

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1972-73)**

(FIFTH LOK SABHA)

THIRTY-FIFTH REPORT

**Action Taken by Government on the recommendations
contained in the Twenty-sixth Report of the
Committee on Public Undertakings
(Fourth Lok Sabha)**

**TROMBAY UNIT OF THE FERTILIZER
CORPORATION OF INDIA LIMITED.**

**Ministry of Petroleum and Chemicals
(Department of Chemicals)**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1973/Vaisakha 1895 (S)

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1972-73)

CHAIRMAN

Shrimati Subhadra Joshi

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3. Shri G. Bhuvarahan
4. Dr. Kailas
5. Shri Murasoli Maran
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- *14. Chaudhary A. Mohammad
15. Shri D. P. Singh

SECRETARIAT

Shri M. A. Soundararajan—*Deputy Secretary*

Shri M. N. Kaul—*Under Secretary*

*Died on 7th February, 1973.

**COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN
REPORTS AND MISCELLANEOUS MATTERS**

Shrimati Subhadra Joshi—*Chairman*

2. Shri Amrit Nahata—*Alternate-Convenor*

MEMBERS

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4. Shri S. N. Misra
5. Shri P. Parthasarathy
6. Shri G. Bhuvarahan
7. Shri D. P. Singh
8. Shri Lal K. Advani
9. Shri U. N. Mahida
10. Shri Ranen Sen.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Thirty-Fifth Report on Action Taken by Government on the recommendations contained in the Twenty-Sixth Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Trombay Unit of the Fertilizer Corporation of India Limited.

2. The Twenty-Sixth Report of the Committee on Public Undertakings (Fourth Lok Sabha) was presented to the Lok Sabha on the 12th March, 1969. The replies to the 23 out of 27 recommendations contained in the Report were received upto 31st December, 1971. These were considered by the Committee on Public Undertakings (1971-72) at their sitting held on 6th March, 1972 and it was decided that the Action Taken Report might pend till all the replies and further information sought on certain points arising out of the replies furnished by Government were received from the Government.

3. The remaining replies of Government and further information asked for were received in batches and the last batch was received on the 24th March, 1973.

The replies of the Government to the recommendations contained in the aforesaid Report were considered by the Committee on Public Undertakings on the 10th April, 1973 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee and present it to Parliament.

4. The Report has been divided into the following five 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 replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

(viii)

5. An analysis of the Action taken by Government on the recommendations contained in the Twenty-sixth Report of the Committee is given in Appendix XVII. It would be observed therefrom that out of the total number of recommendations made in the Report, 22 per cent have been accepted by Government. The Committee do not desire to pursue 28 per cent of the recommendations in view of Government's replies. Replies of Government in respect of 19 per cent of the recommendations have not been accepted by the Committee. Final replies of Government in respect of 33 per cent of the recommendations are still awaited.

NEW DELHI;

SUBHADRA JOSHI,

April 21, 1973

Chairman

Vaisakha 1, 1895 (S).

Committee on Public Undertakings.

CHAPTER I

REPORT

The Twenty-sixth Report of the Committee on Public Undertakings (1968-69) (Fourth Lok Sabha) on Trombay Unit of the Fertilizer Corporation of India Ltd. was presented to Lok Sabha on the 12th March, 1969. Among other recommendations, the Committee had recommended a detailed inquiry/investigation into the contracts awarded by the Fertilizer Corporation of India for the supply of Ammonia, Urea and Nitric Acid Plants as well as a contract for the Nitro Phosphate Plant for the Trombay Unit of the Corporation.

2. Pursuant to the above recommendations, Government set up a single Member Commission (Bedi Commission) in August, 1969 under the Commission of Inquiry Act, 1952, to inquire into the matter. The Committee find from the replies furnished by Government that the recommendations of the Committee at Sl. Nos. 1, 3, 6, 9, 15, 19, 20, and 26 stand referred to the Bedi Commission. The Commission was required to submit its Report within 3 months i.e. upto 4th November, 1969. Its tenure has, however, been extended from time to time and the present extension is upto 30th April, 1973. The Commission has not indicated as yet as to when it would be submitting its report.

3. The Committee note that although it is more than three years since the Commission was appointed, there is yet no indication as to when the Commission would be submitting its Report. The Committee hope that the Commission would finalise its Report soon. The Committee desire that the report of the Commission along with the action taken thereon by Government may be laid before Parliament.

Recommendation Sl. No. 5 (para 2.26)

4. The Committee found from the supplemental agreement entered into with the firm (M/s. Chemico) that it was only subject to the approval of the Board of Directors and AID concurrence. There was no mention in the agreement about its being subject to the approval of Government. In the circumstances the Committee failed to understand as to on what basis they had been informed that the settlement was subject to Government's approval and if they were not

satisfied the terms of agreement would have been reopened and they would have advised the Fertilizer Corporation of India to do so. In spite of the admission by the Secretary, of the Ministry "that things could have been negotiated procedurally in a better manner," no records had been furnished to the Committee to show that any action had been taken by Government against the person concerned of these procedural lapses.

5. In their reply the Government have stated that "although there was no specific mention in the supplemental agreement that it was subject to the approval of the Government, it was known to Fertilizer Corporation of India that according to the prescribed procedure, the agreement had to receive the approval of the Government, as it was with a foreign party and besides, the original agreement had been approved by the Government. The Corporation did in fact come up to the government for approval of the supplemental agreement which was duly considered in the concerned Department of the Government of India and approval was eventually accorded.

6. While approving the supplemental agreement, Government brought to the notice of the Corporation certain lapses in connection with the agreement with a view to avoiding such lapses in future and had also advised the Corporation to provide sufficient safeguards in contracts in future, so that the Corporation is not put to losses. The Commission of Inquiry would go into these lapses, such further action as may be required in this connection will be taken on the receipt of the recommendations of the Commission.

7. It is seen from the letter dated the 18th September, 1967 issued by the Ministry that the approval of Government to supplemental agreement was only *ex-post-facto* and not before entering into the agreements, the then Minister for Revenue and expenditure in the Ministry of Finance, observed as follows:—

"The FCI's bargaining position was weakened by the fact that Chemico had already been paid in the bulk of its dues and non-renewal of the contract would perhaps have hurt the FCI more than Chemico. We must guard against such eventualities in other projects as well by insisting on making a sizable final payment conditional on satisfactory performance of the plant for a guaranteed period.

A very disturbing feature of this whole deal was the admitted over-invoicing resorted to by Chemico. This presumably

enabled them to secure larger payment against shipment. This is a serious lapse, and we must take steps to see that this is not allowed to take place in the case of other projects."

8. It was also stated in the letter mentioned above that:—

"Considering that over-invoicing resorted to by Chemico, in this case, constitutes an economic offence, the Deputy Prime Minister has further enquired what action was taken by the Fertilizer Corporation of India when the over-invoicing was detected by them and what steps are being taken or propose to be taken to prevent such occurrences in future.

A careful study of the case shows that it is necessary to provide sufficient safeguards in contracts in future so that the Corporation is not put to any losses on account of non-compliance either with the time-schedule or performance guarantees by the contractor."

9. The Committee view with concern the various lapses mentioned above. They have not been informed about the action taken by the FCI or the Government to prevent the recurrence of such lapses in future. The Committee have been informed that the Commission of Inquiry would go into these lapses. They desire that the Government should apprise Parliament about the findings of the Commission of Inquiry the action taken against the persons responsible for the lapses, mentioned in this case.

Recommendation Sl. No. 12 (para 2.60)

10. The Committee regretted to note that although it was now more than one year when the judicial possession of the Methanol Plant was taken over, no claims have been preferred against the firm as the details thereof were still being finalised. The Committee hoped that immediate action would be taken to finalise the claims against the firm and to recover the loss suffered by the Corporation.

11. In their reply Government informed the Committee that a preference has been made to an arbitration by the Fertilizer Corporation of India on 3-10-1969, and arbitrators have been appointed by M/s. Girdlers Corporation and the FCI since then. The umpire has also been appointed on 11-5-70. The Government have stated that the arbitration proceedings are still in the progress. Its next session

which would be third one was to begin with effect from the 13th February, 1973. It is not certain as to when the award is likely to be given by the arbitrators.*

12. The Committee find that although it is more than 3 years since the Arbitrators were appointed, the arbitration proceedings are still in progress. The Committee view with concern the inordinate delay in the matter. They hope that the arbitration proceedings would be finalised soon and further action taken by the Corporation on the basis of award of the arbitration.

Recommendation Serial No. 17 (Para No. 3.31)

13. The Committee were concerned to note the high cost of production of fertilizers at Trombay which was not only higher than the cost of production of similar fertilizers in Sindhri and Nangal units but also generally higher than the selling price. The Committee realised that the low production at Trombay was one of the main factors for this high cost of production and hoped that with the increase in production by implementing the various recommendations of the technical Committees the cost of production would come down. The Committee however, found that in case of certain products e.g., urea, inspite of increase in production in 1967-68 as compared to 1966-67, there had been an increase in cost of production. They, therefore, felt that it was essential to maintain a strict control over the cost of production of various products and to make vigorous efforts to locate areas where economies could be

*At the time of factual verification the Fertilizer Corporation of India limited informed as follows:—

“During the hearings the preliminary objections of the respondents to the Arbitration were heard and disposed off under the Indian Arbitration Act, 1940.

In the subsequent hearings the Corporation as well as the Respondents led oral evidence on their various claims and issues involved. The oral testimony of both the parties, to the dispute on all technical issues has been completed in the last hearing of February-March 1973.

Presently as directed by the Arbitral Tribunal the Corporation is seized with its written submission on technical points and the extent of breach by the Girdler Corporation which are supposed to be filed latest by 10th May, 1973. Thereafter both the parties will exchange their submissions and file their rejoinders, if any, by 10th June, 1973.

The Arbitral Tribunal will consider the entire written submissions and rejoinders filled by both the parties and shall give their interim award determining the extent of breach, if any.

It is expected that if FCI's case is accepted and the extent of breach is determined in the interim award, FCI will be directed to prove its claim at the next hearing of the Arbitral Tribunal scheduled to take place from 6th November 1973 at New Delhi for a period of 3 weeks”.

effected. It needed no emphasis that if the Trombay unit had to work profitably it should see that its cost of production was brought down at least to that of the other units operating them.

14. In their reply the Government have stated that the FCI have intimated that they are maintaining strict control over cost of production of various products and will be making vigorous efforts to locate areas where economies can be effected.

15. The Committee note that in their reply the Ministry have stated that 'the Committee's recommendations to maintain a strict control over cost of production of various products and to make vigorous efforts to locate areas where economies can be effected, are noted.' The Committee, however, find that the cost of production of various products of Trombay Unit during 1969-70 and 1970-71 had gone up further as compared to 1968-69. The Committee view with concern that the cost of production has shown an upward trend. The Committee, therefore, reiterate that there is need to maintain a strict control over the cost of production of the various products and effective steps should be taken to reduce the cost of production.

Recommendation Serial No. 22 (Para 5.30)

16. The Committee were not satisfied with the explanation furnished for the absence of any provision in the agreement entered into with two private oil refining Companies about the minimum relative density of the gas/naphtha to be supplied by these companies. No records were furnished to them to show that the questions of making specific provision in the agreements for minimum relative density of gas/naphtha to be supplied by the two companies was considered at the time of entering into agreements with them in 1961-62.

17. The Committee, therefore, desired that the reasons for this vital omission from the agreements with those two companies which had resulted in annual loss to the extent of Rs. 1.2 crores to the Corporation should be examined and responsibility fixed.

18. In their reply the Government have stated that the matter has been investigated and it has been found that there was actually no necessity of providing for minimum specific gravity of naphtha in the contract with M/s. ESSO. Regarding contract for the supply of Refinery gas, in the contract with M/s. Burmah-Shell attempts

were made to provide for relative density but they were not prepared to bind themselves to variation in relative density. The only item on which they were prepared to bind themselves was the calorific value and pressure which were duly provided in the contract.

19. The Committee were also informed that M/s. Burmah Shell had indicated normal variations in relative density between 0.9 to 1.2 (air being). They had also indicated that these variations would not be sudden and notice could be given of these variations except in case of emergencies.

20. The normal variations in relative density indicated by M/s. Burmah Shell were brought to the notice of M/s. Chemico during the course of negotiations for the contract and they were requested to design the plant in such a manner as to take care of these normal variations. The compressors have in fact been sized for lower limit of relative density.

21. Unfortunately, the variations in relative density of the gas have been far too wide. The density of the gas currently available from the refineries is also much lower than the lower limit of 0.9 indicated by M/s. Burmah Shell. The density is actually running between 0.6 to 0.7. The lower relative density of gas has resulted from the changes made by the refineries in their operations because of change of product pattern and operation procedures. Besides, the variations in density have also been found rather sudden. Because of these reasons, attempts to utilise the refinery gas for production of ammonia have not been successful. There have, in fact, been a number of explosions in the plant as a result of sudden variations in the quality of gas.

22. It might be mentioned that at the time when the contract for the ammonia plant based on refinery gas/naphtha was awarded to M/s. Chemico, there were very few plants in the world working on these feed-stock. As such, the experience available in processing these feed-stock was very limited. Because of this reason, the plant had to be designed with a considerable amount of flexibility. One of the most important flexibility provided was that all the reactors were designed in such a manner that they could operate only on naphtha in case of refinery gas was not available or gave rise to problems in processing.

23. M/s. Burmah Shell have made consistent efforts to control the quality of gas. They have installed a number of new control instruments, but inspite of these efforts, it has not been possible for them to ensure uniform relative density of gas. They were, therefore, keen to withdraw from their commitment to supply gas.

24. Recently, M/s. Burmah Shell have been persuaded to supply naphtha in lieu of part of the refinery gas and their commitment to supply refinery gas has been reduced to 25,000 tonnes per year from 50,000 tonnes per year provided in the contract. They have been further persuaded to permit the use of refinery gas as a fuel which was not permissible in terms of the original agreement. This has reduced the consumption of fuel oil in the Fertilizer Plant resulting in substantial savings to the Trombay Unit and the saving during 1970-71 amounted to Rs. 3.07 lakhs. The revised agreement has since been executed with M/s. Burmah Shell and came into force from 1-7-1970.

25. According to FCI it will be seen that Fertilizer Corporation of India was conscious of the problem which might arise in processing of the refinery gas and adequate provisions were made in the design of the plant to take care of any eventualities.

26. The Committee are not satisfied with the reply furnished by the Ministry. In view of the reluctance of M/s. Burmah Shell to include any clause in the contract binding themselves regarding the requisite relative density of gas, Government should have taken the precaution of designing the plant to work only on Naphtha to avoid the additional capital expenditure involved in designing it to work both on gas and naphtha.

Recommendations Serial Nos. 24 & 25 (Paras 5.40—5.42)

27. The Committee regretted to note that the decision to import a wagon tippler, costing Rs. 16.07 lakhs, was taken without first assessing the economics of transportation by rail and road. The import of wagon tippler not only led to the unnecessary spending of foreign exchange, but also blocking the funds of the Corporation.

28. The Committee also desired that the question whether the transportation of rock phosphate would be done by road or rail should be decided expeditiously in the light of the experience gained. In case it is decided to continue road transportation, steps should be taken to utilise the wagon tippler elsewhere or to dispose it of.

29. In their reply the Government have stated that Fertilizer Corporation of India have intimated that one wagon tippler was imported in 1963 to handle movements of imported rock phosphate from Bombay Port to Trombay Plant site for nitro-phosphate plant. The specifications for tippler were approved by the Research Design and Standard Organisation of the Ministry of Railways in 1963. By the time the tippler was installed in 1965 which was capable of handling 4 wheeler wagons only. Railways had started making increasing use of 8 wheeler wagons for transport of minerals and other bulk materials. Railways also did not agree to charge FCI on the basis of actual distance of 17 K.M. from Bombay Docks to Trombay but insisted on minimum charges of 40 K.M., thus making the use of wagon tippler uneconomical. These two factors combined were responsible for its non-utilisation for some time. However FCI have begun using the said wagon tippler at Trombay for some time past. Now the rock phosphate is being regularly procured indigenously from Udaipur and Railways are supplying it in 4 wheeler wagons. Practically all FCI's supplies from Udaipur are coming in 4 wheeler wagons enabling FCI to use the wagon tippler.

30. No log book was maintained for wagon tippler before November, 1970 as the use of wagon was very much limited and the material was coming by road from Dock. It was, therefore, not considered necessary to maintain the log book. The maintenance of the log book was started from November, 1970 when the wagon tippler was regularly used.

31. However, in reply to the recommendation of the Committee that the question whether the transportation of rock phosphate would be done by road or rail should be decided expeditiously in the light of the experience gained, the Government have stated that the FCI have intimated that they are conducting trial runs to find out its suitability for operations in Trombay Factory. In case this rock phosphates is found suitable, the Company will switch over to indigenous material and the wagon tippler may be utilised depending on the supply of suitable type of wagons.

32. The final decision regarding suitability and availability of rock phosphate from Rajasthan will be known in the near future after which it would be possible to determine whether the wagon tippler could be used at Trombay or not.

33. The Committee find that one wagon tippler costing Rs. 16.07 lakhs was imported in 1963 to handle the movements of imported rock phosphate from Bombay Port to Trombay Plant site. However, this was not being used for the intended purpose. The Committee have been informed that the wagon tippler was at present

being used from November, 1970 for the rock phosphate received from Udaipur by rail. The Committee, however, find that the FCI is still conducting trial runs of Rajasthan rock phosphate to find out its suitability for operations in Trombay Plant and it is not yet sure whether it would be possible to fully utilise the wagon tippler. The Committee desire that the decision in this regard should be expedited.

34. The Committee reiterate that the purchase of wagon tippler was made without a careful assessment of the economics of transportation of rock phosphate by rail and road, resulting in unnecessary spending of foreign exchange and blocking of funds.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 2

It has been admitted by the Government that there was a lacuna in the original agreement with this firm due to which M/s. Chemico were in a position to "walk out of the contract and to leave the Corporation completely in lurch". This clearly goes to prove that the legal aspects of the agreement were not fully considered before the contract was signed. The Committee are distressed to note that the same Lacunae continued to exist even in the supplemental agreements which were signed with this firm after a negotiated settlement. Due to this, the Corporation had to extend twice the period for starting up operations and for demonstration of guarantees which resulted in additional expenditure of Rs. 9.63 lakhs on only the stay of the personnel of firm. (Para 2.21).

Reply of Government

The observations of the Committee have been noted by the Fertilizer Corporation of India for further guidance.

(Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts.
II dated 14-10-70).

Recommendation Serial No. 7

The Committee hope that in future there will be closer scrutiny of the agreements entered into with the various parties to ensure that the terms of agreements adequately safeguarded the interest of the public undertakings. (Para 2.29).

Reply of Government

The recommendation has been noted for future guidance and has also been forwarded to the Bureau of Public Enterprises for appropriate action.

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Fert.
II dt 14-10-70]

Supplementary information required on Recommendation No. 7.

The action taken by the Bureau of Public Enterprises in the matter may please be indicated.

(L.S. Sectt. O.M. No 20-PU/69 dt. 11-2-1971).

Reply of Government

The following is the action taken by the Bureau in the matter:

The measures that should be taken to ensure that the Public Enterprises keep in view all the relevant aspects, while entering into agreements with various parties, including those in respect of matters within their own purview, were recently considered. The instructions already issued in this area were also reviewed. In consultation with the Ministry of Law, with this end in view. Comprehensive guidelines have recently been issued to the administrative Ministries and Public Enterprises vide Ministry of Finance O.M. No. 9(136)/69BPE(GM) dated 11-6-1971. Copy enclosed (Appendix I).

[Min. of Petroleum and Chemicals D.O. letter No. 68(4)/69-Fert. II. dated 31-12-1971].

Recommendation Serial No. 8

The Committee are unhappy to note that even after taking over juridical possession of nitro phosphate plant in June, 1967, it has taken the Corporation more than one year to refer the matter to arbitration. They desire that remedial measures should be taken to avoid such inordinate delays in future. (Para 2.39).

Reply of Government

In a dispute of this nature, where the amount of claim runs into several crores of rupees each item of claim has to be framed with utmost care so as to ensure that the same will stand the scrutiny both from financial and legal angles. Further the various points of dispute referred to in the request for arbitration and every item of claim have to be supported with documentary evidence. The collection of the original documents from various sources, scrutiny of the same and getting the same vetted by solicitors etc. necessarily involves time. Having regard to the magnitude of the work involved and the amount of the claim involved, the time taken to file the request for arbitration in the present case, appears reasonable. The case was finally referred to arbitration by the Corporation on 20-11-68. Both the parties have appointed their arbitrators, but the umpire is yet to be appointed by the International Chamber of Commerce.

2. This is the first experience of the Trombay unit of the Corporation in dealing with International Arbitration cases and complying with the requirements thereof. In the light of the experience gained in handling International Arbitration cases it would be possible for the Corporation to avoid delays should any occasion arise in future. The Committee's recommendations have also been noted by the Corporation for future guidance.

[Min. of Petroleum & Chemicals O.M. No. 68(4)/69-Fert. II dated 17-12-1970].

Recommendation Serial No. 11

The Committee are constrained to observe that this is another instance where the Corporation suffered a loss due to the contract having been awarded to a contractor who had no experience of putting up of such a big plant. Further, according to audit, no time limit for proving the guarantees was provided from the date of completion of erection. The contract provided the unusually long period of 18 months for undertaking all necessary modifications for proving the guarantees of production and quality from the date of test runs whereas according to the Corporation's own estimate a plant of this type ought to take about 6 months for commissioning from the date of completion of erection. As a result no action could be taken against the firm before the expiry of this period nor could any steps be taken by the Corporation to remedy the defects in the plant. (Para No. 2.59).

Reply of Government

The observations of the Committee have been brought to the notice of the Fertiliser Corporation of India for future guidance by sending a copy of Ministry's reply to this recommendation on 8-10-69.

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Fert II dated 18-12-70].

Recommendation Serial No. 14

The Committee have already commented upon the delay in construction on account of the failure on the part of the contracting firms in the earlier paragraphs of this Report. The delays in construction and commissioning of various projects of the FCI including Trombay were also considered by the Committee on Public Undertakings (Third Lok Sabha) and their observations are contained in Chapter III of their Sixth Report of the Fertiliser Corporation of India. The Committee, therefore, do not desire to re-examine in detail the reasons for delays in construction. They trust that with the implementation of the recommendations contained in their sixth Report (Third Lok Sabha); and the suggestions made by the

Committee on Plan Projects, it would be possible for the Corporation to avoid such delays in the construction of future projects. (Para No. 3.6).

Reply of Government

The observations have been brought to the notice of the FCI by sending a copy of the Ministry's reply to this recommendation on 8-10-1969.

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Fert II dated 17-12-1970].

Recommendation Serial No. 23

The Committee would urge that the question of supply of gas/naphtha of required density should also be taken up by the Min. of Petroleum and Chemicals with the two refineries to arrive at some satisfactory arrangements to save the Unit from continuous heavy loss on this account. (Para 5.31).

Reply of Government

The recommendation has been noted. The question of supply of gas/naphtha of the required density has been taken up with the oil refinery for suitable action. According to latest information obtained from the Corporation they have completed negotiations with Burmah Shell who have agreed to supply 50 per cent of the contractual quantity as straight run naphtha which is superior in quality.

[Min. of Petroleum and Chemicals D.O. letter No. 68(4) |69-Fert II dated 7-12-1971].

Supplementary information required on Recommendation No. 23

It has been stated that the question of supply of Gas/naphtha of the required density has been taken up with the oil refinery for suitable action. Please state what has been the outcome.

(L.S. Sectt. O.M. No. 20-PU/69 dated 11-2-1971).

Reply of Government

The negotiations with Burmah Shell have been completed and they have agreed to supply 50 per cent of the contractual quantity as straight run Naphtha which is superior in quality.

[Min. of Petroleum and Chemicals D.O. letter No. 68(4) |69-Fert II dated 31-12-1971].

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

Recommendation Serial No. 4

The Committee take a serious view of retired senior officials of public undertakings taking up appointments or serving in some capacity in private firms with which they had large financial dealings, while in service. They find that this matter was also raised in Parliament in August, 1967, when objection was taken by some members to such appointments. The Prime Minister had then admitted that the matter deserved a serious attention. It is regrettable that even after a lapse of more than one year no suitable rules have been framed in this regard. The Committee desire that this should now be attended to immediately. (Para 2.24).

Reply of Government

Noted. A copy of the instructions issued by the Ministry of Finance (Department of Expenditure) in their O.M. No. 2(11)/68-BPE(GM), dated 26-4-1969, is enclosed (Appendix II).

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Fert II dated 14-10-1970].

Supplementary point on Recommendation to Serial No. 4

(a) Number of cases in which permission had been given to Government officers after their retirement from Government service to accept re-employment in commercial undertakings/private firms in terms of Ministry of Finance (Department of Expenditure) Office Memo. No. 2/11/68—BPE—(GM) dated 26-4-1969;

(b) The names of the officers who sought permission;

(c) The names of the Undertakings/private firms in which they were/are employed after retirement.

(d) The period from which they have/had been in service of the Undertakings/private firms.

(L.S.Sectt. O.M. No. 20—PU/69 dated 21-3-72)

Reply of Government

The required information furnished by the Department of Personnel vide their Office Memo. No. 29/4/73—Ests(A) dated 6th March, 1973 is attached (Appendix III).

(Min. of Petroleum and Chemicals D.O. letter No. 68(4)/69—Ferts. II dated 24-3-1973)

Recommendation Serial No. 10.

The Committee believe that there is sufficient demand for sulphuric acid in the country and with greater efforts it should be possible for the Corporation to sell larger quantities of this acid in the open market. They hope that steps would be taken in this directions. (Para 2.48)

Reply of Government

There are six competitors located in and around Bombay city manufacturing sulphuric acid having total production capacity of about 16,000 metric tonnes per month, out of which about 8,500 metric tonnes is in the nature of captive demand of the manufacturers and the rest 7,500 metric tonnes is for sale. The local demand according to the estimates made by the Marketing Department of the Company is only about 4,000 metric tonnes per month. The average sales of Fertilizer Corporation of India during 1966-67 amounted to 479 metric tonnes only per month. In 1967-68 the average sales amounts to only 419 metric tonnes per month. The slight decrease in sales was partly due to limitations imposed in production due to sulphur shortage in the country for a short period and may have also been to some extent due to stoppage of press advertisements in respect of Sulphuric acid. The press advertisements were stopped as the Board of Directors of the Company considered that it was not worth while to incur any further expenditure on advertisements due to reduction in price. The Sales, however, increased to 896 metric tonnes in 1968-69 and to 1182 metric tonnes in 1969-70. The Corporation has thus more than doubled its sale within two years. In the face of severe competition the Company has been able to capture approximately 24 percentage of the local demand for sulphuric acid. The Company is unable to penetrate in up-country markets as sulphuric acid plants are located in almost all industrial zones of the country. The element of transport cost is a very important factor which limit the sales within a given radius. In view of the transport limitation and also the freight disadvantage, it is not possible for Trombay to reach the market in distant places. In

their efforts to increase the sales of sulphuric acid and in matching with the market price, a progressive reduction in the average selling price of sulphuric acid manufactured by the Corporation was brought about during the period 1966-67 to 1968-69. The market trend is being watched closely and every effort is being made to increase the sales.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Fert. II dated 25-4-1972].

Supplementary Point on Recommendation No. 10

Government have stated in their reply that in the efforts of the Company to increase the sales of sulphuric acid and in matching with the market price, a progressive reduction in the average selling price of sulphuric acid manufactured by the Corporation was brought about during the period 1966-67 to 1968-69. The Market trend is being watched closely and every effort is being made to increase the sales. Please intimate year-wise the sales effected by the Company during the period 1969-70 to 1971-72 and the selling prices adopted yearwise and whether they were the same as in previous years.

(L.S. Sectt. O.M. No 20-PU/69 dated 17/18-5-1972).

Reply of Government

The following particulars are given in the connection:

I. Yearwise sale of Sulphuric Acid.

Year	Quantity in M.T.	Value in Lakhs Rupees (Excluding Excise Duty)
1969-70	14.187	35.59
1970-71	21.513	50.82
1971-72	24.411	56.43

II. Selling Price adopted yearwise.

	For Bulk supply. For small supply.	
Rates effective from 28-7-68 per MT.	Rs. 232.50 plus excise duty.	Rs. 265.00 plus Excise Duty.
Rates effective from 1-9-1970 per MT.	Rs. 215.50 plus Excise Duty.	Rs. 220.50 plus Excise Duty.

[Min. of Petroleum and Chemicals O.M. No. 69 (4)/69-Ferts. II dated 18-12-1972].

Recommendation Serial No. 13

The Committee regret to note the inordinate delays in construction and commissioning of the various plants at Trombay. Delay in the erection of complex plants, due to unforeseen circumstances, to some extent is unavoidable, but a delay of two years as at Trombay can hardly be justified. What is worse, even after the schedule, had been revised thrice, there were delays in commissioning the plants as compared to the last schedule drawn up as late as in July, 1964. Besides loss of production, the delays in the execution of the project had the effect of pushing up the cost estimated by Rs. 230.54 lakhs. (para No. 3.5).

Reply of Government

The Fertilizer Corporation has been asked to prepare a time-schedule on a realistic basis and eliminate all avoidable delays in future.

The observations of the Committee have also been brought to the notice of the Corporation by sending a copy of the Ministry's reply on 8-10-1969.

[Min. of Petroleum and Chemicals O.M. No. 68 (4) |69-Ferts II
dt. 17-12-1970].

Recommendation No. 16

The Committee hope that with the rehabilitation of the plants, production will be stabilised. They need not emphasise that the excess consumption of raw materials and power lead to higher cost in production. (Para No. 3.24).

Reply of Government

The recommendation has been brought to the notice of the Fertilizer Corporation of India by sending a copy of the Ministry's reply to this recommendation on 8-10-1969. The Company have noted it for necessary action.

A statement based on the local verification done by the Chief Auditor Commercial Accounts, Western Region, Bombay indicating the guaranteed consumption of raw materials and power the standard consumption as fixed by the Management and actual consumption during 1967-68, 1968-69, and 1969-70 is enclosed (Appendix IV). The Fertilizer Corporation of India have commented as follows on the figures given in Appendix IV.

Naphtha Consumption in Ammonia Plant:

The Naphtha consumption in Ammonia Plant during 1969-70 is higher as compared to that of the previous year for the following reasons:—

Between September and November, 1969, the product plants, viz. Urea and Suphala (Nitrophosphate) had a number of breakdowns of major nature resulting in poor consumption of Ammonia. The troubles in the Urea Plant were in the ammonia. charges pumps and carbamate pumps etc. whereas in the case of the Suphala Plant, there were a number of break-downs on KCL handling system. In addition there was DAP shortage. During October, 1969 there was labour trouble affecting urea production as well as Suphala production.

Despite the restricted consumption of ammonia in Urea and Suphala Plant, the ammonia production in the Ammonia Plant could not be curtailed proportionately. This was because there was shortage of 40 Kg. steam due to excessive leakage which could be made up only by keeping the four reactors running in the Ammonia Plant. This meant consumption of additional naphtha and the gas produced and to be flared and could not be entirely converted to ammonia.

In the meanwhile, to avoid flaring of gas an innovation was made to divert ammonia gas for methanol production by laying a new pipeline and additional instrumentation. This modification was effected only towards the end of December, 1969.

If the naphtha loss through flaring is quantified, the specific consumption of naphtha in that case would work out to 793 KG|tonne of ammonia, which is comparable to the standards.

Ammonia Consumption in Urea Plant:

Ammonia consumption in Urea Plant during 1969-70 works out to 759 Kg. per tonne. As indicated earlier, this was due to innumerable breakdowns in Urea Plant between September and November, 1969 when ammonia charges pumps and carbamate pumps were breaking down frequently. This had necessitated draining of carbanate solution from the absorbers. The question arose whether to keep the plant completely shut-down or alternatively to produce urea with some losses. The latter course of action was chosen since the ammonia production in Ammonia Plant was already restricted and all the four reactors had to be kept running with additional consumption of Naphtha to make up the deficiency in 40 Kg. steam. The decision to produce urea with some losses instead of complete shut down was

taken according to the exigencies of the situation and the prevailing circumstances and no records can be produced in support of the same.

In addition some shortage of urea was also noticed in the stocks at the time of annual physical verification. The figure of 759 Kg. per tonne has been arrived at after taking into account this shortage.

Ammonia Consumption in Nitric Acid Plant

The actual consumption of Ammonia for Nitric Acid in 1969-70 averaged to 318 Kgs. per tonne. This shows a marginal variation as compared to 1968-69 average consumption of 316 Kgs. per tonne.

Nitric Acid Consumption in Suphala Plant:

The Nitric Acid consumption during 1969-70 works out to 479 Kg. which is the final figure. The reasons for the excess in this case are that during 1969-70 as many as five different formulations of Suphala containing Potash were tried in this Plant.

The Nitrophosphate Plant was originally designed to produce Nitrophosphate either by the carbo-nitric process or sulphonitric process. The Plant supplier failed to prove the guaranteed performance of the plant even on Carbo-nitric process and the Sulpho-nitric process was never attempted by the Plant Supplier. The Plant could not reach anywhere its rated capacity in spite of innumerable modifications made by the Plant Supplier and therefore, Fertilizer Corporation of India had to take juridical possession of the Plant and take steps to mitigate the losses. In order to achieve the rated capacity of the Plant in terms of nutrients, several experiments had to be conducted which ultimately resulted in the new product 'Suphala', which gave a total nutrient content of nearly 40 per cent without potash and with potash as high as 45 per cent per tonne. This period of experimentation continued during the entire period of 1969-70.

The frequent breakdowns in the Suphala Plant coupled with the changes in the formulations as indicated above, accounted for increased consumption of Nitric Acid. Even the Tendulkar Committee had stated that the norms for nitric acid consumption of Suphala formulations have to be established after a number of steady and uninterrupted runs. Besides this, experimentation was also carried out with indigenous rock from Rajasthan, with a view to reduce the import of Rockphosphate. This also contributed for some additional use of Nitric Acid in the initial stages of experimentation.

Consumption of Ammonia in Suphala:

The same reasons as stated above holds good for excessive consumption of Ammonia in Sulphala Plant.

Power Consumption:

In the case of power, nearly 50 per cent of the power consumption is fixed irrespective of the production load and consequently consumption per tonne will depend upon the level of production and is not directly variable. The overall production during 1969-70 was slightly lower than that achieved during 1968-69. This resulted in the higher per unit consumption of power over that of 1968-69 due to fixed element of power load on plants.

At the end it may be pointed out that the guarantee norms and consumption can be achieved only in ideal circumstances and to the extent to which these do not exist, deviations are bound to be there.

[Min. of Petroleum & Chemicals O.M. No. 68(4)/69-Ferts II dt. 18-12-1972].

Supplementary Point on Recommendation No. 16

The steps taken by the Fertilizer Corporation of India Management in the matter may please be indicated.

(L.S. Sectt. O.M. No. 20-PU|69 dt. 11-2-1971)

Reply of Government

The problems in Trombay are technical. Studies were systematically made and reviewed by a series of high level committees including a team of Engineers from TVA, USA to identify the areas of deficiencies, to analyse the causes for such deficiencies and to work out specific concrete remedial measures. The final recommendations accepted as a result of these studies are under implementation and are expected to be completed by 1972-73. In addition recently this unit was also examined by the action Committee on Public Sector Undertakings appointed by Government which has also made certain recommendations for improving working of the Unit. These recommendations are under examination of the Fertilizer Corporation. A summary of the report is attached (Appendix V).

[Min. of Petroleum & Chemicals O.M. No. 68(4)|69-Ferts II dt. 18-12-1972].

Recommendation Serial No. 18

The Committee have already discussed some of the factors affecting the working results of the unit e.g. low production, increased consumption of raw materials etc. in earlier paragraphs of this Report. One of the reasons for the loss suffered by the Trombay Unit, was accumulation of ammonium nitrate Phosphate because of large imports of dia-ammonium phosphate. The Committee view

with concern that while on the one hand there was drain of foreign exchange on import of fertilizers, on the other hand the plant suffered loss due to these excessive imports. They feel that such a situation urgently called for a proper assessment of import requirements and for close coordination between the ministries dealing with the import, production and distribution of fertilizers. Government must ensure that imports are allowed only when they are found to be absolutely essential after taking into account the indigenous production. (Para 4.9).

Reply of Government

Import of fertilizers is the concern of the Ministry of Food and Agriculture (Department of Agriculture). The position in regard to recommendation No. 18 as given by the Ministry of Food and Agriculture is summarised below:—

The import requirement of fertilizers is assessed taking into account the quantities required by the State Government, carry over stocks and estimated local production. Purchases are only made to meet essential requirements of the agricultural programmes which cannot be met from indigenous production. A review made in February, 1968 soon after Rabi 1967-68, revealed there were large stocks of Super-phosphate and ammonium nitrophosphate in the country and so the planned import of 4,00,000 tonnes of Di-ammonium phosphate was reduced to 1,00,000 tonnes. In 1968-69 the target of consumption was about 6.5 lakhs tonnes of P_2O_5 . Taking into account indigenous production imports were planned for 3.3 lakhs tonnes of P_2O_5 . During this year, however, a number of ships which were due to arrive during Rabi, 1967, missed the season and arrived in the beginning of 1968-69 due to closure of Suez Canal thus causing a temporary over supply position of phosphatic fertilizers. Early in 1968 therefore, the import programme of P_2O_5 was cut down to 1.36 lakhs tonnes only in view of this position.

Utmost care is taken in planning the import programme on a realistic basis. Imports are arranged only for the net requirement after taking into account the indigenous production. Care is however, taken to import adequate quantities so that the cultivators do not have to undergo hardships in procuring the needed fertilizers.

It may be mentioned in this connection that although both ammonium nitrophosphate and Di-ammonium phosphate are essentially phosphatic fertilisers, they are not strictly substitutes for each other because of their water solubility. Ammonium nitrophosphate being water soluble to a lesser degree, is suitable for acidic soils and for long

duration crops and so commands only a limited market it may also be mentioned that manufacturers have to pay a lot of attention to promotion of fertilizer use. It has been impressed upon the manufacturers that there is need to adopt progressive business practices to sell their produce and not always to depend upon the seller's market to which they have been used to in the past.

With regard to the need for close coordination between the Ministries dealing with imports, production and distribution of fertilizers, it may be mentioned that the following administrative and other measures ensure such a coordination with the Ministry of Petroleum and Chemicals which deals with fertilizer production units:—

- (i) There is a special Committee of Secretaries to scrutinise applications from intending fertiliser manufacturers for licences to set up factories and Secretary (Agriculture) is a member on this Committee. The Department of Agriculture is consulted in this connection both on the existence of the market for fertilizers in the economic marketing zone of the proposed factory as well as the suitability of the production pattern for crops in that zone.
- (ii) Representatives of Agriculture Department were included in the Working Group of the Ministry of Petroleum and Chemicals on Development of fertilizer industry during the IV plan.
- (iii) Import of fertilisers is planned and executed only after considering production estimates received from Ministry of Petroleum and Chemicals. Import programme is reviewed and amended from time to time in the light of the stocks with indigenous manufacturers and States.
- (iv) Meetings are held frequently with manufacturers in order to coordinate supplies to States from them and from the Central Fertilizer Pool. Monthly production and stock reports are received to ensure that States lift the stocks with them. Manufacturers are also advised from time to time about the shift in the farmer's preference for fertilizer and requested to change their production units to suit the needs of farmers.

[Min. of Petroleum & Chemicals O.M. No. 68(4) | 69-Ferts. II dated 14-10-1970].

Recommendation Serial No. 21

The Committee are not satisfied with the explanation furnished for extra payment for earth filling work. The main reason advanc-

ed is that the increase of 12½ per cent allowed to the contractor over the tendered rates actually covered the deductions for voids and the factor of shrinkage. It did not fully cover the loss due to non-availability of free passage. The Committee however feel that it was for the contractor to judge before agreeing to withdraw the stipulations previously, made, whether or not the increase in rates covered adequately the loss due to these factors. Having agreed to unconditionally withdraw the stipulations including the one to "make necessary arrangements with Railway authorities and Bombay Municipality and give a clear passage from cutting site to filling site" the contractor had contractually no claim for any increase in rates on the ground of hinderance caused in work due to frequent closure of the railway gate. (Para 5.17).

The Committee regret to observe that here too the management failed to safeguard the interest of the Corporation and paid the contractor more than the stipulated amount for considerations which had already been taken into account at the time of awarding the contract to him. (Para 5.18)

Reply of Government

The Contractor, M/s Union Land and Building Society Ltd., who had quoted the rate of 11 per cent above the estimated rate, agreed to withdraw various conditions stipulated by them in the Tender provided the tender rates were revised from 11 to 23.5 per cent. The conditions stipulated by the Contractor were:—

- (i) FCI would give free working area for the heavy equipment making necessary arrangements with the railway authorities and Bombay Municipality; and give a clear passage from cutting site to the filling site at the cost of the Company.
- (ii) Each part would be taken over as soon as completed and once the areas is filled it would be deemed to be completed and the contractor shall not be responsible for working on the same site after the monsoon season.
- (iii) No deduction of 5 per cent should be made for voids.

2. After the start of the work, the Contractors represented that at the time they withdrew the condition mentioned at S. No. (i) there understanding was that non-availability of passage will not be a material factor which would hamper the work to be done by them. They also pointed out that after the contract was concluded stoppage at the railway crossing was found to be much more than was anticipated earlier. The point was examined threadbare by

FCI and it was accepted that the contractors contention was substantially correct. It was observed that the increase of 12.5 per cent given to the contractor covered only the following two factors even though the tender committee had made a casual reference that it would also cover the fact of fee passage not being available to the Contractor:

(i) Deduction for voids	5%
(ii) Shrinkage	7½%
	12½%

The element on account of shrinkage is 7½ per cent as can be verified from the CPWD practice when a 13 per cent high embankment is measured as 12" for the type of settlement provided in the contract with M/s Union Land and Building Society Ltd.

3. In view of this position a detailed study was conducted by FCI to find out the extent of loss of time due to non-availability of free passage and it was found that the total loss of time was a little over 11 per cent. Excavation and transport portion of the contract calculated on the basis of departmental excavation formed 60 per cent of the total work and the time lost was, therefore, 60 per cent of 11 per cent i.e. 6½ per cent of the total contract rate. Keeping in view the time lost on account of non-availability of free passage due to increase in the flow and consequently shut down of the Railway crossing Gate more frequently than could be anticipated at the time of negotiations, increase of 6½ per cent was allowed by FCI to the Contractor and their latest rates, therefore, worked out to 30 per cent above the estimated rate.

4. It would be observed from the above that the increase given to the Contractor was allowed after a thorough examination of their contentions and after FCI had been fully satisfied on a scientific manner as to the extent of increase which could be allowed. Incidentally it may be stated that even with the increase of 6½ per cent in the rates of M/s Land and Building Society Ltd., they were still the lowest which leads to the only conclusion that the increase given to the party was not without any foundation or reason. The rates quoted by the other parties are given hereunder for comparison:

	For work to be done with earth cut out from FCI's estate
M/s. Bharat Sewak Samaj, Delhi	74.89% above
M/s. Bharat Sewak Samak, Bombay	33.1/3% above
M/s. K.G. Construction	65.85% above
M/s. Steelcrete	37.32% above
M/s. Hindustan Construction Co.	100.00% above
M/s. Patel Engineering Co.	110.00% above.

5. It may also be pointed out that the discussions in regard to the signing of the contract were held at Nangal where the Head Office of the then Hindustan Chemicals and Fertilizers Ltd. was located and it was naturally not possible to visualise the extent to impediments like frequent closing of railway level crossing at Trombay which hamper the progress of work and come in the way of smooth operation of the work.

Comments of the Audit

The present reply is almost a repetition of the evidence tendered before the Committee on Public Undertakings which was duly considered by the Committee before making their observations.

[Min. of Petroleum and Chemicals O.M. No. 68(4)|69-Ferts II
dt. 17-12-1970]

Supplementary point on Recommendation No. 21

Many factors that the Fertilizer Corporation appear to have taken into consideration in order to justify the concession which they extended to the contractors, were not implied in or arise out of the terms of the contract that had been entered into. It would appear that Fertilizer Corporation of India in order to justify their lapse were depending upon extra contractual inferences and consideration. The Committee, therefore, desired that Government should take some penal action.

[L.S. Sectt. O.M. No. 20-PU-69 dt. 21-3-1972].

Reply of Government

In this connection it is stated that as already indicated earlier the discussions in regard to the signing of the contract were held at Nangal and it was not possible at the time of signing the contract to visualise the extent of impediments like frequent closing of railway level crossing at Trombay which could hamper the progress of work and come in the way of smooth operation of the work. The increase given to the contractors was allowed after thorough examination of their contention and after Fertilizer Corporation of India have been fully satisfied as to the extent of increase which would could be allowed. It may be added that even after allowing the increase in the contract with M/s. Union Land and Building Society, the prices were the lowest. In the light of these considerations the question of taking penal action in this case does not appear to arise.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)|69-Fert. II
dt. 15-2-1973].

Recommendation Serial No. 27 (para 6)

In conclusion the Committee would like to stress the need for laying down necessary guide-lines for avoiding such lapses in future. They feel that the autonomy enjoyed by an undertaking should not be construed to mean that its management is free to make commitments without regard to financial propriety and procedural requirements.

Reply of Government

The recommendation has been brought to the notice of the Bureau of Public Enterprises on 28-3-1969. In this connection the Bureau has drawn attention to reply given by them to recommendation No. 10 contained in the 12th Report (4th Lok Sabha) of the Committee on Public Undertakings (copy enclosed) Appendix VI.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)|69-Ferts II
dt. 14-10-1970]

Supplementary point on Recommendation No. 27

The action taken by the Bureau of Public Enterprises in the matter may please be indicated.

[L.S. Sectt. O.M. No. 20-PU|69 dt. 11-2-1971].

Reply of Government

The following are the remarks offered by the Bureau of Public Enterprises.

Government have already accepted the following broad policy principles for ensuring that the Public Enterprises achieve their set objectives:—

- (1) In order to enable these undertakings to work with greater autonomy, there should be sufficient delegation of powers to the Public Enterprises and also within the enterprises.
- (2) Simultaneously, every effort should be made to assist the enterprises to secure suitable managerial talent.
- (3) In addition, measures have to be taken and guidelines laid down for improving management techniques in all its various aspects in these enterprises.

- (4) There should be an effective machinery for periodical review and appraisal of their performance so that defects may be put right as speedily as possible.

Guidelines have also been laid down for responsibilities of Boards of Public Enterprises, with regard to policy formulation, managerial control and co-ordination, etc., particularly to highlight the important areas relating to the management of the concerned enterprises, which should receive the attention of the Boards. Finance Ministry's O.M. No. 2(9)/70-BPE(G.M.I.) dated 24th January, 1970 refers. (Copy enclosed) Appendix VII. It was, of course, clarified in this context that these areas were not exhaustive. Finally Government have issued, and will be issuing, guidelines in important area of working of these enterprises.

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II
dt. 18-12-1972].

Supplementary point on Recommendation No. 27

The progress made for streamlining the procedure for scrutiny of the agreements in respect of Public Enterprises may please be intimated and Parliament be informed also in the matter.

[L.S. Sectt. O. M. No. 20-PU|69 dt. 21-3-1972]

Reply of Government

Instructions for streamlining the procedure for scrutiny and approval of Agreements entered into by Public Enterprises were finalised by the Bureau of Public Enterprises in consultation with Ministry of Law. These instructions are contained in the Ministry of Finance, Bureau of Public enterprises office Memo. No. 9 (136)/69-BPE (GM) dated 11th June, 1971 (copy enclosed) Appendix I.

[Min. of Petroleum and Chemicals O.M. No. 69(4)|69-Ferts. II
dated 18-12-1972].

CHAPTER IV

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

Recommendation (Serial No. 12)

The Committee also regret to note that although it is now more than one year when the juridical possession of the Methanol plant was taken over, no claims have been preferred against the firm as the details thereof are still being finalised. The Committee hope, that immediate action would now be taken to finalise the claims against the firm and to recover the loss suffered by the Corporation. (Para No. 2.60).

Reply of Government

The reply furnished by the Fertiliser Corporation of India in regard to this recommendation is attached (Appendix VIII) Reference to the arbitration was made by the Corporation on 3-10-1969 and since then arbitrators have been appointed by both the parties. The umpire has also been appointed on 11-5-70. The Corporation's rejoinder and reply to counter claims were filed on 30-7-1970.

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II
dt. 17-12-1970].

Supplementary information required on recommendation No. 12

The latest position of the outcome of the arbitration may please be indicated.

[L.S. Sectt. O.M. No. 20-PU|69 dt. 21-2-1972]

Reply of Government

The arbitration proceedings are still in progress and the outcome of the arbitration will be intimated to COPU as soon as the award is given by the arbitrator. It is not possible so say at this stage when the award will be given.

[Min. of Petroleum and Chemicals D.O. letter No. 69(4)/69-Ferts. II
dt. 31-12-1971].

Supplementary point on Recommendation No. 12

The latest position of the outcome of the arbitration may please be indicated:

It may also please be indicated whether there was any mention of arbitration clause in the agreement which had been mentioned in the contents to the Government reply.

[L.S. Sectt. O. M. No. 20-PU|69 dt. 21-3-1972]

Reply of Government

The latest position of the arbitration in the case of dispute with M/s Girdler Corporation is that the Arbitral Tribunal consisting of Retired Hon'ble Lord Devlin (Umpire), Mr. J. Russel Vilson (Arbitrator) and Mr. B. Sen (Arbitrator) had two sessions under the Indian Arbitration Act. The first session was from 24th of May to 3rd of June 1971 and it was held in New Delhi. During this session certain preliminary points were discussed and issues framed. The second session was in New Delhi from 29th November, 1971 to 13th of December, 1971 both days inclusive. During this session FCI opened its case and the evidence of its witnesses started.

The next session is to begin from 12th February, 1973 when the evidence of the remaining witnesses of Fertilizer Corporation of India would be taken up and thereafter the Girdler Corporation (now known as I.D.I. Management) would open its case.* In regard to the arbitration clause in the agreement, it may be mentioned

*At the time of factual verification the Fertilizer Corporation of India Limited informed as follows :—

"During the hearings the preliminary objections of the respondents to the entire reference to the Arbitration were heard and disposed off under the Indian Arbitration Act, 1940.

In the subsequent hearings the Corporation as well as the Respondents led oral evidence on their various claims and issues involved. The oral testimony of both the parties to the dispute on all technical issues has been completed in the last hearing of February-March 1973.

Presently as directed by the Arbitral Tribunal the Corporation is seized with its written submission on technical points and the extent of breach by the Girdler Corporation which are supposed to be filed latest by 10th May, 1973. Thereafter both the parties will exchange their submissions and file their rejoinders, if any, by 10th June, 1973.

The Arbitral Tribunal will consider the entire written submissions and rejoinder filled by both the parties and shall give their interim award determining the extent of breach, if any.

It is expected that if FCI's case is accepted and the extent of breach is determined in the interim award, FCI will be directed to prove its claim at the next hearing of the Arbitral Tribunal scheduled to take place from 6th November 1973 at New Delhi for a period of 3 weeks."

that in the contract with M/s Girdler Corporation the following clause in regard to the arbitration was incorporated:—

“Except as otherwise provided in the agreement, all disputes and differences between the Contractor and the Corporation shall be referred to arbitration, each party appointing an Arbitrator, and the two Arbitrators nominating an umpire, as the first step before consideration of any specific issue referred to them. The decision arrived at unanimously by the two Arbitrators, on their failure to reach unanimous decision the award of the Umpire shall be accepted as final and binding upon both the parties.”

“The provisions of the Indian Arbitration Act, 1940 shall govern the said arbitration proceedings. The venue of the arbitration shall be New Delhi. The parties hereby expressly submit to the jurisdiction of the courts at New Delhi for all disputes arising out of the Agreement. The arbitration proceedings and the enforcement of any award that may be made therein.”

[Min. of Petroleum and Chemicals O.M. No. 68(4) | 69-Ferts. II
15.2.1973]

Comments of the Committee

Please see paras 10 to 12 Chapter I of the Report.

Recommendation (Serial No. 17)

The Committee are concerned to note the high cost of production of fertilizers at Trombay which was not only higher than the cost of production of similar fertilizers in Sindri and Nangal units but also generally higher than the selling price. The Committee realise that the low production at Trombay is one of main factors for this high cost of production and hope that with the increase in production by implementing the various recommendations of the technical Committees the cost of production will come down. The Committee however, find that in case of certain products e.g. urea, in spite of increase in production 1967-68 as compared to 1966-67, there had been an increase in cost of production. They, therefore, feel that it is essential to maintain a strict control over the cost of production of various products and to make vigorous efforts to locate areas where economics can be effected. It needs no emphasis that if the Trombay unit has to work profitably it should see that its cost of production is brought down at least to that of the other units operating at present. (Para No. 3.31)

Reply of Government

The FCI have intimated that they are maintaining strict control over cost of production of various products and will be making vigorous efforts to locate areas where economies can be effected. In this connection a copy of the reply furnished by the FCI is attached (Appendix IX).

2. The C.A.G. while vetting the reply contained in para 17 have commented as in Appendix X. The comments of the Corporation on the points raised by CAG are contained in the Corporations reply at Appendix XI.

3. Government confirm that the facts as analysed by the Corporation are in order and do not have any further comments to make in the matter.

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II dated 31-12-1971.]

Comments of the Committee

Please see paras 13 to 15 of Chapter I of the Report.

Recommendation (Serial No. 22)

The Committee are not satisfied with the explanation furnished for the absence of any provision in the agreements entered into with two private oil refining companies about the minimum relative density of the gas/naphtha to be supplied by these companies. No records have been furnished to them to show that the question of making specific provision in the agreements for minimum relative density of gas/naphtha to be supplied by the two companies was considered at the time of entering into agreements with them in 1961-62. The letters written by the two companies 2-3 years earlier at the planning stage can hardly prove that the companies were not agreeable to such a provision in the agreements entered into with them. In fact the plant was designed on the basis of the feed stock data supplied by the refining companies.

The Committee, therefore, desire that the reasons for this vital omission from the agreements with those two companies which have resulted in annual loss to the extent of Rs. 1.2 crores to the Corporation should be examined and responsibility fixed. (Para No. 5.30).

Reply of Government

The circumstances under which the omissions occurred in the agreements have again been examined by carefully going through

the records and also by checking up the position with the officers of the Corporation who were dealing with the contracts for the supply of refinery gas and naphtha. As a result of those investigations, it has been found that there was actually no necessity of providing for minimum specific gravity of naphtha in the contract with M/s. Esso. Regarding contract for the supply of Refinery gas, attempts were made to provide for relative density in the contract with M/s. Burmah Shell but they were not prepared to bind themselves to variations in relative density. The only item on which they were prepared to bind themselves was the calorific value and pressure which were duly provided in the contract. In this connection a detailed note prepared by the Corporation clarifying the entire position together with copies of the relevant correspondence is enclosed. (Appendix XII).

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II
dated 19-10-1972]

Recommendation (Serial No. 22)

The result of the studies and the appropriate action taken in the matter may please be indicated.

(L.S. Sectt. O.M. No. 26—PU|69 dt. 11-2-1971)

Reply of Government

The Comments of the Fertilizer Corporation of India in the matter are attached (Appendix XIII). Government agree with the view expressed by Fertilizer Corporation of India.

[Min. of Petroleum and Chemicals O.M. No. 68(4)|69-Ferts. II
dt. 18-12-1972].

Comments of the Committee

Please see paras 16 to 26 of Chapter I of the Report.

Recommendation (Serial No. 24)

5.40. From the facts furnished to the Committee it appears that the Management decided to provide the wagon tippler mainly for expeditious unloading and to avoid accrual of demurrage charges. No records have been furnished to the Committee to show whether the economies of transportation of rock phosphate by road and rail were considered by calculating the estimated charges by road and the management decided to provide the wagons tippler mainly the rail and the likely demurrage charges if any, in both cases. It was

only on receipt of tenders that it was found that the transportation of rockphosphate by road would be cheaper than by rail.

5.41. The Committee regret to note that the decision to import a wagon tippler, costing Rs. 16.07 lakhs, was taken without first assessing the economics of transportation by rail and road. The import of wagon tippler has not only led to the unnecessary spending of foreign exchange, but also blocking the funds of the Corporation. (Paras Nos. 5.40 and 5.41),

Reply of Government

This recommendation has been brought to the notice of the Corporation by sending a copy of the Ministry's reply to the Corporation on 8-10-1969.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II dated 17-12-1970].

Supplementary information required on Recommendation No. 24.

The action taken by the Trombay Unit of Fertilizer Corporation of India on these recommendations may please be indicated.

[L.S. Sectt. O.M. No. 20-PU|69, dt. 11-2-1971].

Reply of Government

The Fertilizer Corporation of India has stated as follows:—

One wagon tippler was imported in 1963 to handle movements of imported rock-phosphate from Bombay Port to Trombay Plant site for Nitro Phosphate Plant. The specifications for tippler were approved by the Research, Design and Standard Organisation of the Ministry of Railways in 1963. By the time the tippler was installed in 1965 which was capable of handling 4-wheeler wagons only Railways had started making increasing use of 8-wheeler wagons for transport of minerals and other bulk materials. Railways also did not agree to charge us on the basis of actual distance of 17 Km. from Bombay Docks to Trombay, but insisted on minimum charges of 40 Km., thus making the use of the wagon tippler un-economical. These two factors combined were responsible for its non-utilization for some time.

However, we have begun using the said wagon tippler at Trombay for some time past. Now the rock phosphate is being regularly produced indigenously from Udaipur and Railways are supplying it in 4-wheeler wagons. Practically all our supplies from:

Udaipur are coming in 4-wheeler wagons enabling us to use the wagon tippler.

No log-book was maintained from wagon tippler before November, 1970. This is because the use of wagon tippler was very much limited as most of the material was coming by road from Docks. It was, therefore, not considered necessary to maintain the log-book. However, when we started getting rock from Udaipur by rail, wagon tippler was regularly used and thus the maintenance of the log-book was started from November, 1970.

[Ministry of Petroleum & Chemicals, O.M. No. 68(4)/69/Ferts.--II, dated 18-12-72].

Comments of the Committee

Please see paras 27 to 34 of Chapter I of the Report.

Recommendation Serial No. 25 (Para No. 5.42)

The Committee, desire that the question whether the transportation of rock phosphate would be done by road or rail should be decided expeditiously in the light of the experience gained. In case it is decided to continue road transportation, steps should be taken to utilize the wagon tippler elsewhere or to dispose it of.

Reply of Government

Fertilizer Corporation of India have intimated that they are conducting trail runs of Rajasthan rock-phosphate to find out its suitability for operations in Trombay factory. In case this rock phosphate is found suitable, the company will switch over to indigenous material and the wagon tippler may be utilised depending on the supply of suitable type of wagons. The final decision regarding suitability and availability of rock-phosphate from Rajasthan will be known in the near future after which it would be possible to determine whether the wagon tippler could be used at Trombay or not.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II dated 14-10-1970].

Supplementary point Recommendation Serial No. 25

The latest result of the experiment at Trombay Unit for the suitability of the Rajasthan Rock-phosphate may please be indicated.

(L.S. Sectt. O.M. No. 20-PU/69 dt. 21-3-72).

***Reply of Government**

Till recently FCI have been using Rajasthan Rock phosphate for production of suphala and its use was fairly alright. Even though it was posing some problems of inconsistency on P_2O_5 content and moisture content. However, FCI have now discontinued using the Rajasthan Rock Phosphate because of problems of irregular supply, high cost, huge loss in transit, inconsistency in quality particularly the P_2O_5 content and the size and inability on the part of the mine authorities to provide moisture free material during rainy season. During monsoon and heavy rains the moisture is as high as 10 to 11 per cent making it impossible for FCI to use the rock in the plant. FCI's product and process of production is planned on rock containing 35 per cent P_2O_5 . Any variation in the P_2O_5 upsets the operations particularly when the variations are Spasmodic and Erratic. The mine authorities at Udaipur have guaranteed only 30 per cent P_2O_5 as against FCI's requirement of 35 per cent. There are also very heavy transit losses i.e. the weight recorded in the R/Rs and weight actually received at Trombay is different. In the month of April, 1972 the shortage was as much as 12 per cent. The average shortage is about 8 per cent. This makes the use of Udaipur rock phosphate at Trombay most uneconomic.

[Min. of Petroleum and Chemicals D.O. letter No. 68(4) | 69-Fert II
II dated 26-2-73].

Comments of the Committee

Please see paras 27 to 34 of Chapter I of the Report.

*Reply yet to be vetted by Audit.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED.

Recommendation Serial No. 1

The Committee are unhappy over the manner in which legitimate claims amounting to \$8,20,000 against M/s. Chemico were withdrawn by the Corporation in spite of the contrary views expressed by the General Manager, Trombay Unit and the categorical legal opinion of the Solicitors. They feel that there was no justification for treating these valid claims merely as 'Bargaining counters' to arrive at an overall settlement with this firm which did not eventually turn out to be in the best interests of the Corporation. (Para 2:20).

Reply of Government

The amount of dollars, 8,20,000 is part of the claim amounting to Rs. 57.50 lakhs referred to in recommendation No. 6 (Para 2.27). Pursuant to recommendation No. 6, Government have set up a single member Commission of Inquiry under the Commissions of Inquiry Act, 1952 to enquire into the matters referred to therein, and as such the claim amounting \$8,20,000 will come within the scope of enquiry. The report of the Commission is awaited.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts.
II dated 14-10-70].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

Supplementary information required on recommendations Nos. 1, 3, 6, 9, 15, 19, 20 & 26.

It has been stated by the Government that a single Member Commission of Inquiry under the Commission of Inquiry Act, 1952 to enquire into the matters have been set up. It may please be indicated when the Commission is likely to submit its report. Five copies of the Report of the Commission of Inquiry when submitted together with Government decisions thereon may be furnished to this Secretariat for information of the Committee.

(L.S. Sectt. O.M. No. 20-PU/69 dt. 11-2-71).

Reply of Government

The Commission was appointed in August, 1969 for a period of three months. Its life has been extended from time to time and the present extension is upto 31-3-72. Further extensions will also be required, as the Commission has not yet completed its work. It is not possible to indicate at this stage precisely as to when the Commission will submit its report.

Five copies of the Report, when received, will be sent to COPU. [Min. of Petroleum and Chemicals D.O. letter No. 68(4) |69-Fert II dated 31-12-1971].

Additional Information required on recommendation Nos. 1, 3, 6, 9, 15, 19, 20 & 26.

The single member Commission under the Commissions of Inquiry Act, 1952 is likely to submit its report to the Government by the 31st March, 1972. Five copies of its Report when submitted may please be furnished to enable the Committee on Public Undertakings to finalise their Action Taken Report.

(L.S. Sectt. O.M. No. 20-PU/69 dated 21-3-72).

Reply of Government

The present term of the Commission expires on 30-4-73. The Commission has not indicated yet as to when it would be submitting the report. Five copies of the report when received will be forwarded to the Committee on Public Undertakings.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II dated 18-12-72].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

Recommendation Serial No. 3

The Committee find that para 8.4 of the original contract provided that the Corporation and M/s. Chemico shall consult each other regarding arrangements for subsequent services to be furnished by the firm with respect to the plant as soon as it could be foreseen that the plant would not be ready for initial operations within the specified time. It is, therefore, surprising that the negotiations with the representatives of M/s. Chemico were commenced only three days before the date of expiry of the contract and without associating the General Manager, Trombay Unit and the Financial Adviser of the Corporation. The Committee see no justification for

delaying the negotiations with the firm till the end of the period of the contract and for signing the supplemental agreement with the firm on the last date of the original contract without prior consultation or approval of the Board of Directors and the Government. (Para 2.22).

Reply of Government

The Commission of Inquiry referred to in reply to paragraph 2.27 will also enquire into this aspect of the matter. A copy of issue framed by the Commission of Inquiry is enclosed (Appendix XIV). Item 11(iii) of the issues may particularly be seen. The findings of the Commission are awaited.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II dated 17-12-70].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

Recommendation Serial No. 5

The Committee, however, find from the supplemental agreement entered into with the firm that it was only subject to the approval of the Board of Directors and AID concurrence. There is no mention in the agreement about its being subject to the approval of Government. In the circumstances, the Committee fail to understand as to on what basis they were informed that the settlement was subject to Government's approval and if they were not satisfied, the terms of the agreement would have been re-opened and they would have advised the Fertilizer Corporation of India to do so. In spite of the admission by the Secretary of the Ministry "that things could have been negotiated procedurally in a better manner," no records have been furnished to the Committee to show that any action was taken by Government against the person concerned for these procedural lapses. (Para 2.26).

Reply of Government

Although there was no specific mention in the supplemental agreement that it was subject to the approval of the Government, it was known to Fertilizer Corporation of India that according to the prescribed procedure, the agreement had to receive the approval of the Government, as it was with a foreign party and besides, the original agreement had been approved by the Government. The Corporation did in fact come up to the Government for approval of the supplemental agreement which was duly considered in the con-

cerned Department of the Government of India and approval was eventually accorded.

While approving the supplemental Agreement, Government brought to the notice of the Corporation certain lapses in connection with the agreement with a view to avoiding such lapses in future and had also advised the Corporation to provide sufficient safeguards in contracts in future so the Corporation is not put to losses, vide d. o. letter No. 10(22)—65, Ferts II dated 18-9-67 (copy enclosed) Appendix XV. The Commission of Inquiry would go into these lapses, such further action as may be required in this connection will be taken on the receipt of the recommendations of the Commission.

Recommendation No. 5

Comments of Audit

In the absence of the prescribed procedure which has not been made available, it is not possible to verify in Audit the correctness of the facts mentioned in the first sentence of the reply. The only letter produced to Audit in this regard was that of Min. of Finance (Deptt. of Economic Affairs) dated 5th May, 1971 (along with enclosures) in which the Finance Ministry admitted that they were unable to lay their hands on any Circular requiring agreements with foreign parties to be submitted for Government approval.

[Min. of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts. II
dt. 25-4-1972].

Supplementary point on Recommendation No. 5

The Audit in their comments have pointed out that in the absence of the prescribed procedure which has not been made available, it is not possible to verify in Audit the correctness of the facts mentioned in the first sentence of the reply. The only letter produced to Audit in this respect was that of the Ministry of Finance, Department of Economic Affairs dated 5th May, 1971 (along with enclosures) in which the Ministry of Finance admitted that they were unable to lay their hands on any circular requiring agreements with foreign parties to be submitted for Government approval.

A copy of the reply furnished to Audit indicating the authority under which the approval of Government was necessary in cases of agreement with foreign parties, may please be supplied to this Sectt.

[L.S. Sectt. O.M. No. 20-PU/69 dated 17/18-5-1972]

Reply of Government

No additional material was furnished by Government to Audit in this regard.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts.
II dt. 18-12-1972].

Comments of the Committee

Please see paras 4 to 9 of Chapter I of the Report.

Recommendation Serial No. 6

In view of the above circumstances, the Committee cannot help feeling that as far as the agreement entered into with M/s. Chemico for the supply of Ammonia, Urea and Nitric Acid Plants was concerned, the Managing Director did not act entirely in the interests of the Corporation. They would therefore, recommend, that a more detailed enquiry ought to be conducted to find out whether the dropping of the claims worth Rs. 57.50 lakhs against M/s. Chemico was justified and whether the terms of the agreements entered into with this firm were in the best interests of the Corporation. They also desire that responsibility for various lapses in this case should also be fixed and suitable action taken against the persons concerned. (Para No. 2.27).

Reply of Government

Pursuant to the above recommendation, Government has set up a Single-Member Commission under the Commissions of Inquiry Act 1952 to inquire into the matters referred to in this paragraph. A copy of the Resolution No. Ferts. II|55(17)69 dated the 5th August, 1969 setting up the Commission is enclosed (Appendix XVI) for reference. The Commission was required to submit its report within 3 months i.e. upto 4th November, 1969. The period of the Commission is however, being extended upto 31st March, 1972.

[Min. of Petroleum and Chemicals D.O. Letter No. 68(4)|69-Ferts.
II dated 22-1-1971].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

Recommendation Serial No. 9

The Committee were informed by the Chairman of the Corporation during evidence that nitrophosphate process was basically an European process and not an American process. In the U.S.A. there

was no dearth of sulphur and, therefore, nitrophosphate was not produced. The American contractor to whom the contract was awarded had put up smaller plants but none of the size proposed at Trombay. The contract should, therefore, have been awarded to an European firm rather than to the American firm. But the difficulty was that the financial assistance for the plant was received from USAID and one of the conditions attached to it was that the contract should be placed with an American firm. (Para No. 2.44).

The Committee take a serious view of this matter. The availability of foreign credit no doubt has to be taken into consideration in setting up any plant, but this should not have weighed so heavily with the Government as to ignore such important factors as experience and ability of the contractor to supply the required plant. Unsatisfactory working of the plant has not only resulted in shortfall in production of fertilisers loss of foreign exchange in import of materials and fertilizers, avoidable capital expenditure on Sulphuric acid plant and storage tank but has also cost the exchequer an additional capital expenditure of Rs. 1.69 crore for its rehabilitation. The Committee, therefore, desire that the reasons for awarding the contract to this firm should also be investigated by the enquiry Committees suggested in para 2.27 of this Report. (Para No. 2.45).

Reply of Government

The Commission of Inquiry referred to in the reply under paragraph 2.27 will also investigate the reasons for awarding the contract for the nitrophosphate plant to M/s. Chemical and Industrial Corporation of U.S.A.

[Min. of Petroleum & Chemicals O.M. No. 68(4)/69-Ferts.
II dated 14-10-70].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

Recommendation Serial No. 15

The Committee regret to note that the production in various plants at Trombay is much below the rated capacity. As admitted during evidence before the Committee and as also pointed out in the reports of Committees of experts the reasons for low production are deficiencies in designing, engineering and material in the plant itself. On the other hand, the Committee find that the production guarantees for ammonia and Urea plants were demonstrated by suppliers (M/s Chemico) and these were accepted by the management. With

all the existing defects in these plants, the Committee fail to understand as to how these plants could produce upto the rated capacity during the performance tests. Had proper guarantee tests been carried out, there was no reason why these defects in the plants should not have come to light at that stage. Apparently the management failed to fully satisfy itself that the plant could produce upto the rated capacity on a sustained load before discharging the contractor of his obligations under the contract. The Committee would like the Government to look into this matter thoroughly and take suitable action against the individuals found responsible for this lapse. (Para 3.16).

Reply of Government

It has been pointed out by the Fertilizer Corporation of India that all the defects in the plant will not show up during the performance tests, which are run for a very brief period ranging from 3—5 days. Had these defects been known at the time of performance test runs, the plant would not have been accepted. Wherever the defects were known they were rectified before production guarantee tests was started. It has been further, pointed out by the Corporation that as per terms and conditions of the Contract and Agreement as then existing, acceptance of production guarantees for Amonia and Urea could not be avoided. The Corporation has also stated that in future contracts, it is being provided that production guarantee tests would not be started so long as the plants have not run on sustained load for a period ranging from 7 to 60 days depending upon the type of plant and that if the plants are run on a sustained load of say, 60 days, the defects would show themselves up and would be rectified before the production guarantee tests are performed by the plant/ Process know how suppliers.

[Min. of Petroleum & Chemicals D.O. letter No. 68(4)|69-Ferts.
II dt. 7-12-1971]

Comments of the Committee

Please see Paras 1 to 3 of Chapter I of the Report.

Recommendation Serial No. 19

The Committee are unhappy to note that even after the installation of additional equipment at an extra cost of Rs. 5 lakhs, the highest actual production achieved so far in a single day is only 340 tonnes of Urea as against 380 tonnes which was the required production to justify the payment of bonus. They feel that there was no justification for agreeing to judge the performance of the entire

plant by the working of one stream only. The Committee observe that this is another instance where the provision made in the supplemental agreement with M/s. Chemico was to the disadvantage of the Corporation. (Para 5.6).

Reply of Government

The Commission of Inquiry referred to in reply to paragraph 2.27 will go into this matter. In this connection, a copy of the issues framed by the Commission is enclosed (Appendix XIV). Item 7 of the issues may particularly be seen. The findings of the Commission are awaited.

[Ministry of Petroleum and Chemicals O.M. No. 68(4)/69-Ferts.
II dt. 17-12-70].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

Recommendation Serial No. 20

The Committee also note that the change in the clause relating to the payment of bonus is stated to have been agreed to by the Corporation across the table during the negotiations with M/s. Chemico. This further strengthens the impression that the negotiations were conducted by the then Managing Director in an arbitrary fashion without safeguarding the interests of the Corporation. (Para No. 5.7).

Reply of Government

A Commission of Inquiry referred to in reply to para 2.27 will also inquire into this aspect of the matter. In this connection, a copy of the issues framed by the Commission is enclosed (Appendix XIV). Item 7 of the issues may particularly be seen.

The findings of the Commission are awaited.

[Ministry of Petroleum & Chemicals, O.M. No. 68(4)/69/Ferts.
II dated 17-12-1970].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

Recommendation Serial No. 26

The examination of Audit Paras relating to the Trombay Unit of FCI in the Audit Report (Commercial) 1968 has revealed several unsatisfactory features.

The Committee are constrained to observe that there were a number of procedural and functional lapses on the part of the Management of which Government of India have taken serious note but do not appear to have been done so or exercised proper check and supervision. The Committee would urge that as suggested by them in Paragraph 2.27 an enquiry should be made to ascertain the reasons for entering into such defective agreements which have resulted in huge financial losses and continuous low production. Awarding of contracts to firm which had neither the capacity nor experience to undertake them is also a sad affair. They would like to be informed of the findings of the enquiry, the names of the officers found responsible for these lapses and the action taken against them (Paras 6.1 and 6.2).

Reply of Government

The Commission of Inquiry mentioned in the reply under paragraph 2.27 will go into the matter. The Commission's report will be forwarded to Lok Sabha Secretariat in due course.

[Min. of Petroleum & Chemicals O.M. No. 68(4)/69-Ferts.
II dt. 14-10-1970].

Comments of the Committee

Please see paras 1 to 3 of Chapter I of the Report.

NEW DELHI:

April 21, 1973

Vaisakha 1, 1895 (S)

SUBHADARA JOSHI,

Chairman.

Committee on Public Undertakings.

APPENDIX I

(Vide reply to recommendation at Sl. No. 7 & 27)

No. 9 (136) | 69-BPE(GM)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

New Delhi, the 11th June, 1971.

OFFICE MEMORANDUM

SUBJECT: *Scrutiny and approval of agreements entered into by Public Enterprises.*

Government's decision on the A.R.C's Report on "Public Sector Undertakings" envisage that the powers to approve agreements involving foreign collaboration proposed to be entered into by these enterprises, and to approve purchases and contracts of major nature involving substantial capital outlays, which are in excess of the powers delegated to them, vest with the Government. In September 1960, instructions had been issued listing out some of the important factors|principles which have kept in view, in the context of finalisation of consultancy|collaboration agreements. These guidelines, covering such aspects as defining the responsibility of the consultants, remuneration payable to them, phasing of the remuneration, etc., which require careful consideration at each stage, before the agreements are finalised, were reiterated in this Ministry's O.M. No. 2(68|67-F.I dated the 28th September, 1967. It has, however, been noticed that the agreements entered into by some Public Enterprises with foreign collaborators or with local parties contain lacunae, which will ultimately involve the concerns in heavy losses either directly in monetary terms or indirectly on account of poor quality of machinery or technical services supplied.

The matter has been considered further with a view to making the guidelines issued in this area earlier more comprehensive for use by the enterprises even in respect of agreements may be signed within their own power. The guidelines indicated in the Annexure to this O.M. are accordingly circulated to the Ministry of Steel and Mines etc., for being forwarded to the Public Enterprises under

their administrative control. These guidelines have been drawn up in the consultation with the Ministry of Law and also incorporate the general principles circulated by the Department of Industrial Development for facilitating processing of foreign investment|collaboration cases, as the same will be relevant in this regard as well.

Sd|-

(P. K. BASU)

Director, Bureau of Public Enterprises.

To

All Ministries|Deptts. of the Govt. of India.

ANNEXURE

Factors|Principles to be taken into account while entering into agreements with foreign collaborators|local parties.

(i) Some of the items of work may have to be done in the country while others may have to be done outside. It is necessary therefore, that a clear indication in regard to both should be available so as to determine the quantum of remuneration. It would also be useful to include in the agreement a list of the staff that would be posted within the country so that no confusion or dispute arises at a later stage.

(ii) Certain facilities may have to be made available to the consultants in regard to residential and office accommodation, travelling allowances both from the parent country to India and within India, provision of vehicles, equipment, medical facilities, etc. When assessing the remuneration, the incidence of such facilities should be clearly borne in mind.

(iii) There should be a clause for premature determination of a consultancy agreement in case the work is found to be unsatisfactory or not suitable, and there should be an indication in regard to the payments involved in case of such a contingency arising. As far as possible, the quantum of remuneration should approximate to the quantum of work actually done and legitimate expenses incurred by the consultants. It should also be clearly laid down that whatever work has been done by the consultants shall be the property of the employer and all papers, drawings and design etc. should be secured in suitable form before final payments are made.

(iv) The consultancy agreement should also provide a safeguard to the employer in the contingency of any infringement of patent rights during their employment or in future and the consultants must be required to guarantee indemnification for all time.

(v) The taxation aspects in respect of the remuneration, salaries etc. paid should be kept in mind and not left open, as otherwise foreign consultants are likely to claim tax remissions later.

(vi) In the case of certain consultancy agreements, utilisation of some patent rights may be involved, which may require payment of royalty or fees for several years to come. As far as practicable, such perpetual payments should be avoided unless justified on financial grounds.

(vii) The foreign exchange aspects should also be kept in view, and as far as possible, the consultants should be required to work within India with the help of local personnel so as to reduce payments in foreign currency.

(viii) When payments are to be made in foreign currency it would be better to deposit the rupee equivalent in a bank in India nominated by the consultants and remittance facility allowed.

(ix) A clause for recovery of liquidated damages should be made (in addition to the right to determine the agreement in case of delay in execution of unsatisfactory performance and also a right to postpone the payment of every instalment in such a situation should be secured. It may also be desirable in many cases to have a performance guarantee bond being directly enforceable by the enterprise, with regard to the functioning of the equipment and the like. In cases of delay in execution, it would be necessary for the enterprise to attempt to make a genuine pre-estimate of the damages likely to be suffered by reason of delay and the like and to make a provision for liquidated damages on that basis.

(x) Remuneration for consultancy service:

(a) Fixation of remuneration as a percentage of the total cost of the project or as a percentage of the cost of plants and machinery, is open to objection as the incentive for economy in designing is lost thereby. Secondly, it would be difficult to know in advance what the commitments on account of the consultants' fees would be. Thirdly, it might result in unintended benefit on account of the

increase in cost of work due to extraneous reasons like contractors' delays and failures. In order to avoid these difficulties, the fee as far as possible, when based on a percentage, should be calculated on the basis of the estimated cost and expressed in the consultancy agreement as a definite figure by negotiation if the scope of the project is changed and, as a result, a substantial change occurs in the actual cost.

- (b) Where a fixed fee payable either in lump sum or in instalments is agreed to and where the consultants require a portion of the fee within a few days of the agreement being signed, it would be necessary to limit the payment to as small an amount as practicable. The payment of the remaining amounts may be fixed in instalments, e.g. at the submission of the project reports, at the submission of the drawings and designs, during erection period and when the plant has gone into production and given satisfactory performance. It would be necessary that the last instalment should be as substantial as possible as in case of serious defect or failure, it would be possible, to withhold the last instalment. The quantum of the instalments, as far as practicable, should be based on the amount of work done.
- (c) In regard to fee for patented rights and processes, it should be considered whether it would be advantageous to buy such rights outright or to make payments on yearly basis.
- (d) In all cases, the interests of the projects should be suitably safeguarded.

(xi) The contracts, particularly those with foreign parties should contain an express provision as to the law by which they are to be governed. It would be desirable to say that the contracts are governed by Indian Law. A Provision might also be made that disputes are to be settled by arbitration in India according to Indian Law or should be the subject matter of proceedings in Indian Courts.

(xii) The enterprises should take competent legal advice for ensuring that the agreements are properly drafted.

(xiii) The general principles circulated already for facilitating processing of foreign investment collaboration cases *vide* part 6 of Deptt. of Industrial Development O.M. No. ID&FC-5/(26)/68-II, dated 25-1-69, extracts in the enclosure, may also be kept in view.

ENCLOSURE

Extracts from O.M. No. ID'FC-5(26)|68-II dated 25-1-1969 regarding foreign collaboration policies and procedure—guidelines

* * * * *

6. The following are some of the general principles to be borne in mind while dealing with foreign investment|collaboration cases:

(i) Even when the principle of foreign investment in a particular industry is accepted, it is important to ensure that to the maximum extent possible, effective control in a joint venture rests in Indian hands. That is why foreign equity participation beyond 49 per cent is accepted in only exceptional cases. It is probable that in view of the Indian shareholding being divided, the foreign collaboratory may be in a position to exercise effective control on the basis of a holding of less than 49 per cent. In view of this, all cases with foreign holding in excess of 40 per cent should be looked at carefully and, where approved, such steps as may be practicable (such as insistence on majority Indian Directors) should be taken to ensure that effective control remains in Indian hands. In judging the relevance of foreign equity holding to effective control, it would also be pertinent to distinguish between cases where the foreign equity holding belongs to a single group of management (or closely related groups of management) and those where it is shared, particularly with foreign financial institutions including International Institutions. Cases involving foreign capital participation will, however, be decided at the levels indicated in Annexure III (Not enclosed).

While our policy is to encourage foreign private investment in the industries which we desire to develop, one of the criteria for judging such proposals would be related to the profitability of a particular industry. While considering proposals for foreign equity participation in industries where the profit margin is substantially high, Ministries should taken into account the quantum of dividends which will have to be remitted abroad in a relatively short period and relate this to the likely earning or saving of foreign exchange.

(ii) Normally royalty is expressed as a percentage of the ex-factory selling price of the product, minus the landed cost of the imported component including ocean freight, insurance, customs duties payable thereon etc.

In appropriate cases the alternative of expressing royalty as a fixed amount per unit of production may be considered. This may

be particularly appropriate in cases where the Indian price of a commodity is expected to be very high as compared to the International price.

In respect of the engineering industries, a provision should be made in all collaboration agreements to the effect, that if a readily identifiable component is made by the same Indian party in collaboration with another foreign party, on a royalty basis, the cost of such a component should be deducted from the ex-factory price of the final product for the purpose of computation of royalty. Similarly, if the same foreign collaborator is associated with the manufacture of the final product and also any of the identifiable components, even if the Indian partners are different, the cost of such components should also be offset from the value of the final product for the purpose of the computation of royalty.

(iii) For the purpose of these guidelines royalty has been grouped into two ranges, a low range upto 3 per cent and the other upto 5 per cent. All royalties are subject to Indian taxes. The Ministries and the Departments of the Government of India should not as a rule negotiate on the basis of payment of fees to foreign collaborators free of Indian taxes but should insist on such payments being fixed subject to applicable Indian taxes.

The question has been considered whether in cases where minority foreign investment is allowed, the rate of royalty applicable should be something less than what would be admissible if there is no equity participation. A view has been expressed that in so far as the foreign investor gets a share in the profits of the company, there is a justification for a reduction in the royalty rate. On the other hand, the foreign investors have often taken the stand that their participation in the equity risk should not be a ground for denying payments which would otherwise have been made. Government had accepted this position. It is felt that we should not take a rigid stand that there should be an appreciable reduction in the percentage of royalties on account of equity participation particularly as this may act as a disincentive to investment. In the interest of quick decisions, it does not seem desirable to have too much a refinement to regulate the rate of royalty according to the quantum of minority investment.

(iv) In the very limited number of cases where majority foreign participation is agreed to the royalty payments to the foreign collaborators should be on a substantially reduced basis.

Proposals for majority foreign participation in new enterprises should be considered only when one or more of the following main criteria are satisfied:—

- (a) the main contribution of the project is in a field of technology where Indian has made little progress and where great deal of initial or additional development is necessary.
- (b) the amount of foreign exchange needed for the project is such that unless the foreigner is allowed to have majority share holding we shall ourselves have to find a substantial amount of the foreign exchange for the project no alternative methods of long term finance being practicable; and
- (c) an essentially export oriented scheme.

(v) There should generally be no provision for payment of a stipulated minimum amount of royalty related to turnover.

(vi) In the case of payment of royalties to overseas concerns by fully-foreign-owned or majority-foreign-owned Indian companies, the following procedure should be followed:

- (a) Collaboration between a wholly-owned subsidiary of a foreign company in India and the parent company. Ordinarily no royalty payments to the parent company will be agreed to but payments towards technical services and fees for contribution towards research expenditure may be considered on merits in individual cases.
- (b) Collaboration between a wholly-owned foreign subsidiary in India and a foreign company other than the parent company.

As a general policy collaboration between wholly-owned subsidiaries in India and a foreign party other than the parent company should be discouraged.

- (c) Payment of royalty in joint ventures in which the foreign collaborator has a majority holding.

In cases of companies with majority foreign equity participation it will not be practicable to take the stand that there should be no royalty payments at all. The existing policy of allowing a substantially lower rate of royalty than would other-wise have been agreed to will continue to be followed.

(vii) Royalty payments should normally be restricted to a period of 5 years from the date of agreement or 5 years from the date of

commencement of production provided production is not delayed beyond 2 years of signing of agreement (i.e., a maximum period of seven years from signing of agreement).

(viii) In all cases of Government approval to foreign collaboration proposals it should be specifically stipulated that the royalty terms were being approved for a particular quantum of production (viz., upto the capacity licensed or proposed to be set up, and 25 per cent in excess thereof and in that case of production in excess of that quantum the prior approval of Government would have to be obtained regarding the terms of payment of royalty in respect of this extra production.

(ix) The fact that foreign investment is allowed should not be a ground for allowing import of capital goods which would otherwise not have been allowed. There should be appropriate scrutiny from the indigenous availability angle to ensure that the maximum possible fabrication of indigenous machinery is insisted upon. It is, in general, desirable for investment to be in the form of cash, with purchase of equipment from the cheapest source. Where the investment is in the form of equipment, care should be taken to see that the prices charged are reasonable. Where the capital participation exceeds the value of imported machinery, the balance should be brought in cash.

(x) There should be no stipulation that raw materials, components etc. will be obtained only from the foreign collaborator. The Indian parties should have freedom of choice in this regard.

(xi) With a view to promote exports of non-traditional products the following points should be kept in view:

- (a) When existing collaboration agreements which limit export franchise, come up for renewal, the restrictions should be totally eliminated or substantially removed. In the event of the foreign collaborator not agreeing to this course of action, renewal of agreements should not be permitted;
- (b) Further agreements should be stringently scrutinised to eliminate export restrictions, the approach being that the agreement should allow free export to all countries except perhaps the country of the foreign collaborator or the countries where the foreign collaborator is having joint ventures in the same field of production;

- (c) in low-priority or non-essential fields of production where foreign collaboration is not generally allowed, a relaxation be made where the foreign collaborators agrees to undertake a major share of the production for exports; and
- (d) the existing policy of not allowing foreign collaboration in trading activities may be relaxed where such collaboration is exclusively aimed at augmenting our export sales.

The Ministries should ensure that the export clause in the collaboration agreements gives correct and definite information regarding the countries to which exports will be specifically permitted or disallowed and this information should be clearly indicated in the Notes/Summaries prepared for consideration of the Foreign Investment Board or its Sub-Committee.

In considering applications for foreign investment/collaboration in low priority and non-essential fields, no specific percentage can be rigidly enforced in regard to the quantum of production to be underwritten by the foreign collaborator for export potential of each product. Before putting up such cases to Foreign Investment Board Ministry of Commerce should be consulted and their views obtained in each case.

(xii) Where an indigenous "know-how" capable of commercial exploitation is available, importation of know-how is not normally permissible.

(xiii) The importance of avoiding repetitive import of know-how for the same or similar product or process should be kept in view. Also to the extent practicable fresh entrants should be asked to obtain the knowhow imported by those already in the field.

In fields of manufacture where a number of collaborations have already been approved and new application is received for approval of foreign collaboration in the same field, steps should be taken to explore whether it is possible for the new applicant to obtain the know-how from one of the parties who are already in possession of it. In many of the existing agreements there is a secrecy clause. In future agreement the Ministries should ensure that there is a provision to the effect that the technical know-how/product design/engineering design can be passed on to another Indian party, should it become necessary, on terms as mutually

agreed to by all the parties concerned, including the foreign collaborators and subject to the approval of Government.

In fields where there is likelihood of 3 or 4 units of the same industry being set up at about the same time and all of them are likely to require foreign collaboration, it should be ensured that negotiations for acquisition of know-how for these units are conducted in a co-ordinated manner, with selected foreign parties, rather than permit each Indian party to negotiate individually and independently of each other. Economics of scale would make themselves felt in such a case of negotiation on a multi-plant basis and result in lowering of royalty rate and lump-sum fees for the first as well as every subsequent unit.

(xiv) In appropriate cases and to the maximum extent practicable there should be provision for Indian scientific technological and engineering institutions being associated with the foreign collaboration, so that the foreign 'know-how' is absorbed in our economy as quickly as possible and further developments could take place within the country. While approving a case of foreign collaboration, stress should be laid on the development of indigenous "know-how" as early as possible, so that it may be possible to discontinue the collaboration after the period of validity of the agreement.

(xv) With a view to ensuring maximum possible utilisation of Indian Consultancy Services wherever Indian consultancy is available it should be utilised exclusively and if foreign consultancy is also required, Indian consultants should also be associated and, as a rule, be the primary agency employed for consultancy. From amongst the Indian consultancies, preference should be given to agencies in which the predominant interest is Indian.

Clearance of the Foreign Investment Board should be obtained by the concerned Ministry|Department before consultancy services involving payment in foreign exchange of Rs. 50 lakhs or more are agreed to.

(xvi) Suitable provision should be made for the training of Indians in the field of production and management.

(xvii) The question of use of foreign brand names|trade marks should be examined from the view points (i) whether any additional payments is envisaged for the use of such foreign brand names; and (ii) whether the use of such names would adversely affect the small scale sector or the indigenous industry. In such case the use of foreign brand names should not be allowed for products manufactured under foreign collaboration and meant for the Indian market.

There should, however, be no objection to the use of foreign brand names on the products meant for export.

(xviii) A predominantly foreign owned company with agency functions operating in India should be called upon to redefine its functions, wherever it proposes to associate Indian capital or, in other words, reduces foreign equity.

(xix) Cases of 100 per cent foreign owned Indian companies or predominantly foreign owned companies seeking to take over another predominantly foreign owned Indian Company or any other category of Indian company (a) by complete merger or (b) by making intercorporate investments, within the ambit of Section 372 of the Companies Act, should be brought before the Foreign Investment Board|Sub-Committee. All cases of merger of two Indian companies which will result in the merged company having a direct cum beneficial non-resident shareholding in excess of 40 per cent of the equity capital should also be brought before the Foreign Investment Board.

APPENDIX II

(*vide* reply to recommendation at Sl. No. 4)

No. 2(11) | 68-BPE (GM)

GOVERNMENT OF INDIA

Ministry of Finance (Deptt. of Expenditure)

New Delhi, the 26th April, 1969.

OFFICE MEMORANDUM

SUBJECT: Restrictions on dealings by Public Enterprises with private firms where former top executives of the concerned enterprises have joined after retirement.

There are at present restrictions on employment of retired officers of Government in private commercial undertakings. Thus if a pensioner, who immediately before his retirement was holding post of a sufficiently, senior level in Government, wishes to accept any commercial employment before the expiry of two years from the date of his retirement he has to obtain the prior sanction of the Government to such acceptance. Pension for a specified period is not payable to the pensioner who accepts a commercial employment without such sanction. The question has been under consideration for some time whether the restrictions at present applicable to officers of Government should apply to officers of Public Enterprises also. After considering all the aspects of the question, it has been decided that if a top executive (and not only the Chief Executive) of a Public Enterprise on his retirement joins a private firm, no contract should be placed with that firm, without the approval of the Board of the Directors of the concerned enterprise, for a period of two years following the retirement of that officer.

2. In cases where a Government officer after retirement from Government service accepts re-employment in a commercial undertaking within a period of two years from the date of his retirement, the following procedure will be followed:

- (a) As far as the retired officer is concerned, the existing procedure, under which the period of two years as laid down under Article 531-B, CSRs, would commence from the

date of retirement of the officer concerned, would continue to apply; and

- (b) So far as giving contracts to the private firm which employs the officer in question after his retirement from the Public Enterprise is concerned, contracts with such firms should be entered into by the Public Sector Enterprise in question only after approval from the Board of Directors of the enterprise is obtained—this restriction will be effective for a period of two years from the date of retirement of the officer concerned from the public sector enterprise.

3. Ministry of Steel and Heavy Engineering, etc. are requested to suitably address the enterprises under their control in this regard.

Sd/- A. N. BANERJI,

*Addl. Secretary to the Govt. of India and
Director General, Bureau of Public Enterprises.*

To

All Ministries|Department of the Govt. of India.

Copy to:—Heads of Expenditure Divisions in the Deptt. of Exptt.

- (ii) Production Divn|Adviser (C) Adviser (F)|DS (I&R)|D.S.
(BPE), Bureau of Public Enterprises.

Sd/- (P. K. BASU),

Director, Bureau of Public Enterprises.

APPENDIX III

(*vide* reply to recommendation at Sl. No. 4—Supply. point)

No. 29/4/73-Est. (A)

GOVERNMENT OF INDIA

Department of Personnel & A. R.

New Delhi, the 6th March, 1973

OFFICE MEMORANDUM

SUBJECT: Action taken by Government on the recommendation contained in the 26th Report of the Committee on Public Undertakings on Trombay Unit of the Fertilizer Corporation of India.

With reference to the correspondence resting with the Ministry of Petroleum and Chemicals letter No. 68(4)/69-Ferts. II dated the 8th February, 1973, on the above subject, the undersigned is directed to say that the Bureau of Public Enterprises' O.M. No. 2(11)/68-BPE (GM) dated 26th April, 1969, imposes certain restrictions in the matter of placing contracts with private firms in which any retired officer of the Public Enterprise might be employed. It does not relate to the grant of permission to Government officers for taking up commercial employment after retirement.

2. Cases relating to post-retirement commercial employment within two years of retirement of Class I officers who at the time of their retirement drew pay of Rs. 1500 and above p.m. and who are governed by rule 10 of the C.C.S. (Pension) Rules, 1972 (previously article 531B, CSRs) are required to be referred to this Department for concurrence. Information is available in this Department in regard to such officers and is given in the attached Statement for the period from 1.5.1969 to 31.12.1972. Two of them were employed in public sector undertakings at the time of retirement from Government service. They retired simultaneously from the Public Sector Undertakings also and sought permission to take up commercial employment which was granted. *vide* items 24 and 28 of the Statement. Information in relation to Central Government officers employed in Public Sector Undertakings who took up commercial employment *after* two years of their retirement from Government service is not available with this Department as such cases do not

fall within the purview of Rule 10 of the CCS (Pension) Rules 1972 (previously article 531B, SCRs).

Sd/- P. S. VENKATESWARAN,
Under Secy. to the Govt. of India.

Ministry of Petroleum & Chemicals,
(Shri A. A. Vasudevan, Under Secy.),
New Delhi.

STATEMENT

- | | |
|--|---|
| <p>(a) Number of cases in which permission had been given with the concurrence of Deptt. of Personnel & Administrative Reforms to Government officers for accepting post retirement commercial employment during the period from 1-5-69 to 31-12-72.</p> | 45 |
| <p>(b) The names of the officers concerned; and</p> | <p>1. Shri C.G. Devaya, Retd. Additional Director (Mechanical) (Ministry of Railways) with M/s Tube Products of India Ltd. Madras.</p> |
| <p>(c) the names of firms in which they were employed after retirement.</p> | <p>2. Shri S.C. Bose, Retd. Dy. Director General, (Department of Civil Aviation) with M/s Acres Intertel Ltd., Canada.</p> <p>3. Shri I.J. Bhadwar, Retd. Director of Mines Safety, Ministry of Labour & Employment with M/s Hindustan Lalpet Colliery, Chanda.</p> <p>4. Shri D.D. Sarin, Retd. Project Officer, C.P.C., A.I.R., (Ministry of Information & Broadcasting) with M/s Southern Switch gear Ltd. Madras.</p> <p>5. Shri S.K. Tandon, Retd. Ambassador of India to Ireland, (Ministry of External Affairs), with M/s Binny & Co. Ltd. Madras.</p> <p>6. Shri D.V. Reddy, Retd. General Manager, Chittaranjan Locomotive Works (Ministry of Railways), with M/s Seshasayee Paper and Boards Ltd., Erode.</p> <p>7. Shri K.S.J. Dalal, Retd. Public Relation Officer, Central Railway (Ministry of Railways), with M/s Selvel Syndicate.</p> <p>8. Shri Gyan Chandra, Retd. Addl. Chief Director, Directorate of Sugar and Vanaspati (Deptt. of Food), with National Federation of Co-operative Sugar Factories Ltd., New Delhi.</p> <p>9. Shri R.R. Panje, Retd. Director of Indian Instt. of Sugarcane Research, (Department of Agriculture) with M/s Godavari Sugar Mills, Bombay.</p> |

10. Shri K.V. Padmanabhan, Retd. Ambassador of India, Ministry of External Affairs, to join the Systems Consultants of India, Bombay as a partner.
11. Shri B.C. Sinha, Retd. General Manager, Gr. I Rifle Factory Ishpore (Ministry of Defence), with M/s. Indian Paper Machinery and Engineering Works Private Limited, Calcutta.
12. Shri P.S. Nilakantan, Retd. Dy. Chief Engineer, A.I.R., (Ministry of Information & Broadcasting) with M/s Brown Bvoeri & Co., Baden, Switzerland.
13. Shri S.K. Bhattacharya, Retd. Chief Engineer (Electrical), C.P.W.D. (Ministry of Works and Housing), with M/s. K.G. Khosla & Co. (P) Ltd., New Delhi.
14. Shri Uma Shankar, Retd. Member of P&T Board, (Ministry of Communication), with M/s Bennet Colmn & Co. Ltd. Bombay.
15. Shri A.K. Sengupta, Retd. Dy. Director, N.M.E.P., (Department of Health), with M/s Bombay Chemicals Ltd., Bombay.
16. Shri P.N. Sewake, Retd. Dy. Director of Inspection (Income Tax and Audit), (Department of Revenue and Insurance), with M/s Geep Flash Light Industries, Ltd., Allahabad.
17. Shri A.C. Bose, Retd. Joint Secretary, (Deptt. of Company Affairs), to accept membership of the Board of Directors of five companies viz.—
 - (i) M/s Straw Board Papers Mills Ltd.
 - (ii) M/s Hindustan Building Society Ltd. Calcutta.
 - (iii) M/s Bird Investment Ltd., Calcutta
 - (iv) M/s Kumar Dhuby Engineering Works Limited, Calcutta.
 - (v) M/s Ballarpur Paper Co. Ltd.
18. Shri C.D. Mirchandaney, Retd. Chief Mechanical Engineering, Eastern Railway (Ministry of Railways), with M/s. J.B. Advani & Co. Ltd., Bombay.
19. Shri O.P. Mathur, Retd. Suptdg. Engineer, C.P.W.D., (Ministry of Works and Housing), with M/s Arvind Construction Ltd., New Delhi.
20. Shri N.R. Law, Retd. Under Secretary Gr. I Officer of CSS (Ministry of Petroleum and Chemicals), with M/s Hindustan Samachar Cooperative Society Limited, New Delhi.
21. Shri G.W. Balchandani, Retd. Deputy Secretary, (Ministry of Home Affairs), with M/s Indian Rubber Industries, Association, Bombay.

22. Shri P.K. Bardhan, Retd. Officer of Indian Audit & Accounts Service, with Naskarpara Jute Mills Limited.
23. Shri S.T. Raja, Retd. Officer of the Industrial Management Pool (Deptt. of Mines), with M/s Premier Automobiles Ltd. Bombay.
24. Shri B.C. Dass Mathur, Retd. Officer of the Industrial Management Pool, Divisional Manager, MMTTC, (Ministry of Foreign Trade), with M/s Shalimar Wires & Industries Ltd., Calcutta.
25. Shri S.R. Bhashyam, Retd. General Manager, Projects, (P & T Department), with M/s Easun Engineering Co. Ltd., Madras.
26. Shri Naubh Singh, Retd. Officer of I.A.&A.S. retired as O.S.D., (Ministry of Finance) with M/s. Geep Flash Light Industries.
27. Shri D.S., Bakshi, Retd. Deputy Secretary (Department of Parliamentary Affairs), with M/s Surrindra Steir Malt Ltd.
28. Shri C.V. Ramachandran, Officer of I.A.&A.S. retired as Financial Adviser in the Food Corporation of India, (Ministry of Finance), with M/s Mangalore Chemicals & Fertilizers Limited.
29. Shri V.S.K. Raman, Retd. Superintending Engineer, C.P.W.D. (Ministry of Works & Housing), With M/s Prynne Abott Davis.
30. Shri R.R. Sukhrani, Retd. Development Adviser, (Ministry of Shipping & Transport), with M/s Dastur and Co. and M/s Mahendra Raj.
31. Shri J.D. Hingorani, Retd. Workshop Superintendent, Selection Grade in the EME Directorate (Army Headquarters), with M/s William Jacs & Co. Ltd., Bombay.
32. Shri A. Purushotham, Retd. Director Biological Research, (Ministry of Education), with M/s Indian Plywood Manufacturing Co.
33. Shri Anthony G. Maneses, Retd. Ambassador of Ireland, (Ministry of External Affairs) with M/s Arbor Acres Farm.
34. Shri S.C. Gupta, Retd. Director, National Sugar Instt. (Department of Agriculture) with M/s Miwani Sugar Mills, Kenya.
35. Shri S.N. Mohan, Retd. Dy. Financial Husbandary Commissioner in I.C.A.R. (Department of Agriculture), with M/S Foremost Diaries Ltd.
36. Shri M. Raghavachar, Retd. Dy. Chief Engineer, A.I.R., (Ministry of Information & Broadcasting) with M/s Eastern Electronics (Delhi), Private Limited.

(b) & (c)

(b) & (c) ..

37. Shri R.N. Jani, Retd. Member C.B.R.) (Department of Revenue & Insurance with M/s Dalton Cables Industries, Delhi.
38. Shri T.R. Vishwanathan, Retd. Commissioner of Income Tax (Deptt. of Revenue & Insurance), With M/s Sri Ram Fibres Madras.
39. Shri A.R. Shanmugam, Retd. Collector of Customs and Excise (Deptt. of Revenue & (Ins.), with M/s Patco Agencies.
40. Shri S.K. Ghosh, Retd. Dy. Chairman, Calcutta Port Commissioners, (Ministry of Shipping & Transport), with M/s Himalaya Shipping Company.
41. Shri C.B. Mathur, Retd. Dy. Secretary (Deptt. of Steel), with Engineering Association of India, Calcutta.
42. Shri P. Sitaraman, Retd. Dy. Secretary, (Ministry of Industrial Development), with M/s J.K. Synthetic Ltd. and M/s Raymond Wollen Mills.
43. Shri Y.L.P. Kohli, Retd. Superintending Engineer C. P. W. D., with M/s Prem Nath & Co.
44. Shri K. Raja Ram, Retd. Deputy Secretary (Ministry of Industrial Development), with Smith Kline and French (India) Limited, Bangalore.
45. Shri B.N. Banerje, Retd. Chairman Tariff Commission, (Ministry of Foreign Trade), with M/s Indo—Mach (P) Ltd.

(d) The period from which they have/ had been in service of the Undertakings/private firms. Not available.

APPENDIX IV

(vide reply to recommendation at Sl. No. 16)

Name of the Plant	Raw material required	Guaranteed consumption of raw material per M.T.	Standard consumption of raw material as fixed	Actual consumption of raw material per M.T.	Guaranteed consumption of power per M.T.	Standard consumption of power per M.T. as fixed by the Unit.	Actual consumption of power per M.T.
1 Ammonia	Naphta	0.764	0.800	1967-68	0.835	1525.9 KWH*	1926
				1968-69	0.800		67-68.
				1969-70	0.885		68-69
2 Urea	Ammonia	0.620	0.682	1967-68	0.718	229 KWH*	252
				1968-69	0.692		67-68
				1969-70	0.759		68-69
3 Nitric Acid	Ammonia	0.340	0.304	1967-68	0.321	310 KWH@	319
				1968-69	0.316		67-68
				1969-70	0.318		68-69
4 Sulphuric Acid	Sulphur	0.340	0.360	1967-68	0.363	Not worked	108
				1968-69	0.358	out	67-68
				1969-70	0.361		68-69
5 Nitrophosphate	Rockphosphate	0.398	0.249	1967-68	0.283		80
				1968-69	0.268		69-70
				1969-70	0.241	69 KWH	67-68
	Nitric Acid	0.383	0.410	1967-68	0.414		80
				1968-69	0.422		68-69
				1969-70	0.479		69-70
	Ammonia	0.103	0.097	1967-68	0.110		80
				1968-69	0.099		67-68
				1969-70	0.111		68-69
	Sulphuric Acid	0.017	0.026	1967-68	0.032		80
				1968-69	0.041		68-69
				1969-70	0.033		69-70

*These figures are based on the recommendations of the Tendulkar Committee corresponding figures given in the agreements with the supplier have not been adopted as they did not take into account the power requirement of Cooling Tower utilities.

@ This figure has been worked out by the Trombay Unit on the basis of a lower production rate of about 305 tonnes of nitric acid per day.

APPENDIX V

(vide reply to recommendation at Sl. No. 16-Supplementary Point)

Summary of report on Trombay Unit of the Fertilizer Corporation of India

The Action Committee on Public Sector Enterprises visited the Trombay unit of the Fertilizer Corporation of India and held discussions with the Production and Marketing Director and the Plant Management.

The output of phosphatic fertilisers reached the rated levels in 1971-72; although production of N_2 improved during the last 3 years, it is currently at about 76 per cent of the installed capacity.

The plant management are well aware of the need to remove the bottlenecks in the plant which have arisen out of the faulty designs of some sections, inadequate maintenance, and a change in the characteristics of the feedstock. They are taking a number of steps by way of providing balancing equipment to remove these bottlenecks. Of these, the three most important are the supplementary gasification unit, the Ammonia Terminal project for imported liquid Ammonia and balancing facilities for the "Suphala" complex fertilizer plant. The gasification unit and the Ammonia Terminal Project have been approved by Government and the Committee has recommended ways in which this work can be expedited. The balancing facilities for the complex plant estimated to cost about Rs. 2.5 crores has high potential for increasing overall performance and needs to be examined by F.C.I. on priority basis for rapid implementation.

The Committee has also recommended measures for improving the organisation of maintenance and for developing management.

As a result of these steps being taken, the output of this unit should reach rated capacity by mid 73 and production of both nitrogenous and phosphatic fertilizers will exceed these figures by about 10 per cent by mid 74. The arrangement for the imports of NH_3 should be finalised by the Government of India as soon as possible. The Committee commends the general competence and resourcefulness displayed by the present management in tackling their problems energetically. They are settling down well in working together as a team and should be left undisturbed as far as possible.

APPENDIX VI

(Vide reply to recommendation at Sl. No. 27)

*Statement showing the action taken on the recommendations|con-
clusions contained in the Twelfth Report of the Committee on Pub-
lic Undertakings (Fourth Lok Sabha)*

Summary of conclusions/recommendations (Sl. No. 10 in Appendix IV—para No. 54)

The Committee hope that future agreements to be entered into with foreign parties for the establishments of projects in the public sector will receive the utmost care and attention of Government. In this connection, the Committee would suggest that Government should also examine the creation of a permanent agency in the Government to advise in the negotiations with foreign parties setting up projects in the public sector.

Reply of the Government

This aspect has been considered recently in the extent of a private Member's bill in the Lok Sabha also which sought to provide that all agreements to be entered into by the Public Enterprises involving value above a certain limit, should be scrutinised and approved by Finance Ministry. It was, however, noted that even at present it has been stipulated that the powers to approve the agreements involving foreign collaborations proposed to be entered into by the Public Enterprises and also purchases and outlays which are in excess of the powers delegated to them vest with the Government. The steps to be taken to streamline the procedure for scrutiny of agreements in respect of the Public Enterprises are under consideration.

APPENDIX VII

(vide reply to recommendation at Serial No. 27—Supplementary point.)

No. 2 (9/70-BPE (GM-I))

GOVERNMENT OF INDIA

Bureau of Public Enterprises

New Delhi, the 24th January, 1970.

Office Memorandum

SUBJECT: Broad guidelines for responsibilities of Boards of Public Enterprises with regard to policy formulation, managerial control and co-ordination, etc.

Various decisions have recently been taken by Government on responsibilities of Public Enterprises regarding policy formulation, managerial control, etc., pursuant to the recommendations of various Commissions and Committees as well on the periodical reviews undertaken by Government on the performance of Public Enterprises. It may be mentioned that the Government policy underlying these decisions may be broadly defined as follows:—

- (1) It is recognised that in order to enable these undertakings to work with greater autonomy there should be sufficient delegation of powers to the Public Enterprises. It is expected that the delegation would not stop there, but will travel down the line; and greater delegation of power, authority as well as of responsibility would be made to various management levels right down to the lowest management level.
- (2) As far as the Govt. are concerned, Govt. would only be concerned with the accountability of the Board of Directors in regard to the responsibilities given to an enterprise for the proper discharge of such responsibilities.
- (3) Every effort would be made by Govt. to assist the enterprises to secure managerial talent.

- (4) Measures would have to be taken and guidelines laid down for improving managerial efficiency in all its various aspects in these enterprises.
- (5) There should be an effective machinery for periodical review and appraisal of their performance so that defects may be put right as speedily as possible.

In other words, Govt. have delegated substantial powers to the Public Enterprises relating to financial & Administrative matters. It may, however, be remembered that such powers are a means to an end; the end being the proper discharge of responsibilities given to various Boards of Directors for efficient functioning of the enterprises which would include proper formulation of policies, proper exercise of managerial control commensurate with delegation of authority down below the line, proper coordination of various activities of the enterprises, etc.

2. For exercising the powers delegated to the enterprises within the framework of their accountability to Govt. & Parliament, the importance of introducing a system of "Management by Objectives" integrating on the one hand, the Long Range Plan and the Annual Plans of the enterprises and on the other the Manager's needs and the methods and techniques to be adopted to satisfy these needs, has already been emphasised in the d.o. letter of Additional Secy. & Director General, Bureau of Public Enterprises vide No. 2(9)/70-BPE (GM-I), dated 20.1.1970 to the Chief Executives of Public Enterprises (copy enclosed). All efforts should be made to introduce "Management by objective" Plan in Public Enterprises.

3. In this background, the following vital areas relating to the Management of an enterprise should receive particular attention of the Board. These are circulated with a view to facilitating the functions of the Board and are not intended to restrict the Board's responsibilities only to the items enumerated.

Production Management and Materials Management:

- (1) Setting of targets of production in terms of quantity and value for the plant as a whole as also for the constituent sections.
- (2) Review of the actual production *vis-a-vis* targets and identification of the principal major causes/factors responsible for short-fall, determination of the trends and also the short and long term corrective measures.

- (3) Assessment of under-utilisation of capacity by determining attainable production *vis-a-vis* firm orders|projected demand, taking into account the achievable capacity and the interim development of installed capacity in respect of such units which may be considered to be in the gestation phase; determination of the long-term plan for utilisation of surplus capacity, and also breaking down the same into immediate as well as long term objectives as well as the indentification of the agencies responsible for achieving these objectives and review of the results achieved, at fixed intervals.
- (4) Definition of the overall productivity ratios of the enterprise as well as of the plants and sections and examination of the actual performance in terms of these ratios and taking of suitable corrective measures.
- (5) Prescription of standards of equipment utilization, maximum permissible equipment down time and maximum costs of maintenance (corrective as well as preventive maintenance) as also examination of the actual performance against these standards and initiation of corrective action.
- (6) Prescription of broad targets of levels of inventory in terms of costs and months of stock for different groups such as production materials, maintenance spares, material in process, finished stock, etc., as also of major operating norms based on cost of storage, cost of ordering, cost of failures etc. and measuring the actual performance by these yardsticks at fixed intervals and taking corrective steps.

Financial Management:

- (1) Organisation of a competent Finance Division at the time of the project stage itself for rendering expert advice and guidance regarding the various proposals available to the management in the planning stage.
- (2) The specification of the matters which may have to be reserved for the concurrence of the Finance, and also which will be reserved for consultation with the Finance.
- (3) Close scrutiny of feasibility studies/detailed project reports of scheme and projects proposed to be taken up for

implementation under the powers vested with the Board, or proposed to be sent to Govt. for approval.

In this context, the following points should require special examination:—

- (i) *Assessment of demand*: It will be appreciated that in the event of the demand projected in the project reports not materialising in practice, surplus capacity will be created, resulting in low profitability.
- (ii) *Basis and assumptions relating to the selling price of the product and anticipated sales|turn-over.*

As regards sales|turnover, this will have to be worked out for the various levels of production such as 70 per cent, 80 per cent, 90 per cent production, as well as at the level of full capacity production.

- (iii) *Break-even point and cost benefit analysis.*

(4) As regards revision of capital cost estimates, laying down of procedures to ensure that expenditure beyond the prescribed limits are not incurred, and where sanction of Government is required, the same is obtained before incurring the excess expenditure. In such cases, the Board should study the profitability of the project|scheme after the revision of project cost estimates.

- (5) *Monthly profit and loss account and a cash flow statement.*

If there is no Board meeting during any month, these could be circulated to the Board members. It should be ensured that the quarterly financial review and the quarterly profit and loss account and other reports are prepared in time and these are used for managerial decision making instead of treating the same as purely statistical documents.

- (6) Ensuring that manuals such as accounting manual, budget manual, internal audit manual, etc., are prepared.

(7) Introduction of performance budgeting or business type of budgeting, as also undertaking of monthly review of sales and production at each plant and unit.

- (8) Preparation of realistic budget estimates, and also justification for variations between original and revised estimates.

Construction Management.

(1) Ensuring that abnormal delays do not occur in the completion of projects and construction costs do not escalate beyond normal limits.

Delays in completion schedules and escalation in costs had taken place in the past in many cases owing to non-availability of expert advice on design and engineering technology at the DPR stage.

(2) Drawing up a realistic programme for the construction, if necessary by constituting a Sub-Committee of the Board of Directors, or with the assistance of an expert body. For such programming it may be necessary to resort to such techniques as PERT or C.P.M.

(3) Institution and critical examination of periodical reports from the management furnishing information on the actual progress of construction, highlighting delays that have occurred or anticipated, likely effect of the delays on the overall targets, and the steps proposed to be taken to obviate or minimise the effect of such delays.

(4) Proper phasing of construction of residential accommodation and staff amenities—in these regards, guidelines already laid down should be followed.

(5) Institution of periodical progress statements of expenditure with a view to assess and control construction expenditure within sanctioned limits.

The Board should obtain periodical statements from the management indicating the expenditure under main items of the estimate and whether such actual expenditure is commensurate with the physical progress of construction. These statements should also highlight items where expenditure is likely to exceed the sanctioned amounts, so that timely action could be taken to restrict expenditure elsewhere, in order to keep the overall expenditure within the sanctioned limits.

General Management.

(1) Organisational Planning and Structure.

The organisational structure in its various aspects in Public Enterprises needs continuous planning and review. This organisational planning should be done taking into account the profit centres, the cost centres and the responsibility centres. The organisational structure should also take into account the communication systems with in the enterprise.

(2) Ensuring that no managerial gap develops at any level.

It is essential that all the managerial posts, including those at the top level, to which appointments have to be made by Govt. are held by suitable incumbents, and these posts do not remain vacant for long. In the case of posts which are within the competence of the Board of Directors, the latter should take steps to locate in time suitable talent for this purpose. Even with regard to posts at the top level the Board could ensure that such posts are not vacant for any length of time, by keeping in touch with the Govt.

(3) Management Development and Training.

The appointment of a Senior Management Development Advisory Committee at the Board level to whom problems in the areas of organisational efficiency, management development, training, etc., could be referred for direction and guidance, has been commended to the enterprises. Each enterprise has already been advised to identify a Senior Executive to be in charge of management development and training who should report direct to the Chief Executive. The need for continuous training at the induction stage followed up by refresher course for managers of Public Enterprises at various levels cannot be over-emphasised.

(4) Formulation of rational and objective system of appraisal for managers.

An appropriate incentive scheme as also a system for disincentive should be in-built in the appraisal procedure to improve operational results.

(5) Management control and information system.

The institution of modern information and reporting system, to facilitate the communication within the enterprise, and also top management control, should be given high priority.

(6) Marketing Management.

Many Public Enterprises have suffered over the past couple of years owing to inadequacy of marketing organisations and insufficient planning in regard to marketing. The steps to streamline the marketing organisations of the enterprises should be comprehensive, covering the market research units sales organisations, evaluation of sales performance, sales promotion efforts (like advertising media, sales incentive schemes, financial incentive systems, entertainment

allowance, etc.), training and development of marketing executives, and formulation of long-term marketing strategies.

Sd/- P. K. BASU,
Director, Bureau of Public Enterprises.

To

All Ministries|Deptts. of Govt. of India.

Copy to:—The Comptroller & Auditor General of India

(ii) Production Divn.|Adviser (C)|Adviser (F)|I&R Divn|D.S.
(BPE), B of P.E.

(iii) Heads of expdt. Divns in the Dept. of Expenditure (with 2 spare copies).

APPENDIX VIII

(Vide reply to recommendation at Sl. No. 12)

Reply of the Fertiliser corporation of India Ltd. to recommendation No. 12 (Para 2.60)

1.0. Juridical possession of the Methanol plant was taken over by FCI on 8th July, 1967.

2.0. After taking over juridical possession of the plant the first step necessary was to determine the technical status of the plant. This determination had to be done in a methodical way by listing all the equipments, their capacities deficiencies, changes additions necessary etc. This job was taken up on a top priority basis and was completed on 21st August, 1967.

3.0. The work relating to raising claims on the contractor therefore could be started after 21st August, 1967.

3.1. Since these claims were of important nature and did not depend merely on one or two documents, a proper study of the basis of the contract and subsequent correspondence had to be undertaken.

3.2. The result of the so called guarantee test had also to be analysed and carefully studied.

3.3. In the case of Methanol Plant, action had to be taken to study the working of each of the equipment in detail and also analyse the causes of low production over a long period.

4.0. In this particular case the main failure was of their former catalyst and the furnances. A new catalyst was tried in August, 1967 and before we could make a claim, it was considered necessary to watch the performance of the new catalyse.

5.0. It was only by the end of the year 1967 that we could establish technically the performance of the new catalyst and detail our claims with certainty regarding the deficiencies in the old catalyst and the furnance.

6.0. Immediate action was taken in the beginning of 1968 to serve through all the basic records like daily production record, plant log

sheet, plant log book etc. The sifting through of these records was an enormous job. We had to go through individual plant log sheets and plant log book of each day and each shift and isolate and analyse the causes of low production, attempt to quantify the loss of production or loss of operating time on account of the faults of contractor or FCI. We had also to study and convince ourselves that there was no defect in the quality of raw materials which could account for precipitate fall in production of methanol.

6.1. Going through these records and coming to a judgement and quantifying this in terms of loss of production and loss of capacities involved 2 to 3 months.

6.2. The analysis prepared was shown to Attorneys and this was suitably modified, changed and re-processed on the advice of the Attorneys. Thereafter a draft claim was made and was submitted to the solicitor for their perusal. This claim was also submitted to the Attorney General of India for his approval. The Attorney General of India also required time to study the case and understand the implications. This was under discussion with the Attorney General from April to June, 1968 and in June, 1968 the Attorney General approved our claims. After obtaining the approval of the Attorney General in principle, time of 4 to 5 months was taken to prepare the claim by supporting it with detailed documents, such as original log sheets, original purchase orders, original vouchers from the Accounts Department etc. This preparation took time as each detailed item of the claim had to be supported by original documents. The entire claim was broken into three parts (i) loss of production (ii) defective equipments, and (iii) payments due to and from Girdlers. The claim on account of loss of production involved supporting loss of each hour of production, by a detailed analysis of the log books of each shift and specifying the loss production due to the time lost on account of factors within F.C.I.'s responsibility such as failure to supply raw materials, failure to maintain uninterrupted supplies of utilities and power and other causes.

6.3. The claim on account of defective equipments had to be supported by the expenditure, which FCI had to incur in bringing the plant to its rated capacity which involved visualising the equipments necessary, finding out its cost by inviting quotations from abroad etc. This also needed a detailed study of the expenditure already incurred by us on various modifications and supporting the claim by materials, wages and salaries, overheads payments to civil contractors, payments to other contractors etc.

7.0. The request for arbitration was completed by end of October, 1968 and our attorneys informed M/s. Girdlers of our intention to refer the matter for arbitration under the Indian Arbitration Act. We also nominated simultaneously Mr. B. Sen as our arbitrator and requested Girdlers to appoint their Arbitrator.

8.0. M/s. Girdler Corporation have appointed *vide* their letter of 18th December, 1968 Mr. J. Russel Wilson as their Arbitrator.

APPENDIX IX

(Vide reply to recommendation at Sl. No. 17)

Reply of Fertilizer Corporation of India Ltd. to Recommendation No. 17 (Para 3.31)

The higher cost of production at Trombay is on account of low production. The increase in cost of production attributed to low production for the three years 1966-67, 1967-68 and 1968-69 is as shown below:—

Items	1966-67	1967-68	1968-69
	Rs./tc	Rs./tc	Rs./tc
1 Ammonia	299.05	238.11	139.19
2 Urea	267.56	300.04	160.42
3 Nitrophosphate			
(16 : 13)	308.07	266.17	—
(20 : 20)	—	147.38	106.12
(18 : 18.9)	—	—	114.12
(15 : 15 : 15)	—	—	128.80
4 Nitric Acid	375.58	187.91	111.49
5 Sulphuric Acid	203.74	216.34	77.77
6 Methanol	1771.68	693.86	322.56

Efforts are being made to gradually increase production level. The comparative figures of production in terms of percentage capacity of each plant during the year 1966-67, 1967-68 and 1968-69 are as follows:—

Products	1966-67		1967-68		1968-69	
	% of Rated capacity	% of Attainable capacity	% of Rated capacity	% of Attainable Capacity	% of Rated Capacity	% of Attainable capacity
1 Ammonia	50.09	54.79	57.11	62.46	67.36	73.67
2 Urea	53.73	53.73	58.00	58.00	69.20	69.20
3 Nitrophosphate	26.15	28.44	44.37	48.26	56.28	61.21
4 Methanol	16.11	26.84	32.07	53.45	50.32	83.87

Regarding the cost of production of Urea in 1967-68 as compared to 1966-67 the main reasons are two-fold:

1. The cost of production figures in 1966-67 included the effect of devaluation for 10 months only i.e. from June, 1966 while in 1967-68, the effect of devaluation has been included for the entire year.
2. The basis of allocation of fixed cost of Ammonia Plant has been streamlined on a proper acceptable cost accounting basis in 1967-68. In 1966-67 the allocation was based on project estimate ratios while in 1967-68, the allocation was based on actual figures of consumption. It is only in 1967-68 that the unit started streamlining its costing procedure.

The Committee's recommendations to maintain a strict control over cost of production of various products and to make vigorous efforts to locate areas where economics can be effected, are noted.

Incidentally it may be mentioned that the Trombay Unit has turned the corner first time in 1968-69 and have shown a small profit of Rs. 40 lakhs.

APPENDIX X

(Vide reply to recommendation at Sl. No. 17)

Comments of the C.A.G.

Recommendation No. 17

The local verification done by the Chief Auditor, Commercial Accounts, Bombay indicate the following facts:—

Product	(Rupees/Metric Tonnes)			
	1966-67	1967-68	1968-69	1969-70
1 Ammonia Total Cost	875.56	859.79	766.30	862.31
Less increase in cost on account of low production	299.05	238.11	139.19	202.43
	576.51	621.68	627.11	659.88
2 Urea Total Cost	878.41	985.21	847.39	1016.84
Less increase in cost on account of low production	267.56	300.04	160.42	274.40
	610.85	685.17	686.97	742.35
3 Nitric Acid Total Cost	619.93	423.07	360.41	400.40
Less increase in cost on account of low production	375.53	187.91	111.49	149.54
	244.40	235.16	248.92	250.86
4 (i) Nitro-phosphate Total Cost	(16 : 13 : 0) 704.88	586.14	—	—
Less increase in cost on account of low production	373.64	286.17	—	—
	331.24	299.97		
(ii) 2:20:0 Total Cost		777.46	703.41	763.38
Less increase in cost on account of low production		147.38	106.12	136.52
		630.08	597.29	626.86
(iii) 18:18:9 Total Cost			697.79	
Less increase in cost on account of low production			114.12	136.52
		553.67	942.41	

Product	(Rupees per Metric Tonnes)			
	1966-67	1967-68	1968-69	1969-70
(iv) 15 : 15 : 15 Total Cost			646·13	723·42
Less increase in cost on account of low production			128·80	136·52
			<u>517·33</u>	<u>586·90</u>
(v) 14:10:5:14 Total Cost			/	894·26
Less increase in cost on account of low production				136·52
				<u>757·74</u>
5 Sulphuric Acid Total Cost	327·86	379·94	214·23	252·41
Less increase in cost on account of low production	203·74	216·34	77·77	73·51
	<u>124·12</u>	<u>163·60</u>	<u>136·46</u>	<u>178·90</u>
6 Methanol Total Cost	2648·31	1389·48	989·50	1570·14
Less increase in cost on account of low production	1771·68	693·86	322·56	638·97
	<u>876·63</u>	<u>695·62</u>	<u>666·94</u>	<u>931·17</u>

It will be seen that the net cost of production of various products during 1969-70 was more than that in 1968-69. The cost attributable to low production was also more than that in 1968-69 (except in the case of sulphuric acid). The plant suffered a loss of Rs. 302.30 lakhs during 1969-70, as against a profit of Rs. 40.46 lakhs during 1968-69.

As regards the comparative costs of production of similar products produced at other units of the Company, the clarification now given may be incorporated in the note (so far as Nitro Phosphate/Suphala and Methanol are concerned). The comparative costs in respect of other products viz. Ammonia, Urea, Nitric Acid and Sulphuric Acid may, however, be given in the note.

APPENDIX XI

(Vide reply to recommendation at Sl. No. 17)

Recommendation No. 17

1. Audit in their Note referred to in the Ministry of Petroleum & Chemicals letter No. 68(4)/69-Ferts II (III) dated 14th October, 1970 have brought about the following points:—

- (i) The cost attributable to low production in 1969-70 was more than that in 1968-69 except in the case of Sulphuric Acid.
- (ii) The net cost of production of various products * during 1969-70 was more than that in 1968-69.
- (iii) The Unit suffered a loss of Rs. 302.30 lakhs during 1969-70 as against a profit of Rs. 40.46 lakhs during 1968-69.

2. Regarding points (i), it may be pointed out that increase in cost attributable to low production in 1969-70 is mainly due to the fact that production during 1969-70 had fallen short of the production in 1968-69 in respect of major products. The comparative figures of production in terms of percentage capacity during the year 1968-69 and 1969-70 are as under:—

Products	1968-69		1969-70	
	% of rated capacity	% of attainable capacity	% of rated capacity	% of attainable capacity
1 Ammonia	67.36	73.67	60.50	66.17
2 Urea	69.20	69.20	58.35	58.35
3 Nitrophosphate*	56.28	61.21	59.88	65.12
4 Methanol	50.32	83.87	42.92	71.53

*The percentage production figures in respect of Nitrophosphate (complex Fertilisers) are worked out on the basis of plant Nutrient in various grades produced.

2.1. It would be seen from the above that the overall level of production during 1969-70 was lower than that achieved during 1968-69. Even though there was marginal increase in the production of Nitrophosphate in 1969-70, on account of increase in the fixed cost expenditure over that of 1968-69 in 1969-70, the cost attributable to low production was more in 1969-70.

3. The increase in per tonne cost of the various products during 1969-70 is attributable to the following factors:—

- (i) Increase due to increase in prices of raw materials and utilities.
- (ii) Increase in fixed expenditure.
- (iii) Increase due to higher norms of consumption of raw materials and utilities over that of 1968-69.

3.1. During the year 1969-70, the Unit incurred extra expenditure of Rs. 86.93 lakhs on account of increase in prices of raw material and utilities over that of 1968-69. This increase has ultimately been reflected in the cost of production. The prices of raw material and utilities for 1968-69 and 1969-70 are indicated below:—

Sl. No.	Item	Unit	1968-69 Rs. p.	1969-70 Rs. p.
1	Rockphosphate	M.T.	271.22	215.72
2	Diammonium Phosphate	„	773.40	1,018.62
3	Murite of Potash	„	313.92	404.12
4	Sulphur	„	331.50	411.77
5	Naphtha	„	96.70	98.35
6	Refinery gas	„	115.28	137.01
7	Fuel Oil	„	210.24	213.14
8	Power	MWH	68.10	74.70

3.2. On account of frequent breakdown of the equipments, there was increase in maintenance expenditure by about 39 lakhs during 1969-70 over that of 1968-69. There was also increase in the expenditure relating to salaries and wages consequent on increased payment of Dearness Allowance and normal increase in staff expenditure. The increase in fixed cost expenditure during 1969-70 has, therefore, resulted in increase in the per tonne fixed cost of the various products.

3.3. The norms of consumption of raw materials and utilities of 1968-69 was not maintained during 1969-70. There was extra expenditure of Rs. 44.54 lakhs on this account alone. Frequent breakdown of the equipment and the resulting stoppage of plants had caused excess consumption of raw materials and utilities. Apart from this, the large number of complex fertilizers formulation manufactured during 1969-70 to meet the market demand had resulted in excess consumption since it took some-time before the plant could be stabilised in the manufacture of the new grades.

4. In view of the circumstances explained above, the year 1969-70 had closed with a huge loss of Rs. 238.47 lakhs as against the marginal surplus of Rs. 48.51 lakhs. The balance of Rs. 63.83 lakhs is attributable to the adjustments of the previous years.

5. Effective action has been implemented to improve the consumption efficiencies in the various plants. The consumption efficiencies in the months of August and September, 1970 have shown significant improvement and in many cases, the actual performance is better than even the standard norms of consumption. The production performance during the current year has shown definite improvement after the initial setbacks due to the explosion in the Ammonia Plant.

6. The major products which Trombay produces are Nitro-phosphate (Brand Name Suphala) and Methanol. These are not produced in other units of the Corporation and are therefore not comparable. Apart from the above, Trombay also produces urea, ammonia, nitric acid and sulphuric acid. The cost of production of these products in Trombay for the year 1970-71 is compared below for same products in other Units of the Corporation:

(Rs./M.T.)

Product	Trombay	Sindri	Nangal	Gorakhpur	Namrup
Urea	911	713@	—	675	907
Ammonia	847	674	632	644	515
Nitric Acid	378**	170*	279**	—	—
Sulphuric Acid	187	..	..	..	258

@Provisional:

*This is for 53% Acid.

**This is on 100% Acid basis.

Note : Cost of production does not include Excise Duty and Freight on sales.

APPENDIX XII

(Vide reply to recommendation at Sl. No. 22)

There are two contracts; one with M/s. Burmah Shell for the supply of refinery gas and the other with M/s. STANVAC (now ESSO) for the supply of naphtha.

Burmah Shell contract was entered into on 22nd April, 1961. The discussions and correspondence with Burmah Shell about the supply of refinery gas was started in the year 1958 and continued until the signing of the contract. There is ample evidence on record to show that sufficient efforts were made to get firm specifications in regard to characteristics of the refinery gas for incorporating in the contract. Reference in this connection is invited to the following relevant letters:—

1. Burmah Shell's letter of 9th March, 1959;
2. F.C.I.'s letter of 18th March, 1969;
3. Burmah Shell's letter of 14th April, 1959;
4. F.C.I.'s letter of 31st March, 1960;
5. F.C.I.'s letter of 31st March, 1960;
6. Burmah Shell's letter of 22nd April, 1960.

In their letter of 9th March, 1959, M/s. Burmah Shell had indicated the specifications of the gas. The range of variations in various constituents of the gas were also indicated. In regard to the specific gravity, M/s. Burmah Shell gave the range of relative density as 0.92 to 1.47 (with air as 1) and average relative density of 1.12. In Fertiliser Corporation of India's letter of 18th March, 1959, M/s. Burmah Shell were requested to give the exact composition and calorific value of the gas corresponding to the lower and higher relative densities.

In their reply dated the 14th April, 1959, they explained the variations in the gas composition in the following terms:—

“the composition of the gas is affected by many factors including nature of the feed stocks to the various gas producing plants, the method of operation of these plants and the number of plants in operation. The possible number of combinations of these factors and other, is considerable

and in arriving at our estimates of the variations in the proportion of each component we tried to take as many of them as possible into account. The result has been the wide ranges given in our letter which were intended to indicate the range of the maximum variation and not the normal daily variations which should be smaller. The limits of daily variations, however, cannot be forecast at this stage."

With regard to Fertiliser Corporation of India's request for composition of gas corresponding to lower and higher relative densities, M/s. Burmah Shell's reply was as follows:—

"With regard to your request for gas analyses corresponding to the relative densities of 0.90 and 1.47 it would be possible to have several gas compositions meeting these requirements. In the appendix we give two analysis corresponding to these relative densities but it must be emphasized that these analyses can only be taken as indicative and do not form the limits of gas compositions that may occur."

In Fertiliser Corporation of India's letter of 31st March, 1960 information was sought on the frequency with which these variations would occur. Their reply contained in the letter of 22nd April, 1960 was as follows:—

"as you know, we have already expressed willingness to bind ourselves in the contract to a variation of ± 10 per cent in the calorific value as expressed in kilocalories /kg.

Normally variations in gas composition, specific gravity and calorific value will not be frequent or sudden and normally notice can be given of these variations. However, emergencies could occur, some time outside our control (such as power failures), which could cause a sudden variation in quality or even in complete cessation of supply."

Earlier M/s. Burmah Shell had (in one of the draft contracts) indicated a variation of ± 25 per cent in calorific value expressed in kilocalories per cubic metre and 5 kg. in pressure. As these variations were too wide, M/s. Burmah Shell were persuaded to agree to variations of ± 10 per cent in the calorific value but express as kilo-calories per kg. and 0.25 kg. in pressures. These were the only variations which M/s. Burmah Shell were prepared to bind themselves to and were duly provided in the contract. From the

foregoing it would be seen that all necessary attempts were made to get firm specifications incorporated in the contract. The last letter on record is of 22nd April, 1960 and thereafter the discussions were continuing on the draft of the contract. The results of these discussions were incorporated in the final draft which was finalised in April, 1961. It would not therefore, be correct to say that non-provision of "minimum" and "maximum" relative density of the gas in the contract was a lapse on the part of any official.

Regarding contract for the supply of naphtha, the same was concluded on 1st January, 1962, although the discussions and correspondence with M/s. ESSO, had been initiated in early 1959. M/s. ESSO in their letter of 28th May, 1959 gave the specifications of naphtha. In regard to specific gravity they indicated a range of 65 to 80API gravity at 60° F, typical API gravity was indicated as 75. These correspond to specific gravity range of 0.72-0.67 and typical specific gravity would be 0.685 in the same letter M/s. ESSO observed as follows:—

"As regards the properties of the naphtha that we would supply you, please note that these are liable to vary from time to time as operational changes. We hope that the attached typical naphtha analysis will be adequate for your planning purposes but it should not be taken as a guarantee on our part."

Uptodate specifications of naphtha which were to form basis of design for the ammonia plant and which were also incorporated in the contract with M/s. ESSO, were furnished by M/s. ESSO in their letter of 15th September, 1960. While furnishing these specifications, M/s. ESSO observed as follows:—

"Since we are now approaching a mere final stage of our negotiations in regard to the supply of feed stock to the fertiliser Plant. We are attaching our most uptodate proposed specifications based on the various crude mixture our refinery expects to process in the foreseeable future."

In these specifications, M/s. ESSO indicated the range of carbon to hydrogen ratio as 5 to 6 and molecular weight between 90 to 120. In regard to specific gravity, M/s. ESSO, indicated only the minimum API gravity of 55. This figure corresponds to maximum specific gravity of 0.759. With higher specific gravity the calorific value of naphtha comes down, its consumption per tonne of ammonia goes up and the requirement of oxygen also increased. For the purpose of process design the only relevant and materials specific gravity is the highest specific gravity. As the specific gravity of

naphtha reduces, its "quality" improves inasmuch as it has a higher calorific value and its consumption per tonne of ammonia as well as requirement of oxygen is less. Once a plant is designed to take care of highest specific gravity naphtha, it should have no difficulty in processing naphtha with lower specific gravity provided the feed pumps have the necessary capacity.

It is, therefore, submitted that the omission of lower limit of specific gravity of naphtha (or maximum API gravity) was not an important or material omission. As such the question of fixing the responsibility for the so called lapse should not arise.

However, the problem which has occurred is not because of non-provision of minimum specific gravity of naphtha in the ESSO contract, but because of the omission of the work 'minimum' against API gravity, specified in the Chemico contract. M/s. Chemico had earlier in the NIT been given a range to API gravity of 65—80 with typical figure of 75 for the purpose of design. These figures were based on M/s. ESSO's letter of 28th May, 1959 quoted earlier. The revised specifications of naphtha were brought to the notice of M/s. Chemico on November 9, 1960. In their letter of November 10, 1960 M/s. Chemico stated as follows:—

"The revised specifications for naphtha will be forwarded to New York and referred to Shell. Apart from the sulphur content of the feed stock none of the revisions should warrant any design changes. The quantity of naphtha required per tonne of Ammonia may be changed slightly, but this change will not be significant. These specifications changes will not affect the cost of the plant."

In the meeting with M/s. Chemico held on 30th January, 1961 and 3rd February, 1961, the same was confirmed and extract of the record note of the meeting which was signed by the Vice President of Chemico Mr. David Pulton, is reproduced below:—

"The specifications for petroleum naphtha to be used as feed stock have since been revised and M/s. Chemico were informed the revised specification *vide* questionnaire 3 of the 9th November, 1960. Chemico representatives were asked to use these revised specifications in their design. The revised specifications are as follows:—

Carbon/Hydrogen ratio	between 5 and
Average molecular weight	90 and 125
API gravity at 60°F (min)	55
(specific gravity Maximum)	0.759
Total sulphur (max) wt. %	0.15
Gross heating value	19,500

ASTM Distillation	Min.	Max.
5% recovered	90%	—
90% recovered	—	350°F
F.B.P.	—	430°F

“The Chemico representative agreed that these revised specifications will be used in their design with no change in price.”

Although the NIT gave the range of 65—80 API gravity with a typical of 75, M/s. Chemico had prepared their original tender on naphtha having a typical API gravity of 75 corresponding to specific gravity of 0.685. Their revised tender also quoted typical API gravity of 75. However, after the above changes in specification were conveyed to them and agreed to by their Vice President on 3rd February, 1961, they communicated their revised proposal in the form of Appendix covering 7 sheets. In one of the sheets, the revised specifications of naphtha were also reproduced. In these specifications, M/s. Chemico quoted the figures of 55 API gravity omitting the word “minimum” before this figure. This Appendix was incorporated in the final contract as such. Unfortunately, the omission of the word minimum was noticed. Only when the plants were commissioned, it was found that M/s. Chemico had specified the naphtha charge pumps for API gravity of 55 assuming this to be typical rather than minimum. For the purpose of specifying the pumps, the maximum API gravity or at the most the typical API gravity should have been the basis and not the minimum API gravity. It was not open to M/s. Chemico to assume that minimum API gravity indicated to them was also the typical API gravity. Thus the mistake was indeed made by M/s. Chemico but because of the omission of the word ‘minimum’ it was not possible to hold them responsible for supplying lower capacity pumps.

The omission of the word ‘Minimum’ seems to be only inadvertant and cannot be termed as a lapse on the part of any single officer of the Corporation and as such the question of fixing the responsibility does not arise.

It will not be out of place to point out that this inadvertant omission (or lapse, if it is so desired to be called) is not of much great significance. The naphtha charge pumps installed at Trombay are fitted with variable speed gear and by changing this gear (at nominal cost) the speed and consequently the capacity of the pumps can be improved to take care of lower specific gravity of naphtha. The capacity can also be increased by installing variable speed

motors having adequate speed. In fact action to instal variable speed motors has already been taken by the Trombay Unit.

**BURMAH SHELL OIL STORAGE AND DISTRIBUTING
COMPANY OF INDIA LIMITED**

MS.1(FR)/'R'

BOMBAY 1, 9th March, 1959.

Dear Mr. Mukharji,

Fertiliser Project at Trombay.

We refer to your letter of 12th December, 1958 and to the meeting you had in Delhi on 2nd February, 1959 with our representative, Mr. Trenear-Thomas and Mr. Pender of Burmah-Shell Refineries. The following are our answers to the various points raised:

Gas Analysis and Calorific Value

We give in the appendix an estimate of the average gas analysis to be expected from the normal operation of the refinery and also the minimum and maximum proportions to be expected for each component. You will appreciate that the range are for the individual components and do not constitute a complete gas analysis.

The appendix also includes data on calorific value of the gas.

Pressure

BSR will design equipment to deliver the gas at the north boundary of the refinery at a pressure of approximately 1 kg./cm².

Sulphur

We appreciate your remarks on the sulphur content of the gas but we do not think there would be much value in B.S.R. carrying out regular weekly analysis of the gas. Variations of the order given would normally only occur when there is a change in the number of gas producing plants.

Continuity of Supply

We confirm that on our present programme of 50,000 tons year gas availability for your fertiliser project, the period of low gas production mentioned in our previous letter, 30 days at 100 tons/day would be continuous. However we do not eliminate the possibility of other isolated occasions when gas production might be limited and during plant emergencies there may be a sudden reduction or complete cessation of supplies. Moreover, future develop-

ments could alter materially the total quantity of gas produced at this refinery.

Volume Rate of Gas Production

This will depend on the analysis of the gas and it is found that the relative density of the gas can vary from 0.92 to 1.47 depending on the producing plants. For the average composition given, relative density 1.12, the gas rate would be about 3.3×10^6 cft/day at NTP.

We trust that this information answers your queries.

Yours faithfully,

Sd/-

For Burmah Shell Co.

for General Manager.

Appendix. Refinery Gas Composition

Component	Component Average		Range	
	Average	Composition	by Wt.	by Vol.
	% Wt. †	% Vol.		
H ₂ S CO ₂	5	4	1.0—9	1.0—6
H ₂	1.5	24	1.0—3	8—39
N ₂	3	4	0—6	0—5
O ₂	traces	—	0—1.0	0—1
CO	traces	—	0—1	0—4
C ₁ H ₄	4	8	2—6	4—9
C ₂ H ₄	1	1	0—2	0—2
C ₃ H ₈	9	10	7—11	9—13
C ₄ H ₁₀	9	7	0—21	0—12
C ₅ H ₁₂	22	16	15—30	8—21
C ₆ H ₁₄	5.5	3	0—11	0—5
C ₇ H ₁₆	40	23	20—57	8—30
	100	100		

1	Molecular Weight		32.5	
	Relative density		1.12 (Air-1)	
2	<u>Calorific Value</u>			
	Weight basis			
			<u>BTU/lb</u>	<u>Kcal/Kg</u>
	Gross		20589	11439
	Net		18932	10518
3	<u>Calorific value</u>			
	Volume basis			
			<u>BTU/cft</u>	<u>Kcal/M₃</u>
	(a) @60°F & 30" Hg Gross .		1766	15726
	(150 C & 760 mm Hg) Net		1623	14460
	(b) @32°F & 30" Hg Gross .		1864	16589
	(0°C & 760 Hg) Net		1714	15253

PPO-5(6)/2284

18th March, 1959.

The General Manager,
Oil Storage & Distribution Co. of India Ltd.
Burmah Shell House, Bombay 1.

Dear Sir,

This will acknowledge with thanks the receipt of your letter No. MS. 1(FP) 'K' dated 9-3-1959.

We have noted the average composition of the Burmah Shell refinery gas and also the limits of variations of each component of the gas as indicated in the Appendix to your above letter. The average composition as indicated now is very much different from what was given variation of each component of the gas is very large. For example the extent of variation of Proplene Butylene and Butans are stated to be 0-21 per cent, 0-11 per cent and 20-57 per cent respectively. Obviously it will be very difficult for us to lay down correctly the specification for the ammonia synthesis gas generation section of the proposed Trombay Fertiliser Project.

It has been stated in the last para of your letter that the relative density of the refinery gas will vary between the limits 0.92 to 1.47 depending upon the producing plant. We will appreciate if you kindly let us know the exact composition and the gross and net calorific value of the refinery gas when the relative density is 0.92 and also when the relative density is 1.47. This will give us some idea of the two extreme limits.

In the gas composition, the hydrogen sulphide content of the refinery gas has not been indicated separately and only the combined percentage of H²S and CO² is given in your earlier letter No.

S|F|Con|D|O| dated 21-11-58, percentages of various sulphur compounds in the refinery gas were stated to be as follows:—

	% by wt. of total gas
Hydrogen Sulphide .	3—8
Carbonyl Sulphide	0.005
Mercaptans	0.1 app.

In the present letter the range of combined H_2S and CO_2 content is indicated to be 1.09 per cent by weight. We would like to know the percentage of various sulphur compounds present in the gas.

An early reply to this letter will be appreciated.

Yours faithfully,

Sd/- K. C. SHARMA

Project Planning Officer

CC Managing Director for favour of information.

Burmah-Shell

14 April, 1959.

No. MS. 1(PP)/'R'

Nangal Fertilizers & Chemicals Pvt. Ltd.

Naya Nangal, Nangal.

Dear Sirs,

Fertilizer Project

We refer to your letters of 18-3-PPD-5(6)/2284 dated 30-3-1959 PPD5(6)/2681.

We appreciate your difficulty regarding the wide ranges of gas composition given in our letter of 9-3-1959, but as was explained at the meeting in Delhi on 2-9-1959, the composition of the gas is affected by many factors including nature of the feed stocks to the various gas producing plants, the method of operation of these plants and the number of plants in operation. The possible number of combinations of these factors, and others, is considerable and in arriving at our estimates of the variations in the proportion of each component we tried to take as many of them as possible into account. The result has been the wide ranges given in our letter

which were intended to indicate the range of the maximum variation and not the normal daily variations which should be smaller. The limits of daily variations, however, cannot be forecast at this stage.

With regard to your request for gas analyses corresponding to the relative densities of 0.90 to 1.47 it would be possible to have several gas compositions meeting these requirements. In the appendix we give two analyses corresponding to these relative densities but it must be emphasized that these analyses can only be taken as indicative and do not form the limits of gas compositions that may occur.

The figures given for the range of proportions of sulphur compounds were meant to indicate the extreme limits to be expected whereas the figures given in our letter of 21st November, 1958, give the variations to be expected during normal operations and we suggest you use the earlier figures in your design calculations.

We do not have any information on the presence of No. in the Refiner gas would expect it to be negligible. The most likely source would be the catalytic cracker, at present shut down for maintenance, and when it is in operation we shall try to determine the No. content of the gas.

We shall be prepared to supply any further information you may need, if it is available.

Yours faithfully,
BURMAH SHELL OIL STORAGE &
DISTRIBUTING OF INDIA LTD.

Sd/-

for General Manager.

Page IV—2. The composition of the Burmah Shell Refinery Gas was changed to the following:—

Composition	%Wt	%Vol.
1	2	3
CO ₂	2.0	1.48
H ₂ S	3.0	2.87
		(H ₂ S content may be 8% by weight maximum)
MN ₂	3.0	3.48
H ₂	1.5	24.37

1	2	3
CH ₄	4.0	0.12
C ₂ H ₄	1.0	1.15
C ₂ H ₆	9.0	9.74
C ₃ H ₆	9.0	6.96
C ₃ H ₈	22.0	16.24
C ₄ H ₈	5.5	3.19
C ₄ H ₁₀	40.0	22.40

PPD/TP-5(10)/6466

Naya Nangal 31-3-60

Dear Mr. Tew,

We had some time back requested you to send us the percentage of No., COS, CO₂ etc., present in your refinery gas and the likely variations. You had, however expressed that since you had, never analysed the gas with this end in view, you were not in a position to give us the information. This information is, however, very essential for our designs. We would, therefore, be obliged if you could kindly make detailed analysis of the gas twice a week for a period of 12 months or so. This would give us some idea of the likely variations on the basis of which the plant can be designed. We are prepared to reimburse you all expenses incurred on account of these special analysis. I would, therefore, request you to kindly let me know if you would be prepared to undertake this work at our cost and if so, what will be approximate cost of each analysis. On hearing from you, I would take up the matter with our management and write to you further in the matter.

The detailed analysis should include the determination of hydrocarbons, hydrogen, nitrogen, oxygen, hydrogen sulphide, carbonyl sulphide mercaptans, carbondioxide, carbon monoxide and Nitrous gases (NO and NO₂).

Yours sincerely,

Sd/- R. S. KACHWAHA.

Mr. P. D. Tew,
 General Manager,
 Burmah Shell Oil Storage & Refineries Ltd.,
 Bombay.

R. S. Kachwaha,
Trombay Project Officer.
PPD/TP-5(10)/6464

Naya Nangal 31st March, 1960

Dear Mr. Tew,

In the earlier discussions and correspondence regarding the specifications of Burmah Shell refinery gas, you had indicated to us that the composition and consequently the calorific value of gas is likely to vary within the wide range. So as to enable us to design our plants suitably, it is necessary for us to know how frequently the gas composition, specific gravity and calorific value are likely to vary, i.e. whether the variation is very erratic and the quality of gas may vary widely all of a sudden and frequently and whether we can assume that over a period the composition of the gas would be constant (and there will be a variation only when the feedstock or operating conditions in the Refinery are changed). I would be obliged if you could kindly reply to this the earliest.

Yours sincerely,

Sd/- R. S. KACHWAHA.

Mr. P. D. Tew,
General Manager,
Burmah Shell Oil Storage & Refineries Ltd.,
Burmah Shell House,
Bombay.

BURMAH-SHELL

REF: IP: OP:T:CON

22nd April 1960.

Dear Mr. Kachwaha,

I am writing in answer to two of your letters as follows:—

Ref. PPD/TP-5(10)/6466 of 31st March, 1960.

Ref. PPD/TP-5(10)/6469 of 31st March, 1960.

and further to my letter of 1st April.

(1) Analysis of Refinery Gas: Reference your letter PPD/TP-5(10)/6466 of 31st March, 1960, Burmah Shell Refineries very much regret they cannot make a detailed analysis of their Refinery Gas twice a week for a period of 12 months for two reasons:

- (a) This analysis is a very lengthy one and time-consuming. It would overload their laboratory staff and occupy time on equipment required for the Refinery's own routine purposes, and

- (b) Detailed analysis carried out now will not necessarily give an accurate knowledge of the composition of the Refinery Gas in 1964

Referring to (b) the fact that various projects are now under consideration and are at present in some what unpredictable discussion state and it is quite impossible to predict how the composition of the Refinery Gas will vary from its average present composition. If any of these projects are implemented, the actual composition of the gas will vary from the present one thus cancelling out the usefulness of any series of tests which may be carried out in the next 12 months.

They agree, however, to make one or two analysis of trace components such as carbonyl sulphide, carbon dioxide, carbon monoxide and nitrous gases etc. For the rest, we suggest that you work on the approximate average composition already supplied to you together with the possible fluctuations of each of the components, we believe that this information plus the extra information to be obtained regarding trace components, will be sufficient for your design purposes. It is very strongly felt here that any more detailed analysis of our present gas is likely to mislead you rather than help you and we naturally could not accept responsibility for this.

- (2) Your letter PPD|TP-5(10)6469 of 31st March, 1960:
Calorific value:

“As you know, we have already expressed willingness to bind ourselves in the contract to a variation of—10 per cent in the calorific value as expressed in kilocalories|kg.

Normally variations in gas composition, specific gravity and calorific value will not be frequent or sudden and normally notice can be given of these variations. However, emergencies could occur sometime outside our control (such as power failures), which could cause a sudden variation in quality or even in complete cessation of supply.” In this connection we can give following details of total power failures:—

<u>Date</u>	<u>Duration</u>
27-5-55 . . . . .	. 5 hrs.
6-6-55 . . . . .	. 2 mins.
4-4-56 . . . . .	. 33 mins.
5-5-57 . . . . .	. 2 mins.
2-10-59 . . . . .	. 35 mins.

Apart from these, there have been no other emergencies in the Refinery in the last five years.

I hope that the above information will be sufficient for your needs.

With kind regards.

Yours sincerely,

Sd|-

Mr. R. S. Kachwaha, Esq.,
Trombay Project Officer,
Hindustan Chemicals & Fertilizers Ltd.,
Bombay.

STANDARD-VACCUUM REFINING CO. OF INDIA LTD.
POST BOX NO. 355 BOMBAY NO. 1

John B. Hanna
MANAGING DIRECTOR

Tel: 62281(10 Lines)
Telegram: STANVAC
Refinery Office,
Mahul, Bombay-38.

May, 28, 1959.

In reply please refer to
1355/5630/HKJ

Mr. R. S. Kachwaha,
Nangal Fertilizers & Chemicals Ltd.,
Naya Nangal (Punjab).

Dear Sir,

This has reference to your letter No. PPO-5(6)3732 dated April 28, 1959. A copy of preliminary sketch we had prepared indicating modifications that may be necessary to enable us to supply gas to the Trombay Fertilizer Project was sent to you at your Bombay address as an attachment to our letter 1355/5630HKJ of April 28, 1959. We trust you have received the same by now.

As regards the properties of the naphtha that we would supply you, please note that these are liable to vary from time to time as operational changes occur and the properties of the crude change. We hope that the attached typical naphtha analysis will be ade-

quate for your planning purposes but it would not be taken as a guarantee on our part.

As we wrote to you earlier we do not normally determine 'No' content of our fuel gas. However, we will try to analyse the same and inform you the results as soon as they are ready.

The H. S. content of our current gas production varies between 2.5 to 3.5 and averages about 3 per cent. In addition, there are other sulphur compounds like mercaptans, thiophenes which we do not normally analyse. We are, therefore, carrying out additional analysis for total sulphur content and will revert to you as soon as the results are ready.

Very truly your,

JOHN. B. HANNA.

Sd/- RAM DEV,

Ag. Technical Superintendent.

Properties of Naphtha

	Range	Typical
1 API Gravity at 60°F	65—80	75
2 Kinematic Viscosity @100°F centistokes		0.45
3 Molecular weight		93
4 Carbon/Hydrogen ratio (weight/weight)		5.25 approx.
5 Gross Heating Value BTU/lb	20,300-20,700	20,500
6 Total Sulphur wt %	0.04-0.08	0.05
7 <u>ASTM Distillation</u>		<u>OF</u>
IBP		100
6% Point		110
50% Point		170
95% Point		270
FBP		340

May 27, 1959.

STANDARD-VACUUM OIL COMPANY
(Incorporated in U.S.A. with Limited Liability)

Marketing Operations

Post Box No. 355

Bombay-1.

J. W. Sinclair
General Manager

Telephone 249151

Telegrams 'STANVAC'

SEPTEMBER, 15, 1960

In reply please refer to 5680JJB

Mr. B. C. Mukherji,
Hindustan Chemicals & Fertilizers Ltd.,
Naya Nangal (Punjab).

Dear Mr. Mukherji,

We wish to acknowledge your letter PS|MD-60(Misc-B) dated 24th August, 1960. We will be replying to this letter in the very near future.

In previous correspondence we have given tentative specifications of the naphtha we would be in a position to supply. Since we are now approaching a more final stage of our negotiations in regard to the supply of feed stock to the fertilizer plant, we are attaching our most up-to-date proposed specifications based on the various crudes|crude mixtures our refinery expects to process in the foreseeable future.

In addition to the attached proposed specifications, we realise you will need additional data to be used in designing your plant. We provide the following for your guidance in this regard.

- (a) Carbon/Hydrogen Ratio based on—To range between 5 & 6 based on crude now anticipated to be run during contract.
- (b) Average Molecular Weight—To range between 90 and 125.

In conclusion, we wish to extend our kindest regards.

Yours sincerely,

Sd/- J. J. BROWN,

TPC|STD will please examine. Are the revised specifications alright?

Sd/- B. C. MUKHERJI,

PROPOSED SPECIFICATIONS FOR NAPHTHA TO
FERTILIZER PLANT

Characteristic	Requirement		Test Method
	Min.	Max.	
1 API Gravity @F.	60°55	..	ASTM-D 287
2 Total sulphur, wt.%	—	0.15	ASTM-D 1266
3 ASTM Distillation 5% recovered, °F	90	..	ASTM-D-86
90% recovered, °F . . . . .	..	350	
FBP °F . . . . .	..	430	
4 Gross Heating Value BTU/lb .	19,500	..	ASTM-D-240

Sept. 6, 1960

APPENDIX XIII

(Vide reply to recommendation at Serial No. 22—Supplementary point)

The Committee desired to know the result of the studies and the appropriate action taken in the matter. In this connection, it is stated that it has not been possible to persuade M|s. Burmah Shell to guarantee the relative density of the gas in the contract for the supply of refinery gas. They had, however, indicated normal variations in relative density between 0.9 to 1.2 (air being). They had also indicated that these variations would not be sudden and notice could be given of these variations except in case of emergencies.

The normal variations in relative density indicated by M|s. Burmah Shell were brought to the notice of M|s. Chemico during the course of negotiations for the contract and they were requested to design the plant in such a manner as to take care of these normal variations. The compressors have in fact been sized for lower limit of relative density.

Unfortunately, the variations in relative density of the gas have been far too wide. The density of the gas currently available from the refineries is also much lower than the lower limit of 0.9 indicated by M|s. Burmah Shell. The density is actually running between 0.6 to 0.7. The lower relative density of gas has resulted from the changes made by the refineries in their operations because of change of product pattern and operation procedures. Besides, the variations in density have also been found rather sudden. Because of these reason, attempts to utilize the refinery gas for production of ammonia have not been successful. There have, in fact, been a number of explosions in the plant as a result of sudden variations in the quality of gas.

It might be mentioned that at the time when the contract for the ammonia plant based on refinery gas|naphtha was awarded to M|s. Chemico, there were very few plants in the world working on these feed-stock. As such, the experience available in processing these feed-stock was very limited. Because of this reason, the plant had to be designed with a considerable amount of flexibility. One

of the most important flexibility provided was that all the reactors were designed in such a manner that they could operate only on naphtha in case the refinery gas was not available or gave rise to problems in processing.

M/s. Burmah Shell have made consistent efforts to control the quality of gas. They have installed a number of new control instruments, but in spite of these efforts, it has not been possible for them to ensure uniform relative density of gas. They were, therefore, keen to withdraw from their commitment to supply gas.

Recently, M/s. Burmah Shell have been persuaded to supply naphtha in lieu of part of the refinery gas and their commitment to supply refinery gas has been reduced to 25,000 tonnes per year from 50,000 tonnes per year provided in the contract. They have been further persuaded to permit the use of refinery gas as a fuel, which was not permissible in terms of the original agreement. This has reduced the consumption of fuel oil in the Fertilizer Plant resulting in substantial savings to the Trombay Unit and the saving during 1970-71 amounted to Rs. 3.07 lakhs. The revised agreement has since been executed with M/s. Burmah Shell and came into force from 1st July, 1970.

From the foregoing, it will be seen that Fertilizer Corporation of India was conscious of the problem which might arise in processing of the refinery gas and adequate provisions were made in the design of the plant to take care of any eventualities.

APPENDIX XIV

(Vide reply to recommendation at Serial Nos. 3, 19, and 20)

Issues framed by the Trombay Fertilizer Commission of inquiry

1. Whether the then Managinig Director acted entirely in the interest of the Fertilizer Corporation of India Ltd., (FCI) so far as the main agreement dated 22-3-1961 entered into with M|s. Chemical Construction Corporation (M|s CCC) for the supply of Amonia, Urea and Nitric Acid Plant was concerned?

2. Whether the then Managinig Director acted in the interests of the FCI so far as the Supplemental Agreement dated 27-6-65 with M|s. CCC was concerned and was there any necessity for it?

3. Whether dropping of claims worth 57|50 lakhs against M|s. CCC was justified? If not, who was responsible?

4. Whether alternation of certain words in Art. 8.4 of the main agreement dated 22-3-1961 and modification of footnote under Art. 7.1(a) thereof as mentioned in paragraphs 1 and 2 of the Supplemental Agreement dated the 27th June, 1965 were necessary and whether these were not to the advantage of the FCI? If not, who were responsible?

5. Whether the delays in the execution of civil works and| or erection of equipments by the FCI or delays in the supply of drawings and equipments by M|s. CCC were the reasons for plants not being ready for initial operations before the "Supplemental Agreement was entered into and who were at fault?

6. Whether the change in Clause in the main Agreement relating to the payment of bonus to M|s. CCC was affected by modification of footnote under Article 7.1(a) of the main agreement by paragraph 2 of the Supplemental Agreement?

7. Whether payment of bonus of Rs. 4.54 lakhs to M|s. CCC on the demonstration of operation of one stream of the Urea Plant instead of three streams was justified? If not, who was responsible?

8. Whether in absence of penal clauses and provisions of penal-ty against delays in supply of drawings and equipments and performance of gaurantee by M|s. CCC in the main Agreement, M|s.

CCC could walk out of the contract and leave the FCI completely in the Lurch? Was the absence of such clauses in the agreement intentional? If so, who was responsible?

9. Whether the absence of similar provisions as enumerated in issue No. 8 in the Supplemental Agreement dated 27-6-1965 resulted in additional expenditure of Rs. 9.63 lakhs and who was responsible?

10. Whether in the then prevailing circumstances holding back of 5 per cent of contract price till fulfilment of gaurantees on the final completion of the contract job provided in Art. 7.1(a) of the main agreement was a sufficient gaurantee?

11. Whether the following acts of omission and commission were committed, and if so, do they amount to lapses—procedural or functional—in negotiation and execution of the Supplemental Agreement dated 27-6-1965:—

- (i) failure to stipulate conditions in the Agreement regarding prior consultation with and prior approval of the Government of India and the Board of Directors to the Supplemental Agreement.
- (ii) failure to associate the then General Manager of the Trombay Unit and the Financial Adviser of the FCI with the negotiations with M/s. CCC during June, 1965, the supplemental agreement was executed;
- (iii) Did the Managing Director taking into consideration provisions of Art. 8.4 of the main agreement start the negotiations with M/s. CCC before entering into the Supplemental Agreement sufficiently in advance;
- (iv) failure to submit the record of discussions during negotiations to the Board of Directors and the Government.
- (v) treatment of claims worth Rs. 62 lakhs as 'bargaining counters': and who were liable for the lapses?

12. Whether the following acts of omission and commission were committed, and if so, whether they amount to lapses in concluding the contract for Ammonia, Urea and Nitric Acid Plants this was done by CCC on 22-3-1961:

- ister has 1
Corporation
- (i) failure to call for fresh tenders when the original Global tender did not attract sufficient response from American parties;
 - (ii) failure to work out details of spares to be ordered along with the main equipment at the time of entering into the contract with M/s. CCC;

(iii) failure to settle, arrange for or predicate with the Oil refinery or any other appropriate source for the purchase of raw material (feed stock) for the plant before entering into the commitment for purchase of the equipment for the plant; and who were liable for the lapses and to what extent?

13. Whether additional expenditure of Rs. 26.36 lakhs incurred on the personnel of M/s. CCC during the extended period of six months was not negotiated and with what result?

APPENDIX XV

M. Ramakrishnayya,
Joint Secretary.

(Vide reply to recommendation at Serial No. 5)

D.O. No. 10(22)|65-Ferts. II

NEW DELHI
September 18, 1967.

My dear Satish Chandra,

Please refer to the correspondence resting with your letter No. PS|MD|65(B)-XI dated the 23rd July, 1966 about the supplemental agreement entered into by FCI with M|s Chemico in connection with the Trombay Plant. A formal letter according *ex-post facto* approval to the agreement is separately under issue.

2. While approving the agreements, the Minister for Revenue and expenditure in the Ministry of Finance, has observed as follows:—

“The FCI's bargaining position was weakened by the fact that Chemico had already been paid the bulk of its dues and non-renewal of the contract would perhaps have hurt the FCI more than Chemico. We must guard against such eventualities in other projects as well by insisting on making a sizable final payment conditional on satisfactory performance of the plant for a guaranteed period.

A very disturbing feature of this whole deal was the admitted over-invoicing resorted to by Chemico. This presumably enabled them to secure larger payment against shipment. This is a serious lapse, and we must take steps to see that this is not allowed to take place in the case of other projects.”

3. Considering that over-invoicing resorted to by Chemico, in this case, constitutes an economic offence, the Deputy Prime Minister has further enquired what action was taken by the Fertilizer Corporation of India when the over-invoicing was detected by them and what steps are being taken or propose to be taken to prevent such occurrences in future.

4. A careful study of the case shows that it is necessary to provide sufficient safeguards in contracts in future so that the Corporation is not put to any losses on account of non-compliance either with the time-schedule or performance guarantees by the contractors. Would you kindly let us know what steps you propose to take in this regard?

I will be thankful for an early reply of all the points mentioned above.

As desired I am enclosing herewith a copy of the note recorded by you on 30-4-1967 in our file and the relevant note of the Finance Ministry on which your comments were invited.

Yours sincerely,

Sd/- M. Ramakrishnayya.

Shri Satish Chandra,
Chairman and Managing Director,
Fertilizer Corporation of India,
NEW DELHI.

APPENDIX XVI

(Vide reply to recommendation at Serial No. 6)

(TO BE PUBLISHED IN THE GAZETTE OF INDIA PART I,
SECTION I)

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM & CHEMICALS &
MINES & METALS

(DEPTT. OF CHEMICALS)

New Delhi, 5th August, 1969
14th Sravana, 1891 (Saka)

RESOLUTION

No. Ferts. II|55|17|69

Audit paras relating to the Trombay unit of the Fertilizer Corporation of India Ltd. contained in Section II of the Central Government Audit Report (Commercial 1968) were examined in the Twenty-sixth Report of the Committee on Public Undertakings (1968-69) (Fourth Lok Sabha), which was placed before the Parliament on 12th March, 1969. Among other recommendations, the Committee have recommended a detailed inquiry|investigation into the contracts awarded by the Fertilizer Corporation of India for supply of Ammonia Urea and Nitric Acid plants as well as a contract for the Nitro Phosphate Plant for the Trombay Unit of the Corporation. In view of the recommendations made by the Committee and considering the interest shown in the matter by the General public and Members of Parliament, the Government of India have decided to set up a Single Member Commission under the Commissions of Inquiry Act, 1952, under the Chairmanship of Shri J. S. Bedi, Retired Judge, Punjab and Haryana High Court.

2. The terms of reference of the Commission will be as follows:—

- (i) to determine whether the then Managing Director of the Fertilizer Corporation of India, Ltd., acted entirely in the interests of the Corporation so far as the agreement entered into with M/s. Chemical Construction Corporation for the supply of Ammonia, Urea and Nitric Acid

Plants was concerned; whether the dropping of claims worth Rs. 57.50 lakhs against the said Chemical Construction Corporation was justified and whether the terms of agreement entered into with the firm were in the best interest of the Corporation and to determine the responsibility for lapses, if any, in this case.

- (ii) to investigate the reasons for awarding the contract for the Nitro Phosphate Plant to M/s. Chemical and Industrial Corporation of USA;
- (iii) Arising out of (i) and (ii) above, to recommend the action that may be taken.

3. The Commission will be assisted by special consultants wherever necessary if the Commission so desire.

4. The Commission will devise its own procedures. It may call for such information and take such evidence as it may consider necessary. The Ministries|Departments of Government of India will furnish such information and render such assistance as may require by the Commission.

5. The Commission will submit its report within a period of 3 months.

ORDER

Ordered that the Resolution be published in the Gazette of India, Part I, Section I.

Ordered also that a copy of the Resolution be communicated to all Ministries|Departments of Government of India.

Sd/- (B. Mukherji)
Secretary to the Government of India.

APPENDIX XVII

(Vide para 5 of Introduction)

Analysis of the action taken by Government on the recommendations contained in the Twenty-Sixth Report of the Committee on Public Undertakings (Fourth Lok Sabha).

1.	Total number of recommendations.	27
2.	Recommendations that have been accepted by Government (<i>Vide</i> recommendations at Sl. Nos. 2, 7, 8, 11, 14 and 23)	
	Number	6
	Percentage of total	22%
3.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> recommendations at Sl. Nos. 4, 10, 13, 16, 18, 21 and 27)	
	Number	7
	Percentage of total	26%
4.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Sl. Nos. 12, 17, 22, 24 and 25)	
	Number	5
	Percentage of total	19%
5.	Recommendations in respect of which final replies of Government are still awaited (<i>Vide</i> recommendations at Sl. Nos. 1, 3, 5, 6, 9, 15, 19, 20 and 26)	
	Number	9
	Percentage of total	33%