C.P.U. No. 253

# COMMITTEE ON PUBLIC UNDERTAKINGS (1973-74)

(FIFTH LOK SABHA)

**FIFTIETH REPORT**

**FERTILIZER CORPORATION OF INDIA LIMITED (MARKETING AND DISTRIBUTION)**

MINISTRY OF PETROLEUM AND CHEMICALS
(DEPARTMENT OF FERTILIZERS)

**LOK SABHA SECRETARIAT**
**NEW DELHI**

*April, 1974 / Chaitra, 1896 (S)*
*Price : Rs. 3.15*

# CORRIGENDA

## FIFTIETH REPORT OF CPU ON FERTILISER CORPORATION OF INDIA LTD. (MARKETING & DISTRIBUTION)

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| 4 | 2.2 | 3 | At | As |
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| 7 | 2.12 | 7 | phosphoric | phosphatic |
| 14 | 2.29(1) | 2 | regardd | regard |
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| 101 | 8.69(1) | 1 | "that" (appearing for the 2nd time) | "there" |
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| 105 | 9.3 | 7 | insert "in" after "cropping" | |
| 106 | 9.6 | 1 | insert "the Committee" after "connection" | |
| 106 | 9.6(1) | 1 | GSFCI | GSFC |
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| 113 | Sub para 1 | last | delete | "was" |
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| 123 | 4.23 | 1 | regret to note that | while agreeing with : |
| 124 | 4.24 | 5 | insert "of" after "percentage" | |
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| 124 | 4.36 | 9 | nothing | noting |
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| 5 | time | timely |
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# CONTENTS



489 L.S.—1.

## COMMITTEE ON PUBLIC UNDERTAKINGS

### (1973-74)

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Shrimati Subhadra Joshi

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2. Shri Dinen Bhattacharya
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SECRETARIAT

Shri Avtar Singh Rikhy—*Joint Secretary*

Shri M. A. Soundararajan—*Deputy Secretary*

Shri M. N. Kaul—*Under Secretary*

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*Appointed to act as Chairman from 16-5-1973 to 11-7.1973 during the absence abroad of Shrimati Subhadra Joshi.

@Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 3-4-1974.

# COMMITTEE ON PUBLIC UNDERTAKINGS

(1973-74)

## COMPOSITION OF STUDY GROUP ON FERTILIZERS, FARMS AND BAKERIES

1. Shri Nawal Kishore Sharma—*Convener*
2. Shri U. N. Mahida—*Alternate Convener*
3. Shrimati Purabi Mukhopadhyay
4. Shri Suraj Prasad
5. Shri K. Gopal
6. Shri J. Matha Gowder
7. Shri Lal K. Advani

# INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Fiftieth Report on the Fertilizer Corporation of India Limited (Marketing and Distribution).

2. This Report is based on the examination of the working of the Marketing Division of the Fertilizer Corporation of India upto the year ending 31st March, 1973. The Committee on Public Undertaking took evidence of the representatives of Fertilizer Corporation of India Limited on the 28th and 29th November, 1973 and of the Ministries of Petroleum and Chemicals, Food (Departments of Agriculture and Co-operation) and Finance (Department of Banking) on the 20th and 21st December, 1973.

3. The Committee on Public Undertaking considered the Report at their sitting held on the 9th April, 1974.

. The Committee wish to express their thanks to the Ministry of petroleum and Chemicals, Ministry of Food (Department of Agriculture and Co-operation), Ministry of Finance (Department of Banking) and the Fertilizer Corporation of India Limited and the non-official organisations for placing before them the material and information they wanted in connection with the examination of Fertilizer Corporation of India Limited (Marketing and Distribution) They wish to thank in particular the representatives of the Ministries and the Undertaking who gave evidence and placed their considered views before the Committee.

SUBHADRA JOSHI,
*Chairman,*
*Committee on Public Undertakings.*

NEW DELHI;
*April* 20, 1974.

# INTRODUCTORY

The Government of India formed the Fertilizer Corporation of India Ltd. as a single company w.e.f. Ist January, 1961 in order to ensure unification of control of fertilizer units in the public sector and placed the management of the State owned Fertilizer units at Sindri, Nangal and Trombay under its control.

1.2. The Fertilizer Corporation of India is at present administering five producing units at Sindri, Nangal, Trombay, Namrup and Gorakhpur and has got twelve different projects at different stages of construction, commissioning, implementation and clearance at Durgapur, Barauni, Namrup Expansion, Haldia, Talcher, Ramagundam, Gorakhpur Expansion, Nangal Expansion, Sindri Rationalisation and Modernisation, Korba, Trombay Expansion and Paradeep.

1.3. The working of the Fertilizer Corporation of India was first examined by the Estimates Committee in 1954-55 (13th Report, 1st Lok Sabha) (Sindri Fertilizers and Chemicals Ltd. under the then Ministry of Production) and again in 1960-61 (120th Report, 2nd Lok Sabha) (Sindri Fertilizers and Chemicals Ltd. under the then Ministry of Commerce and Industry—Reports and Accounts). The Committee on Public Undertakings (Third Lok Sabha) examined the Fertilizer Corporation of India Ltd. as a whole in 1964-65 and presented their Sixth Report (3rd Lok Sabha). The Trombay Unit and the Sindri Units of the Corporation were again examined in 1968-69 by the Committee on Public Undertakings and Twenty-Sixth and Forty-third Reports (4th Lok Sabha) respectively were presented. The examination of Sindri and Trombay Units was based on Audit Reports. The Action Taken Reports on the above Reports have also been completed and presented to Parliament.

1.4. The present study by the Committee on Public Undertakings is confined only to the marketing and distribution aspects of the Fertilizer Corporation of India Ltd. It was only in 1965 that F.C.I. decided to set up a separate nucleus marketing organisation. This was the time when there was a large increase in the consumption of fertilizers in the country and the recognition of the need to accelerate consumption as well as production of chemical fertilizers. Following the recommendations of the Committee under the chairmanship of Shri B. Sivaraman, the Government of India adopted a policy of partial and progressive decontrol from 1966 giving freedom of marketing to the manufacturers. According to this, 30 per cent of the manufacturers' production was to be marketed directly by the manufacturers from October, 1966, 50 per cent from October, 1967, 70 per cent from October, 1968 and finally 100 per cent from April, 1969. As the need for augmenting food production through scientific farming in which fertilizer was one of the most important inputs, was felt at the national level, an integerated marketing concept was formulated. The Board of Directors of the Fertilizer Corporation of India Ltd. accordingly appointed a high level Committee in April, 1970 to formulate plans for Marketing Division. The recommendations of this high level Committee are stated to be under progressive implementation.

## II

## PRODUCTION

### Consumption Targets and Achievements

The consumption of fertilizers in India and some of the advanced countries of the world during 1970-71 was as follows:—

Fertilizer consumption per hectare in relation to arable land and population (1970-71).

(Figures in kg.)

| Country | Fertilizer consumption per hectare | Per capita consumption |
|---|---|---|
| *Europe* | 169·6 | 54·0 |
| Austria | 244·6 | 55·6 |
| Belgium | 589·2 | 51·8 |
| Netherlands | 749·3 | 49·9 |
| Poland | 168·0 | 78·5 |
| Denmark | 223·2 | 121·4 |
| France | 241·4 | 91·6 |
| Sweden | 164·7 | 62·5 |
| U.K. | 258·4 | 33·7 |
| Yugoslavia | 78·7 | 30·8 |
| *U.S.S.R.* | 40·4 | 38·7 |
| *North/Central America* | 68·5 | 54·6 |
| Canada | 17·9 | 36·4 |
| U.S.A. | 86·8 | 74·6 |
| *Asia* | 22·0 | 6·0 |
| India | 13·2 | 4·0 |
| Japan | 385·6 | 20·5 |
| Korea | 243·6 | 17·4 |
| Pakistan | 15·1 | 3·3 |
| *Africa* | 8·1 | 4·7 |
| Egypt | 121·8 | 10·4 |
| *Oceana* | 30·4 | 73·8 |
| Austrialia | 21·8 | 77·2 |
| New Zealand | 579·5 | 159·3 |

(Fertilizer Statistics 1972-73, page III-15)

2.1. The consumption targets laid down for the Fourth Plan (1969-70 to 1973-74) period and the actual achievements of consumption of fertilizers were as under:—

(In lakhs tonnes of Nutrients)

| | *Target consumption* N. | P. | K. | Total | *Consumption achieved* N. | P. | K. | Total |
|---|---|---|---|---|---|---|---|---|
| 1969-70 | 17 | 6 | 3 | 26 | 13·56 | 4·16 | 2·10 | 19·82 |
| 1970-71 | 20 | 7·5 | 4·2 | 31·7 | 14·79 | 5·41 | 2·36 | 22·56 |
| 1971-72 | 20 | 8 | 4 | 32·0 | 17·98 | 5·58 | 3·00 | 26·56 |
| 1972-73 (Original) | 27·8 | 11·5 | 7·3 | 46·6 | — | — | — | — |
| (Revised Est.) | 22 | 8 | 4·5 | 34·5 | 18·40 | 5·81 | 3·48 | 27·69 |
| 1973-74 (Original) | 32 | 14 | 9 | 55 | — | — | — | — |
| (Revised Est.) | 26 | 8·1 | 5·2 | 39·3 | 18·35 | 6·34 | 3·14 | 27·83 |

2.2. The Fourth Five Year Plan had envisaged a 27 per cent compound rate of increase per year in the consumption of fertilizers in the country. At against this target, the actual consumption growth achieved was 40 per cent in 1967-68 and only 15 per cent each in 1968-69, 1969-70, 14 per cent in 1970-71, 18 per cent in 1971-72, 4.5 per cent in 1972-73 and 0.005 per cent in 1973-74.

2.3. The following targets of consumption are proposed in the Fifth Plan period:

(Quantity in lakh tonnes)

| | Consumption N. | P. | K. | Total |
|---|---|---|---|---|
| 1974-75 | 29·70 | 9·40 | 5·46 | 44·26 |
| 1975-76 | 34·00 | 10·35 | 6·50 | 50·85 |
| 1976-77 | 38·10 | 12·40 | 7·50 | 58·00 |
| 1977-78 | 45·40 | 14·95 | 8·60 | 68·55 |
| 1978-79 | 52·00 | 18·00 | 10·00 | 80·00 |

2.4. It will be seen that by the end of the Fifth Five Year Plan, the consumption of fertilizer in the country is expected to rise from 4.4 Million Tonnes in 1974-75 to Million Tonnes in 1978-79.

2.5. During evidence the Committee enquired as to how the consumption of fertilizers was so low in India as compared to other countries. The Chairman and Managing Director replied as follows:—

> "It is true that there is low consumption of fertilizers in India. It is primarily due to lack of promotional efforts. Of course, there are other reasons also as to why the consumption is less as compared to the rest of the world. This is due to constraints of credit, non-availability of assured water supply in many areas and then there is lack of other inputs which retard the demand for fertilizers. But the lack of promotion is the primary reason for the low consumption of fertilizers, and, of course, availability of fertilizer today is also playing an important part."

2.6. The actual consumption of Nitrogen and phosphatic fertilizers and actual production and the gap between the two has been as follows since 1969-70:—

(Figures in lakh tonnes)

| Year | Actual consumption N & P. | Indigenous production N & P | Gap between consumption and production N & P | Import |
|---|---|---|---|---|
| 1969-70 | 17·72 | 9·54 | 8·18 | 7·61 |
| 1970-71 | 20·20 | 10·61 | 9·59 | 4·79 |
| 1971-72 | 23·56 | 12·39 | 11·17 | 7·28 |
| 1972-73 | 23·66 | 13·82 | 9·84 | 9·02 |
| 1973-74 | 27·83 (Estimated) | 13·80 | 14·03 | — |
| 1974-75 | 39·10 (Estimated) | 19·00 | 20·10 | — |
| 1978-79 | 70·00 (Estimated) | 52·00 | 18·00 | — |

According to present anticipation the Consumption of fertilizers is expected to double during the 5th Five Year Plan. Though the production is also expected to rise, the gap would still persist.

## Capacity Targets & Achievements

2.8. The targets and achievements of capacity for production of fertilizers during the Five Year Plans was as under:—

(Figures in lakh tonnes)

| | Capacity existing at the beginning of the Plan | | Capacity envisaged to be installed during the plan (at the end of the plan period | | Capacity installed plan end of the period Actually during the period (at the plan) | | Shortfall |
|---|---|---|---|---|---|---|---|
| | N. | $P_2O_5$ | N. | $P_2O_5$ | N. | $P_2O_5$ | |
| First Five Year Plan (1951-52 to 1955-56) | 0·16 | NA | 0·96 | 0·35 | 0·85 | 0·35 | |
| Second Plan (1956-57 to 1960-61) | 0·85 | 0·35 | 3·82 | 1·20 | 1·58 | 0·57 | 60% |
| Third Plan (1961-62 to 1965-66) | 1·58 | 0·57 | 10·00 | 5·00 | 5·86 | 2·30 | 46% |
| Fourth Plan (1969-70 to 1973-74) | 10·24 | 4·21 | 30·00 | 12·00 | 19·39 | 5·60 | 40% |

2.9. According to the targets laid down in the Fourth Plan, the capacity expected to be installed by the end of the Plan period (1973-74) was 42 lakh tonnes. This target was, however, scaled down as a result of mid-term appraisal of the Plan to 29.57 lakh tonnes. Even against this reduced target, the capacity which is likely to be available for operation by the end of the Fourth Plan is of the order of 24.99 lakhs tonnes. Thus there would still be a shortfall of 4.58 lakh tonnes compared to the reduced targets set in the mid-term appraisal.

## Fifth Plan

2.10. During the Fifth Plan, development of fertilizer capacity would be as under:—

(Figures in lakh tonnes)

| | Public Sector | Private Sector | Total | FCI's Share |
|---|---|---|---|---|
| (i) Capacity likely to be available at the beginning of 5th Plan. | 13·30 | 11·69 | 24·99 | *3·86 |
| (ii) Capacity of projects under various stages of implementation | 23·39 | 5·45 | 28·84 | 17·45 |
| (iii) Capacity planned for 5th Plan | 22·16 | 6·55 | 28·71 | 9·25 |
| (iv) Total capacity expected to be available at the end of 5th Plan. | 58·85 | 23·69 | 82·54 | 30·56 |

*At the time of factual verification the Ministry of Petroleum and Chemicals informed that the FCI's share would be 5.74 lakh tonnes including capacity of Durgapur and $P_2O_5$ at Trombay.

2.11. Between nitrogen and phosphates, the value added by local manufacturers is more in the case of nitrogen and in this context greater emphasis is being laid on the development of nitrogen capacity on a more urgent basis. Towards this objective, Government have already decided in principle to set up 5 projects in the public sector at Bhatinda, Panipat, Mathura, Paradeep & Trombay (Expansion). Besides, Government have approved of the expansion of Sriram Chemicals Industry's plant at Kota Gujarat State Fertilizer Corporations plant at Baroda (Expansion Scheme) and the setting up of a new fertilizer plant at Kakinada. Government have also approved in principle the setting up of a fertilizer plant by IFFCO at Phulpur with a capacity of 2.88 tonnes of nitrogen. Proposals are also under consideration for setting up of ammonia facilities at Cochin in the public sector.

2.12. One or two more projects may also be planned towards the end of the 5th Plan. Some of these nitrogenous fertilizers plants are expected to take up the manufacture of phosphates in complex form. Besides, IFFCO and MFL have also plans for manufacture of additional phosphate production. Besides a proposal from Mysore State Industrial Investment and Development Corporation for setting up of phospheric acid and mono-ammonium phosphate plants has also been approved. With the development of these capacities, the overall position at the end of the 5th Plan is projected as under:—

(In lakh tonnes)

| Nitrogen | | | $P_2O_5$ | | |
|---|---|---|---|---|---|
| Public Sector | Private Sector | Total | Public Sector | Private Sector | Total |
| 46·64 | 18·47 | 65·11 | 12·21 | 5·22 | 17·43 |

2.13. Simultaneous efforts are also being made for identifying foreign exchange sources required for the implementation of the projects.

2.14. Since fertilizer is a continuous process industry, which is very sensitive for power fluctuation, efforts are being made to ensure adequate power supply to fertilizer industry. Captive power plants are being planned in certain cases. Subject to fertilizer programme being implemented as currently envisaged, power supply being normal and labour relations being cordial, Government expect that a level of production of 5.2 million tonnes of nutrients would be achieved by 1978-79. This would leave a gap of 18 lakh tonnes of nitrogen, between demand and availability of Nitrogen and Phosphatic fertilizer by the end of 5th Plan. The gap between demand and supply is expected to be bridged by about 1980-81.

**Development of capacity by Fertilizer Corporation of India**

2.15. So far as the Fertilizer Corporation of India is concerned, it came into existence on 1st January, 1961 with the amalgamation of the Sindri Fertiliser and Chemical Ltd. (SFCL) and Hindustan Chemical and Fertiliser (HCFL). The capacity at that time was 1.17 lakh tonnes of nitrogen. Since then the Corporation has grown and presently it has five operating units at Sindri, Nangal, Trombay, Namrup and Gorakhpur with a total capacity of 3.86 lakh tonnes of Nitrogen. The growth of capacity of nitrogen over the years has been as under:—

(lakh tonnes of N)

| | | |
|---|---|---|
| 1960-61 | 1·17 | |
| 1961-62 | 1·96 | |
| 1964-65 | 1·78 | (after de-rating of Sindri capacity) |
| 1966-67 | 2.60 | |
| 1969-70 | 3·86 | |
| 1972-73 | 3·86 | |

The Corporation's plant at Durgapur is under trial production, its capacity being 1,52,000 tonnes of nitrogen. Besides this the Corporation has in hand eleven major projects in different stages of execution which along with Durgapur will add 17.29 lakh tonnes of Nitrogen to its existing capacity of 3.86 lakh tonnes. It will also be implementing in the Fifth Plan the Paradeep and Trombay V Projects. (Paradeep 3.45 lakhs and Trombay V 2.28 lakhs). The table below indicates the details of Projects, capacity and dates of commissioning.

(in lakh tonnes)

| Sl. No. | Name of Project | Nitrogen | $P_2O_5$ | Likely date of Commissioning |
|---|---|---|---|---|
| 1 | Durgapur | 1·518 | | Under trial production |
| 2 | Barauni | 1·518 | | Mechanical erection of the plants nearing completion / testing and commissioning of some of the sections are. |
| 3 | Namrup Expansion | 1·518 | | |
| 4 | Sindri Rationalisation | | 1·500 | 2nd half of 1974 |
| 5 | Sindri Modenisation | 1·290 | | 2nd half of 1976 |
| 6 | Ramagundam | 2·277 | | 2nd half of 1975 |
| 7 | Talcher | 2·277 | | 2nd half of 1975 |
| 8 | Gorakhpur Expansion | 510 | | March, 1975 |
| 9 | Haldia | 1·518 | 0·75 | 1st half of 1976 |
| 10 | Nangal Expansion. | 1·518 | | 1st half of 1976 |
| 11 | Korba | 2·277 | | 1st half of 1978 |
| 12 | Trombay Expansion | 0·750 | 0·750 | Work yet to be started |
| 13 | Debottlenecking Scheme | 0·320 | 0·180 | 2nd half of 1974 / 2nd half of 1975 |
| | Total capacity under implementation. | 17·291 | 3·188 | |
| | OR | 17·29 | 3·19 | |
| | Existing capacity | 3·86 | ·36 | |
| | | 21·15 | 3·55 | |

2.16. There has been considerable delay in the commissioning of the following projects of the Corporation. The extent of delay in each Projects is indicated below:

| | *Name of Project* | *Period of Delay* |
|---|---|---|
| 1 | Durgapur | 3½ years |
| 2 | Barauni | 3½ years |
| 3 | Namrup Expansion | 3½ years |
| 4 | Sindri Rationalisation | 3½ years |
| 5 | Ramagundam/Talcher | 1½ years |

*Production and Utilisation of Capacity*

2.17. The production performance of the five operating units of the F.C.I. for the last three years as against their installed capacity| targets of production has been as under:—

(Figs. 400 MT)

| Unit | Nutrient | Capacity | 1970-71 T | 1970-71 A | 1970-71 U | 1971-72 T | 1971-72 A | 1971-72 U | 1972-73 T | 1972-73 A | 1972-73 U |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Trombay | Nitrogen | **81 | 50 | 58 | | 62 | 66 | | | 68·570 | |
| | | 88·7 | | | 70% | | | | | | |
| | Phosphate | **36 | 22 | 24 | | 31 | 34 | 85% | | 31·937 | 91% |
| | | 35·1 | | | | | | | | | |
| | Potash | | 12 | 11 | | 23 | 23 | | 31·9 | 37 | |
| Namrup | Nitrogen | 45 | 31 | 28 | 62% | 35 | 30 | 67% | 38·5 | 35 | 78% |
| Gorakhpur | Nitrogen | 80 | 72 | 68 | 85% | 80 | 76 | 95% | 66·8 | 69 | 86% |
| Nangal | Nitrogen | 80 | 59 | 54 | 68% | 54 | 56 | 70% | 55 | 54 | 68% |
| Sindri | Nitrogen | 117 | 95 | 84 | 85% | 97 | 74 | 75% | 67·5 | 66 | 67% |
| | | 99 | | | | | | | | | |
| | Total Nutrients | | | 327 | | | 359 | | | 368 | |
| | Total Nitrogen | | | 292 | | | 302 | | 296·3 | 294 | |
| | $P_2O_5$ | | | 24 | | | 34 | | 31·9 | 37 | |

*As assessed by Kasturirangan Committee

**As revised by Management

T. Target

A. Achievement

U. Utilisation percentage

*Overall performance of F.C.I.*

1970-71 . . . . . . 74·2% of the installed capacity

1971-72 . . . . . . 76·1%

1972-73 . . . . . . 73·5%

1973-74 . . . . . . 74·7%

(Upto Oct. 1973)

2.18. During evidence, the Chairman and Managing Director of the Corporation admitted that:—

> "I must admit that we have not been able to add materially to the product since 1968 because of delays in coming up of some of the new units. Delays in most of the cases were due to the delays in the delivery of indigenous equipment. The projects that we took in the Fourth Plan, were based on design and engineering to be done to the maximum extent in India by our own organisation and also on procuring the maximum amount of indigenous equipment. In almost every case, the indigenous manufacturers were also new to the job, or there were technical failures on their part and also delays in delivery of equipment. I must also confess that the failure of foreign equipments has given rise to delays in bringing them to production. Although Durgapur Plant with a delay of almost two years was mechanically completed in October, 1971, it has taken almost two years to bring it to production and even now we are suffering from a considerable amount of failure of imported equipment. We are trying to rectify them."

2.19. During evidence, the representative of the Ministry stated that:—

> "The Fertilizer Corporation has certainly contributed towards increasing availability of fertilizers but in no sense can it be said that it has ensured attainment of self-sufficiency in regard to fertilizers or that imports have gone down. Relatively speaking, it may have added more indigenous production to the total availability but the FCI as such cannot be said to have contributed to full attainment of self-sufficiency or a net reduction in imports."

2.20. During evidence of the Corporation, the Committee enquired when the public sector would attain the commanding heights in production of fertilizers. In reply the Managing Director/cum-Chairman, FCI stated that:—

"FCI's share in 26 per cent of the indigenous production. By 1978-79, when these plants go into production, FCI's alone share of the total market would be nearing 50 per cent. If you add to that, the share of other public sector concerns like FACT, Neyveli, Rourkela and Joint Sector, production would be about 68 to 70 per cent. by 1978-79."

2.21. During evidence of the Ministry, the Committee enquired whether considering the present level of imports of fertilisers, it would be possible to attain self-sufficiency in the near future. In reply the Secretary, Ministry of Petroleum and Chemicals stated:—

"The imports have risen from 1.43,000 tonnes of nitrogen in 1961-62 to 6,92,000 tonnes of nitrogen and 2,11,000 tonnes of $P_2O_5$ in 1972. The highest imports were in 1967-68 with as much as 8,68,000 tonnes of Nitrogen and 3,43,000 tonnes of $P_2O_5$ were imported. There is no particular trend visible in the imports, although the overall imports have increased over the last 12 or 13 years."

2.22. Asked as to which are the countries from which these fertilizers were being imported. The representative of the Ministry stated that:—

"Broadly speaking, nitrogenous fertilisers are being imported from West European countries and East European countries and U.S.S.R. and Japan. Phosphatic fertiliser we import from the U.S.A. and Canada and Potash we import from Canada and West Germany and little from France."

2.23. During evidence of the Corporation, the Committee enquired whether it was the under-utilisation of installed capacity which was responsible for not achieving self-sufficiency in fertilizers. In reply, the Chairman and Managing Director of the Corporation stated:—

"As far as existing plants are concerned, the capacity utilisation has been between 75 and 85 per cent in the case of nitrogen. Considering nitrogen and $P_2O_5$ together, the percentage is between 75 and 87. The average utilisation of 80 per cent in Fertilizer Plants is not considered as low in the world. It is generally treated as satisfactory; but in our case we could improve on this, but for the fact that Sindri is a very old plant with the old technology and it is suffering from a lot of deterioration with the result that we are not able improve the production there. Apart from that in the existing sulphate plant, we are not getting natural gypsum. The quality from Rajasthan mines has been deteriorating, the costs have been going up because of mining costs and transporting charges."

"In Nangal we were suffering from power shortage, therefore, could not have full production, otherwise, it is capable of giving 100 per cent production which it has done for the last several years."

2.24. From the Annual Report of the Corporation for 1972, it is seen that various measures are in hand to rehabilitate and regenerate the Sindri Unit. Besides the renovation, measures taken already in hand, to keep and improve the production performance were (1) rationalisation project already under implementation and scheduled for completion by middle 1974 which will on commissioning enable the unit to be independent of the natural gypsum from Rajasthan (2) modernisation scheme to replace the existing process for ammonium manufacture, increase in the ammonia production capacity to economic scales of operation and to sustain production in future years.

2.25. In regard to Trombay, it has been stated that Trombay could not improve production because of the power problem. With the commissioning of the supplementary gasification scheme the unit was expected to utilise its full rated capacity.

2.26. The production in Gorakhpur which is being affected adversely, the power problem is sought to be overcome by the Corporation's decision to instal partial in-plant power generation to meet the emergency.

2.27. So far as Namrup unit is concerned, the performance was stated to be below the capacity due to mechanical troubles. The Unit has been systematically analysing the problems and continously endeavouring to step up the production to the capacity which is likely to be substantially achieved by 1974-75.

2.28. In reply to Unstarred Question No. 953 dated 26th February, 1974 regarding working of the Durgapur Plant, the Minister of State in the Ministry of Petroleum and Chemicals informed Lok Sabha as follows:—

"The plant is presently operating at between 50 to 60 per cent of its capacity and the plant load is being progressively increased. Efforts are also being made to overcome the limitations in the waste heat recovery system and other mechanical problems and stabilise production at higher levels."

2.29. In this connection, in reply to Unstarred Question No. 878 dated 26th February, 1974 of the Lok Sabha about the positive and specific steps taken by Government to boosting fertilisers in the country during the Fifth Plan period, the Minister of State in the Ministry of Petroleum and Chemicals stated as follows:—

"The measures taken or being taken to step up fertilizer production fall broadly under two categories namely (i) optimising production in existing units and (ii) creation of additional capacity to meet demand.

1. *Optimising production.*—The more important measures in this regardd are the following:

(i) Repairs and renovations of old sections and carrying out a rationalisation scheme in the Sindri factory;

(ii) Modification of certain Sections of the Trombay Unit;

(iii) Installation of supplementary naphtha gasification facilities to produce synthesis gas and initiation of steps to maximise coke oven gas supply to the fertilizer plant at Rourkela;

(iv) Modifications in various sections of ammonia and urea plants at Neyveli;

(v) Repairs and renovations in certain sections of the Alwaye unit.

2. *Creation of additional capacity.*—Government have approved in principle the setting up of five large sized fertilizer plants in the public sector during the Fifth Plan period. These are proposed to be located at Mathura, Panipat, Bhatinda, Paradeep and Trombay. Letters of Intent have been issued for establishing a fertilizer plant at Kakinada and for further expansion of the Kota fertilizer plant, both in the private sector. Proposals for establishing additional fertilizer projects have also been received."*

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*At the time of factual verification the Ministry of Petroleum & Chemicals informed the Committee as follows:—

"The expansion of Gujarat State Fertilizer Company's Plant at Baroda has since been approved. Government have also approved the proposal of Mysore State Industrial and Investment Corporation for setting up of Phosphate production facilities at Mangalore."

2.29A. In reply to another Starred Question No. 364 dated 11th March, 1974 of the Rajya Sabha regarding production at Durgapur Plant, the Minister of State in the Ministry of Petroleum and Chemicals informed as follows:—

"The Durgapur plant was mechanically completed in October, 1971, but could not be successfully commissioned immediately thereafter, mainly on account of the failure of some of the major items of imported equipment. The mechanical defects and other operational bottlenecks were systematically identified and necessary corrective action in regard to them was also taken. The plant is presently under commissioning and various sections of the plant have been tested to operate between 50 per cent and 70 per cent capacity. The plant commenced production in October, 1973, but occasional shutdowns had to be taken to attend to the defects which came to light while the different sections of the plant were under operation. Additional steps are also being taken to stabilise production. The plant is designed to produce 3,30,000 tonnes of urea per annum. Production monthwise since October, 1973 has been as under:—

| | | |
|---|---|---|
| October, 1973 | 230 tonnes | (In round figures) |
| November, 1973 | 2320 tonnes | ,, |
| December, 1973 | 1570 tonnes | ,, |
| January, 1974 | 3460 tonnes | ,, |
| February, 1974 | 5000 tonnes | |

2.30. It was stated during evidence by the Secretary of the Ministry of Petroleum and Chemicals that:

"Action has also been taken to improve the performance of the existing plants by technical evaluation, addition of necessary equipment, improving the processes, modernisation, rationalisation, and so on. What is more important is the recommendation in the Fifth Plan on the immentation of the plant and machinery for implementation, which is the machinery for monitoring and evaluation. It is also proposed that the Ministry of Petroleum and Chemicals would have a cell for monitoring and evaluation. The function of this cell would be to monitor the performance of the various units both in the public sector as well as in the private sector and to solve their problems and if necessary to egg them on to perform better and keep the targets of implementation."

2.31. The Committee regret that in spite of the acknowledged role of fertilizers in augmenting the agricultural production in the country, the annual consumption of fertilizer achieved during the years 1969-70 to 1973-74 has been consistently less than the targets of consumption. The Committee note that the consumption of fertilizers in India in 1970-71 has only been of the order of 13.2 Kg. per hectare, the lowest in comparison with consumption of fertilizers in other countries. The Committee recommend that in the context of persistant food shortage in the country, Government should take concerted measures to increase the tempo of consumption of fertilizer and achieve at least the modest targets laid down.

2.32. The Committee also find that the gap between indigenous production and consumption of fertilizer in the country has been of the order of 8 to 11 lakhs tonnes of both Nitrogen and Phosphatic fertilizers during each of the years 1969-70 to 1972-73 and consequentially the imports during this period ranged from 4.79 lakh tonnes to 9 lakh tonnes per year. According to the present anticipations the consumption of fertilizer is expected to double during the Fifth Five Year Plan. Though the production is also expected to rise, the gap would still persist and is expected to be of the order of 18 lakh tonnes by the end of Fifth Plan.

2.33. The Committee are convinced that the main reason for low consumption in India is lack of availability of fertilizers. In view of the world wide shortage of fertilizers and the phenomenial increase in import price of fertilizers, the Committee apprehend that import of fertilizer would become more and more difficult in the coming years.

2.34. The Committee find that the development of capacity for production of fertilizers in the country fell short of the target during Second Five Year Plan by 60 per cent, in Third Five Year Plan by 46 per cent and in Fourth Five Year Plan by 40 per cent. The Committee cannot but conclude that such heavy shortfalls in the development of capacities in the core sector of Plan indicate that well coordinated and systematic efforts were not made to achieve the Plan target. The Committee also note that the existing capacity in the public sector is proposed to be raised four fold. from 13.30 lakhs to 58.85 lakh tonnes by the end of the Fifth Five Year Plan. Considering the past performance, the Committee cannot too strongly emphasise the need for planning in depth and concerted efforts on the part of all concerned with the fertilizer industry to see that the target laid down is in fact achieved in the interest of making available this essential input for increasing food production

2.85. In so far as the FCI is concerned, the Committee find that when it came into existence on 1st January, 1961, it had a capacity of 1.17 lakhs tonnes of nitrogen, which increased to 3.86 lakhs tonnes of nitrogen in 1969-70. As admitted by the Secretary, Ministry of Petroleum and Chemicals during evidence "This remains the capacity as of today." Development of capacity to only 3.86 lakhs tonnes of nitrogen over as long a period as 12 years, cannot be regarded as impressive. The Committee note that as many as 12 projects, which are under various stages of implementation and which may add a capacity of 17.29 lakhs tonnes of nutrients have not come up on schedule. The delays in these projects have ranged from 1½ years to 3½ years. The delay has been maximum in the case of Drugapur project, where although mechanical erection of the plant was completed in October, 1971 it had taken almost two years to bring it to production and even now the plant is stated to working at only 50 to 60 per cent of its capacity.

2.36. The Committee find that the production performance in the existing five plants of the Corporation during 1972-73, has been of the order of 91 per cent at Trombay, 78 per cent at Namrup, 86 per cent at Gorakhpur, 68 per cent at Nangal and 67 per cent at Sindri, of the installed capacity, the overall achievements for the FCI being 74.3 per cent. The Committee recommend that in order to step up the production of fertilizers, the Corporation should undertake a plant/project-wise review of the bottlenecks in production in each of its plants as to diagnose the causes for low-production and find solutions to overcome them in the interest of maximising production.

2.37. The Committee are informed that the Ministry is proposing to set up a Cell to monitor and evaluate the performance of various units both in the public and private sector. The Committee feel that such a step should have been taken long ago at least in the beginning of the Fourth Plan when development of the industry was projected on such an ambitious scale so that problems could be identified and resolved in time. The Committee hope that this Cell to be manned by the best experts with proven administrative skill, will come into existence without further delay and will be given the requisite backing in Government and in the field to press into full production the plants already installed and in achieving four-fold increase in production envisaged in the Fifth Plan. The Committee would like to be informed of the concrete measures taken in that behalf.

## III

## MARKETING ORGANISATION

3.1. The need for establishing marketing organisation by the producers of fertilizers in India was emphasised repeatedly by several committees. Two of the committees were—

(i) The Committee on Fertilizers with Shri B. Sivaraman as Chairman—1965.

(ii) The Study Team appointed by the Government of India with Shri Ramakrishnayya as Convener—1968.

3.2. The Committee on Fertilizers under the Chairmanship of Shri Sivaraman recommended that:

"The Government of India should allow producers of nitrogenous fertilizers to make their own marketing arrangements for one-third of their production in the second year, so that thereafter they will be fully responsible for marketing of their entire production of nitrogenous fertilisers...."

3.3. The Study team with Shri Ramakrishnayya as Convener observed—

"As more plants come into production the philosophy of each unit marketing its own product will only create havoc. Competition and price cutting amongst public sector units will only weaken its position in the industry .....................only through a unified coordinated marketing effort can the public sector expect to be strong in the fertiliser industry and most important to India in realising the goals of self-sufficiency in food production."

3.4. Till September, 1966 the Government of India used to requisition the entire straight nitrogenous fertilizers produced by indigenous manufacturers for distribution through State Governments. The need for a Marketing Organisation for these products was therefore, not keenly felt as long as this system was in existence.

3.5. However, in 1965, the Fertilizer Corporation took preliminary steps to set up a nucleus Marketing Organisation for the Durgapur factory.

3.6. Again for marketing "Suphala" which is a complex fertiliser produced at Trombay, and therefore, not requisitioned by the Government of India a Marketing Organisation was started at Trombay in 1966.

3.7. Later as the Government of India decided to release progressively straight nitrogenous fertilizers for distribution by the manufacturers, it was decided to merge the nucleus organisation at Durgapur into a larger zonal organisation known as EMZ—(Eastern Marketing Zone) comprising the States of West Bengal, Bihar, Orissa, Assam and Madhya Pradesh. This zone was charged with the responsibility for marketing not only the production of Sindri and Namrup Units which were already in production in the Eastern States but also to organise seding programme for Haldia, Durgapur and Barauni Projects.

3.8. Simultaneously the Government also in order that the marketing might be given a prominent place in the Corporation, decided in 1969 that a Director (Marketing) be appointed for FCI. Later in 1970, the Board of Directors of FCI which continously reviewed the position appointed a Committee of Directors to suggest a suitable marketing organisation for the Corporation.

3.9. Taking into account the large number of units that the FCI would have and in view of the geographical location and overlapping of the marketing areas and products, that committee was of the view that the approach should be to constitute suitable zones as the profit centres.

3.10. The zonal concept of profit centre, according to the committee was to be made applicable to the fertilizers which account for about 90-95 per cent of FCI's sales turnover.

3.11. The marketing organisation in each zone was to be headed by a General Marketing Manager, each zone to be divided into regions which would roughly correspond to States under the charge of a Regional Manager. Each region would further be divided into 2 or more areas depending on the need under the charge of Area Manager.

3.12. To start with, the following set up was proposed by the Committee:—

| Zones/Regions | Eastern | Northern | Western/Southern |
|---|---|---|---|
| | 1. Assam | 1. Eastern UP. | 1. Maharashtra, Gujarat. |
| | 2. Bengal | 2. Western U.P. | 2. Andhra |
| | 3. Bihar. | 3. Haryana | 3. Tamil Nadu Mysor and Kerala. |
| | 4. Orissa | 4. Punjab | |
| | 5. M.P. | 5. Rajasthan H.P. | |

3.13. At the Central level it was recommended that there should be a top level specialist designated as Chief (Marketing Services), who should report to the Director. There should also be a Marketing Manager (Coordination) who would coordinate with the Fertilizer Pool for supply of Pool Fertilizers and a group of senior level specialists like Economists, Statisticians, etc. who would provide staff function under the overall guidance of the Chief (Marketing Services).

3.14. The marketing functions were broadly indicated as under:—

1. Sales and Distribution.
2. Agricultural Research
3. Agricultural Promotion and Extension.
4. Training.
5. Publicity.
6. Marketing Research.
7. Integrated Agricultural Input Services.

3.15. The recommendations of the Committee were accepted *in toto* by the Board of Directors at its 136th Meeting held on 24th June, 1971. The Board desired that the reorganisation should be achieved in a phased manner. In the interim period it was decided that the functions of both production and marketing could be with the Director and later as the activities further developed the functions could be reviewed.

3.16. The Corporation has been implementing the decisions of the Board with regard to re-organisation in a phased manner.

3.17. Accordingly the post of Chief (EMZ) was redesignated as Zonal Manager. Later from 1st April, 1972 a Northern Marketing Zone was established integrating the marketing activities in the States of U. P. Punjab, Haryana, Rajasthan and other nearby areas. Steps were taken to set up South-Western Zone integrating the marketing activities in the States of Maharashtra, Gujarat, A.P., Karnataka, Tamil Nadu and Kerala where the marketing continued as an interim measure under the overall responsibility of General Manager of Trombay factory with a Marketing Manager reporting to him.

3.18. An independent Director (Marketing) was appointed by the Government from September, 1973.

3.19. The Director (Marketing) is responsible for the overall marketing functions of the Corporation. He reports to the Chairman and Managing Director of the Corporation and is also a member of the Board as a functional Director. The overall policies with regard to prices, credit, warehousing and transportation etc. are decided by the Board on the recommendations of Director (Marketing). At the Central Office, in order to co-ordinate the various marketing activities there is a Zonal Manager (Co-ordination) who reports to the Director (Marketing) with regard to all staff functions. The Zonal Manager (Co-ordination) is assisted by a Regional Manager (Co-ordination) and a team of experts consisting of Economists and Statisticians.

3.20. The marketing functions of the Fertilizers Corporation are supported by a Fertilizer Promotion and Agricultural Research Unit charged with the responsibilities of conducting fertilizers promotional activities, agricultural research activities, training of Extension Workers and implementing projects in collaboration with international agencies *e.g.* F.A.O., Government of the Federal Republic of Germany and Danish Government. The all-India promotional programme is organised from three zones *e.g.* East, North and South West and the activities of each zone is controlled by a Chief Agronomist who is assisted by a Regional Chief Agronomist at the State level and Agronomists and Field demonstrators at the field level. The Chief Agronomists of the three zones report to the Chief Agricultural Scientists. The Agricultural Research programme is implemented in three centres *e.g.* Sindri, Durgapur and Trombay and each of these three centres are headed by a Chief Agronomist who report to the Chief Agricultural Scientist. The international projects are controlled by three project leaders who in turn report to the Chief Agricultural Scientist. The Chief Agricultural Scientist, who is overall in-charge of the Fertilizer Promotion and Agricultural Research programme of the Fertilizer Corporation, reports to the Director (Marketing).

3.21. The Corporation's marketing activities are also supported by adequate marketing research. At the Central Office the marketing research is co-ordinated by a Chief (Marketing Research) who reports to the Director (Marketing) through the Zonal Manager (Co-ordination). The present strength of the Marketing Division of the Fertilizer Corporation of India is stated to be 2025.

3.22. In March, 1973 on the advice of the Government of India the Fertilizer Corporation of India took a policy decision that thereafter in each State, atleast 50 per cent of the FCI's distribution would be through Co-operative Societies and other institutional buyers. The impact of this decision is discussed in subsequent chapter of this Report.

3.23. The Corporation took another policy decision in June, 1972 not to distribute to any individual dealer more than 3000 tonnes of fertilizers in a year in order to restrict the size of operation of the dealers. In October, 1972 this ceiling was brought down to 2000 tonnes a year. Although the ceiling was there, as many as 85 per cent of the dealers got less than 500 tonnes during 1972-73 and in 94 per cent cases less than 1000 tonnes. Most of those who got more than 1000 tonnes were apex institutions to whom these restrictions were not applicable.

3.24. In this connection, the Secretary of the Ministry of Petroleum and Chemicals stated during evidence as follows:—

> "About this marketing organisation of the Fertilizer Corporation there are diverse suggestions involved but the question really asked is what action has been taken to implement the recommendations of the Ramakrishnayya Committee. This Committee had said it is mandatory that the marketing of products of these other public sector plants be handled centrally to eliminate confusion in marketing prices and to obtain maximum benefits from the standpoint of logistics. The question of logistics has been dealt with to a certain extent by the orders issued under the Essential Commodities Act by the Ministry of Agriculture who allocate fertilizers to different States and make the production units responsible for sale of certain specified quantities out of their production in the different States. In doing so they try to minimise cross-move-

ment or long haulage. Sometimes it is not possible to do so but otherwise it is being minimised to the maximum extent possible."

Secondly, the effort is to regionalise the production of fertilizers. As this develops it will be possible more and more to ensure that there is no unnecessary haulage of fertilizers. It cannot be eliminated altogether for some special varieties of fertilizers, for example, nitro-phosphate to be produced in Trombay and Haldia, or triple-phosphate to be produced in Sindri and Khetri. These are fertilisers which are new and have certain characteristics and they will have to move reasonable distances to command a market. This Report was before the Agriculture Ministry really took over the distribution of fertilisers under the E.C.A. Therefore, to some extent it has lost its significance.

Further it also recommended that there should be an independent Marketing Division in the Fertilizer Corporation of India. Now the Board of Directors of the FCI decided to designate one of their Directors as the Director (Production and Marketing) and a separate organisation for marketing has been built up in the Fertilizer Corporation of India. Recently, we have separated the functions of production and marketing and a separate marketing Director has been appointed.

There is only one other point, that even though marketing is sought to be transferred to the cooperatives and larger and larger share of the production will be made available to the State Government for distribution through cooperatives and other institutional channels, the need for a degree of marketing supervision and marketing organisation will continue and I think that the need for a degree of promotion effort and services to the agriculturists will also be necessary to maintain the image of the public sector undertaking and to render service which would not ordinarily be rendered particularly with reference to the newer varieties of fertilisers that are to be introduced."

3.25. He further added that:—

"If the cooperative marketing federations are so efficient, is there any need for the FCI's marketing set up. As more and more of the fertilizer production goes through the cooperatives, there will be less and less need for a large field staff of the FCI. There are certain aspects of it which will have to be looked after, e.g. the Entrepreneurship Development, the Unemployed Graduates Schemes, the Disabled Soldiers and their Widows Scheme, under which agencies have been given to these categories of people on social considerations. To our way of thinking, the transfer of marketing functions to the cooperatives should not mean that these socially desirable categories should get automatically eliminated. We have suggested to one of the State Governments which was very insistent on taking over the entire marketing through co-operatives, that these socially desirable categories should be looked after properly; and they should not be deprived of their means of livelihood. In addition, the FCI and may be some other public and private sector units would be introducing newer varieties of fertilizers—which will need a major marketing effort. Here we are stipulating that the cooperatives which take over the marketing of fertilizers should accept, pro rata, responsibility for selling the newer varieties of fertilizers as well. If these conditions are met, I think that the FCI need not have large marketing staff beyond what is needed for observing the market trends and ensuring that the procedures followed do not give rise to complaints from the consumers. It has only to see that its field services run properly, and also other promotional services if it maintains any, and that its public image also remains good. Otherwise, I entirely agree that as these cooperatives take over the market more and more, the field staff of marketing of the Fertilizers Corporation should contract."

3.26. On a further enquiry of the Committee whether in the context of acute shortage of fertilizers in the country and the fact that the Central|State Departments of Agriculture have elaborate arrangements to educate the farmer in scientific use of all types of agriculture inputs including fertilizers, the Government considered the need for the Fertilizer Corporation of India to have a big marketing organisation for promotion of sales of its fertilizers, the Ministry of Petroleum and Chemicals replied in a written note as follows:—

"The marketing organisation of the Fertiliser Corporation of India has the twin objective of promoting the sale of newer and more sophisticated varieties of fertilizers and to help the farmers in choosing the correct doses and types of fertilizers for various crops and soil conditions. The underlying idea is not to duplicate efforts of the Central|State Governments, but to supplement them, whenever necessary.

As a premier organisation in the field of fertilizers, F.C.I. is embarking upon a large programme of expansion which *inter alia* includes production, promotion and sale of new types of fertilizers like Ammonium Nitrate Phosphate, Triple Super Phosphate, Mono Ammonium Phosphate Urea-Ammonium Phosphate etc. These will be manufactured in Sindri, Haldia, Trombay and the new project at Paradeep. Additionally, the Corporation has initiated experiments on the direct application of Anhydrous Ammonia to the soil. These experiments are presently being carried out in areas adjoining the Nangal, Gorakhpur and Durgapur fertilizer plants. Another scheme which the Corporation has taken on an experimental basis is the introduction of slow releasing nitrogenous fertilisers like sulphur coated urea. This is being taken up both in the Eastern Marketing Zone and Northern Marketing Zone. These experiments are being carried out mainly on account of the advantages that they have either in the production process or in the end-result, namely, agricultural output. The new products mentioned above and the experiments which the Corporation is carrying out would require, at least initially intensive promotion efforts and a high level of expertise.

The need for a specialised agency for promoting fertilizers was recognised in connection with the plan to set up a Fertilizer Promotion Council. Though this plan was subsequently given up in view of the pioneering efforts already made in this field by some of the manufacturers specially, the Fertilizer Corporation of India, the National Commission on Agriculture, in its interim report, has emphasised the need of manufacturers developing appropriate promotional and extension programmes in conjunction with the State authorities.

Presently, FCI has 5 operating units with a total capacity of 386 thousand tonnes of Nitrogen and 36 thousand tonnes of $P_2O_5$; the capacity will increase to over 7 lakh tonnes of Nitrogen and 3 lakh tonnes of $P_2O_5$; by 1978-79 when the projects which are in different stages of implementation by FCI are completed. Notwithstanding the wide geographic dispersal of the Units--from Namrup in the East to Trombay in the West, and from Nangal in the North to Ramagundam in the South—and the large area of operation, the marketing set up of Corporation (*i.e.*, 2025 officials in various categories) cannot be considered as unduly large.

Fertilizer Promotion is a continuing process and what the Corporation has been able to achieve in this regard is due to substained efforts over a period of time.

The Corporation has also been providing useful and timely services to the farmer in soil testing and through field demonstrations, technical advice etc."

3.27. To a question whether it would not be advantageous to have a common marketing organisation for all public sector undertakings dealing with fertilizers, it was explained by the Fertilizer Corporation of India in a written note that, as a proportion of the production of all public sector units put together Fertilizer Corporation of India would account for about 71 per cent of nitrogen and 47 per cent of $O_2P_5$ production by 1978-79*, the Fertilizer Corporation would be largest single producer in the country accounting for over 1.7 million tonnes of Nitrogen and 0.3 million tonnes of $P_2O_5$ by 1978-79. For any organisation like F.C.I. engaged in large scale production it was necessary to have a proper marketing organisation of its own for timely disposal of its products. Moreover, the need for a marketing organisation had also arisen from the Sivaraman Committee Report. It was further stated that the organisational structure of the Fertilizer Corporation as it would be oriented to dispose of as much as 71 per cent of the Nitrogenous and 47 per cent of the P2O5 production in public sector could be geared to handle also additional quantities of fertilizers which other public sector units may choose to market through Fertilizer Corporation. This arrangement would, bring some economy particularly in the matter of farmers educational programme and efforts.

*At the time of factual verification the Ministry of Petroleum & Chemicals informed the, Committee as follows :—

"By 1978-79, the total capacity build up would be 6·5 million tonnes of nitrogen of which the FCI's share would be 2·6 million tonnes constituting about 40— of the total build up. Likewise, the total P2O5 capacity would be 1·74 million tonnes of which the FCI's share would be about 0·65 million tonnes accounting for 37% of the total capacity."

3.28. With regard to common marketing organisation for all public sector undertakings dealing with fertilizers, the Secretary, of the Ministry of Petroleum and Chemicals stated that:—

> "With the development that are taking place it may not be advisable to have an All India Marketing Organisation for Fertilizers. We are trying to regionalise for example in the North West we are setting up a new company to take up new fertilizer plants at Bhatinda, Panipat and Mathura—one single organisation should not manage the entire task—Public Sector is becoming very large."

**3.29. The Committee note that in the initial stages based on the decision of a Committee of Directors, a separate marketing organisation was set up in each zone with specific functions like sales distribution, promotion, etc. The Committee also find that the marketing Division has been progressively expanding and the present strength of the organisation is 2025. In view of the wide gap between the demand and the availabiliy tof fertilisers in the country, the Committee see no justification for such an elaborate organisation merely for the promotion of the fertilizers except when newer varieties of fertilizers are to be introduced in the near future, requiring a major marketing effort. The Committee are now informed that a policy decision has been taken in March, 1973 that at least 50 per cent of the FCI's distribution would be through cooperative societies and other institutional buyers. The Committee recommend that consequent on this decision Government/Corporation should consider the question of rationalising the strength of the Marketing division with a view to utilise the staff no required for marketing in other productive and gainful activities and expansion programmes of the Corporation including the task of educating the farmers about the correct application and dosage of fertilizers. The Committee trust that Government/FCI would make suitable arrangements with the cooperatives so that when the cooperatives take over more and more distribution of fertilizers, they accept the responsibility for marketing the newer products as well along with the established fertilizers.**

# IV

## DISTRIBUTION OF FERTILIZERS

Pursuant to the decision of the Government of India in 1966 for partial and progressive decontrol of marketing of fertilizers, the FCI embarked on developing a proper distribution channel of its own. When the FCI took over direct marketing of its own products, Co-operatives were the main channel of distribution in the country. But this was a time when there were large scale imports in the country and significant increase in indigenous production. In fact, the Co-operatives found it difficult to handle this large scale increase. This inability of the Co-operatives affected the Fertilizer Corporation of India and as a result there were large carry forward stocks in the factory silos. During this time the FCI also started manufacture of Nitrophosphate, which was not a controlled fertilizer, and being a new product required marketing efforts. It was, therefore, felt necessary to develop also a channel of distribution independent of the co-operatives. With this objective in view FCI started to build up an additional dealership net work comprising mainly of small dealers.

4.2. Initially dealership was offered to parties already dealing with or who had experience in handling agricultural inputs. These dealers gradually replaced the traditional merchants and monopoly houses.

4.3. Later in 1970, the FCI also introduced an 'Entrepreneurship Development Scheme' to induct educated unemployed and disabled soldiers into the dealership structure with a view to create self-employment. Thus the FCI distributes fertilizers through the following three channels:—

(i) the cooperatives|other institutional agencies;

(ii) the small dealers and

(iii) dealers appointed from the educated unemployed|disabled soldiers.

4.4. At the end of September, 1973, the Corporation had a total number of 2836 dealers, as under:—

| | |
|---|---|
| Cooperative & Institutional agencies . . . . . | 2731* |
| Small dealers . . . . . . | 1623 |
| Dealers appointed from educated unemployed and disabled soldiers . . . . . . . . . . . | 940 |
| | 2836 |

*Excludes figures in respect of Taluk and District level societies.

## A. Cooperatives

4.5. In March, 1973, the Corporation, on the advice of Government, took a policy decision that thereafter in each State at least 50 per cent of the Corporation's distribution would be through cooperatives and other institutional buyers. However, in those States, where more than 50 per cent of the distribution was done through cooperatives, the existing percentage would be continued. The products to be distributed through cooperatives are first offered to the State Governments who suggest the names of the cooperatives|institutional channels. Only when the cooperatives show their inability to lift the fertilizers offered to them the quantities so offered would be diverted to other channels.

4.6. The percentage distributed through cooperatives varied from State to State depending upon the ability of the cooperatives to take the corporation's products for distribution through their channel.

4.7. The percentage distributed by the FCI through cooperatives and institutional agencies as between 1972-73 and April-September, 1973, i.e., 1973-74 increased, in Assam from 29 to 39, in West Bengal from 12 to 42, in Bihar from 57 to 60, in Orissa from 16 to 58, in Madhya Pradesh it was 45, it did not increase because the State Government refused the offer. In Punjab it increased from 44 to 51, and in Haryana from 46 to 51, in Rajasthan from 13 to 52, in Himachal from 92 to 100 per cent, in U.P. from 51 to 58; in Gujarat from 6 to 26 per cent; in Andhra Pradesh from 13 to 42 per cent; in Mysore and Kerala from 44 to 58 per cent.

4.8. Since in a few States, the percentage was already more than 50, the overall distribution of the Corporation through cooperatives would in effect be more than 50 per cent. There are quite a few

State like Maharashtra, U.P., Bihar, etc. where the actual distribution through cooperatives|other institutional agencies is more than 50 per cent.

4.9. It has been stated that the decision of the Corporation to increase the share Cooperatives in the States to at least 50 per cent was taken in spite of the fact that this would result in certain loss| disadvantage to the Corporation in two ways:—

"1. The cooperatives are normally given higher margin on all products. The difference is Rs. 10 in the case of Urea and Rs. 5 in the case of CAN. To the extent these products are distributed through Cooperatives the Corporation will have to pay higher margin and hence there is a financial loss.

2. Cooperatives insist in some cases on taking only fast moving products which make it difficult for the Corporation to offer the slow moving products to only private trade. This is again in conflict with FCI's effort to promote balanced fertilisation."

4.10. In spite of these handicaps, the Corporation it has been stated, had been consistently pursuing a policy of promoting larger sales through cooperatives and other institutional agencies.

4.11. The Committee enquired whether the decision to distribute 50 per cent of production through cooperatives was applicable to all the manufacturers of fertilizers and if so, the objective underlying this decision. The representative of the Ministry informed the Committee during evidence as follows:—

"While the Committee appointed by the Ministry of Agriculture which is called the Quarishi Committee, is going into the question of greater share for cooptratives in the distribution of fertilizers and its report has not yet been received, last year some State Government made a suggestion that the share of cooperatives should be increased. The major public sector organisation in this field is the Fertilizer Corporation of India. The Ministry of Petroleum and Chemicals decided that the Fertilizer Corporation of India should make a beginning by ensuring that at least 50 per cent of its production moves through the cooperatives and, therefore, instructions to this effect were issued. These instructions were subject to certain condition. The amount of fertilizer was supposed to be placed at the disposal of the State Government but a constraint was placed on the State Governments that it should not distribute it through the private channels if their cooperatives had not developed but should only distribute it through cooperatives and other public institutional agencies like Agro Industrial Corporation, etc.

The second condition was that payments should be made regularly and should be according to arrangements made between FCI and the State Governments and cooperative concerned. The third was State Governments will agree to take 50 per cent of all types of fertilizers produced—fast moving as well as slow moving, otherwise FCI will be saddled with slow moving fertilizers, and the State Governments will have taken away fast moving fertilizers. When the Quraishi Report is received we will take further steps in this direction. At present this stipulation applies only to the Fertilizer Corporation of India........But I would again emphasize it is most important that the cooperatives must lift all the fertilizers fast and slow moving, otherwise it will be difficult to implement this scheme.

As regards the financial implications, the FCI does give slightly higher margins to cooperatives in accordance with the services they render. But I think the Quraishi Committee will also make recommendations about the margins and it will be possible to rationalise the margins in such a way that the manufacturer, FCI in this case, does not suffer merely because it distributes through cooperatives."

4.12. To an enquiry whether any independent scrutiny was made about the soundness and reliability of an individual cooperative society before entrusting it with the dealership, the representative of the Ministry stated that in case of a direct deal between the FCI and the cooperatives, such a scrutiny would be made, but if the fertilizer was placed at the disposal of the State Government, the responsibility for the scrutiny would be that of the State Government.

4.13. The representative of the Ministry of Agriculture added:—

"As I explained the fertiliser distribution is not directly done through higher level societies. So the question of trying to see whether society is genuine or dominated by interests or individuals does not arise. Therefore, I stress that the FCI or any other fertiliser manufacturer is really entering into agreement with the State marketing Federation which is the highest state level body of cooperatives as State partners and has three Directors—Registrar Cooperative Societies, Director of Agriculture and Director of Food or some other equivalent officer. So the agreement is really entered into with the State Ferderation and the State Federation uses lower level societies as further agents."

4.14. Asked about the experience of dealing with the cooperatives, the FCI informed in a written note that it was only seldom that complaints against cooperatives were brought to the notice of the Corporation. It was added that the Corporation had varied experience in dealing with Cooperatives at different levels in different States. When the fertiliser was imported in large quantities and there were sizeable stocks, in 1967, 1968 and even in 1970, cooperatives were refusing to take supplies. In certain States where the cooperatives had large outlets they might be able to take up the distribution; in many of the States, cooperatives had not been well organised to take up this task. The Punjab Government Marketing Cooperative Federation was a strong body and quite effective. In Maharashtra, the Fertilizer Corporation had been always distributing a large proportion of its products through cooperatives, but this quantity had been distributed through district and taluk level societies and not through the Maharashtra Apex Marketing Federation. So also in Karnataks, the FCI was not dealing with the Mysore Apex Marketing Federation. In Bihar, the FCI had been dealing with Bihar State Cooperative Marketing Union, but their experience had not been very encouraging till October, 1972. By and large the Corporation had no difficulty in implementing its policy decision to increase its share even in those States where the share was relatively low. However, in few cases as in Gujrat and M. P. the Cooperatives were not enthusiastic to taking FCI's products and therefore have not lifted any quantity against the offer of 50 per cent. There was also reluctance on the part of some institutions in U. P. to lift products which appeared to them as slow moving such as Ammonium Sulphate Nitrate and Suphala.

4.15. In this connection, the representatives of the Ministry of Agriculture informed the Committee during evidence that:—

"Upto 1966-67, the cooperatives had a monopoly and, therefore, they had a certain advantage,. Even if they were insufficient, they could carry out policy because they had the total State patronage. But from 1967 onwards, the private manufacturers came in. The cooperatives were in open competition with a large number of private distributors ........The cooperatives in view of the need to carry out Government policy regarding agricultural production even sometimes at the cost of their economic benefit or profit have to maintain a very large number of depots..........which perhaps if you look at it from the business point of view is not required. They also go to the interior, where there is very bad and non-existent communication. They carry the fertilizers there and store there for a long time. But the State benefits because the farmer gets the fertilizer at the right time, whether there is strike in the Railways or anywhere else.

As opposed to this the private dealer does not do all this. His main object is how to get profit at the earliest. In spite of all this competition from the private trade, the cooperatives have managed to have about 60 per cent share in the distribution."

4.16. It was further explained that the Agro Industries Corporation also came in a small way in the distribution system. They had close links with the cooperative credit structure through the banks. The cooperative distribution was linked to the cooperative credit structure. The farmer's village society determine the need and their demands of short-term credits for crop loan. These were communicated to Central Cooperative Bank. Again the village society passed on the loan partly in the shape of fertilisers and partly as cash to the farmers. This was considered as a very effective way of distribution. It was also stated that the idea of Government was that cooperatives should do as much as possible. But where they were unable to do, Agro-service Centres should do this through their own shops or depots, use the local cooperatives and not the local private dealers.

4.17. Accepting the need for streamlining the system of distribution through cooperatives, the representative of the Ministry stated:—

"There is definitely plenty room for streamlining the system of distribution. The National Commission on Agriculture has refered to these matters also. There is a continuous attempt to try and to do this, taking each State as an individual case."

4.18. The Committee enquired if there was any machinery in the public channel system to check whether the small farmers, who were fertiliser-conscious, were also getting the fertilizers. The representative of the Ministry of Agriculture admitted that so far no specific study had been made to examine as to what extent the fertilizer reached the small farmers, but they would "certainly try to get the State Governments to make a study" and analyse it. The Committee were also informed as follows:—

"As has been mentioned, a major part of the fertilizer distribution is by cooperatives,—something like 60 per cent—even today and at least, a substantial part of it if not major part of it is by way of credit from the cooperative banks. I think, therefore, the cooperatives are in a position to take care of the smaller farmers. In fact, in fertilizer, something like 50 per cent is given in kind, in the shape of fertilizer and the remainder goes as cash for the farmer. The Reserve Bank of India has now stepped in and has asked the cooperative banks to set aside a minimum percentage of their lending, to be given only to small farmers as identified by the Government of India, for SFD|MFAL Schemes, ranging from 5 to 7 acres. All banks are now required to maintain statements of how much has gone to the small farmers. Therefore, the cooperatives are now doing more and more of this distribution to small farmers. The system of cash purchase means, the man who has the money can buy and to that extent, the smaller man would have less of a chance to buy. If it is against loan given by the cooperative banks, more small farmers are in a position to buy. Now, the Reserve Bank has laid down a condition that the cooperative banks shall give so much percentage to the smaller farmers.

Previously, the cooperatives were just maintaining total statistics of credit given to farmers and sending them to the Reserve Bank. In the system of reporting, actually, you could not identify whether it has gone to the big or small farmer and that is why, the Reserve Bank have now specified separate statements to be given by each Bank to the Reserve Bank for credits which have gone to the smaller farmers and these are as defined in the Small Farmers' Agencies by the Government of India.

If you ask me personally and that is a policy being followed, I think the system of distribution through cooperatives, which, as the Secretary mentioned, the Government of India wishes to follow more and more, is the best possible ......

I would say that while it may be true in some cases or to some extent, that cooperative society may be dominated by some interests yet, there is more appreciation for a cooperative of the farmers, than in a single fair price shop, owned by a single man.

......I would certainly agree with you and there has to be a constant effort to see that more and more control of the society is with the small farmer. Various States are, in fact, trying now to provide by law that in the Board of Directors of a cooperative society, so many seats should go to the small farmers and things like that. This is continuous process."

4.19. Emphasising the role of State Marketing Federation in the distribution of fertilizers and the need for dealing with cooperative society at the State level, the representative of the Minisry of Agriculture stated during evidence:—

"A point has been made that, the wholesalers, namely, the State Marketing Federation, who organise, obtain and distribute the entire fertilizer in the State need not be there and the FCI or whatever is the organisation, whether private or anybody else, which is distributing the fertilizer, should go straight down to the village service or the taluk service societies. In this way, they think that some cost will come down and it will be much better. I am afraid this is not what we, as a policy, should follow and I do not think it is in the interest of the agricultural programmes. The point is, in order to have an effective system of fertilizer distribution, which is completely tuned to the requirements of the State agricultural programme, you have got to have a state level agency, namely, the Marketing Federation, which, at a single point, makes financial arrangements. After all, we are distributing the fertilizer. In 1972-73 the cooperatives are expected to distribute Rs. 375 crores worth of fertilizer and in 1973-74, Rs. 450 crores. A tremendous amount of finance is required for this. This has to be raised from the commercial banks. For this, the societies require margin money. My own corporation has given about Rs. 11 or

Rs. 12 crores over the years in order to strengthen them. It is not possible for the village level or a taluk level society, first of all, to have all the finance. Secondly, if it is left to the taluk level society, to do this, then, some people will do it and some people will not be able to do it. Some will have funds; some will not have store, expertise etc. Thirdly, in entering into arrangements with the other fertilizer units whether the public sector or any other, the Taluk level societies are really not in a position either to go in for these agreements or even the capacity to negotiate and carry on this. Therefore, what is required is that, you should have a single and parent body of all the cooperatives together, in the State, namely the State Marketing Federation, and you should strengthen it with finance, with administrative know how and capabilities. It has the strength to negotiate as well as the ability to do so. It can also make long term arrangements, to see that the fertilizer is transported, stored and distributed in time. It keeps close liaison with the Directorate of Agriculture in order to see that the State fertilizer programme does not suffer. For example, Punjab which has some claims to have done well in agriculture, owes it to the excellent role played by the State Marketing Federation. It has distributed through depots to 4,000 villages. They have many storage depots and godowns. The Punjab Marketing Federation also maintains round-the-clock service through officials. In Maharashtra, unfortunately, the Federation does not have the role which we feel it should have; and some of the district federations, as has been indicated, are operating direct. We feel however, that it is not perhaps the best thing and that they must fall in the line with the rest of the country. It can have an unified system and for the benefits which it gives to the agriculturists, the little margin which goes to them is not waste of money."

4.20. When asked whether Government had considered any scheme of introducing a package deal by which it would be ensured that inputs and finance would be available to the farmers, the representative of the Ministry of Agriculture stated that there was no specific scheme for ensuring this but the policy of Ministry of Agricltured had been to see that fertilizers were channalised as much as possible through cooperative institutions. This was because it was felt that it was the one unit through which all other inputs were being channelled *viz.* credits, pesticides, seeds etc. If this could be called a package deal, the Ministry of Agriculture supported the channelling of more and more fertilizers through cooperatives.

4.21. The representative of the Department of Banking stated in this connection that this was what the cooperatives were already doing under the crop loan system, in the sense that cooperative banks through village service societies gave loans to the farmers based on their requirements for sowing programme for that particular crop Loans were given by the village service society and against that fertilizer was made available from the same society which maintained a depot.

**4.22. The Committee note that on the advice of the Government of India, the Fertilizer Corporation of India took a policy decision in March, 1973 that thereafter in each state, at least 50 per cent. of the production of FCI should be distributed through cooperatives and other institutional buyers and for this purpose, this quantity would be placed at the disposal of the State Government. The Committee understand that while some State Governments desire that this percentage should be increased some other were reluctant even to take 50 per cent share. The Committee also find that this decision has also put the FCI to certain dis-advantage with regard to distribution margin and lifting of slow moving products. The Committee understand that the entire question of entrusting greater share of fertilisers for distribution through cooperatives and the financial implications thereof are being examined by Quraishi Committee. The Committee would like Government to rationalise the margins in such a way that the Fertilizer Corporation of India is not put to any marked disadvantage in increasing the percentage of distribution of its products through cooperatives|public channels.**

**4.23. The Committee while agreeing with the view that cooperatives, institutional agencies, Agro Service Centres, etc. should be more and more utilised for distribution of fertilizers, recommend that the procedure for distribution should be so streamlined that the farmers at the village level particularly the small farmers get the desired inputs in time. The Committee recommend that the Ministry in consultation with State Governments should make suitable provision to include in the membership of the cooperatives representatives of small farmers in larger numbers.**

**4.24. The Committee note that in order to regulate grant of credit to the farmers by the Cooperative Banks, the Reserve Bank of India had not only asked the Banks to set apart a minimum percentage of their lending to small farmers under the marginal farmers scheme but also to maintain separate records in respect thereof. It is also understood that while about 50 per cent of the loan sanction-**

ed is granted in cash, the rest is made available in the form of inputs like fertilizers, etc. The Committee recommend that Government should keep these arrangements under close and continuous review so that farmers particularly small farmers get fertilisers and the agricultural inputs at the right time and in adequate quantities at fair prices.

### B. Small Dealers

4.25. While selecting and appointing dealers the Corporation generally consults those who have direct contact or indirect links with the farming community and cater to their total agricultural needs and people already dealing with foodgrains, farm implements, pesticides, seeds, etc.

4.26. The applications for dealership are also to be recommended by the officials of the State Agricultural Developments, B.D.Os. etc.

4.27. After examining the financial status, market reputation, storage capacity and the applicants' dealings with the consumers to ensure that the selected dealers would be able to render effective service to farmers the parties selected are appointed on probation initially for a period of six months and are subsequently regularised after entering into agreement with them as dealers.

4.28. The dealers are given training periodically by the Sales and Promotional staff of Corporation to equip them to render effective pre and post sales service to the farmers customers to guide the farmers with regard to specific advantages of various products as also advise the farmers on the ways and means of obtaining credit and other facilities. They also assist the farmers to have their soil samples analysed through the Corporations laboratories.

4.29. Initially, the fertilizer dealership was being offered to parties who were already dealing with fertilizers or had experience in handling other agricultural inputs. But the FCI has since been gradually replacing the traditional merchants and monopoly houses, who had been functioning in the fertilizer trade as middlemen. With this end in view the approach of the Fertilizer Corporation has been to develop small dealers into medium size dealers *i.e.* with off take between 500—1000 tonnes per year. There is also a restriction that no individual dealer would be supplied with more than 2,000 tonnes products in a year, except in special circumstances. Simultaneously, supplies to large dealers are restricted by appointing more small dealers in an area so that the overall dealership structure comprises a large number of small dealers.

4.30. The following table gives the dealership structure as on 31st March, 1973:—

Tonnes

| | 0—50 | 51—100 | 101—200 | 201—500 | 501—1000 | 1001—3000 | 3001-5000 | 5001-& above | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Assam | 32 | 5 | 10 | 19 | 17 | 26 | 1 | 1 | 111 |
| W. Bengal | 233 | 30 | 67 | 74 | 28 | 27 | 1 | 1 | 461 |
| Orissa | 47 | 21 | 17 | 37 | 5 | 2 | 1 | .. | 130 |
| Bihar | 89 | 38 | 60 | 67 | 28 | 4 | — | 1 | 287 |
| M.P. | 81 | 17 | 20 | 14 | 2 | 2 | — | 1 | 137 |
| TOTAL EMZ | 482 | 111 | 174 | 211 | 80 | 61 | 3 | 4 | 1126 |
| U.P. | 61 | 17 | 21 | 66 | 23 | 7 | 1 | 3 | 119 |
| Punjab | 32 | 2 | 19 | 37 | 42 | 12 | — | 1 | 145 |
| Haryana | 40 | 4 | 6 | 15 | 22 | 11 | — | 1 | 99 |
| Rajasthan | 13 | 3 | 3 | 21 | 4 | 2 | — | — | 46 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| H.P. | | — | — | 1 | — | 1 | — | — | 2 |
| Delhi | 4 | — | — | 1 | 4 | — | — | — | 9 |
| Chandigarh | 1 | — | — | 1 | — | — | — | — | 2 |
| TOTAL NMZ | 151 | 26 | 49 | 142 | 95 | 33 | 1 | 5 | 502 |
| Maharashtra | 52 | 42 | 32 | 44 | 19 | 13 | 3 | 5 | 210 |
| Gujarat | 16 | 3 | 1 | 3 | — | 1 | 1 | — | 25 |
| A.P. | 242 | 68 | 70 | 63 | 15 | 10 | 1 | — | 469 |
| Mysore | 189 | 21 | 22 | 17 | 11 | 8 | 3 | 2 | 273 |
| Kerala | 6 | — | 1 | — | — | 1 | — | — | 8 |
| Tamil Nadu | 9 | 3 | 4 | 5 | 3 | 2 | — | — | 26 |
| TOTAL Trombay | 514 | 137 | 130 | 132 | 48 | 35 | 8 | 7 | 1011 |
| TOTAL All India | 1147 | 274 | 353 | 485 | 223 | 129 | 12 | 16 | 2639 |
| %All India | 43·5 | 10·4 | 13·4 | 18·4 | 8·4 | 4·9 | 1·0 | | |

4.31. It would be seen that while as much as 86 per cent of the total dealers is within the off-take group of less than 500 tonnes per annum, the number of dealers falling within the off-take group of 5,000 tonnes and more was only 16 (accounting for much less than one per cent) thus indicating that more and more small dealers have been engaged in the distribution of fertilizers. It has been stated that the Corporation has not assigned any exclusive dealership territory to any dealer.

4.32. FCI has claimed that it has been exercising utmost vigilance on the activities of dealers with a view to root out mal-practices which are particularly associated with lower supplies as it is existing now. Close liaison is also being kept with the Government officials entrusted with the legal control of checking such malpractices. FCI has stated that in cases where any malpractices had been brought to their notice by the State Governments, the dealership of the concerned dealer is invariably terminated by the Corporation.

4.33. It has been stated that the Fertilizer Corporation of India could not develop a system of direct sales to ultimate consumers as the excise authorities used to charge excise on the retail price for the entire quantity sold although direct sales would cover only a very small percentage of direct sales. The excise burden would, therefore, be disproportionately higher. It has been stated that the Corporation is now examining the possibility of opening retail outlets of their own on a small scale.

4.34. During evidence, the representative of the Ministry explained that direct sales of fertilizers to consumers could be organised if fertilizers were available freely in the country. But in a situation of prolonged shortages, this arrangement would not be a practicable one.

4.35. The Committee enquired whether introduction of ration card system could ensure a fair and equitable distribution of fertlizers to the farmers. In a note which was furnished after the evidence, the Ministry stated that the internal distribution of fertlizer in a State was the responsibility of the State Government concerned. The question as to whether ration card system should be introduced is primarily to be decided by the State Governments taking into account the existence or other-wise of the organisational set up required to implement such a scheme. The Ministry, however, agreed that the ration card system if, properly implemented could ensure a fair and equitable distribution of fertilizers to the farmers. It was added that such schemes had recently been introduced in some States like Maharashtra and Tamil Nadu etc.

**4.36. The Committee note that the Corporation is also utilising small dealers as a channel for distribution of fertilizers and the Committee find that out of 2639 dealers on 31st March, 1973, 43.5 per cent were dealers with an annual turn-over of 50 tonnes or less, 10.4 per cent with a turnover of 100 tonnes or less, 13.4 per cent with a turnover of less than 200 tonnes or less, 18.4 per cent with 500 tonnes or less and only 8.4 per cent between 500 tonnes and 1000 tonnes. While noting that more and more small dealers have been introduced in the distribution of the fertilizers, the Committee would like the Corporation to exercise utmost care and caution at the time of selection of dealers, so as to ensure best service to the farmers as also obviate défalcation of money. The Committee stress that names of dealers guilty of indulging in malpractices should be removed forthwith from dealership so that it acts as deterrent to others.**

**4.37. The Committee note that some State Governments like Maharashtra and Tamil Nadu have recently introduced a ration card system to ensure fair and equitable distribution of fertilizers to the farmers. The Committee would like Government to study closely the experience and working of the system in Maharashtra and Tamil Nadu so as to have it extended urgently to other States as shortages in fertilizers are being extensively experienced and would last for some years as per present indications.**

### C. Entrepreneurship Development Scheme for unemployed Graduates|Disabled Soldiers

4.38. The FCI introduced in 1970 a scheme known as "Entrepreneurship Development Scheme" under which unemployed graduates were to be trained at Corporation's expenses and given fertilizer dealership. Under this scheme, in 1970-71 and 1971-72 a number of candidates were selected, and after training, were offered dealership generally in their own home areas, because in fertilizer trade extensive knowledge of the surrounding areas and standing among the rural population is essential. Selection was done through advertisements published in newspapers of an all India and regional character inviting applications from unemployed graduates preferably agricultural graduates, who were interested in taking up fertilizer dealership as an occupation. The selection was done at the regional level by properly constituted selection Committees, normally with the Marketing Manager of the Region as Chairman. The Scheme was extended in 1972 to disabled service personnel of 1971 Indo-Pak war. The total number of dealers as on 30th June, 1973 was stated to be 907.

4.39. The Government of India invited through the Planning Commission Schemes meant for helping educated unemployed by making financial assistance from Government sources. As the Corporation was already finding that the unemployed youths appointed under the E.D.S. Scheme were not able to find adequate finance for their ventures, the FCI submitted a scheme, in early 1972, which envisaged giving them interest free loan in the initial years to cover 50 per cent of the money they needed for obtaining Government loans, other facilities like higher dealer margin for each product and giving them some preference for allotment of fast running products. The Corporation anticipated that (a) interest free loan would be Rs. 126 lakhs spread equally over 3 years (b) and an annual recurring grant of Rs. 8 lakhs in 1st year, Rs. 16 lakhs in 2nd and Rs. 24 lakhs in 3rd year respectively to give them higher dealer margin.

4.40. Under this scheme it was proposed to appoint about 200 additional dealers during the first year of operation. The total number of such dealers was planned to be increased to about 1000 by the third year.

4.41. The Corporation also helped the small dealers employed under the scheme to obtain credit from nationalised banks by bringing them into contact with such banks and reduced the security deposit with the Corporation from Rs. 2000 to a mere Rs. 200 and also assisted them by giving them areas of their choice and priority in the allocation of products. They were also given relatively last moving products.

4.42. Under the Entrepreneurship Development Scheme, the FCI in 1970 also trained about 300 educated unemployed. Of this there are about 140 still are continuing as FCI's dealers. There were many drop outs from among these as these trainees found that the income from dealership was not as paying as they thought it would be. Since then FCI appointed a large number of unemployed graduates as FCI dealers. As on 20th September, 1973 there were a total of 940 dealers who were appointed from educated unemployed and disabled soldiers. The number offered such dealerships was 25 in 1971-72 and 794 in 1972-73.

4.43. The success of the scheme was much below expectations, mainly due to non-availability of adequate funds with these dealers.

4.44. The representative of the Ministry of Petroleum and Chemicals stated during evidence that the Scheme to give financial assistance to this category, had been examined in the Ministry and had been referred to Planning Commission whose decision was a waited.

**4.45. The Committee note that the Corporation has introduced an Entrepreneurship Development Scheme in 1970-71 for training graduates with a view to offering them dealership. The Committee are informed that this scheme has been extended to disabled soldiers and dependents or widows of those killed in December, 1971 war. A Scheme for providing financial assistance to this category of dealers is stated to be awaiting approval of the Planning Commission. While the Committee feel that it should be the endeavour of the Government|FCI to see that these socially desirable categories are also helped, the Committee recommend that a critical evaluation of the scheme should be undertaken with a view to seeing that the expenditure incurred on the scheme is commensurate with the results achieved and that these agencies would subserve the larger objective of making the fertiliser available in time to the farmers, particularly the small farmers.**

## D. Distribution Cost

4.46. In the Fertilizer Corporation of India, the cost on marketing as a percentage of turn over was 2.9 per cent in 1971-72 and 3 per cent in 1972-73, exclusive of distributor's margin and freight. If these were also to be included, the cost of distribution may work out to about 15 per cent of the turn over value. This expenditure includes the cost incurred towards developing a market for the products of new units|expansion projects.

4.47. The break-up of the cost of marketing for the last three years is as follows:—

*Sales and Distribution*

| | | (Rs. in lakhs) | | |
|---|---|---|---|---|
| | | 1970-71 | 1971-72 | 1972-73 |
| 1 | Eastern Marketing Zone. . . . . | 74·00 | 98·20 | 72·31 |
| 2 | Northern Marketing Zone (Nangal & Gorakhpur) | 7·77 | 13·49 | 17·87 |
| 3 | Trombay Marketing Zone | 44·95 | 58·73 | 51·97 |
| | Sub total : C/o . . . . | 126·72 | 165·52 | 142·15 |

*Sales Promotion (including publicity)£*

| | 1970-71 | 1971-72 | 1972-73 |
|---|---|---|---|
| EMZ/FP & ARC* . . | 37·73 | 58·96 | 92·92 |
| NMZ . . . | 9·49 | 14·42 | 14·94 |
| Trombay . . . . . | 28·42 | 31·48 | 29·46 |
| | 72·64 | 104·86 | 137.32 |
| Total expenditure . . . . | 199·36 | 270·38 | 279·47 |
| Material Handled (in 1000 tonnes) . . . | 1084 | 1267 | 1068 |
| Expenditure per tonne of material handled (Rs/Te) . | 18·39 | 21·34 | 26·17 |

Note £The above expenditure is as per audited account in which separate heads are not maintained for sales promotion & publicity at the central level.
*Fertilizer Promotion & Agriculture Research Centre.

4.48. The break-up of the expenditure per tonne for the four heads sales, promotion, advertisement including publicity but excluding freight (cost of transportation) has been stated to be (approx.) as under for the years 1971-72 and 1972-73.

(Rs./tonne)

| Per tonne cost on . . . . . . . | 1971-72 | 1972-73 |
|---|---|---|
| 1 Sales and Distribution . . . | 13·06 | 13·31 |
| 2 Promotion . . . . . . . . . . | 5·96 | 11·50 |
| 3 Publicity (including Advertisement). . . | 2·32 | 1·36 |
| | 21·34 | 26·17 |

4.49. It has also been stated that the items that go into the cost are the cost of the marketing organisation and the cost of physical distribution expenses on salaries and wages of Sales Staff, T.A. the cost of godowning wherever godowns are necessary, promotion and publicity.

4.50. Asked whether economics could be effected in any field, the FCI explained in a written note that the major areas in which economy had been effected in 1972-73 to cut down marketing costs were godowning cost and expenditure on publicity.

4.51. It was also stated by the FCI that all efforts were being made to limit the actual expenditure during 1973-74 to less than Rs. 250 lakhs.

4.52. The FCI also informed in another note that it had been arranging its cost of distribution within the overall margin allowed for various products. According to FCI any reduction in the marketing cost by merely abolishing the organisational set-up would not in any way help the consumer.

4.53. To an enquiry of the Committee whether an expenditure of 3 per cent on turnover was justifiable on distribution, the Chairman-*cum*-Managing Director stated during evidence that the expenditure was under control. The Secretary, Ministry of Petroleum and Chemicals stated in this connection that—

> "We do not think that a 3 per cent figure of turnover is high, on this account. This also covers the promotional efforts for the slow-moving fertilizers or the new ones which may be introduced."

4.54. To another enquiry whether expenditure on promotion could be reduced as the farmer had become fertilizer conscious, the witness stated as follows:—

> "By promotional activity we mean to convey knowledge to the farmer about the best utilisation of fertilizer and also to convince him. It is true farmers have become fertilizer conscious but every single farmer has not become fertilizer conscious. We conduct the fertilizer festivals etc. to make the farmers fertiliser conscious.
>
> For a short duration may be we can do without any promotional effort to sell fertilizers but we have to look into future production and distribution area also. In Eastern Marketing area alone we are going to have a production capacity of 1.5 m. tonnes. This will require the marketing facilities to develop five to six folds and, as such, it will require intensive promotional effort on our part."

4.55. As regards the necessity for spending money on promotional activities in the face of the scarcity of fertilizers in the country, the representative stated as follows:—

> "We now believe that the promotion of the accepted fertilizers like urea particularly, or ammonium sulphate, or calcium ammonium nitrate is not needed any longer: but there

are new fertilizers coming in, e.g. nitro-phosphate and triple super phosphate for these and even for the promotion of balanced use of fertilizers, promotional efforts will have to be continued. This promotional effort begins from soil analysis, advisory service on the balanced application of fertilizer and would go on to demonstration plots in which can be shown through field trials that a particular mix would be most beneficial."

4.56. The Committee enquired whether the FCI had analysed the financial results of marketing operations in each zone and for the Corporation as a whole and whether they prepared proforma accounts for the marketing operations in each zone.

4.57. The FCI stated that the Board of the Corporation had desired that proforma accounts should be prepared for the year 1973-74 showing the working of the marketing zonal offices in case the Pool margin was allowed so as to judge the performance of each marketing zone. Proforma for accounts for 1973-74 would be prepared.

4.58. In this connection, the Secretary of the Ministry of Petroleum and Chemicals informed the Committee during evidence as follows:—

"the financial results of marketing of FCI have not been analysed by Government and, therefore, we have no report to make now on this. We do agree with the suggestion that is being made here that FCI should prepare a separate proforma or a separate analysis for assessing the financial results of the working of each marketing zone..

I must confess that the Government have made no analytical study of the marketing costs; but we are asking the FCI to organise such a study, so that they can derive some information and use it to improve and streamline the marketing arrangements."

**4.59. The Committee note that total expenditure on sale and distribution including promotion and publicity has increased from Rs. 199.36 lakhs in 1970-71 to Rs. 279.47 lakhs in 1972-73. Consequentially, the expenditure per tonne of material handled has also risen from Rs. 18.39 per tonne in 1970-71 to Rs. 26.17 per tonne in 1972-73. The Committee are informed that the selling and distribution expenses is of the order of 3 per cent of the turnover exclusive of distribution margin and freight and if these are added, the cost of distribution may work out to about 15 per cent of the turn-**

over value. **The Committee consider that in the present conditions of scarcity of fertilizers, which are likely to continue for some years, the increase in expenditure on sales and distribution is not justified. The Committee are also surprised that so far no analytical study of the marketing cost was undertaken either by Government or by the FCI nor any proforma accounts were maintained to assess the financial results of working of each marketing zone. The Committee need hardly stress the imperative need for making such an analytical study so that FCI could identify areas where economies in cost could be effected and procedure|activities for marketing streamlined. The Committee would like every economy to be effected in publicity and sales organisation in the interest of reducing to the minimum such overhead expenditure.**

## E. Consultative Committee

4.60. During the course of evidence of the representatives of the Fertilizer Corporation of India Limited, a suggestion was made that there should be "broad based consultative Committee at various levels which should have besides Government representatives and technicians, the representative of producers" in sorting out day to day problems.

4.61. The Chairman-cum-Managing Director informed the Committee as follows in this regard:

> "There are already state level and district level committees working in the States. These committees are not broad-based and our suggestion is they should be broad-based. They are serving even now very useful purpose. District Committees arrange, where the demonstration is done, whatever quantity of fertilizer is required.... There is a committee in each State. F.C.I. is represented on that. Periodical meetings are held. In the monthly coordination meeting problems of distribution and other are discussed. District level Committee also meets periodically."

**4.62. The Committee note that at present there are Consultative Committees at the State and District levels which help in solving the day-to-day problems in the distribution of fertilizers. The Committee recommend that these Committees should become broad-based so as to include representatives of small farmers also so that, the Committee can take into account the difficulties of small farmers in obtaining the fertilizers by deciding the distribution. The Committee suggest that the stock position of fertilizers with dealers should be given wide publicity so that the consumers may obtain their requirements without difficulty.**

# V

## PROMOTION

### A. Promotional Activities

The Fertilizer Corporation of India has adopted the following methods of fertilizer promotion in their marketing area:

(i) Fertilizer demonstration in the Farmers' fields.

(ii) Soil testing service.

(iii) Farmers' training programme e.g. fertiliser festivals, field days, group discussions and training camps.

(iv) Organisation of technical promotional publicity, e.g.:

(a) distribution of crop calendar and products, crop and soil leaflets.

(b) screening of films, film strips and slides;

(c) participation in the rural programme of the All India Radio, and

(d) publication of news letters and press releases timed with different agricultural operations.

5.2. The expenditure on promotional and publicity activities of the Fertilizer Corporation of India Ltd. zonewise during the financial years 1971-72 and 1972-73 was follows:—

| *Zone | Expenditure (Rupees in lakhs) 1971-72 | 1972-73 |
|---|---|---|
| Eastern Marketing Zone | 58·96 | 92·92 |
| Northern Marketing Zone | 14·42 | 14·94 |
| Trombay Marketing Zone | 31·48 | 29·46 |
| Total : | 104·86 | 137·32 |

(*Zones were formed in 1971-72)

5.3. It has been stated that the impact of FCI's promotional activities resulted in registering steady increase in the sale of 'Suphala", a complex fertilizer which was unknown to the farmers in all the three marketing zones during the preceding years as shown in the following table:—

('000 tonnes)

| Zone | 1970-71 | | 1971-72 | | 1972-73 | |
|---|---|---|---|---|---|---|
| | Suphala ** | Urea ** | Suphala | Urea | Suphala | Urea |
| Eastern . | 14·8 | 79·1 | 52·8 | 104·8 | 53·4 | 92·61* |
| Trombay | 132·5 | 83·5 | 181·3 | 100·0 | 215·4 | 50·7 |
| Northern | 6·7 | 136·1 | 36·2 | 161·7 | 19·6 | 135·9 |

*Reduction in 1972-73 was mainly due to lack of adequate fertilizer supplies.

**Figures according to units.

5.4. Demand for urea, which is to be manufactured by all the new factories of FCI has also increased steadily upto 1971-72 but the increasing trend could not be maintained due to non-availability of seeding materials expected from imports.

5.5. The following table shows the extent of promotional activities in the different zones during 1971-72 and 1972-73.

| | 1971—72 | | | 1972-73* | | |
|---|---|---|---|---|---|---|
| | Eastern Marketing Zone | Northern Marketing Zone | Trombay Marketing Zone | Eastern Marketing Zone | Northern Marketing Zone | Trombay Merketing Zone |
| *Activities* | | | | | | |
| 1 Fertilizer Demonstrations | 5042 | 972 | 2606 | 4891 | 862 | 2230 |
| 2 Fertilizer Trials | 1037 | 122 | 100 | 1221 | 156 | 97 |
| 3 . Fertilizer Festivals . | 65 | 17 | 5 | 79 | 32 | 10 |
| 4 Field days . | 1709 | 166 | 326 | 3496 | 284 | 903 |
| 5 Exhibitions, Melas etc. | 56 | 23 | 637 | 72 | 6 | 905 |
| 6 Film shows | 115 | 76 | 351 | 228 | — | 536 |
| 7 Soil Samples tested | 78,665 | 12,777 | 26,898 | 102,457 | 27,268 | 65,548 |

*More emphasis was put on the quality of the programme during 1972-73. The quality of the demonstrations were improved and all the demonstrations were essentially laid out after proper testing of the soils. More number of field days were also organised centrising each demonstration to expose more number of farmers to well organised demonstrations.

5.6. To an enquiry of the Committee during evidence whether it was necessary to do promotion work in view of the fertilizers having a sellers' market, the Chairman and Managing Director of FCI stated as follows:—

> "You are right for a short duration may be we can do without any promotional effort to sell fertilizers but we have to look into our future production and distribution area also. In Eastern Marketing area alone we are going to have a production capacity of 1.5 m. tonnes. This will require the marketing facilities to develop five to six fold and, as such, it will require intensive promotional effort on our part...... By promotional activity we mean to convey knowledge to the farmer about the best utilisation of fertilizer and also to convince him. It is true farmers have become fertilizer conscious but every single farmer has not become fertiliser concious. We canduct fertiliser festivals etc., to make the farmers fertilizer concious.
>
> Sir, the Commissioner (Fertilisers) of the Government of India has written a letter only three or four days ago saying that the manufacturers should not economise on promotional activities. He has cautioned the manufacturers that promotional activity is necessary as this is the right time to teach the farmers about the optimum use of the fertilisers."

5.7. In this connection, the representative of the Ministry stated during evidence that "we now believe that the promotion of the accepted fertilizers like urea particularly, or ammonium sulphate, or calcium ammonium nitrate is not needed any longer; but there are new fertilizers coming in, e.g., nitro-phosphate and triple super phosphate for these and even for the promotion of balanced use of fertilizers, promotional efforts will have to be continued. This promotional effort begins from soil analysis, advisory service on the balanced application of fertilizer and would go on to demonstration plots in which it can be shown through field trials that a particular mix would be most beneficial. I agree that it is not only motivation. We also try to teach them the proper use of fertilizer, along with advice, after soil testing, as to what type of fertilizer is needed."

5.8. Besides the promotional measures of FCI the Ministry of Agriculture has sanctioned certain fertilizer promotional programmes and they are operated by the State Governments and the fertilizer industries. The main features of the programme which has been drawn in consultation with Planning Commission, ICAR and State Governments for implementation are:

1. Demonstrations—secondary to national demonstrations.
2. Soil testing laboratories to be made effective
3. Massive publicity
4. Intensive training of farmers
5. Regular training of extension workers
6. Training of dealers
7. Credit bulk from commercial banks.

5.9. The scheme was estimated to cost Rs. 2.19 crores and was to be implemented during the last two years of the Fourth Plan. The schemes of the State Governments amounting to Rs. 51.74 lakhs were approved for implementation during 1972-73. During 1973-74, Administrative approval has been accorded for Rs. 116.84 lakhs.

5.10. Explaining as to how over-lapping in the fertilizer promotion scheme is avoided, the representative of Ministry of Agriculture stated during evidence:

> "This scheme consists mainly of demonstrations in the various States and also in helping them either to set up new soil testing laboratories, or to strengthen the existing ones. The question is as to how the districts, in which the scheme is to be enforced, are to be selected. The commissioner who is in charge of this scheme goes round the individual States; and in consultation with the State Governments as also the domestic manufacturers who are operating in that area, including the Fertilizer Corporation, decided about the districts in which he would like to take up the scheme, while doing so, he has to ensure that the districts in which any of the domestic manufacturers, including the Fertilizer Corporation already have promotional schemes, are not taken up for such work under the scheme of the Government of India. To this extent, it is seen that there is

no overlapping; and to the extent possible, the Fertilizer Corporation of India is associated in the selection of the districts under this scheme."

5.11. It was also stated that:—

"Not only the Fertilizer Corporation but other fertilizer industries also are taking up such programmes. And wherever I have gone we sit together in such meetings with the representatives of the fertilizer industry, officials of the State Governments and finalise plans of operation together.

Then, we try to delineate as to which are the districts which should be taken up by the State Governments; out of their own funds; which through the funds of the Government of India through our scheme; and which district should be dealt with by the Fertilizer Industry. As far as the eastern States are concerned, the Fertilizer Corporation of India have done a good job of it. In U.P. the Indian Explosives as well as Shri Ram Chemicals are doing good work. We sit together and delineate the entire areas. We try to concentrate the activities of the fertilizer industry around their marketing zones, so that they can not only promote the efficient use of fertilizers, but also sell them to the best advantage and need not incur much expenditure on freight. No overlapping is there. The entire fertilizers promotion programme of the industry, the States and the Government of India and other organisations is coordinated in the States by the coordination committee; and in the Centre, we coordinate it. We sit together once in six months and find out if there are any problems; and if so, try to solve them and coordinate the entire programmes."

5.12. The Committee pointed out that promotional efforts are not being directed to the poorer sections of the farmers, who are not yet conscious of the message of fertilizer and its scientific use. It was stated by the FCI that no distinction was made by the FCI between a poor farmer and a rich farmer while they selected them for implementing demonstrations in their fields. Demonstration plots were generally selected on the following criteria:—

1. Accessibility of the demonstration plot;

2. Soil type representing the entire area of the village;

3. Cropping pattern of the area;

4. Farmers having not more than 5 acres of cultivable farming area.

5.13. All the demonstrations of FCI are based on soil testing. For example in Trombay 3 plot demonstrations are carried out in which in one plot the farmer is allowed to follow his own practice, in the second plot, fertilizers are used based on the general recommendations of the State Department of Agriculture and in the third plot fertilizers are used based on soil testing to demonstrate the benefit of using fertilizers based on soil tests.

5.14. With a view to reinforce the impact of the demonstration, field days, group discussions, fertilizer festivals and training camps, are organised whereby the farmers are additionally exposed to every aspect of scientific cultivation practices and get an opportunity to place their problems and queries before the experts and receive answers to the points.

5.15. As regards evaluating the measures taken to popularise use of fertilizer with particular reference to contribution towards increased food production, the Chairman-cum-Managing Director stated that:—

> "We do evaluate in all cases of our demonstration plots the cost of input and output and we publish these figures widely so that the farmers know what is the benefit of using the fertilizer and the type of practices which we propagate. We have in our own experiments also confirmed that one unit of NPK has given in many places 15 units of foodgrains in the demonstration plots, although the national average yield for use of one unit is 10".

5.16. The booklets which give the result of financial evaluation are published by the State Government, Department of Agriculture and are circulated very widely among Extension Staff and the farmers.

**5.17. The Committee note that the Corporation spent Rs. 104.86 lakhs in 1971-72 and Rs. 137.32 lakhs in 1972-73 on promotion and**

publicity activities. An analysis of this expenditure has shown that the percentage of expenditure on promotion alone account for 27.9 per cent of total marketing and distribution expenditure in 1971-72 and 43.9 per cent in 1972-73. The expenditure on publicity has, however, gone down from 10.9 per cent in 1971-72 to 5.2 per cent in 1972-73. The Committee note that the Corporation has already taken steps to reduce the expenditure on publicity. They have no doubt that Government/Corporation would effect further economies as fertilizer being scarce in the market no useful purpose would be served by insertion of advertisements in newspapers whose circulation in any case is mostly confined to urben areas. The Committee need hardly stress that the Corporation should continue to lay emphasis on soil testing and other after-sales services which would effectively assist in stepping up production. The Committee also suggest that where the farmers are already fertilizer conscious, the Corporation should concentrate its activities in rendering technical advice and assistance through field demonstrations with a view to educate them about the economics and advantages of the use of balanced fertilizers.

5.18. The Committee note that the entire promotion programme of the fertilizer industry, the States and the Government of India is coordinated at the State level by coordination Committees. The Committee understand that the strategy of the Fertilizer Corporation of India has been to concentrate the activities of fertilizer promotion around their units with a view to promote sales and use of fertilizers within their economic zones. The Committee recommend that areas where promotion programmes are to be launched by the Fertilizer Corporation of India or the State Government should be clearly delineated to avoid any overlapping and at the same time ensure that no particular area gets neglected.

*The Fertilizer Corporation of India has almost a monopoly in the Eastern Marketing Zone, where the level of consumption of nutrients is much lower than those of Southern and Northern States as could be seen from the table below :—

| State | Consumption in Kg. per hectare during 1970—71 | | | | Consumption in Kg. per hectare during 1971—72 | | | | Consumption in Kg. per hectare during 1972—73 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | N | $P_2O_5$ | K2O | Total | N | $P_2O_5$ | K2O | Total | N | $P_2O_5$ | K2O | Total |
| *Eastern* | | | | | | | | | | | | |
| Assam | 1·69 | 0·71 | 0·52 | 2·92 | 1·77 | 0·74 | 0·43 | 2·94 | 2·40 | 0·61 | 0·69 | 3·70 |
| Bihar | 6·84 | 1·62 | 0·65 | 9·11 | 7·92 | 1·28 | 0·59 | 9·79 | 8·05 | 1·71 | 0·98 | 10·74 |
| Orissa | 2·73 | 0·74 | 0·28 | 3·75 | 4·46 | 1·00 | 0·48 | 5·94 | 4·83 | 1·19 | 0·70 | 6·72 |
| West Bengal | 9·70 | 1·86 | 2·07 | 13·63 | 8·39 | 2·63 | 3·30 | 14·32 | 7·43 | 2·33 | 3·28 | 13·04 |
| M.P. | 2·57 | 1·26 | 0·21 | 4·04 | 3·86 | 1·64 | 0·29 | 5·79 | 4·54 | 1·92 | 0·40 | 6·86 |
| *Northern* | | | | | | | | | | | | |
| Haryana | 15·04 | 1·69 | 0·55 | 17·28 | 14·77 | 1·35 | 0·50 | 16·62 | 16·82 | 1·65 | 0·53 | 19·00 |
| Punjab | 33·06 | 5·93 | 1·32 | 40·31 | 40·92 | 9·57 | 2·20 | 52·69 | 42·79 | 12·59 | 3·34 | 58·72 |
| *Southern* | | | | | | | | | | | | |
| A.P. | 16·62 | 4·74 | 0·38 | 22·74 | 14·88 | 5·64 | 2·07 | 22·59 | 13·63 | 5·46 | 1·85 | 20·94 |
| Tamil Nadu | 23·86 | 7·81 | 5·79 | 37·46 | 29·88 | 9·91 | 8·52 | 48·31 | 26·48 | 9·86 | 8·95 | 45·29 |

5.20. The representatives of the Ministry of Agriculture explained during evidence that consumption of fertilizers was low in the Eastern Marketing Zone for the following reasons:—

> "It is a fact that the Eastern Zone States and also the Western Zone States, compared to the Northern and Southern Zone States, have relatively a lower level of consumption of fertilizers. The reasons are partly historical, because these States have started from a lower level and have not picked up fertilizer consumption except during the last two or three years. The Eastern Zone is aslo largely a rice tract and in the Northern Zone States, for instance, a sudden spurt in fertilizer consumption came with the break through in wheat, high yielding varieties of wheat. This has not taken place in rice. However, in the Eastern Zone States also, fertilizer consumption has picked up and the Fertilizer Corporation itself is proposing to set up a number of plants in this Region and they will be having their promotion activities. We are also, from the Ministry, having promotion schemes for the Eastern Zone. Now, in the Eastern Zone, demand has picked up, but, we are not in a position to fully meet their demand."

5.21. The Committee were also informed during evidence that the requirements of Tea Board in the region, because of its export potential and foreign exchange earnings, were being met directly by the Ministry of Agriculture.

5.22. Subsequently the Committee are informed that when all the plants of FCI at Durgapur, Barauni, Namrup Expansion, Sindri Modernisation and Rationalisation, Haldia, Talcher Korba and Paradip come into production in the Eastern Zone the total production of the FCI would go up in the Eastern Zone from 0.1 million tonnes of Nitrogen (Namrup 35,000 and Sindri 66,000) to 1.5 million tonnes of Nitrogen, 0.5 million tonnes of $P_2O_5$ and 0.15 million tonnes of $K_2O$. In order to consume fertilizers expected to be produced by FCI alone, the level of consumption has to be stepped up at least five-folds by 1978-79. In addition to the increase in consumption of fertilizers by five times, the new products, for example, Nitro phosphate, Triple-Phosphate and Complexes based on DAP, which are fairly unknown to the farmers are to be popularised. The FCI, therefore, launched a massive promotional programme.

5.23. The FCI al-o stated that the quality of the promotional programme, which exclusively depends on the field demonstrator, who is the king-pin of the implementation of the entire programme, is an important aspect of promotional activity. In order to train the field demonstrators, for transferring the know-how of the scientific use of fertilizers at a considerably high level, the FCI has established a Rice Production Training Institute at Durgapur, which is functioning in line with that of the International Rice Research Institute, Phillippines.

5.24. It has been pointed out by the FCI that there is a time lag between the implementation of the promotional activities in the field and its ultimate adoption by the farmers. A time-lag of 3 years is usual in most of the countries of the world. Keeping this in view, it has been stated that the impact of the fertilizer programme of the FCI in Eastern Zone has started showing results but fuller manifestation could not take place due to inadequate availability of fertilizers.

5.25. Taking note of the need for intensive fertilizer promotional activities of the FCI in the Eastern Zone, a joint Fertilizer educational programme has been launched by the FCI which is financed by the West German Government through supplying 8,000 tonnes of ANP initially with a provision in the agreement to supply such additional quantities as are recommended by the German expert. This programme would, it has been stated, develop the necessary market required for absorbing the production of the Haldia factory.

**5.26. The Committee note that the level of consumption of fertilizers in the Eastern Zone is much lower than in the Southern and Northern Zones. It was stated that it was due partly to historical reasons but mainly because of larger rice tracts in this zone. The Committee were informed that promotion programmes have already been launched in the context of new plants coming up in the Eastern Zone. The total production of the FCI in the Eastern Zone when all the plants are commissioned is expected to increase from 0.1 million tonnes to 2.15 million tonnes and the level of consumption will have to be stepped up five folds to absorb the increased production. In view of this, the Committee feel that the best form of promotional activities in the Eastern Zone should be to develop potential markets in advance for the products to be manufactured by the new plants like Haldia etc., and familiarise the farmers in the use of the new products.**

5.27. In the Trombay Zone the Fertilizer Corporation had to face very severe marketing problems when Suphala was first produced at Trombay, since this fertilizer was practically unknown to the farmers of the Region. In addition this product had to be sold in hard competition with other complex fertilizers which were more popular to the farmers.

5.28. The FCI has introduced the following measures in addition to the other promotional programmes:

1. Model Village Development Project whereby selected villages are provided with all inputs and developed to produce maximum from the available lands using scientific methods of cultivation and fertilizer use. Development of Waduth Village in the Satara District of Maharashtra is an example where the revenue was boosted up from Rs. 2 lakhs to Rs. 22 lakhs in course of one year only.

Ten such villages are being developed by the FCI in the State of Maharashtra.

2. In order to ensure most economic utilisation of suphala under the varied agro-climatic conditions of Trombay Marketing Zone a Radio-Isotope Laboratory with all modern facilities has been set up for solving problems of individual farmers.

3. The Marketing policy has also been properly oriented to create demand necessary for consuming the entire quality of fertilizers expected to be produced after the expansion of the capacity of the Trombay Factory, and imported Suphala is being used for the seeding programme.

4. FCI has plans to further strengthen the promotional activities gradually in the Trombay Marketing Zone.

5. FCI would step up the production of Urea at Trombay for supporting the marketing of Suphala.

5.29. During evidence the Committee enquired whether FCI had any scheme of introducing, 'Package Deal' which would ensure availability of vital inputs including fertilizers and finance, the Chairman and Managing Director stated as follows:—

> "Actually we did have this package approached in Maharashtra which was very successful. We applied it in village Waduth where the total revenue from agricultural crops used to be Rs. 2 lakhs a year. It was possible to raise it to Rs. 22 lakhs per year. We are now adopting 17 villages all over India. It is quite an expensive approach if it has to be done all over the country. But if other manufacturers and also the State Governments take some villages for intensive development it will give a catalytic impetus to the fertilizer consumption. Various State Department

of Agriculture and also the National Seeds Corporation are inolved in this."

5.30. The Committee note that the Corporation tried a package approach of making available vital inputs including fertilizers and finance in 'Waduth' Village in Maharashtra. It has been claimed that this experiment was a success and the total revenue from agricultural crops in this village is stated to have risen from Rs. 2 lakhs to Rs. 22 lakh per annum. The Committee were informed during evidence that this approach was being adopted in 17 selected villages all over India. The Committee recommend that as stated by the Chairman and Managing Director of Corporation during evidence this being quite an expensive approach, the Corporation should critically evaluate the impact of this approach and thereafter consider the desirability of extending it to other villages in a phased manner.

### B. Soil Testing Laboratories

5.31. The Fertilizer Corporation of India established well-equipped Soil Testing Laboratories in 1971-72. At present, FCI has 12 static and 9 mobile soil testing laboratories, which are located as follows:—

TABLE—1: *Location of Static Soil Testing Laboratories*

| Sl. No. | Name of place | State |
|---|---|---|
| 1 | Sindri | Bihar |
| 2 | Barauni | Bihar |
| 3 | Durgapur | West Bengal |
| 4 | Siliguri | West Bengal |
| 5 | Namrup | Assam |
| 6 | Nangal | Punjab |
| 7 | Gorakhpur | Uttar Pradesh |
| 8 | Trombay | Maharashtra |
| 9 | Kolhapur | Maharashtra |
| 10 | Amraoti | Maharashtra |
| 11 | Hassan | Mysore |
| 12 | Mangalgiri | Andhra Pradesh |

TABLE 2. *Number of Mobile Soil Testing Laboratories Assigned to Eastern States.*

| Sl.No. | Name of place | State | No. of Units |
|---|---|---|---|
| 1 | Namrup | Assam | 1 |
| 2 | Sindri | Bihar | 1 |
| 3 | Barauni | Bihar | 1 |
| 4 | Bhubaneshwar | Orissa | 1 |
| 5 | Durgapur | West Bengal | 1 |
| 6 | Siliguri | West Bengal | 1 |
| 7 | Trombay | Maharashtra | 2 |
| 8 | Gorakhpur | Uttar Pradesh | 1 |
| | | TOTAL | 9 |

5.32. The extent of utilisation of the four established laboratories (*viz.*, Namrup in Assam, Durgapur in West Bengal, Sindri in Bihar and Trombay in Maharashtra) ranged from 110 per cent in Assam to 85 per cent in Maharashtra during 1972-73, the fluctuations being mainly due to unprecedented drought and floods in the States of Maharashtra and Bihar. The new laboratories which started functioning during 1972-73 could not achieve the targetted capacities but are now being fully utilised.

5.33. In each State there is a Technical Coordination Committee headed by the Director of Agriculture of the State, which formulates the soil testing and promotional programme of the F.C.I. This Committee ensures coordination of such activities in the entire State.

5.34. Soil testing programme is a so planned by this Committee and areas are allocated to each laboratory irrespective of its being a State Department laboratory or a labortory of the FCI. Meetings are taken by the State Departments of Agriculture also to evaluate the performance of each laboratory regularly.

5.35. An effective coordination is being maintained between the State Agricultural Departments and FCI in respect of the soil testing activity through the Technical Coordination Committee under the Chairmanship of the Director of Agriculture of the State concerned.

5.36. The district-wise soil analysis programme is further subdivided into a soil series-wise programme so that soil fertility maps could be prepared for each district which can be effectively used by the promotional workers for recommending correct dosages of fertilizers to the farmers.

5.37. To an apprehension of the Committee that the soil testing was not being done accurately, the Chairman and Managing Director denied the charge and explained:—

"We have highly qualified chemists and agronomists who are entrusted with the analysis and the analysis is done scientifically. In most of the soils, there is deficiency of Nitrogen, $P_2O_5$ and Potash and they are imported. But, in certain problem areas, there is deficiency of trace elements, and our laboratories do carry out those analysis also. We have adequate equipments available to carry out detailed analysis of all types of samples. We have got specialised equipments not only in our static laboratories but even in our mobile laboratories. We have got specialised equipments to determine these trace elements. Because it is a time consuming process, the detailed analysis of the soil samples is done only in problem areas. But, in other areas, where the soils are not problematic, where Nitrogen, $P_2O_5$ and Potash are required, we do recommend on the basis of how much deficiency of $P_2O_5$ etc., is there in the soil. We also carry out field trials, which give us an indication whether there are any deficiencies or any other problems in the soil, in the various States. 600 Trials are being conducted in various States, precisely to determine if the soil has any other problem. I do not think it is correct to say that it (i.e. soil testing) is bogus. It is done correctly. If anybody comes to us with a problem, then, naturally, we have to do the total analysis before we can recommend him whether any trace elements like Zinc or other elements have to be introduced along with the fertilizers."

5.38. To an enquiry of the Committee whether the Government was satisfied with the existing soil analysis and testing facilities available with the Fertilizer Corporation of India Ltd., in the context, of the observations of the National Commission on Agriculture that "much more will have to be done to ensure that fertilizer application is based on proper soil analysis", the Ministry of Petroleum and Chemicals stated in a written note that:—

"Soil testing is an integral part of any promotional programme. It is in fact the pivot round which the entire programme of promotion and extension revolves. The Fertilizer Corporation of India, as a premier organisation in the fertilizer field, has taken the lead and made elaborate arrangements for collecting soil samples and analysing them free of cost for the benefit of the farmer.

The soil samples are collected either through the Corporation's dealer network or directly by the Field Demonstrators of the Corporation, and are analysed in the static/mobile laboratories.

Presently the Corporation has 12 static laboratories and 9 soil testing vans. On an average, the mobile and the static units each analyse about 100 samples per day. It is on the basis of these analysis that the farmers are advised to apply the correct doses of fertilizers for different crops in different soil conditions to achieve optimum results. It has been the constant endeavour of the Corporation to verify, through their Field Demonstrators, whether the advice given by the Corporation is being followed by the farmers.

The important role played by the Corporation in this regard has also been recognised by the National Commission on Agriculture in its interim report submitted in November, 1971. The Committee observed that "except the Fertilizer Corporation and a few fertilizer companies, the Fertilizer producers were yet to organise their soil analysis service on an adequate scale". The Commission recommended that "factories draw up their soil analysis programme ultimately on the pattern adopted by the Fertilizer Corporation of India.

The Corporation plans to further intensify their soil analysis programme by increasing the number of mobile soil testing vans and stepping up the capacities of the existing state soil testing laboratories."

5.39. The Ministry of Agriculture added:—

"In order to make soil testing service available to the farmers in so far as the Department of Agriculture is concerned, the Department of Agriculture have supplied 34 mobile soil testing laboratories to the States and Union Territories during the 4th Five Year Plan period. In order to run these laboratories efficiently, these mobile soil testing vans have been attached with the Static soil Testing Laboratories.

The Ministry of Agriculture under the centrally sponsored Fertilizer Promotion Programme has planned to strengthen 70 soil Testing Laboratories during the 4th Five Year Plan at an estimated cost of Rs. 40 lakhs so that their annual capacities can be increased from 10,000 to 30,000 soil samples each.

In order to coordinate and monitor the functions of the Soil Testing Laboratories in the country, it is proposed to establish a Central Soil Testing Service Institute during the 5th Five Year Plan at Faridabad.

An integrated programme is being worked out with the State Government and the Fertilizer Industry so that each district has one soil testing laboratory. Some States like Punjab, Haryana, Tamil Nadu, Karnataka and Andhra Pradesh have already established one laboratory in each district."

**5.40. The Committee note that soil testing is an integral part of the fertilizer promotion programme and forms the basis for advising the farmers as to the correctness and balanced dosage of fertilizers for a particular crop in different soil conditions. It is in fact the pivot round which the entire programme of promotion and extension revolves. The Committee also note that the Fertilizer Corporation of India as a premier organisation in the fertilizer field has taken the lead and made elaborate arrangements for soil analysis free of cost for the benefit of the farmer, and for this purpose, the Corporation has set up 12 static and 9 mobile laboratories. The Committee also note that the Department of Agriculture have, in addition, under the Centrally sponsored fertilizer promotion programme set up mobile soil testing laboratories in the States and Union Territories and have further programmes in the Fifth Plan to augment the number of these laboratories and strengthen them.**

**5.41. The Committee recommend that the Government/Corporation should ensure that their programmes are integrated with the promotional measures of the State Governments and the fertilizer industries to avoid any overlapping. The Committee suggest that promotional efforts of the Corporation should be linked with its production programmes in order to promote the use of different types of fertilisers produced by it in the interest of increasing agricultural output. The Committee recommend that the Corporation should**

periodically evaluate the implementation of the soil testing recommendations to the farmers with a view to seeing that the advice given to them is actually followed and results in increased agricultural production.

5.42. The Committee also understand that in order to coordinate and monitor the functions of soil testing, it is proposed to set up a Soil Testing Service Institute at Faridabad during the Fifth Five Year Plan. The Committee hope that with the setting up of the Central Institute, it would be possible to achieve well established standards for soil testing.

## C. Seeding Programme

5.43. As part of the programme market development in the economic supply area of the plant and to build the necessary infrastructure for handling the large volume of fertilizers that the units would be producing, the Corporation is undertaking seeding programme to demonstrate the efficacy of the product through its use in the field. This has to be done three to four years in advance of actual marketing of that particular variety of the fertilizer.

5.44. The Fertilizer Corporation of India primarily took up seeding programme for the first time in 1969-70 for introducing 'Suphala' in the Trombay Zone. The FCI has since been gradually expanding this sphere of activity to the Eastern Zone, where it is poised by 1978-79 to introduce a number of new varieties of fertilizers and also to increase the level of consumption so as to match with its level of production.

5.45. It was brought to the notice of the Committee that FCI experienced difficulty in obtaining adequate quantities of fertilizers from imports, which resulted in a set back in the seeding programme and the full objectives of the programme could not be achieved.

5.46. On an enquiry the Ministry of Agriculture explained in a written note that:—

"The Fertilizer Corporation of India intimated following requirements of seeding material during the last few years:—

(I : tonnes)

| Year | Name of fertilizer | | | | | |
|---|---|---|---|---|---|---|
| | ANP (20 : 20:0) | ANP (15 : 15 : 15) | Urea | MOP | TSP/MAP/DAP | A/S |
| 1970-71 | 15,000 | 22,000 | — | — | — | |
| 1971-72 | 15,000 | 37,000 | 50,000 | — | — | |
| 1972-73 | 90,000 (O)<br>1,50,000 (R) | — | 1,75,000 (O)<br>3,00,000 (R) | — | — | 1,00,000 (R) |
| 1973-74 | 2,50,000 | — | 3,00,000 (R) | 50,000 | 50,000 (for direct sale) | |
| 1974-75 | Not intimated so far. | | | | | |

O—Original
R—Revised

SUPPLY

ANP: Against their requirements for 1970-71, FCI were offered a quantity of 15,000 M/T of ANP (20:20:0) already available with the Food Corporation of India, West Bengal. As regards 22,000 M/T of ANP (15:15:15), requirements were received too late to be imported from abroad.

As regards requirements for 1971-72, procurement action was taken to import 30,000 M/T of ANP with French suppliers with arrivals from July, 1971 by including this quantity in our import programme for 1971-72. Approval of the Ministry of Finance was also obtained for import of an additional quantity of 22,000 MT and tenders were invited. However, the material offered against the above tender was not according to the specifications prescribed by this Department in consultation with FCI. Hence no further quantity could be contracted. A quantity of 36,024 M.T. was supplied to FCI for undertaking their seeding programme during 1971-72 against their requirements of 52,000 MT.

During 1972-73, FCI intimated their requirements as 90,000 MT which were revised to 1,50,000. Efforts were made to import their requirements but the suppliers had formed a cartel and were offering the material at a very high price. Therefore, it was decided to postpone the purchase of the material to some opportune time. The price was later on negotiated by a Fertilizer Delegation which went to West Europe, with the suppliers and contracts were entered into with them for supply of following quantities during 1972-73:—

| | |
|---|---|
| October, 1972 | 17,500 MT |
| November, 1972 | 26,750 MT |
| December, 1972 | 18,750 MT |
| | 63,000 MT |

In addition to the above, a backlog quantity of 10,186 MT of ANP was also allotted to FCI for their seeding programme for 1972-73. Against the above availability, however, FCI received a quantity of 35,683 MT during 1972-73 because of delay in arrivals.

Regarding 1973-74, contracts were entered into with various suppliers for import of 2,60,000 MT of ANP for shipment from March, 1973 to December, 1973 against FCI's requirements of 2,50,000 MT. However, due to tight freight market and the non-availability of tonnage at reasonable freight, the material is not coming to India according to schedule.

Against their requirements of 2,50,000 MT a quantity of 1,44,765 MT have already been allotted to FCI.

For 1974-75 this Department have not so far received any requirements from FCI for their seeding programme. This Department has already entered into contracts with M/s. Complexport for import of 1,30,000 MT with shipment schedule from January, 1974 to June, 1974.

UREA:

FCI was informed that they had been already producing it and they could meet their requirements out of it. In 1973-74, it was decided to route such urea through State Governments who were required to keep seeding requirements of manufacturer in view. But due to shortage, the manufacturers might have felt some difficulty in procuring their requirements for this product through the State Governments. At that time it was also felt that a commodity like urea, does not require any special programme of seeding being very popular fertilizer with farmers.

MURIATE OF POTASH:

MOP in the country is distributed through a single agency *i.e.*, Indian Potash Ltd., IPL was directed to accommodate the requirements of FCI within the available supply against the existing contracts.

TSP|MAP|DAP:

A quantity of 1,20,000 MT of TSP was included in import programme for 1973-74 for meeting the seeding requirements of FCI and Hindustan Copper Ltd. A tender was issued during October, 1972. Offers received in response to above tender were considered by the Fertilizer Purchase Committee at its meeting held on the 12th December, 1972 but were rejected as the price quoted by various suppliers was extremely high. Again another tender was floated in July, 1973, for import of 30,000 MT of TSP plus 25 per cent. The offers received in response to above tender were considered and it was decided by the Committee not to purchase any quantity of TSP due to various reasons.

AMMONIUM SULPHATE:

FCI was informed during 1972-73 that the Government of India are not importing any dilute fertilizers due to price disadvantage."

5.47. In this connection, the Ministry of Petroleum and Chemicals stated in a written note that the main reason for not meeting the seeding requirements of the Corporation for other varieties of fertilizers was the very difficult supply position of fertilizers in the world market. The supplies had become very uncertain and fertilizer prices had steeply risen all the world over.

**5.48. The Committee note that the Corporation took up seeding programme for the first time in 1969-70 for introducing suphala in the Trombay Zone and has since expanded this sphere of activity to the Eastern Zone where it is poised to introduce new varieties of fertilizers by 1978-79. The Committee find that the seeding programme of the Corporation suffered a set-back due to delay in obtaining adequate quantities of fertilizers from imports. In the case of its requirements of ANP it was stated that the Corporation requirements in 1970-71 had been received by Government too late to enable them to be imported from abroad. The Committee recommend that requirements for seeding programmes should be assessed and arrangements made for tying up with the foreign exchange essential for importing the material well in advance to ensure that seeding programmes do not suffer a set-back for want of seeding materials. The Committee need hardly stress the necessity for a well coordinated timely and concentrated action in this regard so as to enable the Corporation to organise the seeding programmes in the interest of development of the market for various types of fertilizers to be manufactured by it.**

## VI.

## PRICING

### A. Pricing

For the purpose of pricing, the products manufactured by the Corporation are classified under the following four categories:—

(i) Fertilizers, prices of which are statutorily controlled by Government;

(ii) Other fertilizers on which there is no statutory control;

(iii) Industrial products manufactured in competition with other manufacturers.

(iv) Monopoly or semi-monopoly products.

6.2. The prices of the three straight nitrogenous fertilizers viz. Ammonium Sulphate, Calcium Ammonium Nitrate and Urea which constitute nearly two thirds of the total consumption of chemical fertilizers in the country are fixed by the Ministry of Agriculture, Government of India under the Fertilizer (Control) Order, 1957, promulgated under Section 3 of the Essential Commodities Act, 1955. Any sale of these fertilizers at a price higher than the statutorily fixed one is an offence under the Fertilizer Control Order. For such offences, deterrent punishment has been provided for under the Essential Commodities Act, 1955. In the case of these fertilizers, the FCI has necessarily to operate within the control prices, after allowing the margin to the distributor/dealer depending upon the services rendered by them. It has been stated by the FCI that no flexibility is left to the Corporation in the matter of pricing and FCI is required to absorb the continuous increase in the value of inputs and freight. The Committee were informed that while fixing the price statutorily, the Government take into account the cost of indigenous production as well as the cost of imported products—the two sets of production, which enter the market. A reasonable return on the indigenous production is also taken into consideration.

6.3. The prices of other fertilizers viz. Ammonium Sulphate Nitrate of Sindri and Suphala of Trombay are not statutorily controlled. These products are also handled by the Central Fertilizer Pool, and are, therefore, priced in keeping with the prices of such fertilizers.

distributed by the Pool and the prices of other fertilizers, on nutrient basis.

6.4. In this connection, the Ministry of Agriculture informed the Committee in a written note that:—

"The State Governments, who have been given adequate powers under the Essential Commodities Act to apprehend and prosecute the offenders, have been requested from time to time to enforce vigorously the price regulations issued under the Fertilizer Control Order.

To ensure quicker and easier prosecution of such offenders, the Fertilizer Control Order, 1957 has been declared as a 'Special Order' under the Essential Commodities Act making it possible for the State Governments to try the summarily."

6.5. In regard to the steps taken by Government to prevent black-marketing, or charging of higher prices, the representative of the Ministry of Agriculture stated during evidence that:—

"The question of black-marketing will arise only in respect of those fertilizers for which prices have been statutorily fixed. In respect of other fertilizers the manufacturers have a particular retail price. In the pool we fix pool retail prices. It is quite likely that unscrupulous dealers in the context of present shortage will indulge in charging higher prices for statutorily controlled fertilizers. It is illegal to charge more and the State Governments have been given sufficient powers under the Fertilizer Control Order to start prosecution against them. Some of the States have done extremely well as far as this is concerned. In U.P. 160 prosecutions have been launched for black-marketing only. As far as the other domestic fertilizers are concerned the State Fertilizer Inspectors can keep a watch on their prices. If there is any infringement, the domestic manufacturer will take action to see that the registration of that dealer is cancelled. The Ministry of Agriculture tried to tackle it in another way. We are trying to see that as far as possible fertilizers are distributed through public channels like cooperatives, agro-service centres where we feel that chances of misuse will be less. Many farmers pay higher prices and would even say that we have paid three times of the statutory price but they are not willing to give evidence which is required to finally pin down the offender."

6.6. When pointed out that the prices of fertilizers in this country are the highest in the world, the representative of the Ministry of Agriculture stated during evidence as follows:—

"There is no denying the fact that the fertilizer prices in India are among the highest in the world,* and the reasons for this are quite numerous. The cost of production of fertilizers in this country is also quite high, and 50 per cent of the fertilizers, as I have said, are imported; and for these imported fertilizers, as every body is aware, the prices have been sky-rocketing in the last two years. For example, for urea, the prices went up from 49 dollars f.o.b. in 1971 to 200 dollars which is the current prevailing price in the international market. Similarly, for almost all other imported fertilizers the prices have gone up very much. The freight charges have also gone up very much and all this had added to the cost of fertilizers distributed in the country. A number of Central levies are also made both on imported and indigenously produced fertilizers. There is a levy of 15+5=20% on the imported fertilizers and 15% on the domestic fertilizers. We do not pass on all these increases immediately to the farmers. The prices are fixed under the statute and it is not that there is an increase every time. There has been an increase either in the price of the raw material for local production or imported for the last four years. Even the price of Naphtha has been increasing from 1966, it was Rs. 80 per tonne and now it is about Rs. 252 per tonne, unless it has since increased further. Based on the increase in the price of Naphtha since 1966, the cost of production Urea has also been increasing since then. Only in October, this year, we had increased its price on account of this and also to compensate partly for the increase in the price of Naphtha. Because of this, the Central Fertilizer Pool is now running at a deficit of nearly Rs. 40 crores which strictly speaking should have been passed on to the farmers. But, we are constantly keeping a watch in the Ministry of Agriculture to see that the prices of fertilizers do not go beyond the economic capacity of the farmers."

6.7. The Estimates Committee (1972-73) in their Fortieth Report on the Department of Chemicals—Fertilizers, pointed out that at present the Central Government had no separate organisation or

*At the time of factual verification the Ministry of Petroleum and Chemicals informed the Committee that "the fertilizers prices in India are among the highest in the world as no longer valid because of the steepesealations in the prices of not only fertilizers but also the law materials which go to make the fertilizers."

procedure to keep watch on the prices at which fertilizers were actually made available to the farmers at the field level and suggested that Government should devise suitable machinery and/or procedure for this purpose with a view to checking whether the controlled prices were actually being charged from the farmers.

6.8. With a view to checking whether the controlled prices were actually being charged from the farmers, the FCI has devised the following procedure:

"The Fertilizer Corporation of India enters into a dealership agreement with each dealer. As per the agreement the dealer is expected to maintain the prices as prescribed from time to time and is expected to keep the quality of the product. There is also a provision that any time the stock can be inspected by the Corporation's Officers. All the dealers have been instructed that they should display their prices prominently for the information of their customers.

The Corporation keeps very close liaison with the State Governments who institute action against dealers who violate the Fertilizer Control Order with regard to prices, quality of the product, weight, etc. As soon as the Corporation comes to know of action against any of the Corporation's dealers, supplies to the dealer are suspended forthwith. The Corporation also terminates the dealership where the complaint is found true."

6.9. The representative of the Ministry of Agriculture informed the Committee during evidence as follows:—

"The Central Government of course has no organisation to check at what prices the fertilizers actually reach the farmers, but on the basis of the suggestion made by the Estimates Committee (which we are accepting) we are proposing to ask the State Governments to collect the information and data (because they have got net work of Fertilizer Inspectors etc.) as to the exact price at which the fertilizers reach the farmers. If this information is supplied to us by the State Governments we can make a study as to whether in respect of the statutorily priced fertilizers and other fertilizers, the fertilizers reach the farmers at prices higher than the fixed prices."

**6.10. The Committee note that in respect of three straight nitrogenous fertilizers, the prices are fixed by the Government of India under the Fertilizer Control Order promulgated under the Essential Commodities Act. In respect of other fertilizers on which there is no statutory control, the prices are being fixed in keeping with the prices of fertilizers distributed through the Pool. The Committee stress that the prices of fertilizers should be got prominently displayed for the information of the customers. The Committee are informed that the Fertilizer Corporation of India keeps liason with the State Governments and that action is taken against the offenders under the Fertilizer Control Order/Essential Commodities Act. The Committee stress that an effective watch should be kept on the distribution arrangements for fertilizers under the Essential Commodities Act so that anyone infringing the price control is proceeded with promptly and awarded deterrent punishment. The Committee would like Central Government to maintain a close liaison with State Governments to ensure that the powers available under the Essential Commodities Act and the State inspection machinery are put to full use in the interest of making available fertilisers to the farmers at prescribed prices.**

**6.11. As admitted by the representative of the Ministry during evidence on 20th December, 1973 the prices of fertilizers in India are amongst the highest in the world.* The Committee were informed that the high prices were due to the high cost of production of domestic fertilizers and the increase in the price of the imported fertilizers. The Committee stress that the FCI should take concerted measures to see that the capacity of the plants is put to full use and all economies in production observed to ensure that fertilizers are made available to the farmers at competitive prices.**

B. Stamping of price on fertilizer bags

6.12. During the course of their visit to one of the projects of the FCI, the Committee on Public Undertakings suggested that the marking of price on the bags of fertilizers would be, in the present scaracity conditions, an effective step against overcharging of price by the dealers.

6.13. The Fertilizer Control Order stipulates that in order to prevent adulteration and other mal-practices the bags should be

*At the time of factual verification the Ministry of Petroleum and Chemicals informed the Committee that "the fertilizer prices in India are among the highest in the world is no longer valid because of the steep escalations in the prices of not only fertilizers but also the raw materials which go to make the fertilizers."

machine stitched and sealed. It is also imperative on the manufactures to mark gross weight of each bag and the actual weight should conform to the gross weight so marked. However, the orders do not stipulate the marking of price on the bags.

6.14. The Fertilizer Corporation of India submitted the following note for the consideration of the Committee:

"There are basically two difficulties in marking the maximum selling price on the bags in the case of any of the fertilizer products, as was done say in the case of drugs. In the first instance, even for the fertilizers for which there is a ceiling selling price, the dealers are permitted to add additionally to the ceiling selling price local duties and also central sales tax wherever applicable. As bulk of the ultimate purchasers of the fertilizers is the rural mass who are in many cases unaware of the extent of the impact of local and other taxes that can be added to the ceiling selling price, the marking of maximum price on the bag can create considerable difficulty for the dealer also, who would be pressurised by the rural folk to sell the product at the price marked. This may result in loss to the dealers and ultimately affect the distribution of fertilizers in rural areas.

As for the other drawback, it may be mentioned that the Corporation is following basically two types of prices:

1. Ex-factory

2. F.O.R. Destination.

Ex-factory prices are followed with a view that the fertilizers are made available at cheaper prices in the nearby areas to the factory so that the intensive marketing area of each unit is properly developed. If a maximum retail price is marked on products which have an ex-factory price, it is likely to create a situation wherein dealers in nearby areas also would be selling the product at the higher price marked on the bags, thus putting the farmers in nearby areas to considerable financial loss.

There would also be a tendency among the dealers to dispose of much of the products in areas nearer the factory as it will give them more profit to the neglect of distant areas, where their profit could be less. If marking of price is, therefore, to be done in the case of products which have an ex-factory price it may be necessary to have a maximum selling price for every place to which the product is moved. This would rather be difficult when each day the product is despatched to various destinations and can create a situation of near chaos at the place of loading.

The main product we market on ex-factory basis is Suphala. About 50 per cent of Suphala is being marketed in the State of Maharashtra. As marking the maximum price on Suphala bags will correspond to the longest distance to which this product is sold, it will attract criticism from the State Government also.

Since this problem affects all the manufacturers, it is considered adviseable to have this matter examined by the Government."

6.15. During the course of the evidence, the representatives of the Ministry of Agriculture informed the Committee that the Government was accepting the suggestion to mark the prices of fertilizers on the bags themselves, so that it would act as a deterrent to anybody trying to sell at a higher price to the farmers.

**6.16. The Committee find that Government have accepted the suggestion to have the price of fertilizers marked on the bags. The Committee desire that necessary steps should be taken without delay by Government to amend the Fertilizer Control Order so as to make it obligatory on the part of the manufacturers to indicate suitably the price of the fertilizers on the bag so that it may serve as a guide to the consumers to pay the appropriate price and nothing more.**

## VII

## QUALITY CONTROL

7.1. The Fertilizer (Control) Order, 1957 issued under the Essential Commodities Act, 1955, provides for standards and enforcement thereof so that both the quality and plant nutrient contents of fertilizer distributed to farmers are of the highest order. Detailed specifications as to moisture content, plant nutrient content, size, etc. of different types and grades of fertilizers are prescribed and provision is made regarding packing and marking the manner in which substandard fertilizers may be sold. The order makes it obligatory that the name of fertilizers, percentage of N, P and K, gross and net weight of contents, etc. should be manifested on fertilizer bags. Bags containing sub-standard fertilizer are also required to be superscribed with the words non-standard' and a sign X' in red ink so as to serve as a caution to the farmers about the quality of fertilizer contained in the bags.

7.2. In order to maintain check on the quality of fertilizer supplied to farmers, the State Governments appoint inspectors to take frequent representative samples of fertilizers sold in their area for determination of their nutrient content through State Control Laboratories.

7.3. The experience of various State Governments indicates that the complaints regarding quality of fertilizers and adulteration mainly relate to retail stage of distribution of fertilizers rather than at the wholesale stage. The deterioration in quality is also mainly attributed by the State Governments, to long storage under adverse conditions, particularly in respect of fertilizers which are hygroscopic and contain free acids.

7.4. The Indian Standards Institution has finalised the code and framed standards for storage of packed fertilisers. State Governments are stated to have been requested to adopt Indian Standards Institution specifications while constructing godowns for storage of fertilizers.

7.5. FCI has stated that pilferage or adulteration at the point of production is completely ruled out due to the following reasons:—

(i) FCI's bagging is done through automatic machines as a result of which correct quantity is ensured with random test checks.

(ii) Bags are stitched by machines as sooon as they are bagged.

(iii) Samples are drawn at intervals and they are tested in Central Control Laboratory of FCI to ascertain the quality of materials bagged.

7.6. In order to check pilferage and adulteration at the point of consumption, FCI has been using its field staff to collect samples in the field as well as to check that the correct quantities are delivered by the FCI dealers to the consumers. But it had not been possible to work out a foolproof system of guarding against pilferage or adulteration completely. FCI works in close coordination with State Governments in order to get the benefit of their inspection staff. Drastic action is taken, when a complaint is brought to the attention of FCI by the State Government, by terminating the dealership, if found defaulting.

7.7. During the current year 73 such cases were brought to the notice of the FCI and in all these cases, the supplies were suspended and the dealership was cancelled in those cases where the charges against the dealers were found to be true.

7.8. In this connection, the Chairman-cum-Managing Director of the FCI informed the Committee during evidence as follows:—

"We have been getting only stray reports about the deterioration in the quality of fertilizers, as far as our fertilizers are concerned. The reports received in regard to 'Suphala' said that it was received in wet condition, or that it had become cake-like. We get similar complaints now and then about ammonium sulphate nitrate produced at Sindri. We have not received any complaints about our other fertilizers, to say that they were received in the form of cake or that there was loss of nutrients, or deterioration in quality, or substitution."

7.9. On an enquiry about deterioration due to natural causes the Committee were also informed that the fertilizers like ammonium sulphate and urea cannot deteriorate due to natural causes.

**7.10. The Committee find that the Fertiliser Control Oorder 1957 issued under the Essential Commodities Act, 1955 provides for standards and enforcement thereof so that both the quality and plant nutrient contents of fertilizers distributed to the farmers are of the highest order. The State Governments have their inspection machinery to take frequent representative samples and test them through State Control Laboratories to maintain a check on the quality of fertilizer supplied to farmers. Though the Committee were assured by the FCI that pilferage or adulteration of fertilizer at the point of production was completely ruled out, they were informed that it had not been possible to work out a foolproof system of guarding against pilferage and adulteration completely. The Committee urge that the State Government may be advised to tighten their enforcement machinery and develop quick and foolproof methods for spot-detection of unscrupulous dealers indulging in adulteration of fertilizers and deal with them sternly.**

**7.11. The Committee also recommend that the standards evolved by the Indian Standards Institution for storage of packed fertilizers should be made use of if and when construction of godown for storage of fertilizers is found necessary.**

# VIII

## SUNDRY DEBTORS

The special review of sundry debtors 1970-71 conducted by the Internal Audit Organisation in Trombay Zone disclosed serious lapses and irregularities. Some of these cases are as follows:—

(i) A private firm in Baroda placed orders for Sindri A.S. and A.S.N. in April, 1970 for 3000 tonnes and 4500 tonnes respectively. The party had represented that if direct sale was made to them it would invite Central Sales Tax @ 3 per cent and thus the FCI products would become non-competitive and suggested the material be initially stored in their godowns and subsequently sold to them thus avoiding Central Sales Tax. The Trombay Unit agreed to hire party's godown @ 50 p. per tonne per month at Baroda, Nadiad and Anand. The Unit also authorised the firm to clear the stock at rail heads and store them in their godowns on behalf of the Unit. Between May to August, 1970, the entire order was complied with and the materials received at various godowns of the party and the keys allowed to remain with the party. Subsequently, the firm backed out from taking the entire material and part of the material (406 tonnes of A.S.N. and 1569 tonnes of A.S.) was sold to other customers.

8.3. In September, 1970 there were floods in the city of Baroda and it was reported by the party that 394 tonnes of A.S. and 80 tonnes of A.S.N. were washed out and the salvaged material was sold out to other dealers by the Trombay Unit. Trombay Unit issued a Debit Note on 31st March, 1972 for Rs. 2.61 lakhs, being the value of stock reported as washed away in floods and treating the same as sale to them. This Debit Note was sent to the part on 3rd April, 1972 but was returned on April 12, 1972 on the ground that the stock of fertilizers was stored in the godown on rental basis on behalf of FCI and were supplied to them as and when required against payment and delivery orders.

8.4. The party also issued cheques in November, 1970 to the extent of Rs. 1,27,942 which had bounced because the drawer stopped payment. In spite of this, material was continued to be kept in the custody of the party and further sales were made. It was reported that the sales officer delivered RRs of 19 wagons of A.S.N.

to the party without obtaining payment. The party was subsequently billed for Rs. 2.39 lakhs towards cost of material. Similarly the delivery of fertilizer to the extent of Rs. 2.33 lakhs had also been made by an Assistant Sales Officer on the plea that there were certain pending claims of the party although no documentary evidence could be located authorising the field staff to deliver the material without payment. It was reported that a Memorandum was drafted in December, 1971 to apprise the Board about the loss arising out of floods and shortages, but this was deferred. Again in December, 1971 the Deputy Financial Manager (Marketing) proposed that before putting the Memo to the Board, a High Power Committee should be appointed to study the whole transaction. Although this was approved, there was no indication of such a Committee being constituted. In January, 1972 the case was reported to the Barketing Manager, who on 18th March, 1972 suggested that the whole transaction should be reviewed by a Committee of Senior Officers. Though the Committee was constituted on 20th March, 1972 no action had been taken by the Committee. On 5th May, 1972, the solicitors of the Unit served a legal notice on the party to pay the outstanding dues.

8.5. The total outstanding as per Trombay Unit's books as on 31st March, 1973 was Rs. 5,82,646 and the party had been disputing these outstandings. The party had also submitted counter claims on the Unit to the extent of Rs. 3.62 lakhs on account of Godown Rent, salvage charges, cost of bags, freight, clearing octroi and wharfage etc.

8.6. The following irregularities were noticed by the Internal Audit:—

1. Copy of the firm order placed by the party was reported to be untraceable.
2. Avoiding Central Sales Tax: The unit acted imprudently to accommodate the party to avoid Central Sales Tax by authorising them to clear the stock at rail head and to store them in their godowns on Units account. This had cost unit approximately Rs. 6 lakhs.
3. The estimated loss on account of materials washed away by floods was Rs. 2.6 lakhs. In the absence of certificate of inspection or any godown statement furnished by the field staff prior to the floods, the correctness of facts was not susceptible of verification.
4. The party issued cheques to the extent of Rs. 1.28 lakhs which bounced because the drawer had stopped payment.

In spite of this material continued to be kept in party's custody and further sales made to them.

5. RRs of 19 wagons of ASN were handed over to the party without obtaining payment of Rs. 2.39 lakhs and deliveries of fertilizers valued Rs. 2.33 lakhs were made without payment on the plea of certain pending claims of the party.

6. Follow-up action had not been satisfactory.

7. There was no evidence in the file to show that the matter was brought to the notice of the Director (Finance).

8. Provision for Bad and Doubtful debts for loss on account of floods was not proper.

8.7. It was reported that the solicitors of the Unit had expressed difficulty in recommending filing of a suit in this case in the absence of the letter of party placing the firm order for the purchase.

8.8. When asked about the use of party's godown even before the sale was effected, the Ministry in a written reply stated that early in 1970, there was heavy accumulation of stocks of Ammonium Sulphate and Ammonium Sulphate Nitrate in Sindri. Trombay also had heavy stocks of suphala and urgent bulk orders for Sindris products were required. The firm offered to take substantial quantities of the materials if arrangements were made to supply them on ex-godown basis. Since sufficient storage space was not, at that time, available with the Central|State Warehousing Corporations in those places and the firm had offered godown facilities, these were taken.

8.9. In regard to keeping the stock in the custody of the owner of the godowns, it was stated that it was the policy of the Corporation to do so whether the godown was from Central|State Warehousing Corporation or from private party. In this particular case, the hiring was expected to be of short duration and as the materials were received in large quantities over a short time no godown keeper was appointed but the keys of the godowns were to remain with the FCI, and this was accepted by the Firm also. However, the Area Manager on his own allowed the keys of the godown to remain with the firm. This was in contravention of the instructions issued by the Corporation.

8.10. As regards verification of credit worthiness and standing of the party it was stated that 'It is the policy of the Corporation to verify the credit worthiness, reliability and standing of the party before credit terms are offered to them." In this case no credit facility was extended but 19 RRs covering 453 tonnes of ASN were sent to the party through Junior Executive Trainee (Marketing) for being delivered against collection of payment. The party received the RRs but made no payments and wrote back to the Area Manager saying that payment against RRs would be sent within a couple of days on finalisation of accounts with the Corporation. The amount is still disputed and necessary steps are being taken to settle the matter. This was not, therefore, a case in which credit was intended to be given though the party succeeded in retaining the material without prior payment. In these circumstances the credit worthiness was not verified, though the dealing of the Corporation with the firm in the past was satisfactory.

8.11. It was also stated that towards the close of 1971, the Trombay marketing unit prepared a memorandum for the Board of Directors in regard to this case. However, the General Manager Trombay appointed a Committee to go into the matter in detail, particularly because some material was also destroyed due to floods during the period of storage. That Committee was appointed in March, 1972 and was required to look into the following:—

(i) FCI's arrangements with the dealer and how far they were implemented by the concerned officers;

(ii) The commitment by the dealer and whether the dealer was within his right to withdraw the commitment;

(iii) Whether adequate care was taken to safeguard the stocks; and

(iv) Whether the losses reported by the Area Manager were reasonable and could be accepted.

8.12 The Committee completed the deliberations in January. 1974. The following were the findings of the Committee:—

1. The Committee had not been able to locate any letter confirming the discussions held with the firm regarding supply of material, on the files having been written to the firm by any of the Officers-Deputy Marketing Manager|Sales Manager|Area Manager.

2. The Sales Manager did not appear to have exercised any control whatsoever.

3. Neither the Deputy Marketing Manager nor the Sales Manager visited any of the Centre even once.

4. Even in the absence of formal exchange of letters between the FCI and the firm for such a huge transaction the matter was not brought to the notice of Marketing Manager despite clear instructions having been issued by him. Unfortunately all the defaulting officers entrusted with this work had since left the Corporation and no longer available to render full details of the cases. The Area Manager had resigned while on leave and did not hand over charge to anyone and final settlement of this account had been withheld.

5. The actions of the firm tantamount not only to withdrawal of commitments but also to breach of trust.

6. The keys of the godowns were allowed to be with the firm at the discretion of the Area Manager without the knowledge of any of the higher authorities and hence it could not be said that adequate care was taken to safeguard the stocks. In one portion of the godown the FCI material was stocked and there was no partition wall in between the stocks of the FCI and the firm. No notice of this position was taken by the Area Manager. The possibility of the FCI material having been pledged by the firm to the State Bank of India could not be ruled out.

7. The Committee were of the view that FCI did not have a strong case to claim compensation for the losses due to floods, as the quantity reported as lost due to flood was only the derived figure after carrying out the salvaging operations and that too in godowns whose keys were not with the FCI. The case was not likely to stand in the court of law as already pointed out by the Solicitors.

8. Approval of the Board for the write off the loss of about Rs. 4 lakhs had to be taken.

8.13. Action on this Report is stated to be pending for want of further clarification on certain points sought for by the Corporation.

**8.14. The Committee note that a private firm in Baroda placed orders for Sindri ammonium sulphate and ammonium sulphate nitrate for 3000 and 4500 tonnes respectively in April, 1970. The Committee regret to note that on the suggestion of the firm, the Corporation not only agreed to store the material in the godowns of the firm, even before the sale was effected and to sell them subsequently**

thus avoiding Central Sales Tax, but also allowed the firm to have the keys of the godowns contrary to the practice of the FCI. The Corporation allowed credit facilities to the firm without verification of the credit worthiness of the firm. It was also reported that in September, 1970 there were floods and part of the fertilizers from the godowns was washed away. When debit note for the value of the fertilizers washed away was sent to the firm, the debit note was not accepted by the firm. The Committee are surprised to find that in spite of these and also certain cheques for interim payments given by the firm having bounced from the Bank without encashment, the Corporation continued to supply the material; with the result that for supplies made by the Corporation to the firm, a sum of Rs. 5.83 lakhs was outstanding for payment as on 31.3.1973. The Committee also note that the FCI could not take any legal action against the firm as the letter of the firm placing the firm order with the Corporation was reported to be missing. The Committee are informed that an Enquiry Committee was appointed in March, 1972 by the General Manager, Trombay to go into the matter in detail The Enquiry Committee in its Report given in January, 1974 have stated that they have not been able to locate any letter of discussions held with the firm for supply of material, the Sales Manager had not exercised any control, there was no inspection of any of the centres even once, the keys of the godowns were allowed to be with the firm at the discretion of the Area Manager without knowledge of the higher authorities, adequate care was not taken to safeguard the stock and there was no partition wall to separate the stocks of FCI from those of the firm, that "unfortunately all the defaulting officers namely the Deputy Marketing Manager, Sales Manager and Area Manager, Gujarat who were entrusted with this work have since left this organisation and are no longer available to render full details of the case. The Area Manager resigned while on leave and did not hand over charge to anyone. Final settlement of his account has, therefore, been withheld." The Committee fail to understand as to how the officers connected with the case were allowed to leave the organisation when an enquiry into the case was in progress. The Committee take a serious view of the whole case and recommend that Government should immediately make a thorough probe into the matter and fix responsibility for the lapses after taking into consideration the recommendations of the Enquiry Committee. The committee also recommended that the Corporation should take steps to realise the amount due from the firm expeditiously.

(ii) A firm in Bijapur District was appointed as dealer for sale of fertilizers in June, 1969 on the following terms and conditions;

(a) *Standing Deposit*: Each order should be accompanied by a standing deposit of Rs. 2,500 per wagon. This deposit of Rs. 2,500/- per wagon would be retained with the Corporation until the transaction is complete. The invoice would be raised for the full amount and collected through Bank. No interest was to be allowed on this deposit.

(b) *Payment and Credit facilities*: The payment against the supplies of Urea, Ammonium Sulphate, Ammonium Sulphate Nitrate would be made against despatch documents through bankers and no credit facility was to be allowed on these products. However, marginal credit facilities might be allowed for supply of suphala complexes only as indicated below on furnishing a bank guarantee for value of materials in favour of the Corporation.

If payment was made within 30 days of supply, no interest would be charged. If payment was made after 30 days but within 60 days, an interest at the rate of 12 per cent per annum would be recovered for the period beyond 30 days.

8.16. The party in their letter of 1st July, 1969 placed an order for 1500 M/T of Suphala of various grades for Bijapur District and Gokark and Raibag Talukas and asked the Area Officer to negotiate the documents through State Bank of India. The party also indicated its intention of buying a total quantity of suphala of 2228 M/Ts to be delivered from December, 1969 to May, 1970. The Trombay Unit despatched 1972 tonnes of Suphala. Subsequently 950 tonnes of Suphala was withdrawn and sold to other parties. The party also placed firm orders for Urea and Ammonium Sulphate from time to time. It was stated that the following amounts were outstanding against sales made during December, 1969 to March, 1970:—

| | | (Amount in lakhs) |
|---|---|---|
| 1 | *Suphata* | |
| | Sales on credit | 4·00 |
| | Sales with no credit facility | 0·60 |
| 2 | *Urea* | |
| | Sale with no credit facility | 0·38 |
| 3 | *AmmoniumSulphate* | |
| | Sale with no credit facility | 0·12 |
| | TOTAL | Rs. 5·10 |

8.17. As the party failed in making the payment of the outstanding amount in spite of repeated reminders and legal notices, a suit was filed in the court of law on 8-2-73 for the realisation of a sum of Rs. 703164 which included an interest of Rs. 195808 on the outstanding amount up to 30-11-72.

8.18. The defendants filed an interlocutory application on 12-10-1973 seeking certain particulars from the plaintiff. During the hearing on 24-11-1973, FCI's solicitors furnished some of the particulars sought by party.

8.19. The Internal Audit had observed that the following factors were responsible for the heavy outstandings against the party:

(i) No sales agreement was executed with this party;

(ii) Bank guarantee was not taken for the supplies made on credit;

(iii) The party availed concealed credit facilities in July| September, 1970 to the extent of Rs. 60390;

(iv) substantial supplies of urea and ammonium sulphate which were to be made by negotiating the documents through bank were given without observing the above formalities.

(v) Credit worthiness of the Party was not verified.

(vi) The lack of follow-up action for realisation of dues on or after the due date in the beginning on the one hand and continued supply of fertilizers to this party on the other which resulted in delay of 6 to 18 months in the realisation of payments of Rs. 5,91,505.37.

(vii) Financial concurrence for allowing 90 days' credit was not there;

(viii) Proprietor of the firm did not possess any property for mortgage. The amount of Rs. 5.07 lakhs was likely to result in bad debts.

8.20. During the course of evidence, the Chairman-cum-Managing Director stated:—

> "....This is a case where they (CBI) recommended a departmental action........But later on the CBI withdrew this case and again took it up for further investigation. One Accounts Officers....was involved in this case."

8.21. It was revealed that this Accounts Officer was all along there in Trombay, although he had not been promoted. In a subsequent note, the Committee were informed that this officer was now under orders of transfer out of the Marketing Division.

8.22. Besides this Accounts Office, another officer-Area Manager, Bangalore was also involved in this case and he was allowed to resign. He resigned on 28-12-1971 and was relieved of his duties on 13-1-1971. It was stated that the relieving authority was not aware of any rule or law under which we can force an employee to continue in the service of the Corporation on the ground that an enquiry is pending against him."

8.23. On an enquiry during evidence it was revealed that before the present Director (Marketing) took charge of the Marketing Division of the FCI "the Director (Production) was looking after the Marketing Division. He was looking after both the functions, production and marketing from the end of October, 1970 until about 4th March, 1973." Prior to that marketing was directly under the Managing Director, who was assisted by an Additional Director (Marketing).

8.24. On further enquiry from the Director (Production) as to when these cases were reported to him, he stated as follows:—

> "As far as I recall, they were not referred to me. None of these cases had been referred to me, during my tenure."

8.25. The Director (Production), however, admitted that it was the duty of subordinates to refer these cases to him. Asked as to when these matters came to his notice, he explained the position in a written note as follows:—

> "In connection with the review of position of outstandings, I had come to know about this case and had directed to make enquiries in the background of the outstandings of all parties in Mysore, including Chandraprabhu Trading Agencies, and make all legitimate efforts to realise the outstandings due to FCI and also to initiate legal action wherever necessary."

8.26. It was stated that as a Director in the Central Office he "was dealing with matters relating to policy and was also directing and coordinating the activities of the three marketing zones of the FCI." To an enquiry whether he had nothing to do with the actual marketing, since he was concerned only with the policy making, he stated:

"It would not be entirely correct to say so; because as overall in-charge of marketing, I should be accountable for the action and activities of the Marketing Division although the responsibility for any particular transaction which might have happened at a level down below, should be only there......I should be accountable for all this."

8.27. With regard to the firm order not being traceable, the Chairman-cum-Managing Director stated:—

"I have checked it up with the Audit Report, and have also discussed it with the Chief Auditor. The wording is: "They were not sure whether some documents were received or not.", because they could not find these documents. It is not a case of documents not being traceable."

8.28. The Committee were informed by the Ministry of Petroleum and Chemicals that the net amount due from the Area Manager was Rs. 896.68. In addition he had to render accounts for Rs. 4485/- which was taken by him as imprest. The Corporation had so far not settled the accounts of the Area Manager, Bangalore. The Corporation was being asked by the Ministry to take further action in this regard.

8.29. From the report of the CBI dated 23-12-1972 it is however seen that sometime in July, 1971 the Director (Production) appointed a Committee consisting of Asstt. Finance Manager, Sales Officer, Asstt. Audit Officer to review the over due balances of the Area Office Bangalore. According to the report of this Committee submitted on 10-11-1971 Sales Manager of the Bangalore Area had exceeded his authority in allowing large scale credits. CBI's investigations disclosed that the financial standing and credit-worthiness of the firm was far from satisfactory. The Syndicate Bank, Babkavi filed a suit against the proprietor of the firm for recovery of Rs. 60,000 and the suit was decreed. The firm was a defaulter of Sales-Tax amounting to Rs. 6,000/- and the Judicial Magistrate, Mudhol ordered payment of Rs. 5000/- but the firm preferred an appeal against the order. As the firm failed to pay the value of Suphala and other fertilizer products amounting to Rs. 719392.38 the FCI got a lawyer's notice issued and decided to file a suit. "Both the sales Manager and Account Officer have disregarded the instructions contained in the circulars (of 1969 and 1970). It is also clear that they never took interest to ascertain the financial standing or credit worthiness of the firm and did not get the prior approval of the terms and conditions by the General Manager as required in the circular of 7-8-1969 for supply of suphala to the firm on 90 days interest free credit....These witnesses were not aware of the circumstances under which huge quantities of suphala was sold to the firm."

8.30. The Committee were also informed by the Ministry that the CBI, who investigated the matter, did not recommend any departmental action against the then Area Manager, as he had left the service of the Corporation by that time. They however, recommended departmental action against the Senior Accounts Officer for his failure to verify the financial standing and credit worthiness of the proprietor of this firm. CBI also recommended suspension of business dealings with this firm. "Action against the Senior Accounts Officer has been kept pending till the CBI completes its investigation in another case, where some officers of FCI decided to supply fertilizers to 14 defaulting dealers of Karnataka and Andhra, provided they simultaneously cleared the outstandings @ Rs. 4000 per wagon of A.S. and Rs. 1500 per wagon of ASN for Andhra and Rs. 1200 per wagon of ASN for Karnataka. All business dealings with the firm have, however, been suspended as desired by CBI.

8.31. The Corporation filed a suit against this party in February, 1973. The case was posted for hearing on the 9th January, 1974, when it was adjourned for further hearing.

**8.32. The Committee regret to note that the Corporation gave dealership to a firm in Bijapur (A.P.) in June, 1969 on certain terms and conditions, without verifying the credit worthiness of the party, and made supplies of fertilizers to the party without any sales agreement therefor. According to Internal Audit, a sum of Rs. 5.10 lakhs was stated to be outstanding against the party for supplies made to it from December, 1969 to March, 1970. The Committee also find that as the party failed to make the payment, a suit was filed against the party on 8th February, 1973 and it is still awaiting final hearing. The Committee are surprised to find that the shortcomings in the case were never reported to the higher authorities and it was only when the outstandings were reviewed and the case was referred to CBI some time in December, 1971 that the case came to the notice of the Director of Production. From the report of the CBI on the 23rd December, 1972, the Committee find that even as early as July, 1971 an Enquiry Committee was appointed by the Director of Production to review the overdue balances of the area office and according to the report submitted by the Enquiry Committee in**

**November, 1971, the Sales Manager had exceeded his powers of authority in allowing large scale credit to the party. The investigation by the CBI disclosed that the financial standing of the party was far from satisfactory. Both the Sales Manager and the Accounts Officer had disregarded the instructions of the Corporation and did not obtain prior approval of the terms and conditions from the General Manager for supply on 90 days' free credit. The Sales Manager and the Accounts Officer were not even aware of the huge quantities of fertilizers supplied to the party. The Committee are concerned to find that in spite of the Enquiry Committee Report of November, 1971 and subsequently when the investigation by the CBI was taken up on 7th December, 1971 the Sales Manager was allowed to resign on 28th December, 1971 and was relieved of his duties on 13th January, 1972. The Committee take a serious view of the matter and recommend that Government should investigate into the whole affair and fix responsibility for the lapses.**

**8.33. The Committee are also informed that though the CBI recommended departmental action against the Senior Accounts Officer, action against him had been kept pending investigation by CBI in another case. The Committee woud like to be informed of the results of the enquiry and the action taken against him. The Committee would also like to be kept informed of the further developments of the case and the concrete action taken against the delinquent officials.**

8.34. A sum of Rs. 1,66,087 was outstanding against a firm of Bombay on 31st December, 1972. The outstanding was over one year old. This amount was in respect of suphala sold in April, 1971.

8.35. The party had produced a bank guarantee for Rs. 50,000.

8.36. In pursuance of the bank guarantee Suphala was despatched to various destinations by drawing sight drafts on the party's bankers.

8.37. The party had intimated that the goods had been received at destination but RRs had not reached them through their bankers and the goods were incurring demurrage. On the basis of above information, the Trombay Unit agreed to the request of the party to give necessary indemnity bonds to the Railway authorities so that the goods could be cleared without production of RRs.

8.38. After delivery of the goods, the party did not honour the drafts when presented to the Bankers.

8.39. The Bank replied *vide* their letter dated 27th May, 1971 that since the FCI released the goods directly to the party on indemnity bond without knowledge of the bank, they were not liable and that the money might be directly collected from the party.

8.40. The party had given one cheque book bearing No. 492201 to 492300 to one of the officers of the Trombay Unit duly signed for using the cheques against any order of the party. A cheque for Rs. 1.70 lakhs issued out of the said cheque book in January, 1971 was dishonoured by the bank as the party had stopped payment of the cheque.

8.41. It would appear that the firm in collusion with the Bank managed that the sight drafts alongwith the R|Rs. were received by the Bank but were not presented to him.

8.42. The party on receipt of legal notice made counter claims to the extent of Rs. 3.36 lakhs (approx.) by way of commission, rebate claims for demurrage etc. on 29th May, 1972 and allowed the matter to drag on till January, 1973 when it was decided to collect old dues by supply of Ammonium Sulphate or Urea.

8.43. A decision was taken on 2nd January, 1973 to recover the whole dues of Rs. 1.55 lakhs from the party by offering them Ammonium Sulphate and Urea in accordance with the reported decision taken by the Trombay Unit to supply straight fertilizers for liquidation of old outstanding dues from defaulting customers. In accordance with this decision over and above, the cost of Ammonium Sulphate and Urea to be supplied, an additional amount of Rs. 50,000 per wagon was to be collected from the party to liquidate the old dues. The party was also to furnish a bank guarantee to the extent of Rs. 1 lakh. In accordance with this decision about 400 M|T of Urea was supplied to the party in January, 1973 and the party completely liquidated their dues including payment for Urea delivered to them partly by cash and partly by bank drafts.

8.44. The specific findings of the Internal Audit in this regard are as follows:—

1. The business reputation or credit worthiness of the party was not judged.
2. Reasons for releasing the goods direct to the party on indemnity bond without knowledge of the Bank are not known.
3. Payment through pre-signed blank-cheques was not a fool proof method of securing payment.

4. Although the settlement envisaged liquidation of old outstandings, interest on overdue outstandings for one year and nine months was not collected.

5. It could not be known whether the decision taken on 2nd January, 1973 with the party was arrived at after consulting legal advisers, and necessary precautions had been taken to avoid any dispute in the future specially in view of the fact that the party had made counter-claims to the extent of Rs. 3.36 lakhs against the Unit.

**8.45. The Committee note that sum of Rs. 1.66 lakhs was outstanding against a firm in Bombay on 31st December, 1972 in respect of Suphala sold to them on April, 1971. The Committee regret to note that Trombay Unit in contravention of the usual terms and conditions of release of goods by Railway Receipts rettred through Bank gave indemnity bonds to the Railway Authority to clear the goods without production of RRs and without the knowledge of the Bank with the result that the Corporation was asked by the Bank to collect its dues directly from the party. The Committee find that the party had given one cheque book to one of the officers of the Trombay Unit duly signed for using the cheque book. A cheque for Rs. 1.7 lakhs issued out of cheque book was dishonoured by the Bank as the party had stopped payment of the cheque. The Committee deprecate the system of receiving payments through presigned blank cheques.**

**8.46. The Committee find that when the legal notice was served on the party to realise the outstandings, it made counter claims on 29th May, 1972 to the extent of Rs. 3.36 lakhs towards commission, rebate, claim for damages etc. and allowed the matter to drug on till January, 1973.**

**8.47. The Committee also find that the Corporation took a decision on 2nd January, 1973 to recover the dues of Rs. 1.5 lakhs from the party by offering them straight nitrogen fertilizers. Accordingly towards the cost of such fertilizers, an addition of Rs. 50,000 per wagon was collected from the party to liquidate the old dues and the party was asked to furnish a bank guarantee of Rs. 1 lakh. Though the party completely liquidated the dues including the payment for the straight fertilizers delivered to them partly by cash and partly by bank draft, the firm so managed that the sight drafts received by the bank were not presented to them.**

**8.48. The Committee are not happy at the manner in which the entire case has been dealt with, viz. not enforcing the terms and conditions of the purchase order releasing the RRs on indemnity**

**without the knowledge of the bank and accepting pre-signed blank cheques which were ultimately dishonoured. The Committee would like that entire matter should be thoroughly investigated and responsibility for the lapses fixed with a view to taking action against the delinquent officials.**

**8.49. The Committee have been informed that the party had completely liquidated the dues including the payment for straight fertilizers delivered to them partly by cash and partly by bank drafts. The Committee are not sure whether in reaching the settlement, the counter-claims made by the firm were taken into account and the settlement effected in the best interest of the Corporation. The Committee would like to be kept informed of the position.**

8.50. A Fertilizer Company of Madras owed Rs. 4.51 lakhs (approx.) to the Corporation as on January, 16, 1971. Out of this the party wanted to set off Rs. 91,000 on account of shortage|damages claims, which was agreed to. The party accepted to make payment for the balance in 12 instalments and issued 12 post-dated cheques to be presented on different dates, the last date being 15th March, 1971, nine cheques were presented were duly encashed but three cheques for Rs. 30000 each bounced back, as the dealer had instructed the bank not to honour these three cheques. It has been pointed out by the Internal Audit that the accounts of this party as per Debtor Ledger was highly unreliable. Audit was unable to determine the correct amount of outstandings and also whether the party had complied with the terms of sale in the matter of payment.

8.51. FCI has stated in a written note as follows:—

"As on 31st March, 1973, a sum of Rs. 1.94 lakhs was outstanding against the party according to our books. In july, 1973, a sum of Rs. 1.40 lakhs was received from the party as a result of which the outstanding against the party were reduced to Rs. 54,000. During December, 1973 certain discrepancies in the account of the party have come to notice and a reconciliation of the account has been done with the party's books by the Deputy Finance Manager (Marketing). As a result of this reconciliation the up-to-date outstandings against the party now work out to Rs. 3.07 lakhs. As against this amount, the partys claim is to the extent of Rs. 1.99 lakhs on account of quantity rebate, shortages and damage claims etc. which are under scrutiny of the accounts department. Efforts are being made to settle this account as early as possible.

Post dated cheques were accepted only in respect of old heavy outstandings of this party, as they expressed difficulty in clearing their dues immediately. The facility of presenting the cheque on a date subsequent to the date of the cheque was allowed to the party to enable them to arrange for funds about which they had expressed difficulty. This arrangement had the approval of the Marketing Manager and the Finance Manager of the Trombay Unit."

8.52. **The Committee note that a Fertilizer company of Madras, owed a sum of Rs. 4.51 lakhs as on 16th January, 1971, for supplies made to it by the Corporation. After setting off Rs. 91,000 on account of shortages|damages etc. the party agreed to make the payment of the balance in 12 instalments, for which the party issued 12 post-dated cheques to be presented on different dates. Though nine of the cheques were cashed, three cheques bounced back as the dealer had instructed the bank not to honour them. The Committee do not see any justification for accepting post-dated cheques against dues without verification of the financial soundness of the party or firm. The Committee are shocked to note that according to the Internal Audit the ledger account of the party was highly unreliable. The Committee were informed that the outstandings were reduced to Rs. 54000 in July, 1973. However, certain discrepancies in the accounts of the party came to light in December, 1973 as a result of which the outstandings against the party rose to the extent of Rs. 3.07 lakhs. The Committee were also informed that the party has put forth a counter claim to the extent of Rs. 1.99 lakhs which is still stated to be under scrutiny. It is not clear whether even now ledger account of this party has been thoroughly verified to ensure that no amount realisable from the party has been omitted therefrom. The Committee feel concerned with the way in which the accounts of the party were maintained. The Committee recommend that this matter should be critically examined so as to pinpoint the lapses and take suitable measures to set right the position.**

8.53. Yet another case of long outstanding relates to a firm of distributors in Madras to whom the credit sales of fertilizers were made by the Corporation for a value of over Rs. 18 lakhs in the years 1969 and 1970. The net amount due as on 28th February, 1973 was about Rs. 2 lakhs. The actual agencies analysis was as follows:

| | |
|---|---|
| less than a year | 47897 |
| more than a year | 36513 |
| more than 2 year | 115277 |
| | 199687 |

8.54. Dealings with the party started on the understanding that they party would furnish a bank guarantee for Rs. 5 lakhs. After discussions with the party's representative in May, 1970, the party agreed to have a revolving letter of credit for Rs. 3 lakhs. It was seen that in July, 1971 Madras office forwarded a draft bank guarantee form for Rs. 2 lakhs to be furnished by the party. This bank guarantee was never received back from the party.

8.55. Though the party had business dealings worth Rs. 18 lakhs with the Corporation, the payments had been irregular and piecemeal. Even after instructions were issued by the Trombay Office not to book any credit sales, clean credit continued to be given by the Sales Manager.

8.56. The Internal Audit Report of the Area Office, Madras dated 12-7-1972 stated as follows:—

"The accurate amount of outstanding against party could not be determined as the correspondence file on subject was stated to be at Trombay. However, the Area Manager stated that the party had given a cheque for Rs. 1.03 lakhs, some three months back but verbally requested not to present the same to the bank. This cheque we were told is still in the custody of the Trombay Office. We feel that the practice of accepting cheques with verbal instructions not to present the same for months together is not a sound pratice and tantamounts to providing concealed credit-facilities to the party. It is suggested that immediate steps may be taken to recover the outstanding dues from the party and in future no cheques for deferred presentation be accepted."

8.57. F.C.I., explained the position as follows:—

"As on 28th February, 1973, a sum of Rs. 1.67 lakhs was due from them. During February, 1973, the party paid by demand drafts an amount of Rs. 1.35 lakhs for supply of 200 M.Ts of C.A.N. as advanced payment. As the party had huge outstandings (Rs. 1.67 lakhs), the Sales Manager proposed to the Trombay Management to off-set this advance payment against party's old outstandings. This was done and subsequently the party made fresh payment for the said supplies of 200 M.Ts. of C.A.N. Claims for the party to the extent of Rs. 18,000 were also admitted in March, 1973, leaving a balance of Rs. 14,000 as on 31-3-1973. This amount has further reduced to Rs. 8,000 on 31-10-1973 against which claims for transport rebate etc., to the extent of Rs. 19,000 are under scrutiny of the Accounts Department of the Trombay Unit.

There were occasions when cheques bearing current dates were given by the party with a request that they be presented on a subsequent date. Such requests were granted as it was considered desirable to accept cheques from the party in order to expedite the clearance of their outstandings. The cheques given by the party were honoured except for two cheques of Rs. 50,000 each which were returned by the bank in February, 1973. Immediately action was taken to set off the dues against an amount of Rs. 1.35 lakhs paid by the party as advance for supplies of C.A.N. and this adjustment has been accepted by the party."

**8.58. The Committee note that credit sales were made to a distributor in Madras on the understanding that the party would furnish a bank guarantee for Rs. 5 lakhs. Subsequently after discussions the party agreed to have a revolving letter of credit for Rs. 3 lakhs and efforts were made by the Corporation to obtain the bank guarantee. The Committee also note that though a form of bank guarantee for Rs. 2 lakhs was sent to the party no such guarantee was executed. Credit sales were made to the party in spite of repeated instructions from Trombay Unit that no order should be booked on credit sales. The Internal Audit has observed in July, 1972 that the accurate amount of outstanding against the firm could not be determined. Though the party had given cheques to the extent of Rs. 1.03 lakhs some three months back it had requested, according to the Area Manager, not to present the same to the bank and the cheques were stated to be in the custody of the Trombay Office. The Committee are informed that as on 31-10-1973, only Rs. 8,000 is outstanding against the party and claims of the party for transport rebate etc., to the extent of Rs. 19,000 are under scrutiny by the Unit.**

**8.59. The Committee fail to understand why deviation was made from the terms orginally agreed upon and clean credit sales allowed to the firm without insisting on bank guarantee for the full amount. The Committee also deprecate the practice of accepting requests for presentation of cheques bearing current dates, on some subsequent dates, as such practices are not financially sound.**

**8.60. The Committee recommend that the entire deal should be investigated with a view to fixing responsibility for the lapses. The Committee were informed that the outstanding has since been reduced to Rs. 8000 on 31-10-1973. Claims of the party for Rs. 19000**

**are under examination of the Corporation. The Committee would like to be informed about the settlement of the case.**

(vi) Two sister concerns of Vijayawada were supplied ammonium sulphate and ammonium sulphate nitrate of Sindri Unit to the extent of Rs. 1.3 lakhs and Rs. 4.15 lakhs respectively during 1969-70 partly against cash/credit and partly against post-dated cheques. These post-dated cheques could not be encashed in time as there was banks strike for one an half months. Subsequently when the cheques were presented for payment they were not honourd. Out of these, post-dated cheques amounting to Rs. 6.23 lakhs (inclusive of interest charges) were stated to be outstanding. Since the recovery had become difficult, legal suits were filed against the parties.

8.62. It has also been reported in the course of internal audit that one of the firms had desired that damaged stock of suphala to the extent of 125 tonnes should be taken back, besides the claim on account of losses sustained by them in the sale of fertilizers due to damages caused by the heavy cyclones. Similarly, the other firm also desired to return damaged stock.

8.63. F.C.I., has stated in a written note as follows:—

> "The total amount outstanding against the above two firms is Rs. 6.23 lakhs inclusive for interest due on the outstandings. Out of this, Rs. 3.98 lakhs pertain to one party and Rs. 2.25 lakhs to the other party. Legal suits of the recovery of these amounts were filed against both the parties in November, 1971. While the Court orders have not yet been received in the case of the first party, a decree for a sum of Rs. 2.25 lakhs has been awarded by the Court in regard to the amount due in the case of the second party. The execution of the decree is now under consideration of the solicitors, as the Income-tax Department has the first charge on the assets of this party on account of Government dues."

8.64. Explaining the reason for accepting post-dated/pre-signed cheques, the representatives of the Undertaking stated as follows:

"I will explain why those post-dated cheques were accepted. In those days we had a system of giving clean credit of one month. These were the days before we withdrew all facilities of clean credit in November, 1970. So, before that we used to give one month's clean credit, and as an alternative to that it was considered more prudent that we at least get a cheque instead of giving them clean credit and asking them to pay after a month.

In those days, though a month was allowed, that was included in our procedure. Now, instead of giving them an absolute credit, we gave them the material and ask the dealers to pay after a month. We also adopted an alternative method where the dealer would give a cheque and that could be cashed only after a month. It is a legal proof of transactions having taken place. That is why many cheques would have appeared as post-dated.

This led to the outstanding dues. Now, they have become cases of old dues and are being realised. I would submit that even if those cheques were not accepted but clean credit would have been given, even then they would not have paid the money after a month and therefore by having received the post dated cheque instead of granting clean credit the Corporation was not worse of in any manner. We also considered the case of the dealers whose cheques had bounced and therefore the outstanding dues developed against them. After taking into account so many factors, we concluded that if those dealers were suspended or terminated forthwith, then we would have never been able to realise our money. On the other hand what we did was a two-fold process for the sake of realisation. We continued limited supply to those dealers, consistent with availability, on the assurance that they will not only make the payment for the current dues make the payment for the simulatenously. Because most of the dealers have explained their certain difficulties that they could not make the payment. But, in many cases, we have proceeded simultaneously with the legal action also."

**8.65. The Committee regret to note that two sister concerns at Vijayawada were supplied fertilizers of value Rs. 1.3 lakhs and**

**Rs. 4.15 lakhs respectively during 1969-70 against cash/draft and partly against post-dated cheques without verification of the credit-worthiness or the financial standing of the parties, with the result that the post-dated cheques could not be cashed and the Corporation is faced with an outstanding of Rs. 6.23 lakhs.**

**8.66. The Committee also note that since recovery of the outstanding amount had become difficult, legal suits had been field against the parties in November, 1971. The Committee were informed that while court orders had not yet been received in the case of on firm, a decree of a sum of Rs. 2.25 lakhs had been awarded by the court in regard to other. Even in this case the execution of the decree is under consideration of the solicitors, as the Income Tax Department has the first charge on the assets of the party on account of Government dues.**

**8.67. The Committee were informed that:—**

> **"It was considered more prudent that we atleast get a cheque instead of giving them clean credit and asking them to pay after a month."**

**The Committee do not share this view and recommend that appointment of dealers without verification of their financial standing or making supplies to parties on pre-signed and post-dated cheques even on the plea of disposal of stocks should not be resorted to. The Committee would like to be informed about the development.**

8.68. The common findings of the Internal Audit in these cases are as below:—

(a) Proper assessment of the credit worthiness or the business reputation of the dealers was not made before granting dealership.

(b) Sales on credit were made without proper approval and without collaterals customers giving bogus cheques.

(c) Proper followup at regular intervals were not made to expedite realisation primarily because accuracy of outstanding balances could not be established.

(d) Appropriate steps like legal action on settlement of customers' claims were either inadequate or not prompt.

(e) Certain transactions were processed without financial concurrence.

(f) Reporting to central office/Board has either been slow or overlooked.

(g) Interest has not been charged on overdue balances and provision for Bad and Doubtful Debts in the past appear to have been a lower side.

(h) Important documents are reported to be 'Untraceable'.

8.69. In a written note FCI has informed that the following measures have been adopted to avoid repetition of the lapses pointed out by the Internal Audit Organisation:—

"(1) Clear instructions have been issued that that should be no clear credit and supplies are to be made against collaterals only. Exceptions can only be made in respect of State Governments, the Central Government and two Institutional Agencies in U.P. namely Agricultural Supply Organisation and Cane Union Federation.

(2) Weekly reports of outstandings are obtained from each marketing division and a statement is submitted to the Director also. If there is any increase in the oustandings, matter is immediately taken up with the Field Officers.

(3) Internal Audit Department teams from the Central Office have carried out test checks recently, but in order to ensure this check on a regular and concurrent basis it is proposed to strengthen the unit based internal audit cells.

(4) Post-dated cheques or cheques with request for being presented for payment after a specificd period are no longer accepted.

(5) Trombay is now Producing only one grade of suphala.

(6) The number of godowns has been brought down to Nil in Trombay and to 25 with total capacity of 3550 tonnes in other areas. Hiring of private godowns or dealers godowns has been completely stopped.

(7) The mechanisation of accounting has now more or less stabilised and the information on parties accounts is expeditiously available."

8.70. During evidence of the representatives of the Undertaking the Committee drew the attention of the Managing Director to the serious irregularities in the matter of sales of fertilizers on credit brought out in the Internal Audit Report of 1970-71. The Managing Director explained that in 1969-70 there was glut of fertilizers in the market and FCI had just introduced their new product 'Suphala'. In their anxiety to sell their products, some of the officers of FCI adopted some unusual practices. The Managing Director admitted that these were serious cases and were already under investigation. He also informed the Committee that FCI had tightened up their machinery by adopting certain measures like hiring of private godown had been stopped since 1971, they were no longer selling on credit, post-dated or pre-signed cheques were not being accepted, 94 per cent of FCI's dealers got less than 1000 tonnes per annum, etc.

8.71. The Secretary of the Ministry of Petroleum and Chemicals stated in this connection that:

"These cases are those cases, if I may say so which bring out very lax official control in the FCI. The Government have received no report from the Corporation with regard to the status of sundry debtors. The irregularities that were noticed by the internal audit were also not brought to the notice of Government. In our opinion as I said the irregularities indicated lack of financial and administrative control. Since these have come to our notice, we have asked the FCI to give us a full account and we do propose to pursue these matters to a conclusion.

We also propose issuing instructions to all our public sector undertakings that it shall be the Finance Director's duty to bring to the notice of Board of Directors immediately any major irregularities that are noticed. In this particular case and the two cases that have been specifically referred to, you will observe that the internal audit noticed a certain thing happening, but the matter did not come to the notice of even the Board of Directors for long time.

We propose to place on the Finance Director special responsibility that any major irregularity should be reported to the Board immediately so that the Management as a whole becomes aware of it and knows what action is being taken. It may not always be necessary for the management to make a formal report to the Government, but the Government Directors on the Board will become aware of it.

I entirely agree and I have no defence on behalf of FCI. But as far as the Ministry is concerned, whenever such matters comes to the notice of the Ministry, we are expected to take action.....this matter was not even brought before the Board. It was considered by an Executive Committee of Directors.....i.e. the Functional Directors of FCI but this matter did not come up to the whole Board. This is why I was suggesting that the Finance Director should have a special responsibility in this matter."

8.72. The Committee understand that the Ministry of Petroleum and Chemicals has since issued a circular to all the Public Undertakings reiterating "that it will be the responsibility of Finance Directors/Financial Adviser to bring all such matters to the notice of the Board as soon as they come to their notice."

**8.73. From the few cases which came to the notice of the Committee through internal audit reports during the examination of the undertaking, the Committee find that management in their anxiety to dispose of large stocks of fertilizers which the Trombay and Sindri units had during 1966 to 1970-71 adotped certain measures which cannot be considered to be financially sound, and as a consequence of which the Corporation was faced with large outstandings to be realised from the dealers and most of these cases were stated to be under litigation. The shortcomings of these cases were (a) that a proper assessment of the credit worthiness or business reputation of the dealer was not made; (b) sales on credit were made without proper approval and without collaterals; (c) acceptance of post-dated or pre-signed cheques; (d) hiring of private godowns, and leaving the keys of the godowns with the dealers; (e) non-verification of stocks in godowns; (f) delays in taking action for realisation of outstandings dues as accuracy of balances could not be established and (g) absence of important documents and in some cases the original orders for supply.**

**8.74. The Committee are distressed to find that not only certain transactions were made without financial concurrence but even the reporting of those cases to Central Office or Board has been either slow or overlooked. The Committee are surprised to find that when cases were under investigation either departmentally or through CBI. some of the officials connected with these cases were allowed to resign and leave the jobs. The Committee would like Government to fully investigate the matter as to how officials in public undertakings whose conduct is under investigation on charges of defalcation of money or for committing serious irrigularities which resulted in a loss to the Corporation or in malpractices which are deterimental to the interests of public undertakings are allowed to resign without being conclusively called to account. The Commit-**

tee would like Government to plug loopholes, laxity in procedures which allowed some of these delinquent officers to indulge in malpractices and then leave the undertaking with impunity thus escaping accountability.

8.75. Another aspect which whe Committee would like to urge upon Government is the need for initiating criminal proceedings where justified on the basis of prima facie evidence so that the guilty are brought to book without delay thus acting as a deterrent.

8.76. As admitted by the Secretary of the Ministry during evidence, these irregularities indicate laxity of financial and administrative control in the Corporation. The Committee have already recommended that these cases should be investigated with a view to fixing responsibility for the lapses. The Committee expect that investigation of these cases would be done with utmost promptitude and action taken against delinquent officials so as to act as deterrent to others in future.

8.77. The Committee also recommend that Government/Corporation should critically review all cases of amounts outstanding for over one year to ensure that there is no lacuna in the procedure, measures taken to realise the amounts are adequate and effective and causes of the delays are brought to the notice of the higher authorities and the Board in time.

8.76. The Committee are also informed that Government have already decided to place special responsibilities on the Financial Directors of the Board to report any major irregularity to the Board immediately so that the management as a whole becomes aware of it and knows that action is being taken. The Ministry of Petroleum and Chemicals have issued circular instructions to all the public sector undertakings in this regard. The Committee hope that the implementation of these instructions will bring about improvement in the financial discipline of the Undertakings.

8.77. The Committee have also come across cases in other undertakings where the Financial Directors in the Board/Financial Advisers have not been bringing important cases of irregularities/shortcomings in the working of the Undertaking promptly to the notice of the Government/Board. The Committee desire that Bureau of Public Enterprises should also issue suitable instructions to all the Public Undertakings emphasising the need for reporting such cases promptly to Government/Board.

# IX

## INVENTORY CONTROL

### A. Godowns

Although in earlier years when the F.C.I. was given freedom to market fertilizers directly, there was need for stocking fertilizers in different areas primarily because of the large scale imports and rapid increase in production, such a need has decreased over the years. The present stage is that in quite a number of areas fertilizers are almost directly supplied from the factory production end to the consuming centres. As a result of this, the Corporation has, it has been stated, progressively reduced its storage capacities in different States as may be seen from the following table:—

| | 1970—71 | | 1971—72 | | 1972—73 | |
|---|---|---|---|---|---|---|
| numbers of godowns | No. | capacity (Tonnes) | No. | capacity (Tonnes) | No. | capacity (Tonnes) |
| Total | 208 | 92,400 | 187 | 82,050 | 25 | 4,900 |

9.2. The twenty-five godowns are all located in Eastern Marketing Zone only.

9.3. The FCI have stated in a written note that the need for storage had been reduced partly because of the wider stretching of the dealership net work wherein each such point stored some quantity of fertilizers and partly because of the shortage of fertilizers. Also the seasonal requirement of fertilizers had over the years, got more evenly distributed because of the introduction of multiple and relay cropping many areas. The fact that the fertilizers were applied in split doses spreadover the crop season at different points of time had also reduced the need for large scale storage requirements.

9.4. In addition, to Corporation's own Warehousing arrangements, the Corporation had also prescribed in different areas that the dealers of the Corporation should have certain storage facilities. The quantity so prescribed varied from place to place depending upon the seasonal demand in different areas.

9.5. Wherever field storage was considered necessary such accommodation was later taken from Central/State Warehousing Corporation wherever available. Where such accommodation was not available, the Corporation permitted hiring of private storage accommodation.

9.6. In this connection pointed out that the Fertilizers and Chemicals Travancore Ltd. laid great emphasis on the development of buffer storage points near the consuming centres to ensure timely and adequate supply of fertilizers to the dealers and farmers, the Committee enquired as to why FCI had progressively reduced its storage capacity. The Chairman-cum-Managing Director informed the Committee during evidence as follows:—

> "We are aware that FACT and even GSFCI (Gujarat State Fertilizer Corporation of India) are maintaining storage godowns from which they are making sales. But we have not undertaken this. On the other hand, because our factories are located in at least five or six different States, we are in a position to despatch the fertilizer from the factories, within a period of six weeks. This is what we guarantee to our dealers that we will be able to supply the fertilizer within six weeks. We have not thought of having godowns sales now. Previously, we were having godowns. We have now reduced this. We are making a study to see whether we should have sales on the same pattern as the GSTC and FACT are doing, so that, we can replace the private dealers in due course. The study is in progress."

9.7. It was also stated that the FCI at present was despatching their products directly to the dealrs, and very limited numbers of godowns of State and Central Warehousing Corporations. When asked whether this procedure would be quicker than having storage godowns at different points, it was stated that 'at the moment because of scarcity conditions it worked out and FCI never had substantial quantities available ever to store."

9.8. The Ministry of Petroleum and Chemicals explained the position as follows:—

> "Sometime back when the fertilizer position was comfortable as a result of which a buyer's market prevailed, it was clearly necessary for producers to have adequate storage dumps as close to the consuming centres as possible. The

position has since changed and in the present context of acute fertilizer shortage where all fertilizers produced have to be moved from factory to field with maximum speed, there is really no need to incur infructuous expenditure on godowning space, which cannot be fruitfully used for fertilizer storage. In this context the Corporation periodically reviews its requirement of storage; based on the reviews the Fertilizers Corporation reduced the number of godowns from 208 in 1970-71 to 25 in 1973-74. From 1971-72, it was noticed that with the quick off-take of fertilizers and with the increase in the total number of dealers appointed by the Corporation the godowns were not being fully utilised. All indents placed on the Corporation are met within a period of six weeks.

As far as FACT is concerned, the large number of godowns is mainly due to the fact the factory does not have any storage space at Udyogmandal. Additionally storage facilities are also required for their mixing centres numbering 14 in all."

9.9. The National Commission on Agriculture has recommended that producers of fertilizers should, in addition to their silo storage at the factory, provide "on the average three months" storage at the consuming centres at intermediate storage points.

9.10. The Secretary of Ministry stated during evidence:

"it is felt that in the present context, it is quite unlikely that producers will have 3 months stocks. This situation is likely to persist for some time except for very brief intercrop periods. In this situation Government feel that it would be adequate if all prospective manufacturers are asked to prepare detailed marketing plans and submit them to Government when they come up for the issue of an industrial licence. The plans would *inter-alia* contain details about the storage at the factory, intermediate and retail levels etc."

9.11. The Ministry of Agriculture informed the Committee that the recommendations covering arrangements for retail distribution and storage have been accepted in principle. It was added that these plans would be considered by the Ministry of Petroleum and Chemicals in consultation with the Ministry of Agriculture.

**9.12. The Committee would like Government/Corporation to keep under review the need for storage of fertilizers at principal**

**consumer centres in the interest of ensuring uninterrupted supplies to the farmers and take timely action in that behalf.**

## B. Physical Verification

9.13. The Internal Audit Report of October, 1970 on Area Office Bangalore for the period April, 1969 to June, 1970 had revealed that the stocks were never verified physically by the officers|officials of the Corporation's Area Office in any of godowns whether belonging to State/Central Warehousing Corporation or hired privately. Similarly physical verification was never conducted in respect of stocks refused by the parties and kept with them on behalf of F.C.I. The aforesaid Internal Audit Report has *inter alia* observed as follows:—

> "We are of the opinion that appointment of our dealers as the custodian of FCI stocks is not appreciated in view of the possibilities of the concealed credit being availed by the party. We, therefore, recommend that this practice of appointment of our dealers as the custodian of FCI stocks should be discontinued in the interest of the Corporation. If at all it is desired to keep our stocks under the custody of our dealer for short period in emergency, arrangement for weekly|fortnightly physical verification by FCI officers|officials should be made to exercise checks on malpractice of concealed credit."

9.14. The FCI has stated that now it stocks its fertilizers either in the Central Warehousing or State Warehousing Corporation's godowns.

9.15. The practice of stocking fertilizers in private godowns was discontinued by the Corporation from 1971. As the stocks are now with the Warehousing Corporation Units, which are public sector undertakings, no physical stock verification was considered necessary by the Corporation.

9.16. The Auditors had also pointed out that in 1970-71 in respect of certain godowns in the Eastern Marketing Zone which were located in widely dispersed areas, in the absence of fool-proof system, the Eastern Marketing Zone was not in a position to fully reconcile the godown stock position with the stocks revealed by the books of accounts. The Board, while noting the point raised by the Auditors, informed them that this matter was already under active consideration of the Management.

9.17. The FCI has stated in a written note in this connection as follows:—

"After completing the overall reconciliation of the godown stock in 1971-72, a total discrepancy of Rs. 4,88,703 was found. Two committees were formed by the Zonal Manager (EMZ) in April, 1971, one Committee to specifically investigate into the shortages found in the West Bengal region, and the other to look into the shortages in Bihar and the M.P. regions. On the basis of the reports submitted by the Committees, it was found that there were claims against railways etc. amounting to Rs. 2 68,507.

After accounting for the claims (Rs. 2,68,507), the balance *i.e.* Rs. 2,20,196 account for the losses in handling of materials for the four years prior to 1971-72 as no complete reconciliation of godown stock was done in earlier years. The Committees set up for the purpose recommended the write off of the losses amounting to Rs. 220,196 as per details given below:—

| | | |
|---|---|---|
| West Bengal | Ra. | 1,16,792 |
| Bihar | Rs. | 45,786 |
| M.P. | Rs | 57,618 |
| | Rs. | 2,20,196 |

Out of a total quantity of 1.25,380 tonnes received and handled in 104 godowns covered by the statement during the four years ending with 1971-72, the shortage was of 323 tonnes only. This works out to 0.26 per cent of the total quantity handled which has been stated is very minor and normal. The Committee were of the view that the shortage were normal and reasonable. The Committee also found that, in no case, malafide intention of custodians of the godowns or staff concerned could be established.

However, a separate committee was appointed by the Zonal Manager (EMZ) to go into the West Bengal Region where the percentage of loss was more than 20 per cent and this committee was of the opinion that no responsibility could be fixed on any person for such losses. In these cases too, the total loss is not very much disproportionate to the quantity handled. For instance, in the case of Deganga godown, the total loss amounted to Rs. 5,374 which was written off because the stock was washed away by heavy floods. This was done on the recommendations of a Committee duly constituted for the purpose by the Zonal Manager.

The amount involved Rs. 2,20 196 was written off for the purpose of adjustment in accounts of 1971-72 with the approval of the Board. However, the Board desired that a detailed report on the losses in the various godowns, after due examination, be submitted to them. A detailed report from Zonal Manager, (EMZ) on the basis of the Committee's findings was submitted to the Board in its 163rd meeting held on 17|18th September, 1973, which noted the position.

The reasons for the above discrepancies in godowns stocks, have been the result of a combination of several operational factors as detailed below:—

(i) short receipt of material;

(ii) Materials received in damaged condition particularly when the seal of the wagon remained intact at the time of delivery at the destination station and on opening the wagons damaged bags were found.

(iii) Materials stored during the off season in bulk quantities for making it available in proper time to the farmer for cultivation and dues to this long storage, gunny bags at the bottom layer were damaged and torn;

(iv) Due to hygroscopic nature of chemical fertilizers, some loss would be inevitable when materials are stored for a considerable period. In the case of Central Warehousing Corporation, an organisation specialised in the maintenance of godowns, the permissible storage loss allowed is as follows:—

| Period | Storage loss allowed |
|---|---|
| Two months . | 2 per cent. |
| Four months . | 3 per cent. |
| Six months . . . . | 4 per cent. |
| Twelve months . . . . . . . . . . | 5 per cent. |

This problem does not exist now, since practically the entire limited stock stored in godowns is in SWC|CWC. godowns which give a certificate at the end of the accounting year to the quantity of stocks held by them and are also responsible for the stocks held."

9.18. The Committee regret to note from the Internal Audit Report of October, 1970 that no physical verification of stocks in any of the godowns in Bangalore area had been done. The Committee are also concerned to find that in 1970-71, in the eastern zone on account of non-reconciliation of stock figures with book balances, a discrepancy of Rs. 4.89 lakhs was noticed. The Committee were informed that as a result of investigation done by two Committees it was found that the discrepancy included claims against Railways amounting to Rs. 2.69 lakhs and the balance of Rs. 2.2 lakhs accounted for losses in handling of materials covering a period of 4 years prior to 1971-72 which were recommended to be written off.

9.19. The Committee are not sure whether claims against Railways had been preferred in time and adequate action taken for their realisation. The Committee would like Government|Undertaking to investigate into the matter and fix responsibility for lapses, if any, in this regard.

9.20. The Committee were also informed that a separate Committee was appointed by the Zonal Manager, Eastern Marketing Zone to go into the losses in handling of materials in West Bengal Region while the percentage of loss was more and this Committee was of the view that no responsibility could be fixed on any person for such losses. The Committee note that ultimately the entire amount of Rs. 2.2 lakhs was written off for purposes of adjustment in the accounts of 1971-72. The Committee were informed that the losses in the godown stocks have been the result of the combination of several operational factors like short receipt of material. receipt of material in damaged condition, storing of material in bulk in off season and hygroscopic nature of the chemical fertilizers. Although according to the Management, such a problem does not exist now, since practically the entire limited stocks stored in the areas are with the States or Central Warehousing Corporations who give the certificate of reconciliation at the end of each year, the Committee are not sure whether such reconciliation of stock has been done in other zones of the Corporation and any losses of this nature have been written off. The Committee would like that this matter should be gone into by the Corporation and result intimated to them. The Committee also recommend Government|Corporation should on the basis of the experience lay down suitable norms for such handling losses and strictly enforce them. The Committee expect Govern-

**ment|Corporation to make prompt and detailed enquiries wherever such norms are exceeded so as to take suitable remedial action.**

C. **Shortages|Excesses**

9.21. The Committee noted from the material submitted to them by the Corporation certain shortages|excesses of finished products|raw materials in the different producing units of FCI. The value of shortages|excesses during the last three years was as follows:—

(Rs. in lakhs)

| | 1970-71 | | 1971-72 | | 1972-73 | |
|---|---|---|---|---|---|---|
| | Shortage | excesses | shortage | excesses | shortage | excesses |
| | 2 | 3 | 4 | 5 | 6 | 7 |
| Sindri . | 29.55 | 29·05 | 40·62 | 15·30 | 29·95 | 29·92 |
| Nargal | 0.05 | 1·33 | — | 2·20 | 0·02 | 0·53 |
| Tormbay | 17.81 | 18·00 | 5·90 | 6·99 | 4·62 | 69·34 |
| Namrup . . | 20.14 | — | 0·26 | 4·70 | 1·54 | 1·20 |
| Gorakhpur . | 28. | 0·03 | 3·30 | — | 0·91 | 3 91 |
| Durgapur | — | — | — | — | 0·33 | — |

9.22. The FCI has stated that broadly speaking the reasons for shortages/excesses are due to: (i) Inaccuracies that creep in while assessing the weight of stock based on volumetric measurement and bulk density method, when the stocks are high; (ii) Inaccuracies in reporting the production on the basis of the weight recorded by the belt weigher; (iii) Recording of weight of bulk raw materials on the basis of RR weight and the inherent losses in transhipment and handling.

9.23. The stock verification at the unit level is conducted every six months and the same is done by a duly constituted Committee appointed by the General Manager. This Committee also goes into the reasons for the verifications and makes suitable recommendations.

> "The FCI has further stated that for the purpose of finalisation of accounts such shortages|excesses were to be adjusted at the end of March every year. The Board had approved such shortages/excesses for the purposes of adjustments in the accounts of the relevant year. However,

while adopting the accounts for the year 1969-70, the Board approved the appointment of a survey team consisting of M|s. A. F. Ferguson & Co. auditors and a selected technologist from outside FCI for going into the whole question of shortages. This survey team submitted its report in August, 1971, but they could not make specific recommendations in regard to the norms of losses in the various areas because of the complexities of the operations involved. They made certain specific recommendations for improvement in weightment|stock taking procedures, but suggested that a further study would be required to evolve norms for shortages in the various areas of operation. The report was considered in the Internal Consultative Committee in January, 1972 which desired that the General Managers should study the report in detail and forward their comments. The matter was again discussed in the Internal Consultative Committee meeting held in April, 1972 along with the comments of the General Managers. While accepting some recommendations of M|s. Ferguson team, the Internal Consultative Committee desired that the General Manager should review further in certain other areas and that a detailed manual for stock taking procedure should be evolved. The fixation of norms and losses was referred to a committee headed was by Shri Duleep Singh, General Manager, Trombay.

The above position was reported to the Board in its 149th meeting held on 25th|26th July, 1972, which noted the Internal Consultative Committee decisions. The Board, however, directed that the Committee should also submit a special report on Sindri. It was further desired by the Board that this committee should go into the problems in all its details and make suitable recommendations after ascertaining the practice and procedure in regard to accounting of shortages in other fertilizer factories like I.E.L. Kanpur, M|s. Shri Ram Fertilizers, Kota, G.S.F.C. Coromandal, TISCO, HSL etc. The Board also desired that this exercise should be followed up by a visit of a team from FCI to foreign plants for collecting similar information.

The FCI has further stated that the General Manager, Trombay has already initiated this study and different fertilizer industries in India had already been addressed enclosing questionnaire. Necessary action is being taken by General Manager, Trombay and case is being followed up.

9.24. During the evidence, the Chairman-cum-Managing Director informed the Committee in this connection as follows:—

> "Excesses and shortages are arising because of our handling large quantities of materials and measurement of these materials in tonnage quantities can never be accurate and there will be some error of judgement. Then, at the time of annual stock taking, which is done by volumetric method, there would be errors creeping into, on account of this, in the valuation of the stocks."

9.25. As for excesses in stock, he further explained that:—

> "We are measuring the production, as the raw materials are passing into the plants. There are bulk weighers available. Figures are taken from them and if they are showing excess reading, then, the books will show that excess has been consumed, but, at the time of stock taking, we will come to know that excess has not been consumed and that is in the stock."

**9.26. The Committee regret to note that even though the Corporation has been in existence for as many as 14 years, it has failed to evolve suitable stock taking procedure and norms for shortages of finished products|raw materials. It was only while adopting the Accounts for 1969-70 the Board approved the appointment of a Survey Team consisting of M|s. A. F. Ferguson & Co. Auditors and a few selected technologists to go into the whole question. Even this survey team which submitted its report in August, 1971 could not make specific recommendations for losses in various areas, although they made certain specific recommendations regarding improvement in weighment and stock-taking procedure. While accepting these recommendations of M|s. A. F. Ferguson & Co. team, the Internal Consultative Committee in April, 1972 desired that Corporation should carry out a further review in certain areas and a detailed stock taking manual should be prepared. The Committee find that the task of fixation of norms of losses has been referred to another survey team headed by General Manager, Trombay which has to go into the problem, in all details and make suitable recommendation after ascertaining the procedure in other fertilizer factories. The Committee deprecate the inordinate delay in evolving a suitable stock taking procedure and fixing norms for shortages of finished products|raw materials. The Committee recommend that the study by the Survey Team in this regard should be completed soon and a comprehensive stock taking manual got ready for the guidance of the Corporation. The Committee would like to be informed of the progress made.**

# X

## CONCLUSION

10.1. The Fertilizer Corporation of India Ltd. was formed by the Government of India as a single company w.e.f. 1st January, 1961 in order to ensure unification of control of fertilizer units in the public sector. The Management of the then existing State owned Fertilizer Units at Sindri, Nangal and Trombay was placed under its control.

10.2. A separate nucleus marketing organisation was set up in the Fertlizer Corporation of India in 1965. This was the time when there was large increase in the consumption of fertilizers in the country and the recognition of the need to accelerate consumption as well as production of chemical fertilizers. From 1966 to 1969 the Government of India adopted a policy of progressive decontrol giving freedom of marketing fertilizers to the manufacturers. In 1970 in the context of augmenting food production through scientific farming, in which fertilizer was one of the most important inputs, an integrated marketing concept was formulated. In April, 1970, the Board of Directors of Fertilizer Corporation of India Ltd. appointed a high level Committee to formulate plans for Marketing Division. The recommendations of this high level Committee are stated to be under progressive implementation.

10.3. During the course of examination of the marketing and distribution aspects of the Fertilizer Corporation of India ltd., the Committee find that:—

(i) the consumption of fertilizers in India has increased from 19.82 lakh tonnes in 1969-70 to 27.83 lakh tonnes in 1973-74.

(ii) the capacity for production of nitrogen and phosphatic fertilizers in the country has increased from 16000 tonnes at the beginning of the First Five Year Plan (1951-52) to 24.98 lakh tonnes at the end of the Fourth Five Year Plan (1973-74). This capacity is expected to further increase to 82.54 lakh tonnes by the end of the Fifth Five Year Plan.

(iii) The Fertilizer Corporation of India which came into existence on 1st January, 1961 has developed its production capacity from 1.17 lakh tonnes of nitrogen to 3.86 lakh tonnes of nitrogen and 36000 tonnes of phosphate till, 1972-73.

(iv) The Corporation has in hand twelve major projects in different stages of execution and these when completed will add 17.29 lakh tonnes of nitrogen and 3.19 lakh tonnes of phosphatic fertilizers to the existing capacities.

(v) In consonance with the Government's policy of marketing a progressively larger share of fertilizers through the Co-operatives and institutional agencies, the Corporation has also progressively increased marketing of their fertilizers through cooperatives to approximately 50 per cent of their production.

(vi) The Corporation has also a net work of 2639 small dealers as on 31st March, 1973 for maketing and promoting their products. As much as 86 per cent of these dealers are within the off-take group of less than 500 tonnes per annum and less than one per cent in the off-take group of 5000 tonnes or more thus indicating that more small dealers have been engaged in distribution.

(vii) Since, 1970 the F.C.I. has introduced an Entrepreneurship Development Scheme by which educated unemployed are also given dealership of fertilizers. This scheme was extended in 1972 to disabled service personnel of Indo-Pak War of 1971. The total number of dealers under this group as on 30th June, 1973 was 907.

(viii) The promotional activities of the Corporation have been intensified during 1972-73 and the Corporation has laid down emphasis on the quality of the demonstration programmes, which were essentially laid out after proper soil testing. More number of field days were organised centrising each demonstration to expose more number of farmers to well organised demonstrations.

10.4. The Committee, however, find that—

(i) The annual consumption of fertilizers in India achieved during the years 1969-70 to 1973-74 has been consistently less than targets of consumption.

(ii) The gap between consumption of nitrogen and phosphate fertilizers and indigenous production thereof has been increasing from 8 lakhs tonnes in 1969-70 and is expected to be of the order of 18 lakhs tonnes by the end of the Fifth Plan.

(iii) The development of capacity of production of fertilizers in the country fell short of targets during Second Five Year Plan by 60 per cent, in Third Five Year Plan by 46 per cent and in Fourth Five Year Plan by 40 per cent.

(iv) There has been delays ranging from 1½ years to 3½ years in the implementation of the projects which are under various stages of execution.

(v) The overall production performance of the Corporation has been only 74.3 per cent of the installed capacity.

(vi) The total expenditure on sale and distribution including promotion and publicity has increased from Rs. 199.36 lakhs in 1970-71 to Rs. 279.47 lakhs in 1972-73. Consequentially the expenditure per tonne of material handled has also risen from Rs. 18.39 per tonne in 1970-71 to Rs. 26.17 per tonne in 1972-73. Neither the Government nor the Corporation has so far made an analytical study of the marketing costs and proforma accounts of the Marketing Organisation are being maintained only from the year 1973-74.

(vii) Distribution of fertilizers through the Cooperatives has put the Corporation to certain disadvantage with regard to distribution margin and lifting of slow moving products.

(viii) From a few cases, which came to the notice of the Committee through internal audit reports, the management in their anxiety to dispose off large stocks of fertilizers which the Trombay and the Sindri Units had during 1966 to 1970-71, adopted certain measures, which cannot be considered to be financially sound. These irregularities indicate laxity of financial and administrative control in the Corporation.

(ix) The Corporation has failed to evolve suitable stock taking procedure and norms for shortages of finished products/raw materials.

10.5. The Committee appreciate the work done by the Corporation in carrying the fertilizer message to the farmers in the different parts of the country. The Committee cannot strongly underline the need for a determined effort being made by the Fertilizer Corporation to work the existing plants upto the full capacity, to commission without further delay plants which have already been set up but which are awaiting commissioning for several years and take concerted measures to see that the new plants with a capacity of 9.25 lakhs tonnes which are required to be put up by the Corporation in the Fifth Plan, go on stream on time. The best service that the Corporation can render at the present juncture is to maximise production, develop fertilizers mix, suited to the requirements of principal crops, make fertilizers available to the farmer in time and at reasonable prices and provide guidance and assistance by way of soil testing and proper application of fertilizers, etc.

NEW DELHI;
*April* 20, 1974
*Chaitra* 30, 1896 (*S*).

SUBHADRA JOSHI,
*Chairman,*
*Committee on Public Undertakings.*

## APPENDIX

*Summary of conclusions|recommendations of the Committee on Public Undertakings contained in the Report*

| S. No. | Reference to para No. | Summary of conclusion/recommendation |
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| 1 | 2 | 3 |
| 1 | 2.31 | The Committee regret that in spite of the acknowledged role of fertilizers in augmenting the agricultural production in the country, the annual consumption of fertilizer achieved during the years 1969-70 to 1973-74 has been consistently less than the targets of consumption. The Committee note that the consumption of fertilizers in India in 1970-71 has only been of the order of 13.2 Kg. per hectare, the lowest in comparison with consumption of fertilizers in other countries. The Committee recommend that in the context of persistent food shortage in the country, Government should take concerted measures to increase the tempo of consumption of fertilizer and achieve at least the modest targets laid down. |
| 2 | 2.32 & 2.33 | The Committee also find that the gap between indigenous production and consumption of fertilizer in the country has been of the order of 8 to 11 lakhs tonnes of both Nitrogen and Phosphatic fertilizers during each of the years 1969-70 to 1972-73 and consequentially the imports during this period ranged from 4.79 lakh tonnes to 9 lakh tonnes per year. According to the present anticipations the consumption of fertilizer is expected to double during the Fifth Five Year Plan. Though the production is also |

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| | | expected to rise, the gap would still persist and is expected to be of the order of 18 lakh tonnes by the end of Fifth Plan.<br><br>The Committee are convinced that the main reason for low consumption in India is lack of availability of fertilizers. In view of the world wide shortage of fertilizers and the phenemonal increase in import price of fertilizers, the Committee apprehend that import of fertilizer would become more and more difficult in the coming years. |
| 3 . | 2.34 | The Committee find that the development of capacity for production o ffertilizers in the country feel short of the target during 2nd Five Year Plan by 60 per cent. The Committee cannot but conclude that such heavy shortfalls in the development of capacities in the core sector of Plan indicate that well coordinated and systematic efforts were not made to achieve the Plan target. The Committee also note that the existing capacity in the public sector is likely to be raised four-fold from 13.30 lakhs to 58.85 lakhs tonnes by the end of the 5th plan. Considering past performance the Committee cannot too strongly emphasise the need for planning in depth and concerted efforts on the part of all concerned with the fertilizer industry to see that the target laid down is in fact achieved in the interest of making available this essential input for increasing food production. |
| 4 | 2.35 & 2.36 | In so far as the FCI in concerned, the Committee find that when it came into existence on 1st January, 1961, it had a capacity of 1.17 lakhs of nitrogen, which increased to 3.86 lakhs of nitrogen in 1969-70. As admitted by the Secretary, Ministry of Petroleum and Chemicals during evidence "This remains the capacity as of today." Development of capacity to only 3.86 lakhs of nitrogen over as long a period as 12 years, cannot |

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| | | be regarded as impressive. The Committee note that as many as 12 projects, which are under various stages of implementation and which may add a capacity of 17.29 lakhs tonnes of nutrients have not come up on schedule. The delays in these projects have ranged from one and half years to three and a half years. The delay has been maximum in the case of Durgapur project, where although mechanical erection of the plant was completed in October, 1971 it had taken almost two years to bring it to production and even now the plant is stated to working at only 50 to 60 percent of its capacity. <br><br> The Committee find that the production performance in the existing five plants of the Corporation during 1972-73, has been of the order of 91 per cent at Trombay, 78 per cent at Namrup, 86 per cent at Gorakhpur, 68 per cent at Nangal and 67 per cent at Sindri, of the installed capacity, the overall achievements for the FCI being 74.3 per cent. The Committee recommend that in order to step up the production of fertilizers, the Corporation should undertake a plant\| project-wise review of the bottlenecks in production in each of its plants so as to diagnose the causes for low-production and find solutions to overcome them in the interest of maximising production. |
| 5 | 2.37 | The Committee are informed that the Ministry is proposing to set up a Cell to monitor and evaluate the performance of various units both in the public and private sector. The Committee feel that such a step should have been taken long ago at least in the beginning of the fourth Plan when development of the industry was projected on such an ambitious scale so that problems could be indentified and resolved in time. The Committee hope that this Cell to be manned by the best experts with proven administrative skill, will come into existence without further |

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| | | delay and will be given the requisite backing in Government and in the field to press into full production the plants already installed and in achieving four-fold increase in production envisaged in the Fifth Plan. The Committee would like to be informed of the concrete measures taken in that behalf. |
| 6 | 3.29 | The Committee note that in the initial stages based on the decision of a Committee of Directors, a seperate marketing organisation was set up in each zone with specific functions like sales distribution, promotion, etc. The Committee also find that the Marketing Division has been progressively expanding and the present strength of the organisation is 2025. In view of the wide gap between the demand and the availability of fertilizers in the country, the Committee see no justification for such an elaborate organisation merely for the promotion of the fertilizers except when newer varities of fertilizers are to be introduced in the near future, requiring a major marketing effort. The Committee are now informed that a policy decision has been taken in March, 1973 that at least 50 per cent of the FCI's distribution would be through cooperative societies and other institutional buyers. The Committee recommend that consequent on this decision, the Government\|Corporation should consider the question of rationalising the strength of the Marketing Division with a view to utilise the staff not required for marketing in other productive and gainful activities and expansion programmes of the Corporation including the task of educating the farmers about the correct application and dosage of fertilizers. The Committee trust that Government\|FCI would make suitable arrangements with the cooperatives so that when the cooperatives take over more and more distribution of fertilizers, they accept the |

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| | | responsibility for marketing the newer products as well along with the established fertilizers. |
| 7 | 4.22 | The Committee note that on the advice of the Government of India, the Fertilizer Corporation of India took a policy decision in March, 1973 that thereafter in each state, at least 50 per cent of the production of FCI should distributed through cooperatives and other institutional buyers and for this purpose, this quantity would be placed at the disposal of the State Government. The Committee understand that while some State Governments desire that this percentage should be increased some other were reluctant even to take 50 per cent share. The Committee also find that this decision has also put the FCI to certain dis-advantage with regard to distribution margin and lifting of slow moving products. The Committee understand that the entire question of entrusting greater share of fertilizers for distribution through cooperatives and the financial imlications there of are being examined by Quarishi Committtee. The Committee would like Government to rationalise the margins in such a way that the Fertilizer Corporation of India is not put to any marked disadvantage in increasing the percentage of distribution of its products through cooperatives/public channels. |
| 8 | 4.23 | The Committee regret to note that the view that cooperatives, institutional agencies, Agro Service Centres, etc. should be more and more utilised for distribution of fertilizers. recommend that the procedure for distribution should be so streamlined that the farmers at the village level particularly the small farmers get the desired inputs in time. The Committee recommend that the Ministry in consultation with the State Governments should make suitable provision to include in the membership of the co- |

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| | | operatives representatives of small farmer in larger number. |
| 9 | 4.24 | The Committee note that in order to regulate grant of credit to the farmers by the Cooperatives Banks, the Reserve Bank of India had not only asked the Banks to set apart a minimum percentage their lending to small farmers under the marginal farmers scheme but also to maintain seperate records in respect thereof. It is also understood that while about 50 per cent of the loan sanctioned is granted in cash the rest is made available in the form of inputs like fertilizers, etc. The Committee recommend that Government should keep these arrangements under close and continuous review so that farmers particularly small farmers get fertilizers and the agricultural inputs at the right time and in adequate quantities at fair prices. |
| 10 | 4.36 | The Committee note that the Corporation is also utilising small dealers as a channel for distribution of fertilizers and the Committee find that out of 2639 dealers on 31-3-1973, 43.5 per cent were dealers with an annual turn-over of 50 tonnes or less, 10.4 per cent with a turn-over of 100 tonnes or less, 13.4 per cent with a turn-over of less than 200 tonnes or less, 10.4 per cent with 500 tonnes and 1000 tonnes. While nothing that more and more small dealers have been introduced in the distribution of the fertilizers, the Committee would like the Corporation to exercise utmost care and caution at the time of selection of dealers, so as to ensure best service to the farmers as also obviate defalcation of money. The Committee stress that names of dealers guilty of indulging in malpratices should be removed forthwith from dealership so that it acts as a deterrent to others. |
| 11 | 4.37 | The Committee note that some State Governments like Maharashtra and Tamil Nadu have |

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| | | recently introduced a ration card system to ensure fair and equitable distribution of fertilizers to the farmers. The Committee would like Government to study closely the experience and working of the system in Maharashtra and Tamil Nadu so as to have it extended urgently to other States as shortages in fertilizers are being extensively experienced and would last for some years as per present indications. |
| 12 | 4.45 | The Committee note that the Corporation has introduced an Enterpreneurship Development Scheme in 1970-71 for training graduates with a view to offering them dealerships. The Committee are informed that this scheme has been extended to disabled soldiers and dependents or widows of those killed in December, 1971 war. A scheme for providing financial assistance to this category of dealers is stated to be awaiting approval of the Planning Commission While the Committee feel that it should be the endeavour of the Government FCI to see that these socially desirable categories are also helped the Committee recommend that a critical evaluation of the scheme should be under taken with a view to seeing that the expenditure incurred on the schemes is commensurate with the results achieved and that these agencies would subserve the larger objective of making the fertilizer available in time to the farmers. Particularly the small farmers. |
| 13 | 4.59 | The Committee note that total expenditure on sale and distribution including promotion and publicity has increased from Rs. 199.36 lakhs in 1970-71 to Rs. 279.47 lakhs in 1972-73. Consequentially, the expenditure per tonne of material handled has also risen from Rs. 18.39 per tonne in 1970-71 to Rs. 26.17 per tonne in 1972-73. The Committee are informed that the selling and distribution expenses is of the order of 3 per cent of the turnover exclusive of distribution margin |

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| | | and freight and if these are added, the cost of distribution may work out to about 15 per cent of the turn-over value. The Committee consider that in the present conditions of scarcity of fertilizers, which are likely to continue for some years, the increase in expenditure on sales and distribution is not justified. The Committee are also surprised that so far no analytical study of the marketing cost was undertaken either by Government or by the FCI nor any proforma accounts were maintained to assess the financial results of working of each marketing zone. The Committee need hardly stress the imperative need for making such an analytical study so that FCI could identify areas where economics in cost could be effected and procedure activities for marketing streamlined. The Committee would like every economy to be effected in publicity and Sales Organisation in the interest of reducing to the minimum such overhead expenditure. |
| 14 | 4.62 | The Committee note that at present there are Consultative Committees at the State and District levels which help in solving the day-to-day problems in the distribution of fertilizers. The Committee recommend that these Committees should become broad-based so as to include representatives of small farmers also so that, that Committee can take into account the difficulties of small farmers in obtaining the fertilizers in deciding the distribution. The Committee suggest that the stock position of fertilizers with dealers should be given wide publicity so that the consumers may obtain their requirements without difficulty. |
| 15 | 5.17 & 5.18 | The Committee note that the Corporation spent Rs. 104.86 lakhs in 1971-72 and Rs. 137.32 lakhs in 1972-73 on promotion and publicity activities. An analysis of this expenditure has shown that the percentage of expenditure on |

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| | | promotion alone account for 27.9 per cent of total marketing and distribution expenditure in 1971-72 and 43.9 per cent in 1972-73. The expenditure on publicity has, however, gone down from 10.9 per cent in 1971-72 to 5.2 per cent in 1972-73. The Committee note that the Corporation has already taken steps to reduce the expenditure on publicity. They have no doubt that Government\|Corporation would effect further economies as fertilizer being scarce in the market no useful purpose should be served by insertion of advertisements in newspapers whose circulation in any case is mostly confined to urban areas. The Committee need hardly stress that the Corporation should continue to lay emphasis on soil testing and other after-sales services which would effectively assist in stepping up production. The Committee also suggest that where the farmers are already fertilizer conscious, the Corporation should concentrate its activities in rendering technical advice and assistance through field demonstrations with a view to educate them about the economic and advantages of the use of balanced fertilizers.<br><br>The Committee note that the entire promotion programme of the fertilizer industry, the States and the Government of India is coordinated at the State level by coordination committees. The Committee understand that the strategy of the Fertilizer Corporation of India has been to concentrate the activities of fertilizer promotion around their units with a view to promote sales and use of fertilizers within their economic zones. The Committee recommend that areas where promotion programmes are to be launched by the Fertilizer Corporation of India or the State Government should be clearly delineated to avoid any overlapping and at the same time ensure that no particular area gets neglected. |

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| 16 | 5.26 | The Committee note that the level of consumption of fertilizers in the Eastern Zone is much lower than in the Southern and Northern Zones. It was stated that it was due partly to historical reasons but mainly because of larger rice tracts in this zone. The Committee were informed that promotion programmes have already been launched in the context of new plants coming up in the Eastern Zone. The total production of the FCI in the Eastern Zone when all the plants are commissioned is expected to increase from 0.1 million tonnes to 2.15 million tonnes and the level of consumption will have to be stepped up five folds to absorb the increased production. In view of this, the Committee feel that the best form of promotional activities in the Eastern Zone should be to develop potential markets in advance for the products to be manufactured by the new plants like Haldia etc. and familiarise the farmers in the use of the new products. |
| 17 | 5.30 | The Committee note that the Corporation tried a package approach of making available vital inputs including fertilizers and finance in 'Waduth' Village in Maharashtra. It has been claimed that this experiment was a success and the total revenue from agricultural crops in this village is stated to have risen from Rs. 2 lakhs to Rs. 22 lakhs per annum. The Committee were informed during evidence that this approach was being adopted in 17 selected villages all over India. The Committee recommend that as stated by the Chairman and Managing Director of Corporation during evidence this being quite an expensive approach, the Corporation should critically evaluate the impact of this approach and thereafter consider the desirability of extending it to other villages in a phased manner. |

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| 18 | 5.40 & 5.41 | The Committee note that soil testing is an integral part of the fertilizer promotion programme and forms the basis for advising the farmers as to the correctness and balanced dosage of fertilizers for a particular crop in different soil conditions. It is in fact the pivot round which the entire programme of promotion and extension revolves. The Committee also note that in Fertilizer Corporation of India as a premier organisation in the fertilizer field has taken the lead and made elaborate arrangements for soild analysis free of cost for the benefit of the farmer, and for this purpose, the Corporation has set up 12 static and 9 mobile laboratories. The Committee also note that the Department of Agriculture have, in addition, under the Centrally sponsored fertilizer promotion programme set up mobile soil testing laboratories in the States and Union Territories and have further programmes in the Fifth Plan to augment the number of these laboratories and strengthen them. |
| | | The Committee recommend that the Government/Corporation should ensure that their programmes are integrated with the promotional measures of the State Governments and the fertilizer industries to avoid any over lapping. The Committee suggest that promotional efforts of the Corporation should be linked with its production programmes in order to promote the use of different types of fertilizers produced by it in the interest of increasing agricultural output. The Committee recommend that the Corporation should periodically evaluate the implementation of the soil testing recommendations to the farmers with a view to seeing that the advice given to them is actually followed and results in increased agricultural production. |
| 19 | 5.42 | The Committee also understand that in order to coordinate and monitor the functions of soil |

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| | | testing, it is proposed to set up a Soil Testing Service Institute at Faridabad during the Fifth Five Year Plan. The Committee hope that with the setting up of the Central Institute, it would be possible to achieve well established standards for soil testing. |
| 20 | 5.48 | The Committee note that the Corporation took up seeding programme for the first time in 1969-70 for introducing suphala in the Trombay Zone and has since expanded this sphere of activity to the Eastern Zone where it is poised to introduce new varieties of fertilizers by 1978-79. The Committee find that the seeding programme of the Corporation suffered a set-back due to delay in obtaining adequate quantities of fertilizers from imports. In the case of its requirement of ANP it was stated that the Corporation's requirements in 1970-71 had been received by Government too late to enable them to be imported from abroad. The Committee recommend that requirements for seeding programmes should be assessed and arrangements made for tying up with the foreign exchange essential for importing the materials well in advance to ensure that seeding programmes do not suffer a set-back for want of seeding materials. The Committee need hardly stress the necessity for a well coordinated timely and concentrated action in this regard so as to enable the Corporation to organise the seeding programmes in the interest of development of the market for various types of fertilizers to be manufactured by it. |
| 21 | 6.10 | The Committee note that in respect of three straight nitrogenous fertilizers, the prices are fixed by the Government of India under the Fertilizer Control Order promulgated under the Essential Commodities Act. In respect of other |

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| | | fertilizers on which there is no statutory control, the prices are being fixed in keeping with the prices of fertilizers distributed through the Pool. The Committee stress that the prices of fertilizers should be got prominently displayed for the information of the customers. The Committee are informed that the Fertilizer Corporation of India keeps liaison with the State Governments and that action is taken against the offenders under the Fertilizer Control Order\|Essential Commodities Act. The Committee stress that an effective watch should be kept on the distribution arrangements for fertilizers under the Essential Commodities Act so that anyone infringing the price control is proceeded with promptly and awarded deterrent punishment. The Committee would like Central Government to maintain a close liaison with State Governments to ensure that the powers available under the Essential Commodities Act and the State inspection machinery are put to full use in the interest of making available fertilizers to the farmers at prescribed prices. |
| 22 | 6.11 | As admitted by the representative of the Ministry during evidence on 20th December, 1973, the prices of fertilizers in India are amongst the highest in the world. The Committee were informed that the high prices were due to the high cost of production of domestic fertilizers and the increase in the price of the imported fertilizers. The Committee stress that the FCI should take concerted measures to see that the capacity of the plants is put to full use and all economies in production observed to ensure that fertilizers are made available to the farmers at competitive prices. |
| 23 | 6.16 | The Committee find that Government have accepted the suggestion to have the price of |

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| | | fertilizers marked on the bags. The Committee desire that necessary steps should be taken without delay by Government to amend the Fertilizer Control Order so as to make it obligatory on the part of the manufacturers to indicate suitably the price of the fertilizers on the bag so that it may serve as a guide to the consumers to pay the appropriate price and nothing more. |
| 24 | 7.10 | The Committee find that the Fertilizer Control Order 1957 issued under the Essential Commodities Act, 1955 provides for standards and enforcement thereof so that both the quality and plant nutrient contents of fertilizers distributed to the farmers are of the highest order. The State Government have their inspection machinery to take frequent representative samples and test them through State Control Laboratories to maintain a check on the quality of fertilizer supplied to farmers. Though the Committee were assured by the FCI that pilferage or adulteration of fertilizer at the point of production was completely ruled out, they were informed that it had not been possible to work out a foolproof system of guarding against pilferage and adulteration completely. The Committee urge that the State Governments may be advised to tighten their enforcement machinery and develop quick and foolproof methods for spot-detection of unscrupulous dealers indulging in adulteration of fertilizers and deal with them sternly. |
| 25 | 7.11 | The Committee also recommend that the standards evolved by the Indian Standards Institution for storage of packed fertilizers should be made use of if and when construction godown for storage of fertilizers is found necessary. |

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| 26 | 8.14 | The Committee note that a private firm in Baroda placed orders for Sindri ammonium sulphate and ammonium sulphate nitrate for 3000 and 4500 tonnes respectively in April, 1970. The Committee regret to note that on the suggestion of the firm, the Corporation not only agreed to store the material in the godowns of the firm, even before the sale was effected and to sell them subsequently thus avoiding Central Sales Tax, but also allowed the firm to have the keys of the godowns contrary to the practices of the FCI. The Corporation allowed credit facilities to the firm without verification of the credit worthiness of the firm. It was also reported that in September, 1970 there were floods and part of the fertilizers from the godowns was washed away. When debit note for the value of the fertilizers washed away was sent to the firm, the debit note was not accepted by the firm. The Committee are surprised to find that in spite of these and also certain cheques for interim payments given by the firm having bounced from the Bank without encashment, the Corporation continued to supply the material; with the result that for supplies made by the Corporation to the firm, a sum of Rs. 5.83 lakhs was outstanding for payment as on 31st March, 1973. The Committee also note that the FCI could not take any legal action against the firm as the letter of the firm placing the firm order with the Corporation was reported to be missing. The Committee are informed that an Enquiry Committee was appointed in March, 1972 by the General Manager, Trombay to go into the matter in detail. The Enquiry Committee in its Report given in January 1974 have stated that they have not been able to locate any letter of discussions held with the firm for supply of material, the Sales Manager had not exercised any control, there was no inspection |

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| | | of any of the centres even once, the keys of the godowns were allowed to be with the firm at the discretion of the Area Manager without knowledge of the higher authorities, adequate care was not taken to safeguard the stock and there was no partition wall to separate the stocks of FCI from those of the firm, that "unfortunately all the defaulting officers namely, the Deputy Marketing Manager, Sales Manager and Area Manager, Gujarat who were entrusted with this work have since left this organisation and are no longer available to render full details of the case. The Area Manager resigned while on leave and did not hand over charge to anyone. Final settlement of his account has, therefore, been withheld." The Committee fail to understand as to how the officers connected with the case were allowed to leave the organisation when an enquiry into the case was in progress. The Committee take a serious view of the whole case and recommend that Government should immediately make a thorough probe into the matter and fix responsibility for the lapses after taking into consideration the recommendations of the Enquiry Committee. |
| | | The Committee also recommend that the Corporation should take steps to realise the amount due from the firm expeditiously. |
| 27 | 8.32 & 8.33 | The Committee regret to note that the Corporation gave dealership to a firm in Bijapur (AP) in June, 1969 on certain terms and conditions, without verifying the credit worthiness of the party, and made supplies of fertilizers to the party without any sales agreement therefore. According to Internal Audit, a sum of Rs. 5.10 lakhs was stated to be outstanding against the |

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| | | party for supplies made to it from December, 1969 to March, 1970. The Committee also find that as the party failed to make the payment, a suit was filed against the party on 8th February, 1973 and it is still awaiting final hearing. The Committee are surprised to find that the shortcomings in the csae were never reported to the higher authorities and it was only when the outstandings were reviewed and the case was referred to CBI some time in December, 1971 that the case came to the notice of the Director of Production. From the report of the CBI on the 23rd December, 1972, the Committee find that even as early as July, 1971 an Enquiry Committee was appointed by the Director of Production to review the overdue balances of the area office and according to the report submitted by the Enquiry Committee in November, 1971, the Sales Manager had exceeded his powers of authority in allowing large scale credit to the party. The investigation by the CBI disclosed that the financial standing of the party was far from satisfactory. Both the Sales Manager and the Accounts Officer had disregarded the instructions of the Corporation and did not obtain prior approval of the terms and conditions from the General Manager and the Accounts Officer were not even aware of the huge quantities of fertilizers supplied to the party. The Committee are concerned to find that in spite of the Enquiry Committee Report of November, 1971 and subsequently when the investigation by the CBI was taken up on December, 1971 the Sales Manager was allowed to resign on 28th December, 1971 and was relieved of his duties on 13th January, 1972. The Committee take a serious view of the matter and recommend that Government should investigate into the whole affair and fix responsibility for the lapses. |

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| | | The Committee are also informed that though the CBI recommended departmental action against the Senior Accounts Officer, action against him had been kept pending investigation by CBI in another case. The Committee would like to be informed of the results of the enquiry and the action taken against him. The Committee would also like to be kept informed of the further developments of the case and the concrete action taken against the delinquent officials. |
| 28 | 8.45 to 8.49 | The Committee note that sum of Rs. 1.66 lakh was outstanding against a firm in Bombay on 31st December, 1972 in respect of Suphala sold to them on April, 1971. The Committee regret to note that Trombay Unit in contravention of the usual terms and conditions of release of goods by Railway Receipts retired through Bank gave indemnity bond to the Railway Authority to clear the goods without production of RRs without the knowledge of the Bank with the result that the Corporation was asked by the Bank to collect its dues directly from the party. The Committee find that the party had given one cheque book to one of the officers of the Trombay Unit duly signed for using the cheque book. A cheque for Rs. 1.7 lakhs issued out of cheque book was dishonoured by the Bank as the party had stopped payment of the cheque. The Committe deprecate the system of receiving payments through pre-signed blank cheques. |
| | | The Committee find that when the legal notice was served on the party to realise the outstandings, it made counter claims on 29th May, 1972 to the extent of Rs. 3.36 lakhs towards commission, rebate, claim for damages etc. and allowed the matter to drag on till January, 1973. |

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| | | The Committee also find that the Corporation took a decisin on 2nd January, 1973 to recover the dues of Rs. 1.5 lakhs from the party by offering them straight nitrogen fertilizers. Accordingly towards the cost of such fertilizers, an addition of Rs. 50,000 per wagon was collected from the party to liquidate the old dues and the party was asked to furnish a bank guarantee of Rs. 1.1 lakhs. Though the party completely liquidated the dues including the payment for the straight fertilizers delivered to them partly by cash and partly by bank draft, the firm so managed that the sight drafts received by the bank were not presented to them. |
| | | The Committee are not happy at the manner in which the entire case has been dealt with *viz.* not enforcing the terms and conditions of the purchase order releasing the RRs on indemnity without the knowledge of the bank and accepting pre-signed blank cheques which were ultimately dishonoured. The Committee would like that entire matter should be thoroughly investigated and responsibility for the lapses fixed with a view to taking action against the delinguent officials. |
| | | The Committee have been informed that the party had completely liquidated the dues including the paymet for straight fertilizers delivered to them partly by cash and partly by bank drafts. The Committee are not sure whether in reaching the settlement, the counter-claim made by the firm were taken into account and the settlement effected in the best interest of the Corporation. The Committee would like to be kept informed of the position. |
| 29 | 8.52 | The Committee note that a Fertilizer company of Madras owed a sum of Rs. 451 lakhs as on 16th January, 1971, for supplies made to it by |

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| | | the Corporation. After setting off Rs. 91,000 on account of shortages\|damages etc. the party agreed to make the payment of the balance in 12 instalments, for which the party issued 12 post-dated cheques to be presented on different dates. Though nine of the cheques were cashed, three cheques bounced back as the dealer had instructed the bank not to honour them. The Committee do not see any justification for accepting postdated cheques against dues without verification of the fiancial soundness of the party or firm. The Committee are shocked to note that according to the Internal Audit the ledger account of the party was highly unreliable. The Committee were informed that the outstandings were reduced to Rs. 54,000 in July, 1973. However, certain discrepencies in the accounts of the party came to light in December, 1973 as a result of which the outstandings against the party rose to the extent of Rs. 3.07 lakhs. The Committee were also informed that the party has put forth a counter claim to the extent of Rs. 1.99 lakhs which is still stated to be under scrutiny. It is not clear whether even now ledger account of this party has been thoroughly verified to ensure that no amount realisable from the party has been omitted therefrom. The Committee feel concerned with the way in which the accounts of the party were maintained. The Committee recommend that this matter should be critically examined so as to pinpoint the lapses and take suitable measures to set right the position. |
| 30 | 8.58 to 8.60 | The Committee note that credit sales were made to a distributor in Madras on the understanding that the party would furnish a bank guarantee for Rs. 5 lakhs. Subsequently after discussions the party agreed to have a revolving |

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| | | letter of credit for Rs. 3 lakhs and efforts were made by the Corporation to obtain the bank guarantee. The Committee also note that though a form of bank guarantee for Rs. 2 lakhs was sent to the party no such guarantee was executed. Credit sales were made to the party in spite of repeated instructions from Trombay Unit that no other should be booked on credit sales. The Internal Audit has observed in July, 1972 that the accurate amount of outstanding against the firm could not be determined. Though the party had given cheques to the extent of Rs. 1.03 lakhs some three months back it had requested, according to the Area Manager, not to present the same to the bank and the cheques were stated to be in the custody of the Trombay Office. The Committee ar informed that as on 31st October, 1973, only Rs. 8,000 is outstanding against the party and claims of the party for transport rebate, etc. to the extent of Rs. 19,000 are under scrutiny by the Unit. |
| | | The Committee fail to understand why deviation was made from the terms originally agreed upon and clean credit sales allowed to the firm without insisting on bank guarantee for the full amount. The Committee also deprecate the pratice of accepting requests for presentation of cheques bearing current dates, on some subsequent dates, as such practices are not financially sound. |
| | | The Committee recommend that the entire deal should be investigated with a view to fixing responsibility for the lapses. The Committee were informed that the outstanding has since been reduced to Rs. 8,000 on 31st October, 1973. Claims of the party for Rs. 19,000 are under examination of the Corporation. The Committee would like to be informed about the settlement of the case. |

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| 31 | 8.65 to 8.67 | The Committee regret to note that two sister concerns at Vijayawada were supplied fertilizers of value Rs. 1.3 lakhs and Rs. 4.15 lakhs respectively during 1969-70 against cash\|draft and partly against post-dated cheques without verification of the credit worthiness or the financial standing of the parties, with the result that the post-dated cheques could not be cashed and the Corporation is faced with an outstanding of Rs. 6.23 lakhs.<br><br>The Committee laso note that since recovery of the outstanding amount had become difficult, legal suits had been filed against the parties in November, 1971. The Committee were informed that while court orders had not yet been received in the case of one firm, a decree of a sum of Rs. 2.25 lakhs had been awarded by the court in regard to other. Even in this case the execution of the decree is under consideration of the solicitors, as the Income Tax Department has the first charge on the assets of the party on account of Government dues.<br><br>The Committee were informed that:<br><br>"It was considered more prudent that we at least get a cheque instead of giving them clean credit and asking them to pay after a month."<br><br>The Committee do not share this view and recommend that appointment of dealers without verification of their financial standing or making supplies to parties on pre-signed and post-dated cheques even on the plea of disposal of stocks should not be resorted to. The Committee would like to be informed about the development. |
| 32 | 8.73 to 8.75 | From the few cases which came to the notice of the Committee through internal audit reports during the examination of the undertaking, the Committee find that management in their anxiety to dispose of large stocks of fertilizers which the Trombay and Sindri units had during 1966 to 1970-71 adopted certain measures which |

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| | | cannot be considered to be financially sound, and as a consequence of which the Corporation was faced with large outstandings to be realised from the dealers and most of these cases were stated to be under litigation. The shortcomings of these cases were (a) that a proper assessment of the credit worthiness or business reputation of the dealer was not made, (b) sales on credit were made without proper approval and without collaterals; (c) acceptance of post-dated or pre-signed cheques; (d) hiring of private godowns, and leaving the keys of the godowns with the dealers; (e) non-verification of stocks in godowns; (f) delays in taking action for realisation of outstanding dues as accuracy of balances could not be established and (g) absence of important documents and in some cases the original orders for supply.<br><br>The Committee are distressed to find that not only certain transactions were made without financial concurrence but even the reporting of these cases to Central Office or Board has been either slow or over-looked. The Committee are surprised to find that when cases were under investigation either departmentally or through CBI, some of the officials connected with these cases were allowed to resign and leave the jobs. The Committee would like Government to fully investigate the matter as to how officials in public undertakings whose conduct is under investigation on charges of defalcation of money or for committing serious irregularities which are deterimental to the interest of Public Undertakings are allowed to resign without being conclusively called to account. The Committee would like Government to plug loopholes, laxity in procedures which allowed some of these delinquent officers to indulge in malpractices and then leave the undertaking with inpunity thus escaping accountability. |

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| | | Another aspect whih the Committee would like to urge upon Government is the need for initiating criminal proceedings where justified on the basis of *prima-facie* evidence so that the guilty are brought to book without delay thus acting as a deterrent. |
| 33 | 8.76 and 8.77 | As admitted by the Secretary of the Ministry during evidence, these irregularities indicate laxity of financial and administrative control in the Corporation. The Committee have already recommended that these cases should be investigated with a view to fixing responsibility for the lapses. The Committee expect that investigation of these cases would be done with utmost promptitude and action taken against delinquent officials so as to act as deterrent to others in future. |
| | | The Committee also recommend that Government/Corporation should critically review all cases of amounts outstanding for over one year to ensure that there is no lacuna in the procedure measures taken to realise the amounts are adequate and effective and causes of the delays are brought to the notice of the higher authorities and the Board in time. |
| 34 | 8.78 | The Committee are also informed that Government have already decided to place special responsibilities on the Financial Directors of the Board to report any major irregularity to the Board immediately so that the management as a whole becomes aware of it and knows that action is being taken. The Ministry of Petroleum and Chemicals have issued circular instructions to all the public sector undertakings in this regard. The Committee hope that the implementation of these instructions will bring about improvement in the financial discipline of the Undertakings. |

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| 35 | 8.79 | The Committee have also come across cases in other undertakings where the Financial Directors in the Board/Financial Advisers have not been bringing important cases of irregularities/shortcomings in the working of the Undertaking promptly to the notice of the Government/Board. The Committee desire that Bureau of Public Enterprises should also issue suitable instructions to all the Public Undertakings emphasising the need for reporting such cases promptly to Government/Board. |
| 36 | 9.12 | The Committee would like Government\|Corporation to keep under review the need for storage of fertilizers at principal consumer centres in the interest of ensuring uniterrupted supplies to the farmers and take time action in that behalf. |
| 37 | 9.18 to 9.20 | The Committee regret to note from the Internal Audit Report of October, 1970 that no physical verification of stocks in any of the godowns in Bangalore area had been done. The Committee are also concerned to find that in 1976-71, in the eastern zone on account of non-reconciliation of stock figures with book balances, a discrepancy of Rs. 4.89 lakhs was noticed. The Committee were informed that as a result of investigation done by two Committees, it was found that the discrepancy included claims against Railways amounting to Rs. 2.69 lakhs and the balance of Rs. 2.2 lakhs accounted for losses in handling of materials covering a period of 4 years prior to 1971-72 which were recommended to be written off.<br><br>The Committee are not sure whether claims against Railways had been preferred in time and adequate action taken for their realisation. The Committee would like Government/Undertaking to investigate into the matter, and fix responsibility for lapses, if any, in this regard. |

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| | | The Committee were also informed that a separate Committee was appointed by the Zonal Manager, Eastern Marketing Zone to go into the losses in handling of materials in West Bengal Region while the percentage of loss was more and this Committee was of the view that no responsibility could be fixed on any person for such losses. The Committee note that ultimately the entire amount of Rs. 2.2 lakhs was written off for purposes of adjustment in the accounts of 1971-72. The Committee were informed that the losses in the godown stocks have been the result of the combination of several operational factors like short receipt of material, receipt of material in damaged condition, storing of material in bulk in off season and hugroscopic nature of the chemical fertilizers. Although according to the Management, such a problem does not exist now, since practically the entire limited stocks stored in the areas are with the States or Central Warehousing Corporations who give the certificate of reconciliation at the end of each year, the Committee are not sure whether such reconciliation of stock has been done in other zones of the Corporation and any losses of this nature have been written off. The Committee would like that this matter should be gone into by the Corporation and result intimated to them. The Committee also recommend Government\|Corporation should on the basis of the experience lay down suitable norms for such handling losses and strictly enforce them. The Committee expect Government\|Corporation to make prompt and detailed enquiries wherever such norms are exceeded so as to take suitable remedial action. |
| 38 | 9.26 | The Committee regret to note that even though the Corporation has been in existence for as many as 14 years, it has failed to evolve suitable stock taking procedure and norms for shortages of finished products\|raw materials. It was only |

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| | | while adopting the Accounts for 1969-70, the Board approved the appointment of a Survey Team consisting of M/s. A. F. Ferguson & Co. Auditors and a few selected technologists to go into the whole question. Even this survey team which submitted its report in August, 1971 could not make specific recommendations for losses in various areas, although they made certain specific recommendations regarding improvement in weighment and stocktaking procedure. While accepting these recommendations of M/s. A. F. Ferguson & Co. team, the Internal Consultative Committee in April, 1972 desired that Corporation should carry out a further review in certain areas and a detailed stock taking manual should be prepared. The Committee find that the task of fixation of norms of losses has been referred to another survey team headed by General Manager, Trombay which has to go into the problem, in all details and make suitable recommendation after ascertaining the procedure in other fertilizer factories. The Committee deprecate the inordinate delay in evolving a suitable stock taking procedure and fixing norms for shortages of finished products/raw materials. The Committee recommend that the study by the Survey Team in this regard should be completed soon and a comprehensive stock taking manual got ready for the guidance of the Corporation. The Committee would like to be informed of the progress made. |

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