

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1975-76)**

**(FIFTH LOK SABHA)**

**EIGHTY-SECOND REPORT**

**Action taken by Government on the recommendations contained in the Sixty-Eighth Report of the Committee on Public Undertakings (Fifth Lok Sabha)**

**on**

**COTTON CORPORATION OF INDIA LIMITED  
(Ministry of Commerce)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1976/Chaitra, 1898(S)*

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TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS  
CONTAINED IN THE SIXTY EIGHTH REPORT OF THE  
COMMITTEE ON PUBLIC UNDERTAKINGS ON COTTON  
CORPORATION OF INDIA LTD.

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**COMMITTEE ON PUBLIC UNDERTAKINGS  
(1975-76)**

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- \*22. Pandit Bhawani Prasad Tiwary

**SECRETARIAT**

1. Shri M. A. Soundararajan—*Chief Financial Committee Officer.*
2. Shri K. S. Bhalla—*Senior Financial Committee Officer.*

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\*Ceased to be a member of the Committee consequent to his retirement from Rajya Sabha on 2-4-1976.

**▲ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS  
(1975-76)**

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1. Shri Nawal Kishore Sharma—*Chairman*
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3. Shri Basant Sathe
4. Shri Amarnath Vidyalkar
5. Shri C. K. Jaffer Sharief
6. Shri Damodar Pandey
7. Shri Atal Bihari Vajpayee

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Eighty-Second Report on Action Taken by Government on the recommendations contained in the Sixty-Eighth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Cotton Corporation of India Ltd.

2. The Sixty-Eighth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 29th April, 1975. The replies of Government to all the recommendations contained in the Report were received in batches and the last batch was received on 3rd March, 1976. Further information in respect of two recommendations was also called for from the Ministry of Commerce on 12-11-75 and was received in batches, the last batch was received on 3-1-76. The replies of Government were considered by the Committee on Public Undertakings and this report was adopted by them at their sitting held on the 22nd March, 1976.

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

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which replies of Government are awaited.

4. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Appendix III. It would be observed therefrom that out of the total number of recommendations made in the Report 57.1 per cent have been accepted by the Government. The Committee do not desire to pursue 31 per cent of the recommendations in view of the Government's replies. Replies of Government in respect of 11.9 per cent of the recommendations have not been accepted by the Committee.

NEW DELHI;  
April 1, 1976.

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Chaitra 12, 1898 (Saka)

NAWAL KISHORE SHARMA,  
Chairman,  
Committee on Public Undertakings.

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Sixty-eighth Report (Fifth Lok Sabha) on Cotton Corporation of India Ltd. which was presented to the Lok Sabha on the 29th April, 1975.

1.2. Action Taken Notes have been received from Government in respect of all the 42 recommendations contained in the said Report.

1.3. The Action Taken Notes on the recommendations of the Committee have been categorised as follows:—

(i) Recommendations/Observations that have been accepted by Government:

Serial Nos: 2, 5, 6, 7, 11, 12, 17, 19; 20, 21, 24; 27, 29; 30, 31, 33, 34, 35, 36, 39, 40, 41 and 42.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:—

Serial Nos: 1, 3, 4, 8, 9, 10, 13, 14, 18, 24, 25, 37 and 38.

(iii) Recommendations/Observations, replies to which have not been accepted by the Committee and which require reiteration:

Serial Nos: 15, 16, 23, 26 and 32.

1.4. The Committee will now deal with the action taken by Government on some of their recommendations.

#### A. SUPPORT PRICE

##### Recommendation S. No. 5 (Paragraph 3.14)

1.5. The Committee found that the support prices as recommended by Agricultural Prices Commission were not notified during 1971-72 and 1973-74 and had not been notified for the year 1974-75 till the presentation of the Report. For the year 1972-73 the prices were notified only in January, 1973. The Committee recommended that if the declared policy of Government to ensure to the best of their ability a fair and reasonable price to the Cotton growers was to be achieved through the mechanism of support prices, Government should ensure that the support prices as calculated by Agricultural Prices Commission were announced from year to year well in advance of the commencement of the Cotton sowing season so that not only the Cotton Corporation knows when it should enter



the market to protect the interests of Cotton growers and discharge its social obligations towards them but also the Cotton growers may know the price level below which they should not sell their crop of cotton to the private traders.

1.6. In reply the Government stated:—

“The support prices for the Cotton seasons 1971-72, 1973-74 and 1974-75 were not announced by the Government mainly because the market prices of cotton during these years were ruling much above the support prices recommended by the A.P.C. It was, therefore, felt that no useful purpose would be served by announcing the support prices. However, Government will try to announce the cotton price policy soon after the report of the A.P.C. is received.”

1.7. The Committee further enquired:—

“Whether the announcement of support prices were made before or after the commencement of cotton season and whether any steps had been taken to ensure that the announcement was made before the commencement of the season?”

1.8. The Government stated in their further reply:—

“The Agricultural Prices Commission recommends fixation of minimum support price for Kapas of only one variety viz. P.A. 320-F and the Government. The announcement has generally been made after the commencement of the cotton season. However, efforts will be made to ensure that the announcement on support prices is made before or at least at the commencement of the cotton season.”

1.9. The Committee reiterate their earlier recommendation that the Government should ensure that the support prices as determined on the basis of the report of the Agricultural prices commission are announced every year well in advance of the commencement of the cotton sowing season so that the cotton growers may know the price level below which they would not have to sell their crop of cotton to private traders.

## B. GINNING LOSS

### Recommendation S. No. 15 & 16 (Paragraphs 4.13 & 4.14)

1.10. The Committee were informed that the Corporation had directed the Regional Manager to analyse the reasons for higher percentage or ginning losses recently noticed particularly in the Northern region and fix responsibility and on receipt of the reports, the Corporation was to take further action in the matter. The Committee desired to be informed of the outcome of the enquiries conducted by the Regional Manager and the action taken by the Corporation to fix responsibility and recover the loss suffered in this regard in each of the last three years.

1.11. In reply the Ministry stated:—

“The Corporation has recently investigated into the abnormal ginning losses and as a result of the findings on the investigation responsibilities have been fixed on the officers and staff concerned and the disciplinary proceedings are in progress.”

1.12. On a further enquiry, the Ministry stated:—

“The departmental proceedings are in progress. The outcome of the departmental proceedings as also the name of the officers if any held responsible will be communicated as soon as the departmental proceedings are completed.”

1.13. The Committee urge that the departmental proceedings should be expedited and the outcome thereof should be reported to Parliament.

## C. STORAGE

### Recommendation S. No. 21 (Paragraph 6.18)

1.14. The Committee had expressed the opinion that as the fire incidents related to the period as far back as 1971-72 and 1972-73, Government/Corporation should have instituted enquiries into the causes of fire incidents much earlier. Obviously the Corporation had not viewed these incidents with the seriousness which they deserved. In view of the large number of incidents and heavy losses caused

as a result thereof, the Committee recommended that Government should take steps to conduct a thorough investigation into the causes of the incidents by an officer independent of the Corporation with a view to fixing responsibility thereof. The Committee desired to be informed of the findings of the Enquiry and the action taken by the Government/Corporation thereon within six months. The Committee also desired that Government should take concerted measures for tightening the safety arrangements for storage of cotton to prevent accidents due to fire etc. and arrange for surprise inspection in the godowns to ensure that arrangements are sound.

1.15. In reply the Ministry stated:—

“Necessary action is being taken to appoint an independent enquiry committee to go into the causes of fires etc. in CCI's godowns in 1971-72 and 1972-73 and fix responsibility. The Committee on Public Undertakings will be informed of the findings of the Enquiry Committee in due course.”

1.16. The Committee further enquired—

Whether have any measures had been taken in respect to tightening the safety arrangements for storage of cotton and by what time the Enquiry Committee was expected to give Report?

1.17. The Ministry stated in their further reply:—

“As far as possible the Corporation is storing its FP bales in the Warehouses owned by the Central Warehousing Corporation/State Warehousing Corporations in the respective States and whenever these Institutions are unable to provide Warehouse for storage of cotton, special care is taken while selecting private godowns for storing of F.P. bales.

As regards safety arrangements during processing stage, the availability of Fire Lighting arrangements with the Ginning and Pressing Factories is taken into account while selecting the factories for processing our kapas.

We have also been persuading the State Government to provide adequate fire fighting arrangements in the regulated markets to reduce chances of fires.

The Government have, vide order No. 15/52/75-Tex (II) dated 12th December, 1975, appointed Shri S. Padmanabhan,

Adviser (Cotton), Office of the Textile Commissioner, Bombay as one man Enquiry Committee to go into the causes of fires in CCI's godowns in the years 1971-72 and 1972-73 and fix the responsibility, if any in the matter. The Committee is required to submit its report within a period of three months. On receipt of the Report, the Committee on Public Undertakings will be informed of the position."

1.18. The Committee note that even though the Report was presented to Lok Sabha in April 1975 and the action was to be completed within 6 months, the Ministry appointed only in December 1975, a one man enquiry Committee to go into the causes of fires in Cotton Corporation of India's godowns in the years 1971-72 and 1972-73 and fix responsibility. The Enquiry Committee was required to submit its report within a period of 3 months (i.e. by Middle of March 1976). The Committee deprecate the dilatory manner in which the Corporation has proceeded with the enquiry in the matter. They hope that the enquiry has been completed within the stipulated period. They urge that the outcome of enquiry together with the action taken in the matter may be reported to Parliament without delay.

#### D. PRICING POLICY AND SALES

##### Recommendation S. No. 23 (Paragraphs 7.23 & 7.24)

1.19. The Committee noted with regret that:—

"there is no fixed relationship between the prices received by the cotton growers and the prices fetched by non-controlled yarn and cloth. It has been stated that 'Government, however, recognise the logic and justification of the proposition that the margins of the trade and the mill sector should be suitably pruned to ensure that the yarn and cloth prices bear a reasonable relationship to prices of cotton fetched by the growers.'"

The Committee desired that:—

"Government should take concrete measures to evolve a policy by which cotton growers get a share of price realised for the end product."

1.20. The Government have stated in reply that:—

“the Policy of the Government has been to ensure that cotton growers received a remunerative price for their production. The Government have assured the cotton growers that the prices will not be allowed to fall below the support levels and the Cotton Corporation of India has been asked to purchase all the cotton available at support prices. Government also keeps a constant watch over the prices of cloth. The availability of controlled cloth in sufficient quantity at prices which are lower than the cost of production tends to keep a check on the prices of other non-controlled varieties. However, it is not possible to establish a system by which the cotton growers are able to have a direct share in the price of cloth.”

1.21. In the course of supplementaries on Lok Sabha Starred Question No. 162, when the question of co-relationship between the price of cotton and the price of cloth was raised in the House on 19th March, 1976 and when it was pointed out that the price of cotton had declined without corresponding effect on the cloth prices, the Minister of Commerce stated:—

“Sir, to this question my response is that the Cloth Mill owners have not reduced the cotton cloth price proportionately to the reduction in cotton price. This point is valid... .. Now, to remedy the situation, we have appointed a very high level Committee consisting of the Textile Commissioner, the Managing Director of the Cotton Corporation, as also some people from Nagpur, a particular research institute who are looking into this problem and who have highlighted these things..... So, this high-power committee, which includes representative from the public sector undertaking and some research institutes who are looking into this problem, has brought to our notice these things. By the end of April, this Committee has been asked to submit the report. This is essential to bring about a sort of rational parity and linkage between the cotton price and the cloth price. That is what we are doing.”

1.22. In view of the statement made by the Minister in Lok Sabha on 19th March, 1976 the Committee are not convinced by the reply

earlier given by the Ministry in which they had stated that "it is not possible to establish a system by which the cotton growers are able to have a direct share in the Price of cloth." The Committee see no reason why the yarn and cloth prices cannot bear a reasonable relationship to prices of cotton fetched by the growers and why a system by which cotton growers can get a share of price realised for the end product cannot be evolved. They would like that the high level committee now appointed by Government should look into the entire question of co-relationship of prices of cotton and cloth with expedition and the Government should evolve a suitable system to attain this objective without delay and make a report to Parliament.

#### E. SALE OF COTTON TO M/S DHANRAJMAL GOBINDRAM

##### Recommendation S. No. 26 (Paragraph 7.44)

1.23. The Committee were distressed at the undue haste with which the entire deal (sale of cotton to M/s. Dhanrajmal Gobindram) had been concluded in utter violation of the powers vested in the Regional Manager and allowing relaxations about extension of grace period, reduction in additional charges and waiving of the deposit, which could have and would have meant huge loss to the Corporation. The Committee failed to understand the urgency with which the matter was taken up by the Sales Committee on the day following the day on which intimation was received about the deal in the Head Office even when the Chairman of the Sales Committee was not present. The Committee failed to see the necessity for obtaining the legal opinion from Government advocate at Delhi when the Corporation's head-quarters office at Bombay had taken the advice of its legal advisor on the same matter. It was also significant that while forwarding the copy of the contract to head office it was stated that the contract was concluded when the Secretary-cum-General Manager was also present. The Committee also noted that during discussion on a Calling Attention Notice in Rajya Sabha on the 14th of March, 1975, a Member quoted the instance of this contract with M/s. Dhanrajmal Gobindram and stated "The Corporation has so far lost a sum of Rs. 1661087/-... It is rather intriguing to note that M/s. Dhanrajmal Gobindram was previously a black listed firm. The files in the Office of the Cotton Corporation of India will bring out the truth..." The Minister in the course of the reply had assured that he would certainly look into the allegation. The Committee were not sure whether due care was exercised by the Chairman of Cotton Corporation of India, Government nominees

on the Boards of Directors and other officials of the Corporation in this deal. The Committee therefore recommended that the entire deal should be thoroughly investigated, through CBI if necessary, with a view to pinpoint the responsibility for the lapses at the several stages. The Committee should be informed of the action taken at an earliest.

1.24. In reply the Government stated:—

“Investigations are going on to look into M/s. Dhanrajmal Gobindram Deal and to fix the responsibility. The Committee a Public Undertakings will be informed of the outcome of the investigations as and when they are completed.”

1.25. The Government further stated:

“This Ministry has already requested the Director, Central Bureau of Investigations (CBI), New Delhi on 8-10-75 to initiate necessary action in this case. It is understood that CBI have already started investigations in this case. At this stage it is not possible to indicate the time when the investigations will be completed by CBI. However, as soon as the investigations are completed and a report received from CBI, the Committee on Public Undertakings will be informed.”

**1.26. The Committee strongly urge that the investigation initiated by CBI should be completed expeditiously and suitable action should be taken against the persons found guilty and reported to Parliament.**

#### F. DELAY IN FINALISATION OF ACCOUNTS

##### **Recommendation S. No. 32 (Paragraph 9.25)**

1.27. The Committee had strongly deprecated the recurring malady of delay in finalising and closing the accounts of the Corporation right from the inception and desired that the matter be examined thoroughly by the Government and responsibility fixed. As delay in closing the accounts for a year was likely to create problems with income tax authorities and embarrassment for the Government, they desired that the Government should impress upon all the public undertakings that the audit and finalisation of the accounts

holding of the Annual General Meetings should not in any circumstances be delayed as such delays entail corresponding delays in the presentation of annual reports to the Parliament.

1.28. In reply the Ministry stated:—

“There had been some delay earlier in the finalisation of accounts and holding of the Annual General Meetings of the Cotton Corporation of India as Auditors had not been appointed in time by the Company Law Board. However, three Annual General Meetings for the years 1971-72, 1972-73 and 1973-74 were held during a period of one year (from march 1974 to March 1975). Thus the backlog has been removed. Further with the adoption of the system of concurrent audit for current year it is expected that the Annual General Meeting will be held within the stipulated period.

As regards the fixation of responsibility for delay in finalising and closing the accounts of the Corporation, the matter is being taken up with the Corporation.”

1.29. To a query as to what was the present position in regard to fixation of responsibility for the delay in finalising and closing the account of the Corporation, the reply of Government is still awaited.

**1.30. The Committee regret to observe that the question of fixation of responsibility for the delay in finalising and closing the accounts of the Corporation is being dealt with in a dilatory manner. They reiterate that the Ministry should examine the position and fix responsibility for the delay in closing the accounts of the Corporation. The action taken in the matter should be brought to the notice of the Parliament.**

#### G. OVERHEADS

##### **Recommendation (S. No. 34, Paragraph 9.36)**

1.31. The Committee desired that the Corporation should evolve a norm for overheads after studying the pattern in the Maharashtra Monopoly Scheme and, if possible, of the private trade and ensure that its own overheads do not exceed the norm. The Committee expressed the opinion that it was not commercially prudent for the Corporation to have established an elaborate infra-structure all



over the country without making sure about the availability of funds to the desired level. The Committee would not appreciate as to why the large infra-structure was maintained so long when for almost two years the Corporation's purchase operations had been very much on the low side and the future role of the Corporation was yet to be decided.

1.32. In reply the Ministry stated:—

“The Corporation was forced to expand its organisational structure because it was required to undertake large purchases in 1971-72. During that year, there was a substantial increase in cotton production and prices had started declining sharply and it was felt that if this trend continued, the farmers would be discouraged from cotton cultivation in future. The Government of India, therefore, directed that the Corporation should go in for substantial purchases of domestic cotton at procurement prices fixed by the Government. However, in subsequent years only limited purchases were made by the Corporation. The Corporation is making efforts to reduce monthly expenditure. As a result of these measures on an average the monthly administrative expenses of the Corporation have come down from Rs. 12.5 lakhs in 1973-74 to Rs. 4.25 lakhs in 1974-75.

With a view to reduce the overheads, the Corporation has closed some of its Branch Offices and has already dispensed with the services of 112 temporary employees. Apart from that there is no fresh recruitment and the vacancies are not filled in. In addition in view of the reduced purchase operations, the Corporation has redeployed its staff in various regions and also identified the surplus staff. The Corporation has also adopted various economy measures for reducing the overhead expenditure, such as disposal of jeeps, reduction in expenditure on Guest Houses, Telephone/Trunk Calls, entertainment etc. Further out of 20 persons on deputation from various departments of Central/State Governments, the Corporation has already repatriated 7 persons to their parent departments, 1 have been absorbed and the remaining 2 persons will be repatriated as soon as their term of deputation is over.”

1.33. The Committee further enquired whether any norms for overhead had been worked out and, if not, the reasons therefor.

1.34. The Ministry in their further reply stated:—

“The Corporation prepares a budget every year and every effort is made to be within the budgeted expenditure.

The Corporation has been taking various measures, with a view to keep its overhead expenditure to the minimum and as a result of these measures the Corporation's monthly administrative expenses have come down from Rs. 8.19 lakhs in 1973-74 to Rs. 7.28 lakhs in 1974-75. Further the Corporation has been trying its level best to reduce the complement of staff by sending surplus staff on deputation to other organisations. Now new recruitment is made in the vacancy caused by resignation or otherwise. As against the total strength of 648 during 1973-74, the present strength is 586. It will be appreciated that the Corporation is a Public Sector Undertaking and as such it has some social objectives. Therefore, it would not be proper for it to straightaway dispense with the services of surplus staff in order to reduce the expenditure.”

1.35. The Committee reiterate their earlier recommendation and urge that the norms for overheads should be worked out on a realistic basis after studying the pattern in other comparable organisations and steps taken to see that the actual overheads are within the prescribed norms.

## **CHAPTER II**

### **RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation (S. No. 2)**

The Committee also regret to note that the undertaking had not been able to fulfil effectively its role of purchasing cotton in the domestic market due to non-availability of adequate finances.

The Committee find that as against its credit requirements of Rs. 300 crores in 1973-74, it not only Rs. 30 crores and as against its credit requirements of Rs. 200 crores for the year 1974-75, the Corporation was allowed a credit of only Rs. 10 crores which according to CCI is too inadequate even to enter the market, much less to carry out all its objectives.

In the opinion of the Committee the Corporation cannot achieve the two laudable objectives of ensuring remunerative prices to farmers and stabilising cotton prices for general welfare of the consumers and play a dominant role in cotton trade unless it is assured of adequate resources well in advance of the cotton season.

The Committee recommend that Government should take an early decision about the role of the Corporation, define its aims and objectives in specific terms, provide adequate finances to subserve the needs of the Corporation in discharging the role and objectives. The Committee would like Government to take all necessary measures to ensure that the sudden extension of Financial Resources on a large scale really subserve the twin objectives of giving a remunerative price to cotton growers and make available cotton to the textile industry (Public Sector) at reasonable prices in the interest of general consumers. There is need for taking every precaution in this behalf as there have been serious allegations in recent months about the working of the Corporation.

(Paras 1.23 to 1.26)

#### **Reply of Government**

This question is under active consideration of the Government and a decision is likely to be taken shortly.

[Min. of Commerce O.M. No. 15/19/75-Tex (II) dated 6-10-75]

### **Further information asked for by the Committee**

Please communicate the decision to the Committee as soon as it is taken.

[Lok Sabha Secretariat O.M. No. 17-PU/75 dated 12-11-1975]

### **Further reply of Government**

The role of the Cotton Corporation of India has been considered by the Government and it has been decided that the CCI may operate with the objective of ensuring payment of minimum support price to the growers so that cotton prices do not fall below the level of support prices as recommended by the Agricultural Prices Commission. For this purpose, the Corporation would have to effect purchases, whenever it is necessary, and the requisite credit will be made available to it. It has also been decided that the CCI should be used by National Textile Corporation for purchase of cotton. Necessary credit facilities will be made available to the extent to which CCI will be making purchases for N.T.C.

[Min. of Commerce O.M. No. 15/19/75-Text (II) dated 12-12-1975]

### **Recommendation (S. No. 5)**

The Committee note that in 1971-72, the cotton prices had fallen very low and the Government had directed the Cotton Corporation of India to purchase cotton at the prices fixed by them to save the growers from heavy losses. In subsequent years, the Corporation has been purchasing cotton at ruling market prices which have been 1½ times the support prices calculated by the Agricultural Prices Commission and considered remunerative. The Committee, however, find that the support prices as recommended by Agricultural Prices Commission were not notified during 1971-72 and 1973-74 and have not been notified for the year 1974-75, so far. For the year 1972-73 the prices were notified only in January 1973. The Committee recommend that if the declared policy of Government to ensure to the best of their ability a fair and reasonable price to the Cotton growers is to be achieved through the mechanism of support prices, Government should ensure that the support prices as calculated by Agricultural Prices Commission are announced from year to year well in advance of the commencement of the Cotton sowing season so that not only the Cotton Corporation knows when it should enter the market to protect the interests of Cotton growers and discharge its social

obligations towards them but also the Cotton growers may know the price level below which they should not sell their crop of cotton to the private traders. (Para 3.14)

### **Reply of Government**

The support prices for the Cotton seasons 1971-72, 1973-74 and 1974-75 were not announced by the Government mainly because the market prices of cotton during these years were ruling much above the support prices recommended by the A.P.C. It was, therefore, felt that no useful purpose would be served by announcing the support prices. However, Government will try to announce the cotton price policy soon after the report of the A.P.C. is received.

[Min. of Commerce O.M. No. 15/19/75-*Tex*(II) dated 6-10-75]

### **Further information asked for by the Committee**

(a) Please state whether the announcement of support prices are made before or after the commencement of cotton season?

(b) Have any steps been taken to ensure that the announcement is made before the commencement of the season?

[Lok Sabha Secretariat O.M. No. 17-*PU*/75 dated 12-11-1975]

### **Further reply of Government**

(a) and (b): The Agricultural Prices Commission recommends fixation of minimum support price for *Kapas* of only one variety viz. P.A. 329-F and the support prices of other varieties are to be fixed by the Government. The announcement has generally been made after the commencement of the cotton season. However, efforts will be made to ensure that the announcement on support prices is made before or at least at the commencement of the cotton season.

[Min. of Commerce O.M. No. 15/19/75-*Tex*(II) dated 12-12-1975]

### **Comments of the Committee**

Please see paragraph 1.9 of Chapter I of the Report.

### **Recommendation (S. No. 6)**

The Committee note that the Cotton Corporation of India normally makes purchases in regulated markets through the agencies of the Apex Cooperative Marketing Federations or where such bodies are not organised or sound, through the Primary Co-operative Mar-

keting Societies. Where, the co-operative structure was not well developed, the Corporation had to entrust the work to other agencies like Agro-Industries Corporation and State Trading Corporation as per the request of the State Government or to the nominees of the State Government. In all these cases, the Corporation pays a purchase commission of 1 per cent of the value of kapas. The Committee are informed that it would not be feasible nor economical to have its organisational set up in remote areas of production and it had been the avowed policy of Government to encourage cooperative marketing especially in rural areas.

The Committee note that, while regulated markets exist in most of the States, in Guntur and Prakasam Districts of Andhra Pradesh and Saurashtra District of Gujarat, there are no regulated markets. On the Corporation's taking up the matter with the Government of Andhra Pradesh, they agreed to set up regulated markets in the ensuing cotton season. The Committee would like the Corporation to pursue the matter and not only with the Government of Andhra Pradesh, if the regulated markets have not been set in Andhra Pradesh so far, but also with the Government of Gujarat for setting up regulated markets in Saurashtra District of Gujarat so that the Corporation's purchases may be made through regulated markets in these areas also. (Paras 3.27-3.28)

### Reply of Government

The Corporation has been successful in persuading Andhra Pradesh State Government to set up regulated markets in Guntur district and other places where long staple cotton is cultivated. However, these markets are not functioning effectively as the cotton growers prefer to sell their kapas at their doors rather than in market areas. The Director of Agriculture, Government of Andhra Pradesh has directed the Chairman of Agricultural Market Committees at Ongole, Narasaraopet, Guntur, Adoni, Nandyal, Tadpatri, Adilabad and Bhainsa to take suitable action to enforce the provisions of Agriculture Produce (LS) Market Act, 1968 by opening adequate number of markets in their jurisdiction and provide all required facilities for marketing of cotton.

As regards non-availability of regulated markets in Saurashtra district of Gujarat, the Corporation is pursuing the matter with the Officer of the Textile Commission, the Directorate of Cotton Development and Gujarat State Government.

[Min. of Commerce O.M. No. 15/19/75-Text (II) dated 3-3-76]

### **Recommendation (S. No. 7)**

The Committee are informed that there are certain procedural difficulties before the Cotton Corporation because of which it cannot extend its operations fully to the areas of Tamil Nadu where there is no system of open auctions. It has been stated that Tamil Nadu Marketing Federation wanted to entrust the purchases of the State Cooperative Marketing Federation and also a higher commission than what the CCI was paying in other States. In regard to payments, the Tamil Nadu Marketing Federation insisted that agreements should provide a clause under which the Cotton Corporation would pay penal interest in case the payments were not made within the stipulated time. The Committee are informed that the Corporation paid 90 per cent of the value of cotton the same day and the balance after certain procedural formalities and occasionally there might be a delay of one or two days. It has also been stated that according to the authorities in Tamil Nadu Government, it would not be possible for them to modify their market Committee's procedure immediately or to drop the demand for penal interest for delayed payments. The Committee recommend that the Government of India may take up the matter with the Government of Tamil Nadu to find out a workable solution to enable the Corporation to extend its sphere of its purchase activities and operate in all the cotton growing States without any difficulty. (Para 3.29)

### **Reply of Government**

The Corporation has already ironed out these issues with the Tamil Nadu Government which has agreed to extend all possible help. In the meantime the Corporation is purchasing cotton directly from the cotton growers and has so far purchased 727 quintals of kapas, 3059 quintals loose lint and 250 F.P. Bales totally valued at Rs. 31.06 lakhs in Tamil Nadu till 28-8-1975.

[Min. of Commerce O.M. No. 15/19/75-Tex (II) dated 6-10-75]

### **Recommendation (S. No. 11)**

The Committee note that the Corporation was hampered in the operations to purchase MCU-5 cotton in Andhra Pradesh as the State did not have regulated markets. They were informed that the Corporation had brought this fact to the notice Andhra Pradesh Government. The Committee has already observed in para 3.28 the need for setting up regulated markets in all cotton growing States to enable the Corporation to operate in all the States without difficulty.

(Para 3.55)

### Reply of Government

The Corporation has been successful in persuading Andhra Pradesh State Government to set up regulated markets in Guntur District and other places where long staple cotton is cultivated. However, these markets are not functioning effectively as the cotton growers prefer to sell their kapas outside the market areas. The Director of Agriculture, Government of Andhra Pradesh has asked the Chairman of Agricultural Market Committee at Ongole, Narasaraopet, Guntur, Admni, Nandyal, Tadpatri, Adilasad and Bhainsa to take suitable action towards enforcing the provisions of Agriculture Produce (LS) Market Act, 1968 by opening adequate number of markets in their jurisdiction and provide all required facilities for marketing of cotton.

[Min. of Commerce O.M. No. 15/10/75-*Tex*(II) dated 14-1-76]

### Recommendation (S. No. 12)

The Committee note that the Corporation's purchases of cotton have been 7.8 per cent, 7.07 per cent and 5.41 per cent of the total production in the country during 1971-72, 1972-73 and 1973-74 respectively. The Ministry of Commerce has admitted that the extent of purchases made by the Corporation in the domestic cotton market in the past four years of its existence have been completely inadequate to enable the Corporation to play an effective role in stabilising cotton prices and ensuring a steady supply of cotton to textile industry. The Committee are given to understand that the proposals regarding increase in the market purchases of the Corporation and provision of financial accommodation are already under consideration of Government and decision is yet to be taken in this regard. It was indicated that about 12 lakh bales of cotton should be purchased by the Corporation involving a credit requirement of Rs. 200 crores. The commercial banks are of the view that the Corporation's market purchase operations should be limited to price support purchases and as ruling prices are above the supply levels, there is no economic justification for the Corporation entering the market in a big way.

The Committee feel that if the twin objectives of the Corporation viz. ensuring remunerative prices to growers and at the same time stabilising prices of cotton for the general welfare of the consumers early decision regarding the precise role of the Corporation and the magnitude of the operations to be performed by it and also take magnitude of the operations to be performed by it and also take



steps to provide the Corporation with adequate funds to achieve the objectives.

The Committee also note that the Corporation has been sanctioned a credit limit of Rs. 10 crores for its market operations during 1974-75 but the Corporation did not enter the market for some time as it was not possible to purchase substantial quantities of cotton with this amount. A scheme has however now been prepared to purchase cotton on a deferred payment basis. The scheme envisages the purchase of cotton by immediate payment to cash of 50 per cent of the price is payable at the end of six months with interest at 6 per cent per annum.

The Committee are of the opinion that this scheme would force the producers to sell their cotton to the private trade at lower though cash down prices. This in the opinion of the Committee would defeat the very objective of the Corporation, namely of ensuring remunerative price to the producers, encouraging cotton production and stabilising prices. The Committee would therefore like the Government to take necessary and urgent measures to ensure that the Cotton Corporation is able to achieve its objective. (Para 3.65 to 3.67)

### **Reply of Government**

The role of the Cotton Corporation of India has been considered by the Government and it has been decided that during the 1975-76 season, the CCI may operate with the objective of ensuring payment of minimum support price to the growers so that their interest in cotton cultivation is maintained and that the cotton prices do not fall below the level of support prices recommended by the Agricultural Price Commission. For this purpose, the Corporation would have to effect purchases, whenever it is necessary, and the requisite credit will be made available to it. It has also been decided that the CCI should be used by National Textile Corporation for purchase of cotton. Necessary credit facilities are being made available to CCI for the purpose.

The Scheme of purchase of cotton on deferred payment basis introduced in the last week of March, 1975 was withdrawn by the Government in April, 1975 because of lack of response from cotton growers.

(Min. of Commerce O.M. No. 15/19/75-Text (II) dated 14-1-76)

### **Recommendation (S. No. 17)**

The Committee note that according to a survey carried out by the International Bank for Reconstruction and Development, the existing machinery of ginning and processing factories has been considerably outdated and not technically efficient leading to avoidable losses of upto 3 per cent shortage in cotton. The IBRD team had also suggested that a few modern ginning and pressing factories be set up in the country. The Committee would like the Government to take a decision about the setting up of the plants after a critical examination of the feasibility reports in this connection. (Para 4.19)

### **Reply of Government**

The matter has been taken up with the world bank.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75]

### **Further information asked for by the Committee**

What has been the progress of the matter taken up with the World Bank ?

(Lok Sabha Secretariat O.M. No. 17-UP/75 dated 12-11-1975)

### **Further reply of Government**

The Government of India have posed to the World Bank an Integrated Cotton Development Project which apart from other objectives also aims at improvement in seed cotton and cotton seed processing. In this project, there is a proposal for setting up 5 to 10 new gins with larger capacity (2 high capacity saw gin factories with 12 bales per hour capacity and a universal press as well as 3 units with five bales per hour capacity plus pre-cleaner and a universal press) in Sirsa project area and 3 to 5 new gins (2 units of high speed roller gins with 12 bales per hour capacity along with pre-cleaner and a universal press) in Ameraoti unit of the Project. The Project is to operate in Haryana and Maharashtra States and will be implemented by the respective State Governments. The State Governments are planning to set up this additional ginning capacity in public/cooperative sector.

A team of the Government of India is negotiating the project with the World Bank.

A Project Coordination Committee will be set up in the Ministry of Agriculture and a representative of the Cotton Corporation of India will be one of the members of the said Committee.

[Ministry of Commerce O.M. No. 15/19/75-Tex(II) , dated 12-12-1975]

**Recommendation (S. No. 19)**

The Committee note that indigenous production of long staple cotton has arisen from 3.3 per cent in 1970-71 to 19.6 per cent of total production in 1972-73 and the import of such cotton has been progressively brought down from 7.4 lakh bales in 1970-71 to 49,000 bales in 1973-74. They are informed that Government want to give maximum encouragement to production of long staple cotton within the country and unlike the past, medium staple cotton is proposed to be imported in the current year for export production. The Committee are also informed that the programme of encouraging production of long staple cotton has yielded good results till now both from the point of view of the country and the cultivators: The Committee recommend that Government should give encouragement to the production of long staple cotton in the country and ensure that the growers get a remunerative price so that such growers do not switch to other cash crops and Government are not forced to import long staple cotton

The Committee also note that ICAR had achieved considerable success in developing successful strains of long and extra long staple cotton suitable to Indian conditions, and research efforts are being made to develop substitutes for Egyptian cotton which could spin upto 120 counts. The Committee hope that with the development of such substitutes, imports of Egyptian Cotton would also be reduced. (Para 5.30)

**Reply of Government**

This Ministry is in agreement with the views of the Committee that Government should ensure remunerative prices to growers of cotton in order to sustain their interest in its cultivation and thereby obviate the necessity of importing long staple cotton.

The ICAR is fully aware of the need for developing import substitute varieties of superfine cotton and is continuing its efforts in this direction. In fact, varieties like Suvin and Hybrid CBS-156 have been released recently. These varieties can spin over 120 counts and are as good as imported superfine cottons.

[Min. of Commerce O.M. No. 15/19/75-~~Tex~~(H) dated 14-1-75]

### Recommendation (S. No. 20)

The Committee note that the Corporation has been storing cotton in the godowns of the Bombay Port Trust and the Central and State Warehousing Corporations and the Government. The Corporation is generally satisfied about the adequacy of storage arrangements in these warehouses and it does not think it is advisable for the Corporation to enter the field of creating warehousing capacity of its own. The Committee however, find that the storage space in the seven godowns hired from Bombay Port Trust has never been fully utilised. Against the space area of 20,000 sq. ft., the Corporation has utilised a little over 50 per cent of the space in 1972 and 1974 and slightly above 75 per cent in 1971. The utilisation of space in August, 1973 was as low as 25 per cent. The Corporation does not consider it advisable to surrender any of the godowns as it would not be able to get it again if required at short notice. While the Committee appreciate the difficulty that may arise if any of the godowns in Bombay is surrendered, the Committee would like the Corporation to keep this matter under constant review and retain only such godown space as may be necessary for storage consistent with its place of operations. (Para 6.15)

### Reply of Government

The matter is reviewed from time to time. However, though at some point of time the godown facilities at Bombay were found to be in excess, it is noticed that it would not be possible to surrender the surplus storage capacity because it would not be possible to get godown space at short notice and it would involve great loss, if imported cotton is left in open on arrival in Bombay. Had the Corporation surrendered some godowns earlier because godowns were not fully utilised, the Corporation would have faced this difficulty now, when Pakistan Cotton is arriving in big quantities. In fact the Corporation is now required to hire godowns of private traders in order to stock over 70,000 bales of Pakistan Cotton being imported on Government Account.

[Min. of Commerce O.M. No. 15/19/75-*Tex*(II), dated 6-10-75]

### Recommendation [S. No. 20(a)]

The Committee also recommend that the Corporation should consider the feasibility of putting the unutilised portion of the space to profitable use by hiring out to other Public Sector Undertakings on temporary basis. (Para 6.16)

### Reply of Government

Though sub-letting of unutilized portion of godown space is permissible with the previous permission of B.P.T. and at increased rent, the sub-tenants will not be allowed to store any goods other than cotton bales as the godowns are essentially meant for storing cotton bales. Incidentally it may be pointed out that last year the Maharashtra State Cooperative Marketing Federation had requested the Corporation to make available some space in Corporation's godowns for storing some seeds for two months or so and though the Corporation was very eager to help the Maharashtra Marketing Federation, it could not do so due to the above provisions of B.P.T. rules.

[Min. of Commerce O.M. No. 15/19/75-Tex(II), dated 6-10-75]

### Recommendation (S. No. 21)

The Committee regret to note that there were as many as 158 cases of fire (Madhya Pradesh-30, Punjab-62, Rajasthan-34, Haryana-21, Karnataka-5, Andhra Pradesh-5; Gujarat-18) in the warehouses where cotton was stored involving loss of stocks worth Rs. 75.70 lakhs out of which a sum of Rs. 50.83 lakhs has been received by the Corporation through insurance and other claims. The Committee are surprised to note—the highest number of fire incidents (62) occurred in Punjab, that in spite of the huge loss Government have not investigated the causes though they had issued some administrative instructions to the Corporation to make available fire fighting equipment in the storage godowns. The Committee understand that the details of fire incidents are being gone into by a senior officer of the Corporation whose report is awaited.

In the opinion of the Committee, as the fire incidents relate to the period as far back as 1971-72 and 1972-73, Govt./Corporation should have instituted enquiries into the causes of fire incidents much earlier. Obviously the Corporation has not viewed these incidents with the seriousness which they deserved. In view of the large number of incidents and heavy losses caused as a result thereof, the Committee recommend that Government should take steps to conduct a thorough investigation into the causes of the incidents by an officer independent of the Corporation with a view to fixing responsibility thereof. The Committee would like to be informed of the findings of the Enquiry and the action taken by Government/Corporation thereon within six months. The Committee would also like that Government should take concerted measures for tight-

ening the safety arrangements for storage of cotton to prevent accidents due to fire etc., and arrange for surprise inspection of the godowns to ensure that arrangements are sound. (Paras 6.17-6.18).

### **Reply of Government**

Necessary action is being taken to appoint an independent enquiry committee to go into the causes of fires etc, in CCI's godowns in 1971-72 and 1972-73 and fix responsibility. The Committee on Public Undertakings will be informed of the findings of the Enquiry Committee in due course.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75]

### **Further information asked for by the Committee**

(a) Have any measures been taken in respect of tightening the safety arrangements for storage of cotton? If so, what are these?

(b) By what time is the Enquiry Committee expected to give a Report?

[Lok Sabha Secretariat O.M. No. 17-PU/75, dated 12-11-1975]

### **Further reply of Government**

(a) As far as possible the Corporation is storing its FP bales in the Warehouses owned by the Central Warehousing Corporation/ State Warehousing Corporations in the respective States and whenever these Institutions are unable to provide Warehouses for storage of cotton, special care is taken while selecting private godowns for storing of FP bales.

As regards safety arrangements during processing stage, the availability of fire fighting arrangements with the Ginning and Pressing Factories is taken into account while selecting the factories for Processing out kapas.

We have also been persuading the State Governments to provide adequate fire fighting arrangements in the regulated market to reduce chances of fires.

(b) The Government have, *vide* order No. 15/52/75-Tex(II) dated 12th December, 1975, appointed Shri S. Padmanabhan, Adviser (Cotton), Officer of the Textile Commissioner, Bombay as one man Enquiry Committee to go into the causes of fires in CCI's godowns in the years 1971-72 and 1972-73 and fix the responsibility, if any in the matter. The Committee is required to submit its report within

a period of three months. On receipt of the Report, the Committee on Public Undertakings will be informed of the position.

[Min. of Commerce O.M. No. 15/19/75-Tex(II), dated 3-1-76]

### **Comments of the Committee**

Please see paragraph 1.18 of Chapter I of the Report

### **Recommendation (S. No. 22)**

The Committee note that the Corporation had been following a policy of selling cotton at the purchase prices adding thereto expenses of the Corporation and a service charge of one per cent and this policy was uniform both for sale to mills and to others. The fixation of catalogue price was done by the Sales Committee at headquarters for all major varieties on the basis of the data received from the Regional Offices regarding the price of kapas, cost of conversion, sale realisation from seeds etc. and adding one per cent service charges. No variation from the catalogue price was permitted except by the Sales Committee at headquarters. It was also stated that the Sales were effected on spot terms. The Corporation had been selling at market prices higher than catalogue price up to 30th of April, 1974. Since May 1974, the Corporation had been selling the stock only to the mills and not to any trader or intermediary after invitation of quotations for 20,000 to 25,000 bales at its own catalogue prices plus one per cent service charge. It was stated that this decision was taken keeping in view the objective of the Corporation to stabilise the prices which had been showing tendency. The Committee are informed that this policy was changed later as it was realised that there were likely to be substantial losses in the purchase operations in Southern Regions. With the Corporation's purchases ranging from 5 per cent to 7 per cent production in the country the Committee are not sure whether the pricing policy has actually enabled the Corporation to achieve the objective of stabilisation of prices.

The Committee therefore feel that the policy of selling the cotton at a fixed price to private sector mills not in the best interest of the Corporation especially when it has not been possible to get a guarantee regarding the sale price of cloth to consumer. (Para 7.21)

### **Reply of Government**

The policy of selling cotton at fixed prices to private sector mills has already been given up by the cotton Corporation of India.

[Min. of Commerce O.M. No. 15/19/75-Tex(II), dated 6-10-75]

**Recommendation [Sl. No. 22(a)]**

In the opinion of the Committee the possibility of the Private Sector earning profit at the expense of the CCI with no relative benefit to consumers is not ruled out. The Committee therefore, recommend that sale of cotton to the mills other than NTC Mills should only be at the prevailing market rate. (Para 7.22)

**Reply of Government**

The policy of selling cotton to traders was given up as back as March 1974. Now the Corporation has adopted a policy of selling cotton to consumer mills at Market prices.

[Min. of Commerce O.M. No. 15/19/75-Tex (II), dated 6-10-75]

**Recommendation (S. No. 27)**

The Committee note that one of the roles assigned to the Corporation is that of an Agent, for the Mills in the public sector for supplying the requirements of cotton throughout the year. It has been stated that the Corporation is keen to develop trade relations with N.T.C. and that view has been having correspondence with N.T.C. who were also assured that 25 per cent to 30 per cent of their requirements would be made through CCI. No official confirmation is however, stated to have been received from the N.T.C. The Committee are informed that a number of relaxations has been made in Corporation's terms of sales to N.T.C. and payment therefor. It has also been stated that in a policy level meeting held with N.T.C. in 1973-74 a system was evolved by which the CCI would work as an agent of the N.T.C. while purchasing cotton. The N.T.C. would give advance indents centre-wise and variety-wise to CCI. It was also agreed that once the cotton is purchased by N.T.C. from CCI the problem of rejection should not arise. Even in regard to payment certain facilities have been extended to N.T.C. The Committee regret to note that it has taken more than four years to finalise the working arrangements with the N.T.C. in spite of the fact that both the organisations are in the public sector. The Committee were informed that even now the basic difficulty continues to be lack of sufficient funds with the N.T.C. mills and the inability of the Corporation to extend trading credits comparable to those of private trade. The Committee have already given their recommendations in the report of N.T.C. about the provisions of funds to the N.T.C. (Para 7.55)



### Reply of Government

The Corporation has decided to effect substantial purchases for N.T.C. Mills. For this purchase the month/variety-wise requirements have been notified by the N.T.C. The Reserve Bank of India has already made available to the CCI cash credit facility of Rs. 20 crores which includes a credit limit of Rs. 10 crores already sanctioned for support purchase operations.

[Min. of Commerce O.M. No. 10/19/75-Tex.(II),  
dated 3-3-76]

### Recommendation (S. No. 28)

It has been stated that annual consumption of cotton in the mills of N.T.C. is of the order of 11 lakhs. The Corporation is of the view that if adequate funds are provided to it to make the purchases for N.T.C. and an undertaking is given by the mills for lifting the cotton purchased for them, it would be able to procure the additional volume of cotton and supply it to the mills.

As the N.T.C. will be having a central purchase organisation for purchasing its requirement of cotton, the CCI should establish linkage with N.T.C. and work out the requirements of cotton variety-wise.

The Committee also recommend that Government should consider providing the Cotton Corporation with adequate funds to enable it to make purchases and supply cotton (which constitutes 50 per cent of the cost of manufacture of cloth) at competitive prices and on assured basis to the N.T.C. (Paras 7.56 to 7.58)

### Reply of Government

The matter is being examined. Efforts are being made to find ways and means to enable the CCI to function as an agent of the N.T.C. for the purchase of cotton.

[Min. of Commerce O.M. No. 15/19/75-Tex.(II),  
dated 6-10-75].

### Further information asked for by the Committee

What efforts have been made to enable the CCI to function as an agent for N.T.C. for the purchase of cotton and what is the outcome?

[Lok Sabha Secretariat O.M. No. 17-PU/75, dated 12-11-1975]

### Further reply of Government

The matter has been considered by the Government and it has been decided that Cotton Corporation of India should be used by National Textile Corporation as an agent for purchase of cotton. It has also been decided that necessary credit facilities should be made available to the extent to which CCI will be making purchases for N.T.C.

[Min. of Commerce O.M. No. 15/19/75-Tex.(II),  
dated 12-12-75].

### Recommendation (S. No. 29)

The Committee note that the Cotton Corporation of India has decided to set up four integrated cotton seed crushing plants in various States with a view to utilise cotton seeds to produce edible oil, oil cakes and other by products. Though according to the Corporation the project which would cost over Rs. 1 crores is expected to yield a profit of Rs. 68,457 per day the Committee regret to observe that neither the prior approval of Government for the project has been obtained nor the financial implications and economics of the scheme have been examined by the Government. In a written reply the Ministry has admitted that 'It may be better for the Corporation to sell the delinted cotton seed to some public sector vegetable oil factories at the best available price rather than set up such facilities itself.' The Committee feel that the Corporation should with its limited finances concentrate on fulfilling its main objectives of buying cotton by payment of remunerative prices to farmers and stabilising the prices of cotton for the general welfare of consumers rather than embark upon any new schemes of ancillary nature at this juncture. The Committee agree with the view of the Ministry that it may be desirable for the Corporation to sell the cotton seeds to some public sector vegetable oil factories at the best available price. (Para 8.7)

### Reply of Government

The Cotton Corporation of India has stated "Cotton seeds constitute nearly 2|3rd of kapas purchased, and the realisation through sale of seeds has a very significant bearing on the price of lint. At present, the Corporation has to dispose of the seeds in the open market which is dominated by cliques of buyers. These private buyers hold the seed-sellers to ransom, do not pay in time, and delay taking delivery. If the CCI has its own system of utilising

these seeds, its competitive position in the sale of lint will greatly improve, and the monopolistic tendency of seed merchants can be broken. Sometimes, the State Governments impose restrictions on movement of seeds, thus depressing the prices of seeds, in such a situation, the Corporation's realisation by way of sale of seeds is reduced and the lint prices have therefore to be marked up. This situation could be averted if the Corporation can utilise the seeds in its own crushing factories. It is therefore necessary that the Corporation should be allowed to set up its own oilseeds crushing-cum-extraction plants. The Ministry of Commerce feel that for the present the Corporation with its limited financial resources, should concentrate on cotton purchase and sale programmes. Schemes of ancillary nature of this kind could be taken up later. At present there is no proposal under consideration of the Government of setting up of cotton seeds crushing-cum-extraction plants by the CCI.

[Min. of Commerce O.M. No. 15/19/75-Tex. (II),  
dated 6-10-75].

#### **Recommendation (S. No. 30)**

The Committee note that at present the import of man-made fibres and wool is canalised through the State Trading Corporation and the Cotton Corporation has approached Government for entrusting it with the import of all ancillary fibres and wool as it would enable the Textile Industry to purchase all the requirements of raw materials from a single national agency and the Corporation to gainfully utilise the organisational infra-structure which has already been built up to handle cotton imports in view of the progressive decrease in imports of cotton. The Committee are informed that in the opinion of the Government, there may be some merit in entrusting a single public sector with the task of handling imports of various textile fibres including cotton, as the fibre utilisation pattern in the textile industry is tending to become more and more composite covering cotton, man-made as well as woollen fibres within the same unit. The Committee suggest that before taking a decision in regard to the transfer of the tasks connected with the import of ancillary fibres and wool from the STC to CCI, Government may consider the merits of such a transfer from one public sector undertaking to another and how far such a transfer will be in the interests of consumer industries. The Committee hope that an early decision will be taken in the matter by government, keeping in view the experience of canalisation of imports of cotton by CCI and the limited foreign exchange available for import of raw materials for Textile Industry. (Para 8.13)

### Reply of Government

The Cotton Corporation of India has by now gained considerable experience in the export and import business and have also established business contacts with foreign principals all over the world. Diversion of the above items of trade viz., man-made fibres and wool may not have any adverse impact on the operations of STC. The matter is under consideration in this Ministry. Before taking a final decision, Government will consider the merits of such a transfer from one public sector undertaking to another and how far such a transfer will be in the interests of the user industries, consumers and exports.

[Min. of Commerce O.M. No. 15/19/75-Tex (II), dated 6-10-75]

### Recommendation (S. No. 31)

The Committee are glad to note that the profit of the Corporation has increased from Rs. 10.38 lakh in 1970-71 to Rs. 504 lakhs in 1972-73 and the dividend declared has also risen from 3 per cent in 1970-71 to 12 per cent in 1972-73.

The Committee, however, find that statutory Auditors have observed in their report for 1970-71 that large balances were carried by the Corporation on its current account while at the same time there were large borrowings on cash credit accounts. The balance sheet as on 31-8-1971 disclosed bank balance is non-interest balancing earning current accounts exceeded Rs. one crore, while borrowed funds lying in current account could not earn interest.

The Committee are informed that the matter was considered by the Board of Directors who appointed a Sub-Committee of two Directors to go into the question. The Sub-Committee reported to the Board that there was a *prima facie* case of negligence on the part of F.A. & C.A.O. The Corporation had already taken action to revert the officer to his parent Department and the officer was superseded for promotion in his parent department on grounds of inefficiency which included the financial imprudence shown by in CCI. The Committee hope that Corporation would guard against recurrence of such financial lapses. (Paras 9.9 to 9.11)

### Reply of Government

The Corporation has evolved a procedure under which daily bank balance statement from all Branch Offices as well as all banks

are obtained to study cash flow position. It has enabled the Corporation to ensure that the credit is utilised in the best interests of the Corporation.

[Min. of Commerce O.M. No. 15/19/75-Tex.(II),  
dated 14-1-76].

### **Recommendation (S. No. 33)**

The Committee note that the Corporation has disputed certain payments to the extent of Rs. 9 lakhs claimed by Gujarat State Cooperative Marketing Society for the Cotton purchased and ginned and pressed by the Society for and on behalf of the Corporation and the Society has taken the matter to the Court. They would like to be informed of the results. The Committee however, recommend that the Corporation should review in the light of its past experience, the procedures it has been following for making purchases through the Cooperative Societies or Marketing Committee and see how it can be streamlined to avoid such disputes in the future and safeguard its own interests without causing any inconvenience to the Societies/Committees. (Para 9.30)

### **Reply of Government**

In pursuance of the interim decree orders passed by the Court the Corporation has paid Rs. 27,07,235.12 to M/s. Gujarat State Cooperative Marketing Society Ltd. The cases are in progress.

The Corporation has now clearly defined the role to be played by the Cooperative Societies in functioning as agents of the Corporation for carrying out purchase operations and has accordingly prepared a draft of agreement bringing out the specific role to be placed by the Cooperative Societies. Unlike the arrangements made for the year 1971-72, when the cooperative societies in Gujarat were also expected to assist the Corporation in determining the quality of kapas, the work of assessing the quality of cotton and fixing a suitable price for the same has been entrusted to the cotton selector of the Corporation have no role of play in determining the quality of cotton and fixing a suitable price thereof. The Cooperative societies under the revised arrangements are expected to assist the Corporation only in incidental matters such as transportation of kapas from mandi to the ginning and pressing factories, procuring labour, supervision over the weightment of kapas in the mandi etc., and the

main activity of selection of kapas and fixing of suitable price thereof has been entrusted to the Cotton Selectors posted at the centre. The Cooperative Societies are also expected to make payments to the concerned cotton growers towards the value of kapas based on the rate fixed by the cotton selector. As a result of the revised arrangements the possibilities of disputes between the Corporation and the Cooperative Societies have been greatly reduced. Moreover, the revised arrangements greatly help in protecting the interest of the Corporation in vital matters such as determining the quality of cotton and fixing of suitable price for the kapas selected by the cotton selectors. The Corporation has dealings with Cooperatives in all the cotton growing States of the country and except in the case of some cooperatives in Gujarat, the experience of the Corporation has been satisfactory. During the current season, however, the Corporation has been purchasing directly without involving the cooperatives as agents.

[Min. of Commerce O.M. No. 15/19/75-Tex (II), dated 6-10-75]

#### **Recommendation (S. No. 34)**

The Committee regret to note that management have admitted that while the volume of purchases of cotton is going down from year to year, the infra-structure set up by the Corporation continued to be large adding to the overheads. The management have suitable for purchase of 30,00,000 bales and have stated that suitable measures are being taken to cut the infra-structure to size and bring down the overheads considerably. The Committee fail to understand as to why infra-structure for purchase of 30,00,000 bales should at all be created in 1973-74 when its demand for a credit limit of Rs. 300 crores for a purchase programme to the extent of 30,00,000 bales was not accepted by the Ministry of Finance or Reserve Bank at any time. The Committee would like the Corporation to evolve a norm for overheads after studying the pattern in the Maharashtra Monopoly Scheme and, if possible, of the private trade and ensure that its own overheads do not exceed the norm. In the opinion of the Committee it was not commercially prudent for the Corporation to have established an elaborate infra-structure all over the country without making sure about the availability of funds to the desired level. The Committee cannot also appreciate why the large infra-structure was maintained so long when for almost two years when the Corporation's purchase operations have been very much on the low side and the future role of the Corporation is yet to be decided.

(Para 9.36)

### **Reply of Government**

The Corporation was forced to expand its organisational structure because it was required to undertake large purchases in 1971-72. During that year, there was a substantial increase in cotton production and prices had started declining sharply and it was felt that if this trend continued, the farmers would be discouraged from cotton cultivation in future. The Government of India, therefore, directed that the Corporation should go in for substantial purchases of domestic cotton at procurement prices fixed by the Government. However, in subsequent years only limited purchases were made by the Corporation. The Corporation is making efforts to reduce monthly expenditure. As a result of these measures on an average the monthly administrative expenses of the Corporation have come down from Rs. 12.5 lakhs in 1973-74 to Rs. 4.25 lakhs in 1974-75.

With a view to reduce the overheads, the Corporation has closed some of its Branch Offices and has already dispensed with the services of 112 Temporary employees. Apart from that there is no fresh recruitment and the vacancies are not filled in. In addition in view of the reduced purchases operations, the Corporation has redeployed its staff in various regions and also identified the surplus staff. The Corporation has also adopted various economy measures for reducing the overhead expenditure, such as disposal of jeeps, reduction in expenditure on Guest Houses, Telephones/Trunk Calls entertainment etc. Further out of 20 persons on deputation from various departments of Central|State Governments, the Corporation has already repatriated 7 persons to their parent departments, 11 have been absorbed and the remaining 2 persons will be repatriated as soon as their term of deputation is over.

[Min. of Commerce O.M. No. 15/19/75-Tex (II), dated 6-10-75]

#### **Further information asked for by the Committee**

Has any norm for overhead been worked out? If not the reasons therefor.

(Lok Sabha Secretariat O.M. No. 17-PU/75 dated 12-11-75).

#### **Further reply of Government**

The Corporation prepares a budget every year and every effort is made to be within the budgeted expenditure.

The Corporation has been taking various measures, with a view to keep its overheads expenditure to the minimum and as a result of these measures the Corporation's monthly administrative expenses have come down from Rs. 8.19 lakhs in 1973-74 to Rs. 7.28 lakhs in 1974-75. Further the Corporation has been trying its level best to reduce the complement of staff by sending surplus staff on deputation to other organisations. Now new recruitment is made in the vacancy caused by resignation or otherwise. As against the total strength of 648 during 1973-74, the present strength is 586. It will be appreciated that the Corporation is a Public Sector Undertaking and as such it has some social objectives. Therefore, it would not be proper for it to straightaway dispense with the services of surplus staff in order to reduce the expenditure.

[Min. of Commerce O.M. No. 15/19/75-Tex (II) dated 3-1-76]

### **Comments of the Committee**

Please see paragraph 1.35 of Chapter I of the Report.

### **Recommendation [S. No. 34(a)]**

It is also surprising that the Ministry failed to communicate to the Corporation about the non-availability of the reduced credit of Rs. 100 crores. The Committee regret to note that neither the Corporation nor the Ministry have any idea about extra expenditure on the infra-structure. The Committee are informed that the Ministry has proposed to the Ministry of Finance that the Corporation's role should be clearly defined and it has been stressed that the Corporation cannot be expected to function efficiently on a stop-go basis. The Committee recommend that Govt. should deal with the matter with all seriousness and clearly define the role of the Corporation and provide adequate finance if the Corporation has to achieve its objective.

(Para 9 37)

### **Reply of Government**

The Question is under consideration and a decision is expected to be taken shortly.

[Min. of Commerce O.M. No. 15/19/75-Tex (II) dated 6-10-75]

### **Further information asked for by the Committee**

The decision may be communicated when taken.

(Lok Sabha Secretariat O.M. No. 17-PU/75 dated 12-11-75)



### Further reply of Government

The role of the Cotton Corporation of India has been considered by the Government and it has been decided that the CCI may operate with the objective of ensuring payment of minimum support price to the growers so that cotton prices do not fall below the level of support prices as recommended by the Agricultural Prices Commission. For this purpose, the Corporation would have to effect purchases, whenever it is necessary and the requisite credit will be made available to it. It has also been decided that CCI should be used by National Textile Corporation for purchase of cotton. Necessary credit facilities will be made available to the extent to which CCI will be making purchases for N.T.C.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 3-1-76]

#### Recommendation [S. No. 34(b)]

The Committee expect that at least now the Organisation will be pruned suitably and the lessons learnt from the past will be borne in mind while planning purchase operations in the future.

(Para 9.38)

### Reply of Government

The Corporation in its Board meeting held on 17-5-75 decided to quantify the surplus staff. Efforts are being made to accommodate the surplus staff in other organisations.

The purchase policy of the Corporation has been modified, based on an assesment of the crop in all cotton growing States so that purchases could be made as far as possible in an equitable manner.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75]

#### Recommendation (S. No. 35)

The Committee note that during the first year of its existence, the Corporation had to pay a sum of Rs. 4,80,721 as demurrage. They are informed that it happened in the initial stages when the Corporation was not well organised. The demurrage had been recovered from mills and action to recover it from the shippers is under way. The Committee would like to know the total amount of demurrage recovered so far and the time by which the balance is expected to be recovered.

They note that a separate section has been set up to deal with clearing and forwarding work and a Committee was also set up to consider allocation of work to the different clearing and forwarding

agents. A clearing agent who was responsible for the demurrage was black-listed. As a result of the remedial measures taken, during the last two years, no demurrage has been paid. The Committee would, however, like to watch the performance and recommend that the Corporation should gear up its machinery to ensure that payment of demurrage charges is obviated.

(Paras 9.42-9.43)

### Reply of Government

Compared to the demurrages incurred during 1970-71 to 1971-72 of Rs. 4,80,721/- the demurrages incurred during the subsequent years 1972-73 and 1973-74 have been reduced to a great extent on account of various steps taken by the Corporation. The payment of demurrage during 1972-73 and 1973-74 viz. Rs. 88,959.60 and Rs. 11,392.74 respectively are due to the following reasons:

1. In certain cases, the mills who had taken delivery of duplicate documents at first requested for CCI clearance after the last free date was over and therefore CCI had to clear the consignments. This led to the payment of demurrage, which has been recovered from the mills.
2. In another case, the consignment intended for mill was despatched to another mills account by the shippers and the mill, which in the first instance accepted the consignment later on refused to clear. This had to be mutually settled and the mills finally cleared the consignment after bearing the demurrage among themselves.
3. In certain other cases, the consignments could not be cleared and despatched for want of ATL from the mills.
4. Wherever the duplicate sets of documents were received late from the shippers the Corporation have filed the claims with the respective Sudanese shippers.

Thus from the above it can be seen that a major portion of demurrages were incurred due to the fault of the mills and, therefore, they have been recovered from them. In order to obviate incidence of demurrages, the Corporation is taking steps to get the delivery orders from the Steamship Company on the basis of guarantee/bank guarantee, whenever the original documents are not received. Thus the consignments are cleared without incurring demurrage before the L.F.D. Further by establishing personal contacts with the officials concerned in the Customs, BPT and Shipping Companies Govt. Departments problems that usually arise in clearance of consignments

are settled much in advance before L.F.D. for clearance, thus enabling clearance without demurrage. As regards clearance in other parts like Cochin, Madras etc. wherever it is necessary, documents are sent by Air Freight in order to avoid delay in communication.

The above steps taken have been found to be very helpful and have resulted in avoiding the demurrages completely in most cases.

[Min. of Commerce O.M. No. 15/19/75-Tex (11) dated 6-10-75]

#### **Recommendation (S. No. 36)**

The Committee regret to note that so far the Corporation has not prepared any comprehensive account; manual indicating the accounting and book keeping, administrative and financial procedure etc. and the work of preparing the manual has been entrusted to a firm of chartered accountants on a remuneration of Rs. 45,00 including all expenses therefore. The Committee fail to understand why this work could not be undertaken by the Finance and Accounting Organisation of the Corporation and work completed till now. The Committee regret to observe that the absence of Financial Accounting Manual and the lack of an efficient Management Information system has already caused delays in finalisation of accounts of the three years (1970-71 to 1972-73). The Committee are informed that the manual is now in the final stage of compilation. The Committee recommend that in the interests of streamlining the administrative and financial procedures at various levels and establishing a proper Management Information System, the Corporation should finalise its Financial Accounting Manual without further delay. (Para 9.47)

#### **Reply of Government**

The Accounting Manual has been finalised.

[Min. of Commerce O.M. No. 15/19/75-Tex (11) dated 6-10-75]

#### **Recommendation (S. No. 39)**

The Committee note that in 1973 the post of Secretary was re-designated as Secretary-cum-General Manager and the incumbent was thus vested with more powers and higher authority as General Manager in addition to those of Secretary though this did not involve an additional remuneration. They were informed by the Ministry that instead of having a Secretary-cum-General Manager at the Head Office who have on occasions tended to operate in a sphere meant for the Managing Director, it would be better to have a secretary who was qualified in company law and separate functional executives to assist the Managing Director in the matter of handling imports, domestic purchases, sales warehousing and other activities. The Com-

mittee are informed that the post of the Secretary-cum-General Manager is proposed to be replaced by that of a qualified Secretary and functional executives and action has already been initiated in this direction by the Ministry. The Committee fail to understand why the post of Company Secretary was at all combined with that of a functional executive although this arrangement did not involve any additional remuneration, and why this arrangement was continued for all these years.

The Committee recommend that suitable guidelines in this regard should be issued by the Ministry so that the post of Company Secretary is always held by an officer qualified in Company Law and well-versed with the responsibilities thereunder and it is always separate from that of functional executive. (Para 10.13)

### **Reply of Government**

The post of the Secretary-cum-General Manager has been abolished and the post of the Secretary has been reinstated. The then incumbent of the post of the Secretary-cum-General Manager has been repatriated to his parent Department with effect from 16-12-74. The Corporation has now appointed a qualified Company Secretary to this post and his duties are separate from that of the functional executive.

[Min. of Commerce O.M. No. 15/19/75-Tex (11) dated 6-10-75]

### **Recommendation (S. No. 40)**

The Committee regret to note that since the inception of CCI in August, 1970 there have been too frequent changes in the incumbent to the post of Chairman in as much as there have been 6 part-time Chairmen appointed within a span of about 4 years. They were informed that the appointment of the present Chairman in November, 1974 as part-time Chairman for two years in the first instance was with a view to ensure better continuity in the Chairman's tenure in future so that the Corporation could benefit from his guidance and direction. The Articles of Association have also been amended to provide that instead of the Chairman and other Directors retiring automatically at every Annual General Meeting, the automatic retirements would now take place at every third Annual General Meeting. The Committee wish that the consideration of continuity of the Chairman for a reasonable length of time should have been weighed with the Government right from the inception of the Corporation. They feel that it is essential to have

stability at the top level for the effective functioning of the Corporation. They hope that his consideration will not be lost sight of hereafter and frequent changes of Chairman would be avoided in the interest of better functioning of the Corporation. (Para 10.18)

### **Reply of Government**

The Government will take into account the recommendations of the Committee on Public Undertakings while considering the appointment of the Chairman of the CCI. The term of the present Chairman is for two years from 15-11-1974.

[Min. of Commerce O.M. No. 15/19/75-Text (11) dated 6-10-75]

### **Recommendation (S. No. 41)**

The Committee note that although the National Textile Corporation (NTC) and the Cotton Corporation of India (CCI) are controlled by different administrative ministries close cooperation and coordination is reported to be maintained between these two organisations with regard to purchase of cotton required by the mills under the NTC. Cooperation and coordination between the policies of CCI and NTC is being achieved through necessary inter-ministerial and inter-corporate consultations. According to the Ministry of Commerce, no major issues have come up between the National Textile Corporation and Cotton Corporation of India which could have been more efficiently resolved had the two Corporations been under the administrative control of one rather than two different ministries. But according to the Cotton Corporation of India though the existence of separate controls as such has not hindered their working together, it would be very much conducive to common working if these two Corporations are under the same holding company. The Committee, however, understand that the Managing Director of NTC is already a Member of the Board of Director of CCI.

On the question of merger of CCI with NTC, they were informed that CCI had objectives other than that of supplying cotton to NTC mills also and the CCI would have to be there to fulfil other objectives whether the agency for buying cotton for NTC mills was the CCI or anybody else or whether NTC set up its own agency and did not entrust this work to CCI.

The Committee have already expressed their view in paragraph 5.24 of their Report on National Textile Corporation, on placing the NTC and CCI under the administrative control of the one

Ministry which deals with all other matters relating to textile industry. The Committee would like Government to consider the feasibility of this arrangement and take an early decision in the larger interest of functioning of the two Corporations.

(Paras 10.27 to 10.29).

### **Reply of Government**

The Government of India have already accepted this recommendation and the N.T.C. has been brought under the administrative control of the Ministry of Commerce.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75]

### **Recommendation (S. No. 42)**

The Committee also note that a view has been expressed that unless and until the Cotton Corporation of India and the Textile Commissioner of the Government of India coordinate their activities and functions, the Cotton Corporation would not be able to play its role effectively. The Committee are informed that there has been complete coordination between the Cotton Corporation of India and the Textile Commissioner. The Managing Director of the Cotton Corporation is a member of the Textile Commissioner's Cotton Advisory Board and the Textile Commissioner is a Director on the Board of the Cotton Corporation. Besides, the Ministry of Commerce elicits the views of both the Managing Director of the Cotton Corporation and the Textile Commissioner on important issues relating to cotton. They hope that the existing arrangements which are reported to have resulted in satisfactory coordination between the Textile Commissioner and the Cotton Corporation of India, will be continued and, if necessary, further improved in the interest of evolution of sound policies for the purchase and sale of cotton for the efficient working of the Corporation. (Para 10.30)

### **Reply of Government**

The coordination between the Textile Commissioner's and the Cotton Corporation of India will be continued as before

[Min. of Commerce O.M. No. 15/19/75-Tex(II), dated 6-10-75]

### **CHAPTER III**

## **RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY**

### **Recommendation (S. No. 1)**

The Committee note that though CCI was set up with the principal objectives of (i) acting as the agency for price support operations (ii) purchasing cotton for supply to mills in the public sector and (iii) undertaking purchase of domestic cotton on its own and selling it to mills, according to Corporation and Government, the twin objectives of Corporation were payment of remunerative prices to the farmers and stabilisation of prices of cotton for general welfare of consumers. The Committee were informed that these were based on administrative decisions of Government, who have felt the need for providing remunerative prices to farmers for sustaining interest in cotton production and also the need for maintaining stability in cotton prices in the interest of catering to domestic and export market effectively.

The Committee regret to point out that though the Corporation and Government claim that those are the twin objectives of the Corporation, these do not find a specific place in the Memorandum and Articles of Association of the Corporation. The Committee were informed that the Ministry had already submitted proposals for enlarging the objectives of the Corporation to cover these aspects to the Committee of Secretaries appointed to examine the integrated policy, for the cotton textile industry and a further note is under submission to Government wherein approval of the Corporation's role would also be solicited.

The Committee find that in spite of their recommendation in the 40th Report on Role and Achievement of Public Undertakings' where in they recommended that the role and objectives should be clearly defined, Government had not so far taken a decision in this regard. The Committee recommend that the Government should come to an early decision about the role and objectives of the Corporation in specific terms, and include them in the Memorandum and Articles of Association without further delay.

(Paras 1.20 to 1.22)

### Reply of Government

The role of CCI has been reviewed by the Government and it has been decided that during the 1975-76 season the Cotton Corporation of India should ensure payment of minimum support price to the growers so that their interest in cotton cultivation was maintained and that the cotton prices did not fall below the level of the support prices recommended by the Agricultural Prices Commission. Further it has been also decided that the Cotton Corporation of India should be used by National Textile Corporation for purchase of cotton for its requirement.

For carrying out the above objectives, it is not considered necessary to make any amendment in the Memorandum and Articles of Association of the Corporation. The Memorandum of Association includes *inter alia* the following two provisions:—

- (1) To purchase cotton grown in India and to sell and otherwise dispose of and deal in such cotton.
- (2) To organise and undertake purchase, sale and transport of cotton (imported into or grown in India) and/or Karas including such allied duties as may be entrusted to the Company for such purpose by the Central Government from time to time in India or anywhere else in the world.

The above provision are comprehensive and the Cotton Corporation of India should be able to achieve the objective referred to above without any amendment in the Articles of Association. The provision (1) above covers CCI's purchase operations for NTC Mills. Likewise provision (2) above covers the requirement that CCI should ensure that prices of cotton do not fall below the support prices.

[Min. of Commerce O.M. No. 15/19/75-Tex (II) dated 3-3-76].

### Recommendation (S. No. 3)

The Committee regret to note that the Corporation has not so far attempted any specified estimates of cotton production in any particular year, although it realises the need for a mechanism to make a fairly correct and workable estimate of cotton crop. The Corporation has been relying only on the reports of the Ministry of Agriculture and the State Departments of Agriculture and has also been taking into account the assessment by the trade.



The Committee were informed that the Agriculture Ministry made periodical assessment of cotton crop on the basis of reports received from State Governments but the estimates prepared by the Ministry had been on the lower side compared to the figures reported by ginning factories and the cotton trade. The crops estimates given out by the trade were also stated to be higher than the actuals and according to the Corporation the higher trade estimates are likely to be motivated.

The Committee were informed that the Hindustan Lever has established a system under which its estimates of groundnut crop have been 99 per cent correct during the last 15 years and that the Operations Research Group of Baroda has been estimating production of oilseeds during the last several years with only 1 per cent variation from the actuals. If these two agencies can evolve on almost perfect system of estimating production of groundnut and oilseeds, the Committee feel that it should not be difficult for the Government having a vast network of agencies to evolve a system of arriving at reasonably accurate estimates of cotton crop from year to year.

The Committee find that at present estimates of cotton production are done by the Agriculture Ministry while the cotton Corporation is under the Commerce Ministry. The Committee recommended that there should be greater coordination between the Ministries of Agriculture and Commerce so that accurate and objective estimates of cotton are available to CCI in time to enable the Corporation to plane its procurement operations as realistically as possible.

(Paras 2.11 to 2.14)

#### **Reply of Government**

There is already coordination between the Ministry of Agriculture and the Ministry of Commerce and efforts are constantly being made to pool information and take decisions in a concerted manner.

[Min. of Commerce O.M. No. 15/19/75-Tex (II) dated 6-10-75].

#### **Recommendation (S. No. 4)**

The Committee note that Government of India notify the support prices for different varieties of cotton based on prices worked out by the Agricultural Prices Commission while fixing such prices the view of the representatives of the cotton growers, Textile Commissioner and the textile industry are taken into account. It has been

stated that the prices are reviewed every year with reference to cost of inputs yield and other factors making allowance for a reasonable margin of profit to the cotton growers.

The Committee are informed that the support prices have not of cotton suffer from several limitations. As the support prices have been  $1\frac{1}{2}$  times the support prices. The Ministry of Commerce admitted that there was no real and proper costing data available from which they could infer whether or not a particular tariff was profitable and that they were groping in the dark to some extent in this regard. Reports of Research Scholars and Research bodies show different profits and profitability on cotton though all of them show a fairly good profitability in regard to cotton and market price mechanism is considered to be adequate to meet the cost of cultivation. The Agricultural Prices Commission has also observed in successive reports that the available data on the cost of production of cotton suffer from several limitations. As the support prices have been much below the market prices, the market prices based on the operation of the normal forces of demand and supply have proved to be more advantageous to the farmers than the support prices. In view of this the Committee feel that the Government should examine whether the support prices which have been quite unrelated to the normal market prices, have served the purpose for which the system of support prices was introduced and whether the parameters within which the Agricultural Prices Commission functions in calculating the support prices should not be made realistic. In the opinion of the Committee the support prices should be as close as possible to the fair and remunerative prices. (Paras 3.12-3.13).

### **Reply of Government**

The minimum support prices are in the nature of a guarantee to the producers that prices will not be allowed to fall below the level and Government would undertake to effect purchase of the produce if such a contingency were to arise. The support price is expected to cover the normal cost of production and provides a fair margin of profit. While fixation of support price may have operative significance only in a situation of bumper supplies and undue fall in prices, the fact that market prices of cotton may be ruling above the level of support prices, does not undermine the need for announcing the support prices as it provides the required climate of stability for the grower to undertake cultivation of the crop. Under these circumstances, the distinction between a support price and what may be deemed to be a "remunerative price" will remain.

[Min. of Commerce O.M. No. 15/19/75-*Tex*(II) dated 14-1-76].

### **Recommendation (Sl. No. 8)**

The Committee note that the Corporation appoints 2 types of cotton selectors at each procurement centre one selector from the trade who can judge the quality by visual examination and other selector qualified in Textile Technology. The Committee are informed that the object of keeping 2 selectors in each centre is to ensure that one keeps a watch on each other and there is a proper selection of cotton and prices paid. It has also been stated that it is necessary to have two cotton selectors for each centre as that would enable not only to serve the purpose of each one having a watch on the activities of the other but also help in the communication of the purchase details and payment, to the Sub-Regional| Regional Offices. The Committee are not able to appreciate the justification for having the two selectors one of them merely for communication of the purchase details and payment, to the Sub-Regional and Regional Offices, when one of the selectors is already meant for making the selection and bidding at the auction under the instructions from the Regional Office.

The Committee suggest that Government should examine the merit of keeping two selectors in each centre as in their opinion, that by itself is no guarantee for the quality and price of cotton nor is it a fool proof method against any of the under hand dealings. The Committee deal it is more essential to have strict control and surprise inspection of work of the selectors by the supervisors and the Regional Managers especially during the purchase seasons. The Committee also suggest the Government should examine the feasibility of introducing scientific equipment for testing the quality of cotton at each major centre of purchase. (Paras 3.36—3.37)

### **Reply of Government**

The pattern of posting two selectors—one drawn from the Trade and the other with sufficient academic background and technical training—in each of the purchase centres of the Corporation during the initial year of the Corporations, purchase operations, was itself an experimental measure, and may not have been a fool-proof method of posting purchase staff. In fact in the light of the past experience, the Corporation has introduced the system of surprise inspection by Senior officials from headquarters, as has been recommended by the Committee. Further, in order to prevent any manipulations in regard to prices, the Head Office communicates the range of prices within which the purchases of the Corporation should

be effected by the field staff. As regards quality, since most of the purchases are through the auction system, it would not be practicable to test the cotton with a scientific equipment first and then to conclude the bid. However, the Corporation's Head Office obtains the sample of each lot of lint pressed, gets it analysed by the E.I.C.A. and the results of such analysis are communicated to the respective purchase centre to serve as guide for further purchases. The various varieties of cotton are known by their traditional technical characteristics and the mills may not find the scientific testing more helpful than the popular method of visual test. For instance, Digvijay—A grown in Maharashtra is known to possess certain staple length and useful for spinning certain count of yarn. The mills may not be interested in more scientific properties of fibre. However, the Corporation may attempt in due course of time to develop its own types of cotton identifiable with certain standard characteristics, so that the mills can buy on the basis of such standard types.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75].

#### **Further information asked by the Committee**

Have the Government|Corporation examined the merit of keeping two selectors? What is the present position?

[Lok Sabha Secretariat O.M. No. 17-PU/75, dated 12-11-1975].

#### **Further reply of Government**

In big mandis during peak season, the arrivals are so heavy that auctions at various places are held simultaneously. If therefore, the Corporation has to carry on with one cotton selector, he may not be able to see various heaps of kapas kept for auctions and give his bids based on the quality of cotton. Moreover, from the year 1974-75 the Corporation has started making purchases directly from growers in regulated markets without availing of the services of the cooperative societies, which were hitherto before appointed as our Agents on payment of 1 per cent commission. As a result of dispensing with the services of the cooperative societies, the work and the responsibility on the field staff has considerably increased, in as much as the field staff is now required to handle the work of supervising weighing of kapas in the mandis as well as in the factories, to arrange for transportation of kapas from the market to the ginning and pressing factory etc. With this increased work at the purchase centre, the need for having minimum two cotton selectors has become all the

more imperative. It is, therefore, felt that it would be in the interest of the Corporation to keep sufficient staff at the purchase centre to handle purchases.

[Ministry of Commerce O.M. No. 15/19/75-Tex (II),  
dated 3-1-76]

### **Recommendation (Sl. No. 9)**

The Committee note that the Cotton Corporation of India purchased 5,17,364 bales of cotton in 1971-72, 3,86,037 bales in 1972-73 and 3,24,677 bales in 1973-74. During 1972-73 and 1973-74 the bulk of the purchases made by the Corporation was from the States of Punjab, Haryana and Rajasthan, the purchases in Punjab alone being 60.2 per cent and 55 per cent respectively. The Committee are informed that no directives had then been issued by the Government to the Corporation in regard to spreading its purchases equitably in all cotton growing States. The Board of Directors had also not fixed any schedule of purchases Statewise. On 20th December, 1972, the Board decided to buy 2 lakhs bales on a revolving basis. Since by 30th December the Corporation had already purchased 1,06,737 bales in Punjab, where the season started earlier, the purchases of the Corporation had to become restrictive as the balance quantity left was very nominal. Besides, the season had advanced by that time and the prices were ruling very high and the situation did not necessitate purchases by the Corporation. Moreover during 1972-73 the Maharashtra Government introduced a scheme for monopoly procurement of cotton in that State. Even then the total number of bales purchased in Punjab during the year 1972-73 rose to 2,33,837 (60 per cent of the total purchases). During 1973-74, the Corporation is reported to have drawn up a massive programme for the purchase of 25 to 30 lakhs bales through out the country on the basis of finances assured by the Ministry of Finance and at least Rs. 150 crores worth of credit was expected. The purchases were started first in North India, where season started first, with the expectation that the finances for the entire purchase programme of 25 to 30 lakhs bales would be forthcoming. Programme of 25 to 30 lakhs bales would be forthcoming. But in March 1974 the Corporation was informed that no credit would be given beyond Rs. 37 crores. The Corporation, therefore, decided to stop its purchases in Punjab, Haryana and Rajasthan (purchases in these States being 2,48,855 bales out of total purchases of 3,24,677 bales in 1973-74) and took up limited purchases in Karnataka, Tamil Nadu and Madhya Pradesh. However, even out of the Rs. 37 crores the Corporation was asked to return a sum of Rs. 7

crores immediately. The Corporation was therefore stated to be not in a position to effect purchases equitably in the other States as per programme drawn up earlier. The Committee regret to note that the Board of Directors which discussed the purchase policy almost every month failed to take notice of the Corporation's purchase operations being heavily weighted in favour of certain States and neither the Government nor the Board of the Corporation did anything to correct the lop-sided approach of the Corporation in this regard. The Committee are informed that, in the current year, the Board has taken a decision to the effect that when funds were available the Corporation would follow a policy of equitable purchases on pro-rata basis in all the Cotton growing States. The Committee are not convinced by the arguments advanced by the Corporation in justification of its inability to spread its purchases equitably in all the cotton growing States. The Committee are surprised that during the period 1971-72 to 1973-74 the Corporation followed a policy of making overwhelming part of its purchases mainly from the regions of Punjab, Haryana and Rajasthan. They are not satisfied with the reason advanced by the Corporation that it could not due to certain circumstances follow the policy of equitable spreading of its resources to purchases cotton from various other cotton growing regions in the country. It looks as if this imbalance in purchase was deliberate. The Committee recommend that a thorough study in depth of the purchase policy followed by the Corporation and a thorough investigation of the purchases made by the Corporation in the past should be conducted, responsibility fixed and lessons drawn.

### **Reply of Government**

On the basis of the past experience, the Corporation has recently changed its purchase policy in that the Head Office informs the various branch offices about the price range within which they are required to effect purchases. The ceiling prices for purchases of cotton are daily reviewed by a Committee at the Head Office taking into consideration the prevailing market rates. Further, the samples of each lot of 100 bales are drawn and got surveyed from the E.I.C.A. In addition, A senior official of the Corporation pays surprise visits to the purchase centres from time to time where the purchases on behalf of the Corporation are made. Moreover, with a view to effect cotton purchases in different States as evenly as possible, all the purchases of the Corporation are now monitored from Head Office.

In regard to the purchases effected from 1971-72 to 1973-74. While a detailed enquiry may not serve the objective in view, the basis on which the Corporation should generally conduct its purchase pro-

gramme has since been clearly laid-down. Subject to the special need that may arise for the intervention of the Corporation in any particular area ( i.e. by purchasing long staple cotton to arrest any undue decline in prices) the purchases will be so directed as to be related to the level of Cotton production in the different states, although no rigid pro-rata formula may be followed.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75].

#### Further information asked for by the Committee

(a) Please supply State-wise data regarding purchases made in 1974-75. Whether these conformed to the latest decision of the Board to spread purchases evenly over all the States concerned.

(Lok Sabha Secretariat O.M. No. 17-PU/75, dated 12-11-1975)

#### Further reply of Government

A statement giving Statewise details of purchases made by the Corporation during 1974-75 cotton season is as under:—

State	No. of bales purchased
Madhya Pradesh	1647
Andhra Pradesh	6554
Tamil Nadu	2131
Karnataka	2386
Rajasthan	1044
Haryana	500
Punjab	1033
Gujarat	16610
TOTAL	31905

The Board of Directors of the Corporation decided in its meeting held on 17th January, 1975 to start its purchases in all the cotton growing States within the financial limits of Rs. 10 crores and also on pro-rata basis. Accordingly, the Corporation started its purchase operations in Northern States and Madhya Pradesh. However, the Corporation's purchases did not make much progress due to the

implementation of deferred payment scheme introduced since the last week of March, 1975. Subsequently, the scheme of deferred payment was withdrawn by Government in April, 1975. After the withdrawal of the scheme, the Corporation again started its purchase operations in all the States but by that time the cotton season in Northern States was almost over and the Corporation's purchases in these States were limited as compared to the other regions.

Despite the fact that the Corporation did strive for equitable purchases in all the cotton growing States throughout the country during the last season, its purchase programme was severely upset for want of adequate finance in time. The share of Punjab, Haryana and Rajasthan which was 3,80,361 bales in 1972-73 was reduced to 2,48,855 bales in 1973-74 and to 2,569 bales in 1974-75. As against this the share of the four States of Andhra Pradesh, Gujarat, Karnataka and Tamil Nadu which was only 839 bales in 1972-73 went up to 73,153 bales during 1973-74 and stood at 27,315 bales during 1974-75.

Further with a view to help sustaining production, the Corporation pursued the policy which aimed at preventing distress sales by growers of long staple varieties. With this end in view the Corporation effected its purchases in Gujarat, Andhra Pradesh and Karnataka in such a manner that more than 75 per cent of its purchases in these States were of long staple cotton.

[Min. of Commerce O.M. No. 15/19/75-Tex-(II), dated  
3rd January, 1976].

### **Recommendation (Sl. No. 10)**

The Committee feel that the Ministry should have issued suitable guidelines to the Corporation, in regard to purchase of cotton within the available resources so that purchases were equitably spread over the cotton growing States.

They note that at present a High Powered Committee consisting of representatives of Ministries of Agriculture, Planning Commerce and Finance determine the price differential for different qualities of cotton after Government have fixed the price of standard quality of cotton on the recommendations of the Agriculture Prices Commission. They would like Government to consider whether this High Powered Committee could also be entrusted with the task of laying down broadly the targets for purchase of different varieties of cotton from the cotton growing States having regard to anticipated production, requirements particularly of Mills under National Textile Corporation



need for sustaining production of desirable varieties of cotton in the interest of attaining self-sufficiency, price situation, availability of funds, etc. The Committee would like to be informed within three months of the precise action taken by Government to ensure that the purchases of the Corporation are so regulated as to subserve equitably the interests of major cotton growing States and it acts in time to make such purchases. (Para 3.53)

### **Reply of Government**

During the last two years the Corporation has been following a policy which ensure that its purchase operations are carried out equitably in the major cotton growing States and extend the much needed help for sustaining cotton production. Its sales operations are designed to discipline the cotton market. This will be evident from the efforts of the Corporation outlined below.

#### *Purchase Operations during last two years:*

The Board of Directors of the Corporation in their meeting held on 26-7-1973 had set up a Sub-Committee consisting of 2 directors of the Corporation to formulate the broad Statewise and Region-wise targets of purchases during 1973-74. Accordingly the Board of Directors in their meeting held on 29-3-73 approved the purchase programme of 30.5 lakh bales more or less based upon percentage of production in each State during 1973-74, season as per the recommendations of the Sub-Committee. The Corporation thereafter created the necessary infrastructure to undertake the purchase programme and started purchases in the northern region as soon as the season started. However, the Corporation as against its requirement of Rs. 150 crores to carry out the targeted purchase operations its credit limit was restricted to Rs. 30 crores. However by that time, the Corporation had already drawn Rs. 37 crores. The Commerce Ministry continued to press for additional finances but no more funds were made available. This affected the entire purchase programme and the purchases had to be restricted to 3.10 lakhs bales only during 1973-74 cotton season.

During the current cotton season i.e. 1974-75, the Corporation projected its credit requirements at Rs. 200 crores. But it was allowed a credit limit of Rs. 10 crores only. In view of the limited funds, the Corporation did not consider it feasible to enter the market at the beginning of the current season. Thus instead of effecting purchases in a few States at the beginning of the season itself, the Corporation preferred to wait and continued its efforts to

obtain more funds. Ultimately, when it was known that there was no likelihood of more credit being made available to the Corporation, in view of the Government's policy of credit restrictions intended to check the inflationary trends in the economy, the Board of Directors of the Corporation decided on 17-1-1975 to start purchases in all the cotton growing States within the financial limit of Rs. 10 crores, as far as possible on *pro-rata* basis. Accordingly, the Corporation started its purchase operations in Northern States and Madhya Pradesh. However, the Corporation's purchases did not make much progress due to the introductions of deferred payment scheme from the last week of March 1975. Subsequently in April 1975 the scheme of deferred payment was withdrawn. Thereafter, the Corporation started purchases in all States but by that time, the cotton season in the Northern States was almost over and its purchases in those States were of limited quantity. During this period the prices of the medium and short staple varieties were maintained at levels which can be considered remunerative although they may have been lower than the peak prices registered around August 1974.

Thus, despite the fact that the Corporation did strive for equitable purchases in all the Cotton Growing States throughout the country during the last two seasons, its purchase programmes had to be severely curtailed for want of adequate finances. However, despite all the constraints enumerated above, the Corporation's purchase policy did aim at and achieve reduction in the imbalance in purchases. The share of Punjab, Haryana and Rajasthan, which was 3.80 lakh bales during 1972-73 was reduced to 2.48 bales. In 1974-75 only 2.569 lakh bales were purchased in these States. The share of four States of Andhra Pradesh, Gujarat, Karnataka and Tamilnadu which was only 889 bales in 1972-73 went upto 73,153 bales during the 1973-74 and 27,314 bales were purchased during 1974-75. It may not always be desirable or possible to purchase cotton on a *pro-rata* basis. The production of cotton in 1974-75 reached about 67.68 lakh bales as against 58.20 lakh bales in 1973-74. Most of the increase was in the long staple varieties, consequently their prices declined sharply as compared to medium staple varieties.

Therefore in order to help sustain production of these varieties, during the current season, as the Corporation purchased a policy which aimed at preventing distress sales of cotton by growers of long staple cotton and effected its purchases in Gujarat, Andhra Pradesh and Karnataka in such a manner that more than 75 per cent of its purchases in these States were of long staple cotton.

The following table shows the figures of purchases by the Corporation since 1971-72.

State	1971-72	1972-73	1973-74	1974-75 (upto 30-6-75)
Andhra Pradesh	17,436		17,409	8,707
Gujarat	3,37,820	..	2,553	14,788
Haryana	21,949	79,027	30,139	500
Karnataka	20,028	889	52,168	1,755
Maharashtra	63,984	*	*	*
Madhya Pradesh	5,197	7,183	2,797	1,647
Punjab	46,877	2,33,509	1,78,362	1,631
Rajasthan	2,690	67,425	40,345	1,038
Tamil Nadu	1,383	..	583	2,064
TOTAL	5,17,364	3,88,433	3,24,805	31,530

As the Corporation was following a purchase policy to ensure that its purchases were spread over all cotton growing States, there has been no occasion for issuing any formal directives. Further representatives of Ministries of Agriculture, Commerce and Finance are on the Board of Directors of the Corporation. As Corporation is a commercial organisation while the high powered Body cited could give certain broad guidelines, it may not be interested with directing the purchase operations as this will impede the working of the Corporation. It will then be difficult to make it responsible for losses that may result consequently to the directives of the Government. Moreover, the purchase operations of the Corporation depend on the availability of funds. As explained above, during the last two years, the Corporation did not purchase cotton in large quantity due to the non-availability of sufficient credit facilities.

[Min. of Commerce O.M. No. 15/19/75-*Tex*-(II), dated 22-8-75].

#### Recommendation (Sl. No. 13)

The Committee note that according to the Corporation monopoly procurement would in the long run be beneficial to farmer and eventually to consumer, if the farmers are paid remunerative prices

and there was efficient conversion of *Kapas* into full pressed bales and direct sales to the mills from a Government agency. It has been stated that chances of over-invoicing by mills would be considerably reduced and the cost of conversion from full pressed bales to yarn and cloth would be more realistic and also the payment of income tax etc. The prices of the finished cloth could be regulated which would eventually benefit the consumers as well as export market.

The Committee however note that according to the Ministry it will be difficult for a single monopoly agency to duplicate all the technical administrative services rendered by the cotton trade and at the same time it has been stated that Government have recognised the importance of keeping *kapas* and lint prices at reasonable level and an agency like the CCI would be the best instrument for securing commanding position in the market.

The Committee feel that to achieve this objective Government should ensure payment of remunerative price to the farmers so that the latter do not change over to other cash crops where there is better price realisation thus creating the necessity for the country to take imports of this much needed commodity. The Committee also recommend that since the Corporation has by now considerable expertise and has the necessary infrastructure developed, the Government should provide the Corporation with the necessary wherewithal in order that CCI may attain the commanding position in the cotton market. (Paras 3.77 to 3.79)

### **Reply of Government**

It will be Government's endeavour to ensure that cotton growers get remunerative price so that their interest in cotton cultivation is maintained. The National Commission on Agriculture has also recommended that the Cotton Corporation of India should be suitably strengthened so that it is in a position to buy at least 25 per cent to 30 per cent of the normal crop. However, this will primarily depend on credit availability which turn is determined by credit policy being pursued in the larger interests of the economy as a whole.

[Ministry of Commerce O.M. No. 15/19/75-*Tex* (II),  
dated 6-10-75]

### **Recommendation (Sl. No. 14)**

The Committee note that the percentage of loss in gaining of *kapas* prescribed in the guidelines issued by the Corporation is 1/4

per cent while according to the management and the reported export opinion it should not exceed 1 per cent to 1.5 per cent (though it has in fact ranged from 3 per cent to 5 per cent in certain cases). The Committee are informed by the Management that the 1¼ per cent of gaining loss laid down in guidelines "is only a threat to our cent of gaining loss as possible" though the Corporation has also admitted that "this is not possible to restrict it to that." The Committee do not appreciate the advantage of laying down unrealistically low norms in such matters which are not possible of achievement. They are of the opinion that norms prescribed in such matters which are not possible of achievement. They are of the opinion that norms prescribed, in such cases should be realistic and practical and once prescribed, these should be enforced strictly (Para 4.10).

### **Reply of Government**

The Corporation agree with the Committee that the practical and realistic norms be laid down and strictly adhered to. The Corporation has been collecting/processing results from each centre since inception and found the percentage of loss very considerably depending upon:

- (i) the climate of month of purchase and processing;
- (ii) whether cotton crop is irrigated or rainfed; and
- (iii) whether processing is saw-ginned or roller-ginned.

As such it is not possible to adhere strictly to these norms. However, on the basis of the experience the Corporation has increased the permissible percentage loss from .¼ per cent to 1 per cent.

[Ministry of Commerce O.M. No. 15/19/75-Tex(II),  
dated 14-1-76]

### **Recommendation (Sl. No. 18)**

The Committee note that ever since the appointment of Cotton Corporation of India as a canalising agency for cotton imports the percentage of cotton imported through the Corporation has risen from 26 per cent of the total imports in 1970-71 to 82 per cent in 1972-73. The percentage of imports through the Corporation has come down to 16 per cent in 1973-74.

The Committee are informed that Government are satisfied with the results achieved by appointing the Cotton Corporation as the canalising agency for import of cotton, since the cotton purchased by the Corporation from Egypt and Sudan was on f.o.b. basis with the result that the foreign exchange cost of freight and insurance had been conserved. On a broad assessment the foreign exchange saving resulting on account of freight and insurance has amounted to Rs. 45 crores since the Corporation started functioning as the canalising agency.

The Committee note that the imports of cotton had fallen from 10 lakh bales in 1970-71 to 3.43 lakhs in 1973-74. But in 1974-75, 6 to 8 lakh bales cotton were expected to be imported. The Corporation feels that with the increasing spindlage capacity and demand for controlled cloth and with an export target of Rs. 299 crores, the production of cloth in the country has got to go up. Besides, the *per capita* consumption of cloth is planned to increase from 12 metres to 18 metres in the Fifth Plan period. In view of these facts, the requirement of cotton will also go up from 62.5 lakh bales to 80 lakh bales. Even though indigenous production of cotton has increased, unless the production catches up with the requirement, import of some quantities of cotton is stated to be unavoidable.

The Committee also note that the general policy in the matter of import of cotton is to restrict imports of quantities and varieties required for export production. As an exception to this policy, some imports of extra long staple varieties have been allowed from Egypt and Sudan under bilateral trade agreements. It has been stated that the Government of India reserve certain quantity of cotton to be imported only by the Cotton Corporation to cater to specific needs of export oriented mills or mills supplying yarn to the decentralised sector. The Committee are surprised that neither the Government nor the Corporation has made any assessment of the requirements of cotton for the export oriented mills. They are, therefore, not able to appreciate the rationale behind the statement that imports are restricted to quantities and varieties required for export.

The Committee however, note that according to RBI enquiry, the cloth manufacture out of imported cotton was only for domestic use. This has also been admitted by the Ministry which is now going into the question. The Ministry has also admitted that only 10 per cent of yarn and cloth manufactured out of imported cotton has

figures in textile export and 70 per cent of yarn spun from imported cotton is supplied to the decentralised sector, consisting of handloom and powerloom and has been used for manufacture of sarees, dhoties etc. The imports have, however, come down for several reasons including the high import duty and the gradual evolution of substitute long staple varieties within the country. The Committee have not been able to see the justification behind importing cotton and spending precious and scarce foreign exchange merely to satisfy needs of the affluent sections of society. Through a policy decision has been taken by Government to restrict future imports of varieties required for export production, the Committee fail to understand why this could not have been done earlier. They would like the Government to examine the circumstances in which cotton was allowed to be imported in the past mostly for use of affluent people. The Committee recommend that imports of cotton for meeting domestic consumers requirements should be compulsorily related to export obligation. The Committee also suggest that there should be deterrent penalties for misuse of imported varieties of cotton. It may not be out of place to mention that our country has the potentiality of producing cotton of requisite qualities and quantities to meet the entire requirements and what is needed is a proper detailed assessment in advance and gearing of inputs to achieve the target. (Paras 5.20 to 5.24).

### **Reply of Government**

Cotton is imported mainly with a view to bridge the gap between the supply and demand for cotton. The import is limited to the minimum extent possible after taking into account the extent of domestic availability of cotton. It has also been decided to primarily import medium and short staple cottons where there is shortfall in domestic production. Cotton imports cannot be directly related to the requirements of textiles for exports. Requirements for domestic consumption have also to be taken into account while considering import of cotton. The decentralised sector usually uses finer counts of 40s and above in the production of dhoties and sarees. In the manufacture of yarn of finer counts imported cotton is used as admixture. Therefore, it would not be correct to say that the precious foreign exchange is spent merely to satisfy the needs of the affluent sections of society.

[Ministry of Commerce O.M. No. 15/19/75-TEX (II),  
dated 6-10-75]

**Further information asked for by the Committee**

(a) What is the quantity of cotton required to meet the domestic demand of textiles and how much of cotton has been produced in the country during the last three years?

(b) What is the quantity of cotton imported during the past three years and how much of it was used for meeting domestic demand of textiles and how much for export of textiles?

(Lok Sabha Secretariat O.M. No. 17-PU/75, dated 12-11-75)

**Further reply of Government**

(a) Year-wise figures of production and consumption are given below:

Year	Production in lakh bales of 180 Kgs.	Consumption in lakh bales of 180 Kgs.
1972-73	54.16	64.96
1973-74	58.19	68.75
1974-75	69.50	66.90

(b) The quantity of cotton actually imported during the last three years is indicated below:

Quantity (Bales)	Bales
1972-73	85,908
1973-74	38,686
1974-75	2,24,443

Cotton imports cannot be directly related to the requirements of textile for exports. Requirements for domestic consumption have also to be taken into account while considering import of cotton. The decentralised sector usually uses finer counts of 40s and above in the production of dhoties and sarees. In the manufacture of yarn of finer counts imported cotton is used as admixture. It is, therefore, difficult to indicate the quantity of imported cotton used for meeting domestic demand of textiles, and for export of textiles.

[Ministry of Commerce O.M. No. 15/19/75-Tex (II), dated 3-1-76]



**Recommendation (S. No. 24)**

In regard to controlled cloth, it has been stated that the Bureau of Industrial Costs and Prices had in their Report of May 1973, made certain recommendations in regard to the price and 6 monthly revision thereof to take into account the changes in cotton price levels. The Committee recommend that the Govt. should take into account the recommendations of the Bureau of Industrial Costs and Prices and consider the question of fixation of prices of different varieties of controlled cloth (Para 7.25)

**Reply of Government**

The Government have decided that for the present there will not be any revision in the price of controlled cloth constitutes about 24 per cent of the total mill production and any losses incurred on its production are expected to be recovered from the sale of non controlled cloth.

[Min. of Commerce O.M. No. 15/19/75-Tex.(II), dated 6-1-75].

**Recommendation (S. No. 25)**

The Committee are informed that in the context of stabilisation of prices, the Corporation purchases cotton holds its stock for a period of six months and releases about 20 to 25 percent of a month's consumption of cotton to the trade. This according to the Corporation will enable prices being held under check and the mills not escaping their obligation in respect of controlled cloth and exports. It has, however, been stated that there are difficulties in the Corporation in releasing the cotton directly to the mills because of the financial constraints of the mills in making payments to the Corporation. The Committee are, therefore, of the opinion that unless the Corporation is provided with adequate finances to enable purchase being made at the appropriate time and at economic prices, it will be difficult for the Corporation to fulfil its role.

**Reply of Government**

While it is agreed in principle that the Corporation should be provided with adequate finances to enable purchases being made at the appropriate time and at economic prices the quantum of finances depends on the total credit policy which is determined considering the capacity of the banks to finance, the price situation,

Credit requirements for priority sectors like purchase of foodgrains, and other relevant economic factors.

(Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75)

#### **Recommendation (S. No. 37)**

The Committee regret to note that the Corporation has not so far prepared any Manual for Internal Audit of the Transactions of the Corporation and the work of Internal Audit has been entrusted to a firm of professional auditors. The Committee need hardly stress that internal audit being one of the effective tools of Management Control, steps should be taken to have an effective tools of Management Control, steps should be taken to have an effective system of internal audit keeping in view the recommendations of the Committee on Public Undertakings in their 15th Report (Fourth Lok Sabha) on Financial Management in Public Undertakings. The Committee recommend that the Corporation should develop an internal audit cell of its own and also prepare an Internal Audit Manual setting out the scope, functioning and procedures of internal audit for the guidance of the internal audit cell. (Para 9.50)

#### **Reply of Government**

The Corporation has adopted the system of concurrent audit and has appointed auditors for various regions, for the current year. Thus it is only after the term of the present auditors expires that the proposal to set up internal Audit Cell can be considered.

(Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75)

#### **Recommendation (S. No. 38)**

The Committee note that the Report of the Committee on Public sector Agencies for canalisation of cotton imports (Rangaswami Committee) had recommended that the agency for Canalisation of Cotton should be a full-fledged independent Corporation managed by a board of director consisting of a Chairman-cum-Managing Director and seven ex-officio directors. The Corporation should be a compact organisation and manager-oriented. At present, the Corporation has a Board of Directors in which besides the Chairman and the Managing Director, there are 8 Directors. The Committee are informed that the Rangaswamy Committee Report was mainly on the idea that the Corporation should be more a vehicle for import of cotton with a lessor emphasis on domestic trade in cotton. On the import side, the Corporation is stated to have only an officer

oriented organisation where the managers and higher staff only are dealing with this subject. The Committee however find that the recommendation of the Rangaswami Committee also envisage the present objectives of the Cotton Corporation in India in domestic cotton purchases. Moreover the quantum of imports has also come down from 10.71 lakhs in 1970-71 to 43000 bales in 1973-74. The Committee therefore, feel that the Corporation should have a compact organisation consistent with the volume of operations handled by it. It has been stated that the Indian Institute of Management, Ahmedabad, has been requested to take a review of the organisational set up of the Corporation. The Committee hope that after the report of the Institute is received, the Corporation would not lose any time in finalising the staff strength and restructure the organisation as a compact body with an eye for efficiency and economy.

(Para 10.6)

#### **Reply of Government**

The matter regarding the review of the organisational set up of the Corporation by the Indian Institute of Management, Ahmedabad was considered by the Board of Directors of the Corporation in its meeting held on 17th January, 1975. However, it was decided to defer the same in view of the economy measures and in the absence of a prior decision about the volume of operations to be handled by the Corporation.

## CHAPTER IV

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

#### Recommendation (Sl. Nos. 15 & 16)

The Committee note that as against the reportedly realistic norm of 1 per cent to 1.5 per cent of ginning loss, the actual loss in certain cases has been much higher ranging between 3 per cent and 5 per cent. The Committee are informed that standing instructions were issued 1½ years ago to all the centres to submit full details, among other things of ginning loss in a prescribed form but such information has been received only from isolated centres. From this, the Committee cannot but infer with regret that the instructions issued by the Corporation in this regard have been ignored by some of its purchase centres and the Corporation does not appear to have taken any tangible action.

The Committee note that the Corporation had not been assessed the quantum of ginning loss for the period prior to 1973-74 as the percentage of loss had not been "abnormal". The Committee are surprised as to how in the absence of regular and timely information from the Regional Offices the Corporation was able to come to such a conclusion.

The Committee recommend that the Corporation should at least now view this matter seriously and tighten its control on the various purchase centres and ensure regular compliance of the instructions issued by the Corporation in this regard and feed back the information in time so that the Corporation may be in a position to investigate abnormal losses and take timely action to keep the ginning losses within the prescribed norms.

The Committee are also informed that the Corporation had directed the Regional Managers to analyse the reasons for higher percentage of ginning losses recently noticed particularly in the Northern region and fix responsibility and on receipt of their reports, the Corporation was to take further action in the matter. The Com-

mittee would like to be informed of the outcome of the enquiries conducted by the Regional Managers and the price action taken by the Corporation to fix responsibility and recover the loss suffered in this regard for each of the last three years.

(Paras 4.11 to 4.14)

### **Reply of Government**

Necessary action is being taken by the Corporation to evolve a detailed procedure for control and feed back information so that the Corporation may be in a position to investigate abnormal losses and take timely action to keep the ginning losses within the prescribed norms. As a result of the measures taken in the current year, the ginning losses at all the stations are considerably less and within the prescribed limits.

4.14. The Corporation has recently investigated into the abnormal ginning losses and as a result of the findings of the investigation responsibilities have been fixed on the officers and staff concerned and the disciplinary proceedings are in progress.

[Min. of Commerce O.M. No. 15/19/75-*Tex*(II) dated 6-10-75]

### **Further information asked by the Committee**

(a) Please give the figures of ginning losses during the year 1974-75 *vis-a-vis* the previous years and the norm.

(b) What are the measures taken to keep the ginning losses within the prescribed limit?

(c) please give the designations-wise of Officers on whom the responsibility has been fixed for the abnormal losses?

[Lok Sabha Secretariat O.M. No. 17-*PU*/75 dated 12-11-1975]

### **Further reply of Government**

(a) Details of ginning losses occurred during the year 1974-75 as also during the previous year *viz.* 1973-74 are given in Appendix I.

As regards prescribing the norm in respect of ginning losses, it may be pointed out that the percentage of shortages during ginning of kapas is widely varying factor depending upon the grade and condition of kapas, presence of trash and other foreign matter, moisture present in seed/cotton, the protection of seed cotton from rain and winds during storage, handling of seed cotton from storage

to go gin sheds etc. Besides, pilferage at the time of transporting kapas from mandis to ginning factories also contributes to a considerable extent towards shortages. In view of these numerous factors responsible for shortages, it is difficult to prescribe norms. The Cotton Technological Research Laboratory, Matunga, Bombay, have however observed that the percentage of shortages may go up to about 3 per cent.

(b) With a view to check the possible malpractices following measures have been taken:—

- (i) Instructions have been issued to weigh over cotton seeds immediately after the same are ready in the factory. Hitherto before the seeds were weighed only at the stage of delivery of cotton seeds. As per the revised instructions the seeds will be weighed twice, once at the stage of realisation and secondly at the stage of delivery of cotton seeds to the ultimate buyers.
- (ii) The Branch Offices have also been directed to ensure weighment of kapas when it is delivered to the Ginning and Pressing Factory for Processing and maintain proper record of the same.

As a result of these measures, it would be possible to detect possible pilferage in transit from the mandi to the ginning and pressing factory.

- (iii) The Cotton Selectors at the purchase centres have also been directed to ascertain processing results for each lot of 100 bales instead of ascertaining the same after completion of the total quantity of kapas purchased during the season.

It is felt that these measures would help considerably in keeping check over the shortages and would help in detecting the possible malpractices, if any.

(c) The departmental proceedings are in progress. The outcome of the departmental proceedings as also the names of the officers, if any, held responsible will be communicated as soon as the departmental proceedings are completed.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 3-1-76]

### Comments of the Committee

Please see paragraph 1.13 of Chapter I of the Report.

### Recommendation (S. No. 23)

The Committee regret to note that there is no fixed relationship between the prices received by the cotton growers and the prices fetched by non-controlled yarn and cloth. It has been stated that Government, however, recognise the logic and justification of the proposition that the margins of the trade and the mill sector should be suitably pruned to ensure that the yarn and cloth prices bear a reasonable relationship to prices of cotton fetched by the growers.'

The Committee would like that Govt. should take concrete measures to evolve a policy by which cotton growers get a share of price realised for the end product

(Paras 7.23-7.24)

### Reply of Government

This question is under consideration.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75]

### Further information asked for by the Committee

When is a decision likely to be taken in the matter?

[Lok Sabha Secretariat O.M. No. 17-PU/75 dated 12-11-1975]

### Further reply of Government

The policy of the Govt. has been to ensure that cotton growers receive a remunerative price for their production. The Govt. have assured the cotton growers that the prices will not be allowed to fall below the support levels and the Cotton Corporation of India has been asked to purchase all the cotton available at support prices. Govt. also keeps a constant watch over the prices of cloth. The availability of controlled cloth in sufficient quantity at prices which are lower than the cost of production tends to keep a check on the prices of other non-controlled varieties. However, it is not possible to establish a system by which the cotton growers are able to have a direct share in the price of cloth.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 3-1-76]

### Comments of the Committee

Please see paragraph 1.22 of Chapter I of the Report.

### Recommendation (S. No. 26)

The Committee regret to note that the contract for sale of 25,000 bales of 320-J34 cotton was entered into with one M/s. Dhanrajmal Gobindram by the Regional Manager, Delhi on the 16th February, 1974 even before it was approved by the Sales Committee of the Corporation at Bombay and even though the Regional Manager had no powers for sales. The intimation about the deal was sent to the Headquarters of the Corporation on the 19th of February, 1974 and details of sale were communicated over the phone to Divisional Manager (Accounts) of the Corporation. The Committee find that this matter was considered by the Sales Committee of the Corporation on the 20th of February, 1974 when the Managing Director of the Corporation who was the Chairman of the Sales Committee was not present. Some more data pertaining to the deal was however sought from the Regional Manager, Delhi by the Secretary-cum-General Manager. The matter was again considered by the Sales Committee on the 21st February, 1974 who were informed about the receipt of the telex message indicating that the grace period of 37 days was allowed to the party because of bulk sauda, the additional charges had been reduced from 2½ to 2 per cent and the deposit of 15 per cent of the value of cotton had been waived. The Sales Committee agreed to the extension of the grace period to 37 days and also reduction of additional charges from 2½ to 2 per cent, as such concessions had been given in some earlier cases also. It was also explained to the Sales Committee that the price offered was Rs. 6 per candy more than the listed price of 6th February, 1974. The Sales Committee agreed to the contract subject to quantities being actually available and the sale was from kapas purchased upto 23rd January, 1974. Again on the 22nd February, 1974 the Regional Manager, Delhi, while forwarding the contract to the Head Office stated that the contract was concluded when the Secretary-cum-General Manager was also present. During the evidence, it has been admitted by the representative of the Ministry that the contract was finalised and signed in Delhi on 16th February, 1974 in advance of referring to the Sales Committee at the Head Office, Bombay. It was also stated that the Head Office, Bombay had referred the case to vigilance whose report has just been received and is under examination. The representatives of the Ministry also admit-



ted that the Regional Manager has no powers for sale and the way in which the power has been exercised by the Regional Manager was incorrect. The Committee are surprised that the contract was finalised when the Secretary-cum-General Manager was also present and he allowed this to happen. The Sales Committee had agreed to waive the deposit of 15 per cent in violation of the Sales Policy approved only a few weeks before this deal. The Committee note that while according to the opinion of the Legal Adviser of the Corporation, such a condition should not have been waived, according to the Government advocate at Delhi, this deposit need not be recovered. The Committee are informed that deposit has now been recovered and full cost of the cotton realised.

The Committee are distressed at the undue haste with which the entire deal had been concluded in utter violation of the powers vested in the Regional Manager and allowing relaxations about extension of grace period, reduction in additional charges and waiving of the deposit, which could have and would have meant huge loss to the Corporation. The Committee fail to understand the urgency with which the matter was taken up by the Sales Committee on the day following the day on which intimation was received about the deal in the Head Office even when the Chairman of the Sales Committee was not present. The Committee do not also see the necessity for obtaining the legal opinion from Government advocate at Delhi when the Corporation's head-quarters office at Bombay had taken the advice of its legal advisor on the same matter. It is also significant that while forwarding the copy of the contract to head office it was stated that the contract was concluded when the Secretary-cum-General Manager was also present. The Committee also note that during discussion on a Calling Attention Notice in Rajya Sabha on the 14th of March, 1975, a Member quoted the instance of this contract with M/s. Dhanrajmal Gobindram and stated "The Corporation has so far lost a sum of Rs. 1661887/-. It is rather intriguing to note that M/s. Dhanrajmal Govindram was previously a black-listed firm. The files in the office of the Cotton Corporation of India will bring out the truth." The Minister in the course of the reply assured that he would certainly look into the allegation. The Committee are not sure whether due care was exercised by the Chairman of Cotton Corporation of India, Government nominees on the Board of Directors and other officials of the Corporation in this deal. The Committee therefore recommend that the entire deal should be thoroughly investigated, through CBI if necessary, with a view to pinpoint the responsibility for the lapses

at the several stages. The Committee should be informed of the action taken at an earliest.

(Paras 7.43-7.44).

### **Reply of the Government**

Investigations are going on to look into M/s. Dhanrajaml Gobind Ram Deal and to fix the responsibility. The Committee on Public Undertakings will be informed of the outcome of the investigations as and when they are completed.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75]

### **Further information asked for by the Committee**

“When are the investigations likely to be completed in respect of M/s. Dhanrajmal Govind Ram Deal?”

[Lok Sabha Secretariat O.M. No. 17-PU/75 dated 12-11-1975]

### **Further reply of Government**

This Ministry has already requested the Director, Central Bureau of Investigations (CBI), New Delhi on 8-10-75 to initiate necessary action in this case. It is understood that CBI have already started investigations in this case. At this stage it is not possible to indicate the time when the investigations will be completed by CBI. However, as soon as the investigations are completed and a report received from CBI, the Committee on Public Undertakings will be informed.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 3-1-76]

### **Comments of the Committee**

Please see paragraph 1.26 of Chapter I of the Report.

### **Recommendation (S. No. 32)**

Though according to the Companies Act, the annual accounts for a financial year (September-August) are required to be adopted by the general body meeting of the Corporation within a period of six months from the date of the expiry of the financial year, i.e. before 28th February of the following year, the Committee regret to note that there were delays in finalising and closing the accounts or the financial years 1970-71, 1971-72 and 1972-73. The Ministry has admitted that though in the year 1970-71, there was delay in the

appointment of statutory auditor, there was certainly delay on the part of Cotton Corporation of India also. The accounts were adopted at the general body meeting which was held on 27-12-72 whereas it should have been held before 28-2-72.

As regards accounts for 1971-72 it is regrettable that the Ministry had to issue a directive on 12th March, 1974 requiring the Corporation to hold its Annual General Meeting to consider the accounts not later than the 25th March, 1974 (on which date the meeting was then held and the accounts approved) as there had been delay for a period of more than one year in adopting the account.

What is shocking is that the accounts had been finalised and audited by October, 1973 and the Annual General Meeting could have been held in November-December that year.

The representative of the Ministry had stated during evidence that "It is our feeling that the then part-time Chairman could have called a meeting earlier than when it was called."

The Committee find that even in regard to the accounts for 1972-73, there had been a delay in calling the Annual General Meeting. Though the audit was completed and it was possible to hold the meeting earlier. These accounts for this year were approved at the Annual General Meeting held on 30th October, 1974.

The Committee cannot too strongly deprecate the recurring malady of delay in finalising and closing the accounts of the Corporation right from the inception and would like that the matter is examined thoroughly by the Government and responsibility fixed. As delay in closing the accounts for a year is likely to create problems with income tax authorities and embarrassment for the Government, they would like the Government to impress upon all the public undertakings that the audit and finalisation of the accounts holding of the Annual General Meetings should not in any circumstances be delayed as such delays entail corresponding delays in the presentation of annual reports to the Parliament. (Paras 9.21 to 9.25)

#### **Reply of Government**

There had been some delay earlier in the finalisation of accounts and holding of the Annual General Meetings of the Cotton Corporation of India as Auditors had not been appointed in time by the

Company Law Board. However, three Annual General Meetings for the years 1971-72, 1972-73 and 1973-74 were held during a period of one year (from March 1974 to March 1975). Thus the backlog has been removed. Further with the adoption of the system of concurrent audit for the current year it is expected that the Annual General Meeting will be held within the stipulated period.

As regards the fixation of responsibility for delay in finalising and closing the accounts of the Corporation, the matter is being taken up with the Corporation.

[Min. of Commerce O.M. No. 15/19/75-Tex(II) dated 6-10-75]

#### **Further information asked for by the Committee**

Has Government taken any steps to impress upon the public undertakings that the audit, finalisation of accounts and holding of the A.G.M. should not be delayed under any circumstances? If not, what is the reason for delay?

[Lok Sabha Secretariat O.M. No. 17-PU/75 dated 12-11-1975]

#### **Further reply of Government**

The Government has already impressed upon the public sector enterprises that the audit, finalisation of accounts and holding of A.G.M. should not be delayed and the public sector enterprises should comply with the provisions of section 210 of the Companies Act, vide O.M. No. 15(28)/66-IGC, dated 6-10-1966 attached at Appendix II.

[Min. of Commerce O.M. No. 15/19/75-Tex(II), dated 12-12-75].

#### **Comments of the Committee**

Please see paragraph 1.30 of Chapter I of the Report.

NEW DELHI;  
April 1, 1976.

Chaitra 12, 1966 (Saka)

NAWAL KISHORE SHARMA,  
Chairman,

Committee on Public Undertakings.

## APPENDIX I

(Vide reply to Recommendation at S. Nos. 15 & 16)

**Details of ginning losses occurred during the year 1974-75  
and 1973-74**

### STATEMENT SHOWING LOSSES OCCURRED DURING 1974-75 SEASON

Centre	Variety	Total Quantity processed (Qntrs.)	% of shortages after processing
<i>Punjab State</i>			
Abohar	320-FRG } SG }	5297—39	2—22 2—79
<i>Rajasthan State</i>			
Sriganganagar	320-F RS } SG }	5197—39	1—26 1—89
<i>Haryana State</i>			
Sirsa } Fatehabad }	320-F SG	2482—93	2—04
<i>Madhya Pradesh State</i>			
Khandwa	A-51/9	529—69	..
Barwaha	A-51/9	5717—50	1—94
Barwaha	Hybrid-4	1974—488	0—79
Sausar	L-147	229—19	0—99
<i>Karnataka State</i>			
Raichur	Varalaxmi	5998—56	2—89
Raichur	Hydrib—4	3110—78	1—94
Gedag	Jayadhar	880—00	1—58
Hubli	Jayadhar	174—03	..
<i>Tamil Nadu State</i>			
Tirupur	MCU—5	4220—03	2—41

Centre	Variety	Total quantity Processed (Qntls.)	Percentage of shortage after processing
<i>Andhra Pradesh State</i>			
Guntur	MCU—5	6329—54	1—61
Ganapavram	Do.	10677—20	2—02
Medarmetla	Do.	3694—84	0—28
Parachur	Do.	2743—83	1—05
Narasaraopet	Do.	979—37	0—71
Sattenpalli	Do.	169—71	2—63
Nandyal	Do.	5049—98	..
Adoni	FARM	2050—00	0—08

**STATEMENT SHOWING LOSSES OCCURRED DURING 1973-74  
COTTON SEASON**

<i>Gujarat State</i>			
Bavla	V—797	14373—97	0—44
Do.	CO—2	264—07	0—88
Manavdar	Co—2	282—34	Nil
<i>Madhya Pradesh State</i>			
Barwaha	A4—51/9	3459—44	0—48
Burhanpur	Do.	374—38	0—05
Dhamnod	Do.	754—56	0—99
Khandwa	Do.	2309—28	1—31
Sanavad	Do.	2717—31	0—57
Sandhwa	Do.	340—66	0—49
Ujjain	Do.	381—89	0—84
Barwaha	H—4	595—05	0—50
Burhanpur	Do.	300—75	1—05
Khandwa	Do.	258—85	1—41
Badliwar	CTI	24—69	1—03
<i>Rajasthan State</i>			
Gajsingpur	320-f	25017—60	0—99
	J—34	2239—40	..
	Rs—89	418—00	2—06

Centre	Variety	Total quantity processed (Qntrs.)	Percentage of shortages after processing
<i>Rajasthan State—Contd.</i>			
Srikrampur	320—F	49625—73	1—87
	J—34	904—87	2—64
	Rs—89	351—32	2—50
Kerisingpur	320—F	22951—23	2—13
	J—34	817—09	3—08
	Rs—89	955—04	0—43
Padampur	320—F	15489—68	1—94
	Rs—89	547—63	0—50
	J—34	1795—13	2—64
Sriganganagar	320—F	16785—32	1—49
	J—34	3651—06	2—26
Sribijyanagar	320—F	11526—05	2—08
	J—34	518—40	2—44
Raisinghnagar	320—F	10827—20	1—48
	J—34	364—80	0—62
Sadulshahar	320—F	3591—79	3—08
	J—34	5352—74	1—19
Sangaria	320—F	3740—62	2—65
	J—34	4059—66	2—52
Pilibangan	320—F	47—70	
	J—34	173—55	1—50
Hanumanagarh	320—F	5947—28	3—89
	J—34	11012—56	3—95
<i>Punjab State</i>			
Muktsar	J—34	2368—58	2—10
	320—F	75817—46	2—05
Faridkot	J—34	3618—54	3—08
Kotkapura	J—34	42235—32	2—06
	320—F	23932—64	2—05
Sadulgarh	J—34	760—74	2—05
	320—F	5131—76	3—20
Bhuchha	J—34	6252—19	1—00
	320—F	28735—37	2—5

Centre	Variety	Total quantity processed (Qntls.)	Percentage of shortage after processing
Raman	320—F	11244—51	2—2
Jaitu	J—34 320—F	11667—93 18131—86	2—3 1—6
Malout	320(F J—34	116025—62 18975—37	3—26 1—86
Khemkaran	320—F	1815—58	6—96
Rampurphul	J—34 320—F	12,031—50 1,065—60	2—17 2—97
Goiana	320—F J—34	21,515—94 6,179—21	3—34 3—28
Gidderbha	J—34 320—F	26210—02 26210—02 91151—02	2—04 3—45
Fazilka	320—F	75,724—98	2—03
Abohar	J—39 320—F	6,444—70 1,82,014—07	2—22 2—61
Maur	J—34 320—F	10,179—41 3,888—55	3—36 3—83
Bhatinda	J—34 320—F	17,244—53 20,998—78	3—35 3—45
Patti	320—F	3,488—32	5—15
<i>Andhra Pradesh State</i>			
Nandyal	MCU—5 H—4	6,274—53 2,960—46	0—25 0—71
Bhatinda	G—6	494—64	1—15
Guntur	MCU—5	15,771—65	1—67
<i>Haryana State</i>			
Fatehabad	320—F	22,861—39	2—5
Kalanwali	Do.	7,848—18	2—96
Suchan Kothi	Do.	2,372—14	2—8
Sirsa	Do.	26,289—90	2—5
Ding	Do.	2,729—93	2—09
Ellanabad	Do.	8,419—15	1—30
Bhattu	Do.	4,108—14	0—6
	Do.	8,053—98	4—77
Bhuma	Do.	6,718—60	4—43
Tohana	Do.	10,874—93	3—1
Adampur	Do.	10,124—00	2—79
Dabwalli	Do.	19,366—52	2—27
Ukalana	Do.	9,015—51	3—62
Hissar	Do.	9,655—78	3—8



Centre	Variety	Total quantity processed (qntls)	% of shortage after processing
<i>Karnataka State</i>			
Raichur . . . . .	H—4	50,253—47	2—47
	Varalaxmi	61,53—53	3—41
	Hampi	8,772—19	2—21
	Jayadhar	1,941—15	0—05
	MCU—5	102—25	1—23
Kundgol Gadag . . . . .	Jayadhar RA	1,058—04	0—062
	Laxmi RA	26,643—51	1—02
	Hampi	1,319—02	1—82
Ranebennur . . . . .	Jayadhar GA	3,550—42	0—07
	Jayadhar RA	491—16	1—62
Gokak . . . . .	CO—2GA	16,801—52	3—90
	CO—2RA	403—96	2—25
	Jayadhar	183—82	(+)1—31
	Hybrid-4	135—74	0—34
Bellary . . . . .	Hybrid—4	1,643—01	2—24
	Hampi	90—39	1—88
Yadgiri . . . . .	Laxmi GA	1,367—84	(+)3—49
	H—4	33—00	(-)3—21
Bijapur . . . . .	Sryodhar GA	3,633—74	2—18
	Laxmi GA	4,071—67	2—17
	H—4	182—65	(+)2—38
Anigery . . . . .	Jayadhar RA	1,365—20	0—15
	Laxmi RA	7,233—36	0—1
Baihongal . . . . .	Jayadhar RA	23,647—40	0—77
	Do. GA	24,538—35	0—75
	Laxmi RA	384—18	(+)1—68
	Do. G.A	3,308—51	0—59
Nargund . . . . .	Jayadhar RA	3,117—15	0—10
	Jayadhar GA	3,248—37	0—17
	Laxmi RA	772—02	2—37
	Laxmi GA	174—44	(+)11—06
Hubli . . . . .	Jayadhar	22,035—10	3—53
	Laxmi	2,954—80	(+)3—23

## APPENDIX II

(Vide reply to Recommendation at S. No. 32)

No. 15/28/66.IGC

### DEPARTMENT OF COMPANY AFFAIRS

*Reserve Bank Building, Parliament Street,  
New Delhi, the 6th October, 1966.*

To

The Managing Directors/Secretaries of all Central and State Govt. Companies.

SUB: *Compliance with the provisions of Sec. 210 of the Companies Act—Annual Accounts and Balance Sheets.*

Sir,

I am directed to invite the attention of the Board of Directors of all Government Companies to the mandatory provisions of sub-sections (1) and (2) of section 210 of the Companies Act which cast on every Director and every officer of a company the responsibility to take all reasonable steps to comply with the provisions of that section. This section also provides for the penalties for failure to fulfil such obligations. In this office letter No. 7(18)CL VI/59/B dated 13th May, 1959 addressed to the Chief Secretaries of all State Governments the need for an efficient Accounting Organisation was greatly stressed. It was also suggested in that letter that the Government Companies should have competent Secretaries sufficiently familiar with the working of the Company Law and related matters and also qualified and experienced Chartered Accountants in charge of Accounts. This Department had also recommended that in all manufacturing companies a proper system of costing should be introduced and that the resulting economies would apply justify the extra expenditure incurred.

From the number of applications now received (47 per cent of the Central and 21 per cent of the State Government), seeking extension of time for holding the Annual General Meetings beyond the

stipulated period, it is evident that some of the companies have not organised their Secretarial and Accounts Departments adequately to cope with the responsibility cast on them by section 210 of the Companies Act.

It has, therefore, again become imperative to bring it to the notice of the managements of all the Government Companies that they should ensure that the accounts of the companies are kept as far as possible, up-to-date so that the companies can make available their closed books of accounts to the statutory auditors within 30 days of the close of their financial year. It will be appreciated that the Company Law Board do not consider it necessary or desirable to treat the Government Companies in a manner different from the private sector companies in respect of compliance with the different provisions of the Companies Act, particularly those of sec. 210.

I am, therefore, to request you to place this letter formally before the Board of Directors of your Company by including it as an item in the Agenda and request them to take all necessary effective steps to ensure that (i) the accounts of the company are kept in proper manner and made up-to-date, if not already done, (ii) the account books of the company are made available duly closed to the statutory auditors within 30 days of the close of the financial year, (iii) that the Secretarial and Accounts Departments of the company comply with the provisions of the Companies Act and the Rules made thereunder while submitting applications to the Company Law Board and or the Registrar of Companies.

The receipt of the communication may kindly be acknowledged.

Yours faithfully,

Sd/- B. M. MITRA

Joint Secretary to the Government of India

## APPENDIX III

(Vide para 4 of Introduction)

*Analysis of the action taken by Government on the recommendations contained in the 68th Report of the Committee on Public Undertakings (5th Lok Sabha).*

1	Total number of recommendations . . . . .	42
2	Recommendations that have been accepted by Government ( <i>vide</i> recommendations at S. Nos. 2, 5, 6, 7, 11, 12, 17, 19, 20, 21, 22, 27, 28, 29, 30, 31, 33, 34, 35, 36, 39, 40, 41 and 42)	
	Number . . . . .	24
	Percentage of total . . . . .	57.1%
3	Recommendations which the Government do not desire to pursue in view of Government's reply ( <i>vide</i> recommendations at S. Nos. 1, 3, 4, 8, 9, 10, 13, 14, 18, 24, 25, 37 and 38)	
	Number . . . . .	13
	Percentage of total . . . . .	31.0%
4	Recommendations in respect of which replies of Government have not been accepted by the Committee ( <i>vide</i> recommendations at S. Nos. 15 & 16, 23, 26 and 32)	
	Number . . . . .	5
	Percentage of total . . . . .	11.9%