2. Generator Grate.
3. Generator Hydraulic pumps.
4. Generator Ash Boxes.
5. Grate Drive Worm and Worm shaft gear boxes.
6. Stack Wheels.
7. Charger Wheels.

Sulphate Plant

1. Fabricated U-Bend of Sulphate Plant.
2. Down Comer Pipe of Sulphate Plant.
3. Evaporator Regulating Pump.
4. Chalk Disposal Pump.
5. Grinding Mill Drive Motor.
6. Table Drive gear box.
7. Gear shafts and Pinions.
8. Filtration Agitator Gear Box etc.
9. All major gear boxes of the Sulphate Plant.

Urea, Double Salt & N/Acid Plants

1. Most of the pumps.
2. Cylinder Liners.
3. Stainless Steel valves spindles.
4. Troughing Idler and Return Idlers for Conveyors.
5. Double Salt Mixer plates and shafts.
6. Double salt Mixer Drive gear box.

Ammonia Plant

1. Cylinder Liners for compressors.
2. Gear boxes of all Cooling tower fans.

M.H. Plant

1. Wagon Tiplers Screw Shafts and nuts.
2. Coal Crusher Shafts, etc.
3. Hammer Mill hammers and shafts.
4. Rubber Conveyor Belting.
5. Troughing Idlers and Return Idlers of all conveyors.

Coke Oven Plant

1. Manganese Steel hammers for Hammer Mills.
2. Flexible couplings for screw conveyor and quenching car.
3. De-sulphuriser coils.
4. Coils for Rectification stills.
5. Coils for Napthalene Melting vessels.
6. Rectification Column Ring and Trade.
7. 50% and 95% Cooling condenser and Separator.
8. Benzol Washers with lead lining.

*Spare Parts Manufactured in Central Workshop**Sulphate Plant*

1. Stainless steel trough for Chalk Filters.
2. Stainless Steel Feed Tank.
3. Stainless Steel Filtwate Tank.
4. Stainless Steel Shafts, wearing plates, etc. of the following pumps
 - (i) Evaporator-Circulating pump
 - (ii) Evaporator Regulating Pumps
 - (iii) Chalk Disposal Pumps.
 - (iv) Magna Pumps.
5. Output shafts (9" dia) of Grinding Mill Gear Boxes.
6. Base plates of slurry pumps.
7. Footstep Bearings with housing of Reaction vessels.
8. Chalk filter Agitator links, pins, etc.

Gas Plant

1. Grate-drive vertical shafts alongwith bushes, neckrings and wearing plates.
2. Grate-drive worm shafts with bushes,

3. Conical and thrust rollers alongwith pins etc., for gas generators.
4. Feed roller casings of lean gas plant.
5. Fabrication of Ash Box of Gas Plant.

Ammonia Plant

1. Plungers of Pilot valves, oil unloader valves, etc.
2. Worm wheels for gear boxes of cooling tower fans (both Montecatini & CCC fans).

Material Handling Plant

1. Complete stainless steel salt conveyer (links, pins, bushes, etc.) of new bagging plant.
2. Conveyor Drum Pulleys of various sizes.
3. V-belt drive pulleys of crushers.
4. Shaft for Gypsum Crusher.

Double Salt Plant

1. Mill Roller shafts.
2. Shafts and Gears for Mixers.
3. Stainless steel shafts for various pumps.
4. Stainless steel pump brackets of Acid Pumps (N.A. Plant).
5. Shaft for Boiler Feed Pump (Nitric Acid Plant).
6. Shaft for condensate Extraction Pump (N.A. Plant).
7. Spare parts (Cans, brackets, levers, etc.) of Viscobeth dust collecting mechanism.

Urea Plant

1. 5th stage cylinder liners of CO² compressors.
2. 3rd stage and 4th stage piston rods of compressors.
3. Stainless steel pump shafts.
4. Valve spindles (AISI 316) stainless steel.

APPENDIX IX

(Vide Introduction)

Analysis of the action taken by Government on the recommendations contained in the 120th Report of the Estimates Committee (Second Lok Sabha).

1. Total number of recommendations made	20
2. Recommendations that have been accepted by Government [Vide recommendations Nos. 2, 7, 10, 11, 12, 13, 17, 18]	8
Percentage to total	40
3. Recommendations which the Committee do not desire to pursue in view of Government reply [Vide recommendations Nos. 1A, 8, 14, 16, 19]	5
Percentage to total	25
4. Recommendations in respect of which replies of Government have not been accepted by the Committee [Vide recommendations Nos. 1, 3, 4, 5, 6, 9, 15]	7
Percentage to total	35