C.P.U. No. 385

COMMITTEE ON PUBLIC UNDERTAKINGS
(1978-79)

(SIXTH LOK SABHA)

FORTY-FIFTH REPORT

TEA TRADING CORPORATION OF INDIA LTD. EXPORT PERFORMANCE

(Ministry of Commerce, Civil Supplies & Cooperation—Department of Commerce)

Presented in Lok Sabha and Laid in Rajya Sabha on 24-4-1979

L O K S A B H A S E C R E T A R I A T
N E W D E L H I

April, 1979/Vaisakha, 1901 (S)

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(1978-79)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri S. P. Chanana—*Senior Financial Committee Officer.*

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*Elected w.e.f. 26-12-1978 *vice* Shri Deorao Patil died.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Forty-fifth Report on Tea Trading Corporation of India-Export Performance.

2. The main objective of the Tea Trading Corporation of India set up in 1971 was to export valued-added Indian tea and to reduce country's dependence on multi-national companies. The Corporation, however, languished for a number of years with virtually no export and the Government remained a silent spectator throughout without taking any effective steps to put the Corporation on its feet. Even during 1977-78 the share of the Corporation in the country's export of tea was an insignificant 1.4 per cent and its share in the export of packet tea was just 11.7 per cent. This is a far cry indeed from elimination of multi-nationals who continued to enrich themselves in tea trade.

3. This Report also brings out a number of export deals and other arrangements of the Corporation which require probe. It is most distressing that the value realised by the Corporation on its exports of so-called value-added tea was abnormally low.

4. The Corporation's endeavour should be primarily to export teas in finished form ready for sale at the last counter under its own brand names and to bring home the price paid by the last consumer minus the transport and sales expenses. It should effectively introduce its brands to the final consumers and thus acquaint them with the speciality of India tea besides generic promotion. It should be possible to sell its brands on an equal footing with other brands containing teas from other tea producing countries of the world.

5. The Committee considered and adopted this Report on 23 April, 1979.

NEW DELHI;	JYOTIRMOY BOSU,
April 23, 1979.	*Chairman,*
Vaisakha 3, 1901 (*S*).	*Committee on Public Unertakings.*

INTRODUCTORY

The Tea Trading Corporation of India was set up in December, 1971. One of the main objectives of the Corporation was to export Indian teas in its finished value-added form—packet tea, tea bags, instant tea etc. and to reduce the country's dependence on multinational Companies. However, by 1977-78 the Corporation could attain a share of 1.4 per cent of the country's export of tea. Its share of export of value-added Tea was 11.7 per cent.

2. The Committee have dealt with the general functioning of the Tea Trading Corporation of India and its internal sales in a separate Report.

3. This Report covers various facets of its export performance including certain specific export deals entered into by it.

CHAPTER I

EXPORT PERFORMANCE

A. Export of Tea

1.1. India's production, internal consumption, and export of Tea has been as under:—

Qty. in Million Kgs.
Value in Rs. crores)

Year	Production		Estimates of internal consumption		Tea available for Export (after adjusting opening stock)		Tea exported (India)	
	Qty.	Value	Qty.	Value	Qty.	Value	Qty.	Value
1975-76	482·02	N.A.	272·00	N.A.	387·17	N.A.	211·41	238·29
1976-77	521·06	N.A.	286·00	N.A.	410·82	N.A.	242·42	295·26
1977-78 (Provisional)	558·61	N.A.	300·00	N.A.	427·01	N.A.	219·94	542·42

1.2. Export of Tea by the Tea Trading Corporation of India was as follows:—

Year	Turnover	Exports	Percentage of Exports to total turnover
	(Rs. in lakhs)		
1971-72	Nil	Nil	..
1972-73	Nil	Nil	..
1973-74	0·67	Nil	..
1974-75	136·00	1	0·73%
1975-76	346·00	196	56·64%
1976-77	635·00 (excluding Patbini sales)	355	55·90%
1977-78	1076·00	793	73·69%
1978-79 (Target)	1950·00	1600	82·05%

1.3. Tea Trading Corporation has attributed its dismal performance on the export front during the years, 1971-72 to 1974-75 to the following reasons:—

1. Although the Corporation was incorporated in end 1971, no Chief Executive was engaged until November, 1972.

2. The M.D. resigned after a year in end October, 1973 and during that period very little business had been done.

3. As a make shift arrangement, the Dy. Chairman|Chairman, Tea Board was made the Director-in-charge who could normally attend the TTCI's office once a week for half a day due to pressure of work in the Tea Board. This arrangement was not obviously conducive to the growth of the organisation.

4. No plans had been made for the future or for the consruction of Production Unit.

5. No targets had been set until early 1976.

6. Number of officers and staff engaged between 1973—75 did not have adequate experience of handlines TTCI's business. In fact it is felt that the key personnel did not know how to go about the business because of lack of experience. Consequently the growth in respect of export, was negligible uptil late 1975.

7. Scales of pay offered for middle-management and senior position in TTCI were not satisfactory enough to attract experience.

1.4. While the Corporation has claimed that it acted as a catalyst forcing the multi-national Indian based packeters of tea to increase their export of value added products, it feels that "it has not had the opportunity to play any effective role as a coordinator and organiser for exports." The Corporation has made it clear that—

> "TTCI, however, is not at present equipped to act as a canalysing agent|catalyst|coordinator. But if required it can gear itself to do so in few years' time."

1.5. The Committee enquired that when Tea Trading Corporation of India which was set up in December, 1971 did not export any tea for as many as 4 years despite having a total staff strength of 40 (including 8 Executives of 'A' grade) 1974-75, why did the Ministry and the Planning Commission not try to improve its performance all these years. In reply, the Secretary Ministry of Commerce, Civil Supplies and Cooperation said in evidence:—

"Initially they were not able to find a suitable person to run it. Then that person who was selected did not prove successful for various reasons. So it languished till 1975. That is a fact."

1.6. The Committee observed that if Government was not interested in improving the performance of the Corporation why was the Corporation set up. When the Corporation's export performance continued to be so dismal year after year was not it the duty of Government and the Corporation to consult each other at the earliest to improve the working of the Corporation the witness replied:—

"I am sure there must have been any number of consultations. But the fact remains that it did not yield positive results."

B. TTCI's Share in Exports of Package Tea

1.7. Over 90 per cent of export of Tea from India is in bulk or blended form. TTCIs share in India's export of such Tea is negligible. However, its share in India's export of Tea in package form was as under :

Year	Tea Exported in package form by India		Tea exported in packaged form by TTCI		Share of TTCI (Percentage)
	Qty. (M. Kg.)	Value (Rs. crore)	Qty. (M. Kg.)	Value (Rs. crore)	
1975-76	10·79	17·25	0·87	1·49	9%
1976-77 . . .	12·60	19·35	1·65	2·26	11.7%
1977-78 (Provisional)	23·33	48·48	2.80	5.68	11·7%

1.8. During 1978-79, 52 Exporters from India exported packet tea. The Exporters include Brooke Bond (I) Ltd., Lipton Ltd., Balmer Lawrie & Co., Tata Finlay, Lopchu Tea etc.

1.9. According to the Export plan for the next 5 years (1978-79 to 1982-83), India's export of packaged Tea is expected to rise from 30 million kgs to 40 kgs. TTCIs share in such export is estimated to rise from 4.5 million kg. in 1977-78 to 70 million kgs. in 1982-83. Year-wise details are given below:

Year	Total Production	Total Export Surplus	Total Packaged Tea Export	ITCI's share
1978-79	570	240	30	4·5
1979-80	590	250	50	10.0
1980-81	610	260	75	22·5
1981-82	630	270	105	42·0
1982-83	650	280	140	70·0

C. Export of Tea in Value added form

1.10. In the Annual Report of the Tea Trading Corporation for the year 1976-77, it was stipulated that it is the objective of the Corporation "to create stable foreign markets for Indian teas in its finished value-added form-packet tea, tea bags, instant tea, etc. and to reduce the country's dependence on multinational companies."

1.11. FOB realisation on bulk and value-added exports were as under:—

Year	Value added	Bulk Blended
	per kg. (Rs.)	per kg. (Rs.)
1975-76	17·09	8·45
1976-77	13·72	10·80
1977-78	20·30	21·76

1.12. Tea Trading Corporation of India have intimated that gross value added to exports in terms of turnover was as follows:—

Years	Gross Value added as percentage of turnover
1975-76	27·17
1976-77	28·89
1977-78	33·47

D. Unit Value Realisation

1.13. An analysis of the statement furnished by the Corporation showing country-wise details of unit value realisation on Corporations export of package tea indicates that highest unit value realisation (of Rs. 50 per kg and above) was from the undermentioned countries:—

No. of countries to which exported	No. of countries where unit value realisation was more than Rs. 50 per Kg.	Years	Countries
9	4	1975-76	(1) New Zealand. (2) U. K., (3) Sweden, (4) Jordan.
15	2	1976-77	(1) West Germany, (2) U. K.
34	12	1977-78	(1) Sudan, (2) Netherland, (3) Dubai, (4) Norway, (5) Portugal, (6) Japan, (7) Yogoslavia, (8) Denmark, (9) Sweden, (10) Saudi Arabia (11) Switzerland (12) Belgium.
23	12	1978-79 (upto Oct. 78)	(1) U. S. A., (2) Japan, (3) Australia, (4) Yugoslavia, (5) Norway, (6) Belgium, (7) W. Germany (8) France, (9) Holland (10) Austria, (1) Dubai. (12) Spain.

1.14. The analysis also shows that unit value realisation was comparatively less from countries to which the Corporation's export of package tea was the highest. A few instances are given below:—

Country	Year	ty. in Lakh Kgs.	Value of Export	Unit value realised
1	2	3	4	5 Rs.
(1) Afghanistan . . .	1975-76	5·68	98.35	17·30
	1976-77	0.06	1.01	15·54

1	2	3	4	5
	1977-78	3·29	65·63	19·90
(2) Poland .	1975-76	3·00	56·81	18.94
	1976-77	5·69	98·03	17·20
	1977-78	7·24	149·48	20·62
(3) Libya	1976-77	9·99	130·28	13·03
	1977-78	14·99	309·57	20.64
(4) Iran	1976-77	00·06	2·99	46.32
	1977-78	00·24	11·30	45·20

1.15. Explaning why in the case of export to U.K. Unit price realisation had decreased from Rs. 62.31 per kg in 1975-76 to Rs. 55.22 in 1976-77 and was as low as Rs. 35.39 in 1977-78, the Chairman and Managing Director clarified in evidence:—

"In 1975-76 we were selling mostly caddies for sale through our Tea Centre and to a few selected customers. But we started selling bulk tea in a bigger way in 1976-77."

1.16. In 1977-78, unit price realised on export to U.K. was Rs. 35.39 only as against Rs. 55.46 in the case of Sweden. The Committee therefore asked if teas were sold by the Corporation to U.K. at a cheaper price than Sewden. The witness said:

"The swedish teas were package teas".

E. Retail prices of Tea in Foreign Markets

1.17. Retail prices of Tea in foreign markets vary from time to time and from centre to centre depending on quality and consumers preference. However, by way of comparison TTCI has furnished the following data showing retail prices of foreign brands of tea and of TTCI brands of tea during 1978 in some centres in U.K. Netherland, W. Germany, France and Australia.

Names of firms	Price	Equivalent in Rs.
U.K. (tins of 225 grams)		(approximately)
Twinings	£1·02—£1·15	Rs. 16·32—18·40
Liptons	£1·20—£1·35	Rs. 19·20—21·60
LTP	£0·85—1·10	Rs. 13·60—17·60
TTCI (tins)	£1·45	
Neth erlands		
(tins of 225 grams)	(D. Guilders)	
Jacksons of Picadilly Breakfast	7·75	Rs. 31·00
Early Grey Tea	7·75	Rs. 31·00
Geylon Orange Pekoe	5·50	Rs. 22·00
T.T.C.I.	6·95	Rs. 28·00
West Germany		
(Tins)	(D.M.)	
Lipton Darjeelings (250 gr.)	12·00	Rs. 48·00
Twinings Darjeelings (250 gr.)	9·50	Rs. 38·00
TTCI (Maya) Darjeeling & Nilgiris (225 gr.)	7·95	Rs. 32·00
TCI Orange Brew & Assam (225 gr.)	6·95	Rs. 28·00
Didgeways Darjeelings (250 gr.)	9·00	Rs. 36·00
France		
(Tins of grams)	(Fr. France)	
Twinings	17·20—20·30	Rs. 31·00—36.50
Lyons	14·50	Rs. 26·10
Ridge way Darjeeling	15·00	Rs. 27·00
TTCI	19·50	Rs. 35·10
Australia	(A$)	
Twinings (25 gr. tins):	3·00—3·50	Rs. 28·00—32·65
Bushells (250 gr. packets)	0·88	Rs. 8·18
TTCI (Maya series)	2·25—3·33	Rs. 21·00—31·00
TTCI (Natraj packets)	2·14	Rs. 20·00

1.18. Ministry of Commerce, Civil Supplies and Cooperation. (Department of Commerce) have intimated that retail prices of

TTCI's Teas in different packing in various countries were as under:

Country	Type of packing	Retail Price Rs.
Belgium	Maya Assam/Nilgiris (113 gms. caddies)	81·90
Netherlands	Maya Darjeeling/Niligiris/Oriental Brew (225 gms caddies)	125·10
	Do. (113 gms caddies)	117·60
West Germany	Maya Darjeeling & Nilgiris (225 gms caddies)	148·10
	Maya Oriental Brew & Assam (225 gms caddies)	125·10
France	TTCI May all varieties (225 gms caddies)	157·95
Yugoslavia	TTCI Maya Darjeeling (113 gms caddies)	144·00
	Maya Assam (113 gms caddies)	126·00
	Maya Nilgiris (113 gms caddies)	144·00
	Maya Oriental (113 gms caddies)	112·50
	Maya Darjeeling (225 gms caddies)	116·00
	Maya Assam (225 gms caddies)	99·00
	Maya Nilgiris (225 gms caddies)	116·00
	Maya Oriental (225 gms caddies)	89·30
Libya	Natraj (TTCI) (500 gms packet)	18·35
	Do. (1000 gms packet)	18·35
Afghanistan	Nataraj (TTCI) (500 gms packet)	20·08
Australia	Animal Bird (500 gms caddies)	114·05
	Maya Darjeeling (250 gms caddies)	124·28
	Maya Assam Supreme (250 gms caddies)	100·01
	Maya Higrown Nilgiris (Do.)	95·17
	Maya Oriental Brew (Do.)	83·97
	Maya Darjeeling (125 gms caddy)	141·82
	Maya Assam Supreme (Do.)	117·93
	Maya Hi-grown Nilgiris (Do.)	112·70
	Maya Oriental Brew (Do.)	100·76

Country	Type of packing	Retail Price Rs./ Kg.
	Netraj Darjeeling (250 gms packet)	79·86
	Do. (125 gms packet)	80·61
	Netraj—Royal Assam (250 gms packet)	46·28
	Do. (125 gms packet)	47·02

F. Expenditure on Export Promotion

1.19. The Corporation incurred the following expenditure on Export promotion:—

Year	Exports	Expenditure Rs./lakhs
1975-76	196	0·24
1976-77	355	0·96
1977-78	793	1·07

1.20. Out of total expenditure of Rs. 0.96 lakhs on Export promotion, Rs. 0.19 lakhs was incurred on extending hospitality to various foreign customers and others. In 8 out of 29 cases, the expenditure exceed Rs. 1,000|-.

G. Liaison with Tea Board/Directors of Tea Promotion

1.21. The Tea Trading Corporation of India is stated to be maintaining a close liaison with the Directors of Tea Promotion, Tea Board offices in Brussels, London, Sydney, New York and Cairo. Chairman Tea Board is a member of the Board of Directors of Corporation. The Corporation has admitted that it was through the good offices of Directors of Tea Promotion and Tea Board Offices abroad that it obtained valuable market information and identified potential buyers in countries abroad. The Board's Brussels and Sydney offices have, it has been indicated, been particularly successful in establishing Corporation's packaged teas in their territories. Tea Board, Calcutta also keep TTCI and other Indian exporters informed of any enquiries they receive from potential export customers.

1.22. In this connection, the Corporation has informed the Committee that:—

> "While Tea Board is involved mainly in generic promotion of tea and assistance from them can be obtained for specific schemes, it is not adequate for establishing and maintaining brand images."

1.23. The Committee have been informed that "Historically, the Corporation was regarded by the Indian Tea Board as a 'division' where their surplus staff could be deputed." The TTCI has, therefore, expressed the view that "Tea Board must regard TTCI in a different light and give all necessary assistance for it to develop."

H. Market Research

1.24. The procedure followed by the Corporation for sale of teas varies from country to country and customer to customer. The systems normally adopted are stated to be:—

(1) Quotations against global tenders.

(2) Sales through agents.

(3) Through negotiations with wholesalers|chain stores.

(4) Through negotiations with Government Buying Agents particularly in the East European countries, viz., AGROS in Poland, MONIMPEX in Hungary, NASCO in Libya, TAFCO in Syria, OCT in Tunisia etc.

1.25. In the case of global tenders it is, it has been stated, invariably necessary for the Corporation's representative to be present at the opening of the tender particularly when it relates to Government buying.

1.26. With a view to obviating lengthy distribution channel, the Corporation has been attempting to sell its products direct to chain stores|cooperatives but in such cases generally the chain stores require exclusive rights over a brand and therefore, the exposure of that brand becomes limited. It has been Corporation's experience that to attract wholesalers and direct buyers it is necessary to participate in trade fairs and exhibitions. A number of enquiries have been received for the Corporation's products after such participations.

1.27. Since TTCI does not have any branches in any city outside India, it had to depend on the services of agents in some countries.

The agents appointed by the Corporation in different countries are either recommended to it by the buyers as in ARE and in GDR or by the Tea Board as in Yugoslavia, West Germany, Australia and Bahrain or are persons closely associated with and/or highly recommended by the Indian Embassy as in Kabul or as Jordan and Syria. The Corporation has intimated that:—

(i) "The Corporation's inability to locate and appoint an agent in Sudan has resulted in our failure to obtain any part of the 25 million kg. business in Sudan.

(ii) While we do not as yet have any agent in Libya it is felt that by appointing an influential local agent we may have more success in obtaining higher prices for our tea.

(iii) In the vast USA market an agent has been appointed in consultation with Tea Board who has set up a Company for marketing of our products. He acts as a distributor and he is in contact with Wholesalers there.

(iv) In a country like U.K. where tea consumption is high but the multinationals are established with well-known brands, it is extremely difficult to make a dent through the normal export marketing methods. The Corporation has, therefore planned to set-up a marketing company in the U.K. in collaboration with a company there so that pre-packaged tea from India can be marketed through that joint project company in which the Corporation will have majority equity holding. The initial cost of setting up this type of a venture is high but according to the Corporation in a country like U.K. no other method is likely to succeed."

I. Popularisation of Brands

1.28. The Corporation is presently exporting its products to 52 markets including the sophisticated markets of Europe, U.S.A., Canada and Australia.

1.29. The Corporation has, in a Note, claimed that by creating new packaging designs comparable to international standards, it has been able to explode the myth that Indian packaged tea was not comparable to European and American standards. The Corporation's "Maya" range of tea won the international 'CLIO' Award for excellence in packaging for the first time for an Indian entry.

1.30. The Corporation's export range now covers 4 varieties of packet teas viz., Darjeeling, Assam, Niligiri and Oriental Blue. in both 'Nataraj' and 'Maya' packs as also Nataraj tea bags of Darjeeling and Assam blends.

1.31. During evidence, the Chirman and Managing Director of Tea Trading Corporation said that the Corporation asked its super market buyers to do promotion and merchandising for it but did not pay any amount to them for this work nor was any amount on this account included in its quotations. He admitted that—

> "This is being done in a very cursory way. For instance, in Belgium they asked us for some promotional material. We sent them the promotional material like literature, samples etc., from India and they gave these to their buyers there. We did the same thing in Yugoslavia.

1.32. The Corporation is of the view that if it has to establish its brand image in developed countries, a certain amount of fund in foreign exchange (blanket permit) has to be made available to it for this purpose.

1.33. Considering the fact that marketing decision making today calls for highly specialised marketing analysis and information, the Corporation set up a small Marketing Cell in 1976 under a Deputy Marketing Manager. This Cell secures data/statistics on all aspects of tea production and consumption in various countries to enable the Export Incentives to market the right type of tea in the right packaging and at the right price.

1.34. Mass communication media used by multi-nationals and other established packers for promotion work are television, radio, newspapers, periodiacls, etc. Tea Trading Corporation has, however, been popularising its branded products in the following manner:—

1. To articipate direct or through the Tea Board in Exhibitions and Fairs where tea has a place of importance.
2. Sampling through established agents.
3. By direct contract and sampling by Corporation's officers during foreign visits.
4. To plan promotion for a particular period in a country through selected media.

1.35. The Committee are perturbed to find that the Tea Trading Corporntion of India which was set up in December, 1971 did not

export any tea at all during the years 1971-72 to 1973-74 and that it was only in 1974-75 that it made a humble beginning by exporting tea of the value of Rs. 1 lakh. In subsequent years, however, its exports registered a growth from Rs. 196 lakhs in 1975-76 to Rs. 793 lakhs in 1977-78. The reasons for its dismal performance on the export front in the earlier years, are stated to be mainly lack of expertise and proper institutional arrangement. It is surprising that though the Corporation languished for as many as five years, Government remained a silent spectator throughout and did not, as far as the Committee know, take any effective steps to put the corporation on its feet. This apathy on the part of Government which has brought rich dividends to the multinationals, is indeed deplorable, if not intriguing.

1.36. The Committee find that though the Corporation has improved its export performance in recent years, its share in the country's export of tea has as yet been very insignificant. Out of the country's export of Rs. 542.42 crores in 1977-78, the share of TTCI was Rs. 7.93 crores only i.e. 1.4 per cent. However, its share (Rs. 5.68 crores) in the country's export of Packet tea (Rs. 48.48 crores) was 11.7 per cent.

1.37. The Committee are convinced that if the Corporation is to achieve its objective of reducing the country's dependence on multinational companies like Brooke Bond (India) Ltd., Lipton Ltd., it will have to accelerate its efforts on the export front to such an extent that it attains a dominant position soon. The Committee have been informed that according to the five-year Export Plan drawn up by Government for the years 1978-79 to 1982-83, the country's export of packet tea in terms of quantity will reach 140 million kgs. by 1982-83. Of this, TTCI's share is expected to be 70.00 million kgs. i.e. 50 per cent. TTCI has indicated that at present "it is not equipped to act as a canalising agent/catalyst/ coordinator". It has however, assured that if required it can gear itself to do so in a few years time. The Committee recommend that having drawn up the Export Plan, Government should keep a contemporaneous watch on the export performance of TTCI and ensure that whatever yearly targets of export have been set for it are achieved in full. Government should also consider the question of canalysing export of tea through TTCI in due course taking steps to equip it for this purpose.

1.38. The Committee find that while F.O.B. realisation on export in bulk/blended form was Rs. 8.45, Rs 10.80 and Rs. 21.76 per kg. in 1975-76, 1976-77 and 1977-78 respectively, the F.O.B. realisation on tea exported in value added forms was only Rs. 17.09, Rs. 13.72 and 20.30 respectively. This is most distressing to note as the price was abnormally low and it appears that in reality no value was added.

1.39. The Committee have also noticed wide variations in value realisation on tea exported by the Corporation from country to country. They therefore desire that the Commerce Ministry should bring out a white paper periodically showing the price fetched by packet tea of different types at the last counter in different countries, vis-a-vis FOB Price realised by us from the importing countries concerned. There is no use comparing the price obtained by the TTCI with that obtained by private exporters as the Committee do not have the slightest doubt that private parties particularly the multinationals indulge in invoice manipulations.

1.40. The major task of the TTCI in future should be to export teas in finished value-added i.e. packet tea, tea bags, instant tea etc. ready for sale at the last counter under its own brand names through its own appointed selling agents and retailers. Besides it should have its own sales promotion staff and should keep close watch on the performance of the marketing channels. This should be the main object of the Corporation. The Committee feel that with a view to obviating lengthy distribution channel and avoiding middlemen the Corporation should either on its own or in concert with the Tea Board or the STC even open sales counters in various countries on an experimental basis and in the meantime strive to sell on a commission basis its brands of teas direct to chain stores/Cooperatives in foreign countries. This alone would improve the unit value realisation.

1.41. According to the information received by the Committee it appears that the retail price in a number of importing countries is several times the value realised by us. The TTCI has utterly failed to achieve its primary objective in any worthwhile manner. The Corporation has not been able to penetrate into the traditional markets.

1.42. The Committee note that while claiming it has been maintaining a close liaison with the Directors of Tea Promotion and Tea Board Officers in Brussels, London, Sydney, New York and Cairo, the Corporation has intimated that hithertofore Tea Board had treated the Corporation as a "Division" where their surplus staff could be deputed. It has been suggested to the Committee that Tea Board must regard TTCI in a different light and give all necessary assistance for it to develop". The Committee therefore stress the need for fuller understanding between Tea Trading Corporation of India and Tea Board. The Committee also recommend that officers of Tea Promotion in various countries should be utilised by the Tea Trading

Corporation of India so as to increase its export prospects of Packet Tea.

1.43. The Corporation's export range covers 4 varieties of packet teas viz., Darjeeling, Assam, Niligiris and Oriental Blue in both "Natraj" and "Maya" packets as also Nataraja Tea of Darjeeling and Assam blends. The Corporation's 'Mya' range of tea won the International CLIO Award for excellence in packaging for the first time. The Committee however find that popularisation of brand names is being done in a cursory way. All that the Corporation does is to ask its super market buyers to undertake promotion and merchandising on their behalf. The Committee feel that such a half-hearted approach to export promotion can have only a marginal effect on export. The Committee wish to stress that in order to establish its brand TTCI should take to mass communication media at least in countries where consumption of tea is high and export prospects bright. In the costing of tea there should be an element of advertisement and sales promotion expenditure.

CHAPTER II

EXPORT DEALS

A. Deals with London on Tea and Produce Co. Ltd.

2.1. On the recommendations of Tea Board, London the Tea Trading Corporation of India entered into business transactions with the London Tea & Produce Co. Ltd. (LTPC) from 1975 onwards. Details of tea exported by the TTCI to that Company are given below:—

Year	Nett Wt. in kg.	Value of Export
	Rs.	Rs.
1975-76	26,400·00	3,99,917·68
1976-77	1,37,700·00	19,95,243·15
1977-78	2,11,363·016	50,93,497·55

2.2. The TTCI has intimated that Company has already paid for all the shipments. However, in respect of the following shipments disputes have arisen:—

Name of Vessel and Bill No. & date.	Invoice Date	Quantity	Rate per kg.	Value	Negotiated on	Due date of payment	Realised on
1. CITY OF GLOUCESTER 79 of 4-7-77 (Due to sail by mid June but sailed on 5-7-77)	8-7-77	870 C/S 39150kgs. Blend C	C & F £1·51 3% TD	£57343·00 (Nett.)	13-7-77	25-10-77	Not yet. paid.
2. MANIPUR 75 of 11-7-77 (sailed on 16-7-77)	18-7-77	170 C/S 7650 kgs. Blend C	C & F £1·80 3% TD	£13356·90 (Nett)	20-7-77	31-10-77	Not yet paid.

2.3. Analysis of the statements furnished by the TTCI showing shipments made to LPTC during the years 1975-76 to 1977-78 shows payments were delayed by the LTPC in respect of the following shipments:—

Name of vessel	Quantity shipped	Value Rs.	Payment due on	Date of realisation	Delay involved Months	Days
1. Himachal Pradesh . .	200 C/S	1,13,270	7-4-76	11-6-76	2	5
	120 C/S	69,977	7-4-76	11-6-76	2	5
2. Manipur	100 C/S 25 C/S	16,91,151	31-10-77	13-1-78	2	13
3. Strathay	330 C/S	3,07,257	12-9-77	11-10-77	1	00
4. City of Gloucester . .	18 C/S 870 C/S 150 C/S	11,37,916	25-10-77	16-1-78 (No payment for 870 C/S)	2	23
5. Manipur	170 C/S	16,91,151	31-10-77	28-5-78	7	28
	430 C/S			14-2-78	3	14
	300 C/S			13-1-78	2	13

(i) *CITY OF GLOUCESTER*

2.4. Giving details of these shipments over which disputes had arisen, the TTCI has, in a note stated that:—

'The buyer had instructed us to ship the consignment of tea in palletised form by end May/early June 1977. The teas were blended and made ready for shipment on 20th May but TTCI could not get space on the ready sailing vessels *viz.* 'Jalapanki' and Indian Prestige which sailed around 10th June. The consignment was booked on this steamer and the documents were passed in early June. We advised just prior to the final shipment date that due to late arrival of the vessel in Calcutta Port there would be some delay in the movement of the ship. In the 3rd week of June, we were informed that due to bad weather and poor port conditions further delay would take place. When we were about to move the cargo in end June, we were informed that the vessel would not accept palletised cargo due to shortage of space. We had advised the buyer the problem and the buyer reluctantly agreed to accept non-palletised cargo. The ship finally sailed on 5th July, 1977 nearly 3 months after the scheduled date. The steamer subsequently arrived U.K. port in the first week of August, 1977 and it was found severe damage had taken place to the consignment during transit, which caused delay in clearance. The customer had expected the consignment in the U.K. latest by mid-July but when it was actually received the prices in London had dropped from 200 pence in July to 140 pence in September per kg. for similar tea. The customer refused to make payment on the ground that the tea had been damaged in transit and due to moisture absorption it had become mouldy. He had also complained about the quality. A number of telexes and correspondence was exchanged and it was finally agreed that a Surveyor would be appointed to ascertain the extent of the damage both in respect of quality, quantity etc."

(ii)) *MANIPUR*

2.5. 2 consignments of Blend 'C' (CTC fannings) were shipped to the London Tea and Produce Co. by TTCI:—

170 chests—	Old season tea and
430 chests—	New season second flush

The customer complained about the 170 chests of tea not being upto the standard and refused payment. Here again, it was decided to appoint a Surveyor to ascertain the genuineness of the complaint.

(iii) *JALAMANI*

2.6. The undernoted quantities were due for shipment to LTPC as per their orders by end July '77.

Darjeeling Blend	150 cases
STD—163	300 cases
STD—286	400 cases
Darjeeling Fannings	25 cases

The first steamer on which booking was available was the "Jalamani" whose arrival and other particulars are given below:—

M/V. 'Jalamani' loaded for U.K. & Continental Ports Arrived in Calcutta Port on 29-8-77 Ready for loading at 11 KPD on 19-9-77 Closed her exports on 23-9-77 Sailed from Calcutta on 10-10-77.

TTCI's entire cargo was delivered for shipment before closing of the steamer on 23rd September. The vessel did not sail until 10th

October and the documents were negotiated by TTCI's bankers on 27th October, 1977.

(iv) *JALAKALA*

2.7. The following quantities were due for shipment as per customers orders in the month of October '77.

Blend 'C'	600C/s.
LT Packet 113 gm.	1521C/s.
Darjeeling Fannings	25C/s..

The earliest steamer available was the 'Jalakala' which was due in Calcutta Port in end October. The vessel, however, arrived on 7th November '77. TTCI's consignments were made early for shipment by end October, 1977 and sent to the docks as soon as the vessel was ready for loading between 7th and 10th November, '77 *i.e.* before she closed for exports on 10th November. However there was some delay in her sailing due to congestion in the boarding shelf. It sailed for Calcutta on 27-11-77.

2.8. The consignment of 600 chests of Blend 'C' valued at £47,142.00 sent by TTCI against a contained order was not accepted by the London Tea & Produce Co. This consignment was shipped per Jalakala alongwith 3 other lots in end November '77. TTC received a telex from the buyer requesting it to withhold the shipment of 600 chests Blend 'C' as this was no longer required by the LPTC as it had excess stock of 'C' Blend due to late arrival of the previous consignments. The consignment of 600 chests had already been loaded on the steamer, when TTCI received the telex. During the TTCI's representatives' visit to abroad, he had persuaded the buyer to reconsider their decision and he had agreed to accept the consignment when the London market improved. Unfortunately, there was no improvement to the London Market and the buyer did not accept this consignment and it was warehoused in London by the State Bank of India at TTCI's request. All efforts are being made to dispose of this tea and in fact 100 chests have since been sold to M/s. Bewlys, London at a price of Stg £ 1.55 per Kg. on 23-7-78.

2.9. Even if TTCI is also to sell the balance of quantity of 500 chests @ £1.20, it is still likely to suffer a loss of Rs. 2.28 lakhs as per details Invoice Value (C&F Avonmouth inclusive of 3 per cent trade discount) £48,600/- (@£1.80/- Kg.).

Less Trade Discount 3%	£1,458/-	
	£47,142/-	
	Rs. 6,83,559/-	

Expenses incurred by TTCI

Tea Cost	Rs. 17·00 per kg.	
Export Duty	5·00	
Packaging Cost.	1·00	
Freight	1·55	
Interest @ 14½% (15-5-78 to 15-11-78)	1·85	
£ 1375/- paid to SBI on a/c of other charges plus £2000/- being paid to our broker a/c. catalogue printing & commission.	1·94	
TOTAL	Rs. 28·34/kg.	Rs. 7,65,180·00
Less value realised for 100 chests(4500 kgs.) sold to M/s. Bewlys, Ireland	Rs. 98,947·21	
	Rs. 6,66,232·79	
Expected to be realised on sale of balance 500 chests @1·20	Rs. 4,37,400·00	
Expected Loss	Rs. 2,28,832.79	

2.10. On 22-7-1977, Shri A. K. Ghosh, Deputy Marketing Manager of TTCI recorded the following Note:—

"Mr. Kartar Munde, Managing Director of London Tea & Produce Co. Ltd. has telephoned today requesting us to extend 120 days payment terms for all future orders instead of present payment terms—90 days D/A. Although we had been extending payment terms of 90 days D/A with the exception of one or two occasions all our Bills were paid within the validity date *i.e.* 90 days. Since LTPC has placed orders for considerable quantity for various items such as Blend 'C', STD 163, Darjeeling Leaf, LT packet etc. for shipment to be effected on a long term basis. It is suggested that we should accept payment terms 120 days D/A for all future consignments. It is also proposed while payment terms of 120 days D/A is accepted, we can always cover the interest of extra one month in our pricing *i.e.* we shall take sterling Pound rate on the basis of our bank's advice for any bill to be paid 120 days basis. There appears to be downward trend in prices."

The Chairman and M.D. of TTCI approved the aforesaid proposal provided the additional interest charge was covered in the price charged.

2.11. On 1-11-1977, State Bank of India, Calcutta sent to TTCI the following extract of a letter dated 31-10-77 received by them from Baraclays Bank Ltd., London:—

"Re. Negotiations OB|BE|77|40-44 dated 31-10-77. Awaiting your confirmation for extension of Tenor Barclays Bank Ltd., New Delhi. Please be good enough to furnish us with such instructions as would enable us to settle this outstanding transaction at an early date. We have observed that Bills drawn on M/s. London Tea and Produce Co. Ltd. London are invariably not paid on due date. Please advise us the reasons therefor. Please note that any action overdue interest for the transaction will be on your account."

2.12. On 8-11-1977, Shri A. K. Ghosh, Dy. Marketing Manager, referred to SBI's letters dated 29-10-77 and 1-11-77, sent the following reply to the CBI Calcutta:

"We have taken up the matter with M/s. The London Tea & Produce Co. Ltd., U.K. and have advised them for immediate payment. However, any overdue interest on this account, we confirm, will be borne by us."

2.13. The Committee wanted to know why undue favour was shown by TTCI to London Tea & Produce Co. by liberalising the terms of credit from 90 to 120 days, the TTCI has in a note, explained that:—

"We received intimation from our bankers on 1st November, 1977 that the documents relating to the shipments made in the 'City of Gloucester' had not been honoured. On receiving this information our Export Division contacted the London Tea & Produce Co. over the telephone when they advised that they had given us clear instruction to execute their orders at intervels of at least one month. The first shipment was due in end May, but due to non-availability of U.K. steamers the consignment was booked on the 'City of Gloucester' which was due to sail by mid June. However due to various problems of low draft, the vessel finally sailed on 5th July '77. The second consignment which was due for shipment in end-June/early July was booked on the 'Manipur' which was due to sail in early July. The vessel finally sailed on 16th July. The documents relating to 'City of Gloucestor' was negotiated on 8th July '77 and became due for payment by the LTPC on 26th October. When our Export Department contacted LTPC on the telephone they advised that as the two consignments (City of Gloucestor' & Manipur) had arrived bunched together they could not make £ 193861.86 payment immediately and requested us to grant them further 30 days credit to enable them to make payment. In the circumstances and in view of their good record in the past, our Export Department agreed to grant further 30 days for payment which meant that the payment for City of Gloucestor would be due on 26th November and payment for Manipur would be due on 30th November."

2.14. The Committee wanted to know if the RBI had advised TTCI to take ECGC coverage for all its exports. TTCI has, in a note, intimated that:—

"It is the general practice that every company is to inform their banker every details of their prospective overseas buyer for the purpose of negotiations of their bill with the bankers. Before negotiations the bankers usually obtain the status report of those foreign buyers either through their branch in those countries or through their correspondent bank. If the bankers feel that the insurance coverage under the ECGC is necessary, they advise their clients accordingly. RBI has no directive in this regard, rather most of the nationalised banks follow one principle of not advising to take ECGC coverage unless the foreign buyers belong to a politically hazarduous countries or the status report of the foreign buyers is not good. On the same principle we are furnishing every details of our foreign buyers to our bankers. In case of LTPC the State Bank of India did not advise to take ECGC coverage on the ground that they have no adverse comments on them. Moreover, the company is situated in U.K. which is not a politically hazarduous country."

2.15. The resume of efforts made by the TTCI to resolve the disputes about delays in shipments and damage in transit and the outcome thereof is given below:—

(i) M/s Cow White, London were appointed as Surveyor. However, they could not submit survey report due to non-cooperation of LTPC.

(ii) During his visit to U.K., the representative of TTCI (Shri A. K. Mazumdar, FA&CAO) met Shri K. S. Munde, Managing Director of London Tea & Produce Co. Ltd. Shri Munde is reported to have made a statement that amount of £ 126,000 was outstanding in respect of shipments made by TTCI and received by LTPC. Except in this meeting Mr. David Panter and Mr. Philip of Cow White, London were present in all subsequent discussions. On being pressed for payment, Shri Munde submitted a counter claim on TTCI on the following among other grounds: —

(1) Credit note for £ 24,000 in respect of Export Duty charged on shipment of blended tea for which contract was entered into before date of imposition on Export Duty.

(2) Credit note at the rate of .35 p. per kg. in respect of shipments of bulk blended tea on the grounds that these were substandard.

(3) Compensation for loss on profit on account of delayed shipments by TTCI.

(4) Compensation @ 20 per cent of CIF value for packeted tea shipped to LTPC on account of inferior packaging.

(iii) After several discussions with Shri Munde, Mr. Panter and the representative of TTCI offered to accept £ 18000 less than its total dues in full and final settlement of its claims in respect of all transactions upto date of such settlement.

(iv) LTPC did not accept the aforesaid offer as it felt short of their claim of about £ 24000 on TTCI.

(v) Stephenson Har Wood of Saddlers Hall, London, who were engaged by the TTCI's representative, advised that the only course left for TTCI was to file a case in the Commercial Court of London.

(vi) On 23rd January, 1979 Queen's Bench Division of the High Court of Justice of London passed the following order: —

(1) That judgement be entered against the defendant (LTPC) for £ 49,037 and that the execution of the said judgement be set for 28 days *i.e.* 21-2-1979.

(2) That judgement be entered against the Defendant for a further £ 64,466 and that the execution of the said judgement be set by 31st March, 1979.

With regard to the balance outstanding from LTPC, the matter will be decided on trial.

2.16. Giving background of London Tea & Produce Co. Ltd. the witness informed the Committee during evidence that a Company called Wellbeck & Co. was floated by Mr. Martin Bill and Mr. Munde. They were in close touch with the Tea Board, marketed Indian Tea in packets in U.K. In 1975, they changed their name to London Tea & Produce Co.

2.17. The Committee desired to know if London Tea & Produce Co. with whom TTCI had been having business transactions since 1975 was a financially sound party with bank support and if so, why it could not settle TTCI's bills. TTCI furnished to the Committee a copy of the Report submitted by Shri K. K. Mazumdar, FA&CAO on his visit to U.K., which *inter alia* revealed that:

> "Although LTPC was doing well in the London market with their packaged brands it appeared that they had extended themselves and were going through cash flow problems and therefore they could not settle TTCI bills for the time being."

2.18. During evidence, the Committee asked if LTPC had defaulted in payment for the first time in 1975 shipment only or whether such delays in payment had occurred in the past also. In reply, the Chairman and M.D. of TTCI said in evidence:—

> "I do not recollect."

2.19. The Committee enquired that if the Chairman and M.D. had wanted to find this out, was there anyone in the TTCI who would have prevented him from doing so. In reply, the witness said:—

> "No one. If I wanted to find out, I could have found out."

2.20. The Committee desired to know if it is an established practice that whenever a buyer failed to make payment on due date, interest on such delayed payment was debited to buyer's account and if so why was a departure made by the TTCI in the case of

LTPC. In reply, the Chairman and Managing Director said in evidence:—

"There are a number of cases when parties do not get payments in time. If good business relationship exists, these things are condoned."

2.21. In a Note furnished after evidence, TTCI intimated that before the City of Gloucestor Shipment all the bills were paid more or less on time by LTPC.

2.22. The Committte asked that when payment of £ 57343.00 due on 25-10-1977 from LPTC on account of consignment of 870 chests of Blend 'C' tea shipped by City of Gloucestor was not received by that date, did the TTCI care to find out from the Bank whether or not the aforesaid payment had been made. In reply, the witness stated:—

"We don't get telex from banks direct. Calcutta bank would let us know from time to time when payments were received. There has been considerable delay in this regard. The document was given in July, 1977 itself. The State Bank of India sends our document to the State Bank in London. We do not know when it was presented but obviously it should have been presented on 25th October, 1977...."

2.23. Asked why inspite of having received on 1-11-1977 a written communication from the State Bank of India, Calcutta about LTPC defaulted in having making payment for this City of Gloucestor Shipment TTCI did not withhold further shipments of tea to that Company, the witness said:—

"No shipments were made after this....there is nothing hanky-panky. It could have been error of judgement...I will give you the dates of loading of Jalamani and Jalakala."

2.24. The Committee observed that it was quite likely that LTPC might have cleverly managed with the State Bank in London not to send any intimation about default in payment for city of Gloucestor shipment, till the other ships were loaded. The witness reiterated in reply:—

"After receiving intimation, we have not made any shipments. Inspite of the fact that many orders were pending, we did not make any shipment. In fact, we did complete our orders."

2.25. According to letter dated 20-9-1978 from Shri P. N. Mookerjee, Freight Brokers, 'Jalamani' and 'Jalakala' were loaded on the dates mentioned against each:—

Vessel	Arrived in Port on	Ready for loading on	Closed for exports on	Sailed from Calcutta.
(i) JALAMANI	29-8-77	15-9-77 (NSD Bys) 19-9-77 (11 KPD)	23-9-77	10-10-77
(ii) JALAKALA	7-11-77	7-11-77 (11 KPD)	10-11-77	27-11-77

2.26. It will be seen that TTCI had ample opportunity to withhold their Jalakala Shipment to LTPC. But it did not do so because under the extended term of payment, no payments for 'City of Gloucestor' and 'Manipur' were due until 26-11-77. However, when after extended credit, payment from LTPC was not forthcoming and complaints were received, shipment of all outstanding orders were, it has been stated, withheld. TTCI had on its books the following quantity still due for shipment:—

"25 chets Darjeeling Fengs valued at £ 2715.40
100 chets STD—233 Valued at £ 6596.00

2.27. The Committee pointed out that sometimes complaints about quality of teas were engineered by the buyers as an excuse to evade payment and enquired if LTPC might have resorted to that. In reply, the representative of TTCI said "Perhaps". The Chairman and Managing Director of TTCI added:—

"We had no reason to believe that they would engineer things like that. We stopped the shipments afterwards. 50 per cent of their orders remain unexecuted."

2.28. The Committee desired to know if LTPC had brough up their complaint of damage of tea immediately on arrival of City of Gloucestor shipment and if not, was it not an after thought. In reply, the Chairman and Managing Director of TTCI stated:—

"In the City of Gloucestor they could not take delivery of the lots when they arrived in August and they advised us that there was damage and it had to be checked. I think in September or early October they said that the damage was quite severe and that the tea was not upto the standard."

2.29. The Committee enquired if it was a fact that TTCI had reduced the price of "London Pride" (LT Packets) more than once after fixing it once. In reply, the Chairman and Managing Director TTCI said in evidence:—

"I don't think so unless it was for a different tea....We changed the price because we changed the blend."

2.30. Asked if the change in blend was for the better or for the worse, the witness stated:—

"For the worse. They wanted a cheaper blend."

2.31. In a Note furnished after evidence, TTCI has intimated the following factual position:—

"(i) LTPC had ordered on TTCI for supply of London Pride (LT Packets) in June, 1977 containing Orthodox BOP blend (STD-233) and the price quoted by TTCI was £ 2.00 per kg. C&F. Avonmouth including 3 per cent Trade Discount. The price was based on a tea cost of Rs. 18 per kg. and 16 per cent profit marginal high Freight sale.

(ii) Later LTPC advised TTCCI that Pure Orthodox blend would not be suitable for the London Market and at their request we sent them 3 further samples-samples marked 233A, 233B, 233C—which was a blend of Orthodox teas.

(iii) Thereafter TTCI was advised by LTPC (*vide* letter No. GD|WT|LTP dated 25-7-77 addressed to Shri A. K. Ghosh of TTCI, that pure Orthodox blend would not serve the purpose for LT packets and were advised to send samples of CTC blend. A new sample marked STD-288 with CTC, BOP, & BP teas was sent and it was finally accepted by LTPC vide cable dated 29th July, 1977.

(iv) The price quoted by TTCI for this blend was £ 1.90 per kg. C&F with 120 days payment terms based on a tea cost of Rs. 17 per kg. which was ruling in end June/early July '77. LTPC made a counter offer of £ 1.80 per kg. which was accepted by us as by that time the tea market had shown a downward trend and the tea cost of STD-288 types of teas was around Rs. 16.50 per kg. At £ 1.80 per kg. TTCI were covering a profit margin of 14 per cent of 90 days payment terms.

While the Indian Tea market was showing a downward trend, there was a sudden collapse in the London Tea market & after LTPC had accepted our price £ 1.80 per kg. *vide* their Cable dated 29th July '77 they sent another telegram immediately after the London auction on 2nd August '77 advising us to withhold productnon of LT packets as London market prices had dropped sharply.

(vi) As LT cartons had already been printed and as there was a down word trend in the tea market, we telephoned LTPC to euquire the maximum price they could pay for LT packets. They agreed to accept £ 1.65 per kg. C&F including 3 per cent Trade Discount on 90 days payment which was acceptable to us as by that time (early August '77) the tea price had dropped to Rs. 15.50 per kg. At £ 1.65 per kg. a profit margin of 11 per cent could be maintained.

(vii) By cable dated 8th August '77 received on 9-8-77 in Calcutta, LTPC advised us ahat the best African tea was selling in London at £ 1.45 per kg. and it would be risky to sell LT packets at £ 1.65 kg.

(viii) We worked out our costs again & found that on the basis of tea prices prevailing the tea cost for the blend would be Rs. 15 per kg with more cheaper Dooars tea having similar liquoring quality and at £ 1.60 per kg, our profit margin would be 10 per cent. As the packaging materials had been procurred and TTCI was very anxious to enter into the U.K. market with 100 per cent prepakaged Indian tea and break the monopoly of the four U.K. giants *i.e.* Lyons, Brooke Bond, Coops and Tvphoo we decided to quote a price of £ 1.60 per kg. A Trunkcall was made (by Shri E.P.O. Brien of TTCI to LTPC) on 11-8-77) and the final price of £ 1.60 per kg was accepted by LTPC. (Letter dt. 11-8-77 does not record reason for this reduction in price).

(ix) Finally 1521C/S of LT packets were shipped in November '77 to LTPC.

(x) Subsequently LTPC had asked for reduction of price for LT packets but, as TTCI was not willing to reduce the price, it is reported that they had placed orders on Jokai Tea Company at a reduced price of about £ 1.50 per kg.

2.32. The Committee enquired why the FA and CAO had approached Gow whites of London to select the Solicitors for the TTCI. The Committee pointed out that it would have been better if Legal Advisor of the Indian High Commission had been consulted. In reply, the representative of TTCI said in evidence:—

> "This was a Solicitor's notice and before we move the court, we will do that also."

2.33. The Committee are perturbed to note that during the course of its business dealings with the London Tea & Produce Co., the Tea Trading Corporation of India had been bestowing one undue favour after another on that Company in utter disregard of sound business principles and commercial practices. First, even though London Tea & Produce Co., had refused to pay for 870 chests weighing 39150 kgs. of Blend 'C' Tea (value £57443) shipped in July, 1977 and for another 170 chests weighing 7650 kgs. (value £13356) on the pretext of poor quality and/or severe damage in transit, TTCI did not stop subsequent consignment of tea shipped by "Jalakala" in November, 1977 a part of which (value £47142) was also rejected by the Company. The Chairman-cum-Managing Director, TTCI stated in his evidence that there was no reason to believe that the Company would engineer things like that.

2.34. Secondly, on a telephonic request made by Managing Director of LTPC on 22nd July, 1977 Tea Trading Corporation liberalised the credit terms in favour of London Tea & Produce Co. by extending the period of payment of bills from 90 to 120 days for reasons best known to the Corporation authorities. Further instead of charging interest for delays in payment for shipments of tea made to the Company, Tea Trading Corporation in its letter dated 8th November, 1977 to SBI Calcutta. agreed to bear such interest itself.

2.35. Thirdly the Tea Trading Corporation after quoting the price of £2.00 per kg. for L.T. Packets STD-233 (orthodox BOP Blend) in June 1977, went on reducing the price supplying fresh samples of tea undoubtedly to oblige the Company. The Company accepted on 29th July, 1977 the price of £1.80 which was again got revised to £1.65 per kg. on 2nd August, 1977. But on 9th August, 1977 TTCI quoted a still lower price of £1.60 per kg. which was accepted by the LTPC and Shipment made.

2.36. It is clear that antecedents and financial standing of the foreign company were not verified before entering into business deals and what was worse no timely watch on the behaviour of the Com-

pany especially with regard to payments was kept. All this borders on favouritism or unusual behaviour for what considerations the Committee are unable to understand. Looking at the nature and extent of concessions bestowed on this Company, the Committee cannot but call for a probe into the TTCI's export deal with this Company. They would await the outcome of the probe.

2.37. On the whole a sum of £ 1,26,000 was due from the LTPC for the supplies made and the Company put up a counter claim of £ 24.000. TTCI had to ultimately file a suit against the Company after the Committee expressed their serious displeasure during evidence. The Committee were informed that in January, 1979 the Queen's Bendh Division of High Court of Justice had passed an order that judgement be entered against the Defendent (LPTC) for (i) £ 49,037 and that execution be set for 28 days i.e. 21-2-1979 and (ii) further £ 64,466 and execution be set by 31 March, 1979. As regards the balance outstanding from LTPC, the matter, it has been stated, will be decided, on trial. The Committee would like to be apprised of the decision of the trial court and the recoveries made.

2.38. The Committee are extremely unhappy that due to the mishandling of the business the Corporation landed itself into avoidable complications which resulted in locking up of capital and diversion of the energies of the executives.

B. Contract for Supply of Tea to Iran

2.39. In January 1978 TTCI had negotiated a contract for supply of 285 tonnes of blended bulk tea with buyers in Iran through the Export House Division of Dunlop (India) Ltd. This business was negotiated against payment terms of irrevocable letters of credit for 100 per cent value of the goods and the shipments were to be made in February and March 1978 @ 150 tonnes and 135 respectively.

2.40. Due to non-availability of a suitable sailing opportunity to Khorramshahr Port (Iran), the February shipment could not be effected in time and on TTCI's persuasion the buyers agreed to accept both the consignments in March 1978. The shipments were accordingly effected in March in 2 vessels—'Amir Khosrow' and 'Kederanath' respectively but unfortunately the ships sailing was delayed considerably due to low draught in Calcutta port and other problems. The vessel "Amir Khosrow" sailed on 9th April and the Kedernath sailed on as late as 8th May 1978.

2.41. In fact, TTCI had requested Shipping Corporation agents for Amir Khosrow to take both the consignments but due to low draught

SCI refused the second consignments. By the time the steamerers sailed some of the Letters of Credit had expired and the Export Division of the Dunlop India Ltd. could not negotiate the documents with their bankers. At the instructions of Dunlop's Tehran Agent, the documents were forwarded by Dunlop's on collection basis to the buyers' bankers. As the vessels had sailed very late from Calcutta and the Letters of Credit had expired, the buyers refused to accept the documents and were not willing to take delivery of the goods on the plea of delayed shipment. When Dunlop Export Division insisted that the importers should honour the documents on our persuasion, the buyers had argued that the documents were not in order and they would not accept the consignments.

2.42. Finally Dunlop's Agent in Iran requested TTCI through Dunlop that a discount of Rs. 5/- per kg. should be offered. Thereafter Dunlop's Tehran Agent indicated that even if TTCI was to offer a discount of Rs. 5/- per kg., there would be no firm commitment that the consignment would be lifted by the importers at the discounted price. As this proposition was unacceptable, TTCI made an offer through Dunlop to settle this issue at a discount of Rs. 2/- per Kg. on the condition that Dunlop would depute a representative and the matter should be resolved on the spot. It was also agreed that if the discount of Rs. 2/- per Kg. was not acceptable to the buyers, the consignment should be recalled at Dunlops cost as they were also involved in this matter as much as TTCI and shipment was made on their request. Dunlop's, however, were agreeable to share the cost of recalling the consignment only on 50/50 basis after, several discussions on the subject. Accordingly Dunlops representative visited Tehran to settle the issue and was able to convince some of the buyers to accept 45 tonnes of tea at the original invoice price.

2.43. Reasons for non-acceptance of the cargo as mentioned by Dunlop's representative were as under:—

(1) During the earlier part of 1978 (January/March) there had been a phenominal increase in the import of tea into Iran following a rumour that the import duty for tea in Iran would be increased substantially.

(2) This had led the traders to import large quantities of tea into Iran in order to cash-in on the deal when the import duty was increased later around and March.

(3) During Mr. Narain's visit, the stocks of tea were reported to be around 25,000 M.T. which is roughly double the annual tea import into Iran.

(4) Later, the Iran Government did not revise the duties on import of tea into Iran and as such the traders' speculative hopes were not realised. In the circumstances the market prices for tea in Iran virtually crashed and many traders backed out of various deals. It was also clear that the buyers who had placed orders through their agents M/s. Tarahind Co. were also speculators who took advantage of the situation and tried to find lame excuse to refuse acceptance of the consignment.

(5) Strong rumours of political disturbances similar to that of Afghanistan were building up at that time and the business circles enticipated considerable disturbances of trade and general activity. Moreover, those who were financing business in Iran were transfering their funds elsewhere in apprehension of the political disturbances.

2.44. It was therefore, decided to recall the consignment at a cost of 50/50 basis to be shared between TTCI and Dunlop's Export Division. The Average tea cost of 240 tonnes tea that were brought back.

2.45. Was Rs. 12.87 per kg. The entire consignment had been stored in TTCI's godown and the teas had been sutlised in the existing packet tea blends for Libya and Afghanistan and 'Maya' teas. The matter has now been fully resolved.

2.46. During evidence the Committee were informed that TTCI had paid 5-1/2 per cent to Dunlop in this deal, of which 4-1/2 was paid to their agent (Tarahind & Co.).

2.47. As regards loss incurred on bringing back the consignment from Iran, the witness deposed that the value of this consignment of tea exported to Iran was around Rs. 60 lakhs. The actual loss including the cost of bringing it back is estimated to be Rs. 2.5 to Rs. 3 lakhs.

2.48. The Committee decided to know the reasons for sharing with Dunlops the cost of recalling the consignment from Iran on 50/50 basis when it had earlier been agreed upon that the consignment should be recalled at Dunlops cost. The Tea Trading Corporation of India stated in a note:—

"In view of the fact that the tea had already arrived in Khorramshahr (Iranian port) and the said buyers had refused to accept the delivery, the edporters Dunlop and TTCI the shippers were in a quandry. The Corporation endeavoured to take a stand that it was the responsibility of the Exporter to dispose of the goods but Dunlops contended that had the goods been sent on time they would have been able to negotiate the documents within the L/C validity period and the problem would not have been arisen. After a number of discussions, it was agreed that it would be to the mutual interest of Dunlop and TTCI to send a representative to Iran in order to dispose of the goods at a best possible price otherwise the goods would have to be brought back on the basis of sharing expenses.

The main reason given by the buyers for non-acceptance of documents was delay in shipments. The exporters-Dunlops could not be held responsible for this. However, TTCI were able to persuade Dunlop to pay 50 per cent of the expenses incurred for bringing the consignment back. The Dunlop representative visited Iran and offered a discount of Rs. 2/- per kg. to the buyers which were not acceptable to them. They were insisting on a discount of Rs. 5/- per kg. without gurantee of purchase. Under the circumstances and also because of the unhealthy political suitation in Iran it was decided to bring back the cargo to India."

2.49. Commenting on the aforesaid decision to recall the consignment from Iran on 50/50 basis, TTCI has, stated:—

"In retrospect considering the present political situation in Iran this was a wise decision otherwise in view of what took place in Iran the goods would have been remained there incurring heavy demurrange and would not have been lifted by the buyer incurring a huge loss to the Corporation."

2.50. "The TTCI has also intimated that as per their books" there is no outstandings from Dunlops.

2.51. As regards delay in shipment of tea to Iran, Chairman & M.D. of T.T.C.I. said in evidence:—

"Our warehouses were on strike in January-February-March, and our teas were stuck up in the warehouses for three months. We could not take the teas out and we had to make alternative an augement. As soon as we got the alternative teas, we tried to get the blends ready......"

2.52. Asked if a irrevocable letter of credit was not insisted upon in this case, the witness said:—

> "In this case the Dunlop have an irrevocable letter of credit... But the buyer said that as our shipment were delayed, they were not going to accept it, except 40 tonnes."

2.53. When the Committee pointed out that an irrevocable letter of credit meant that the money was paid to TTCI's account, the witness clarified:—

> "It was not us; it was the Dunlops. They were the exporters. They could not negotiate because the shipment was late... It is partly Dunlop's money (which is stuck up). They had given us some advance. There were a lot of people who had suffered like this because the situation in Iran had become volatile."

2.54. The Committee regret to note that on the basis of a contract negotiated in January 1978, 285 tonnes of blended bulk tea which were to be supplied in February and March 1978 to Iran through Export House Division of Dunlop (India) a multinational tyre manufacturing company, against irrevocable letters of credit for 100 per cent value of goods was actually shipped in April/May, 1978. The delay in shipment was said to be due to strike in TTCI's warehouses from January to March, 1978, low drought in Calcutta Port and other problems. By this time the letters of credit had expired and the buyers in Iran refused to accept the delivery of tea on the plea of delayed shipment. The Committee have been informed that Dunlop's Tehran Agent indicated that even if we were to offer a discount of Rs. 5/- per kg. there would be no firm commitment that consignment would be lifted by the importers at the discounted price. TTCI made a counter offer of discount of Rs. 2/- per kg. on the condition that Dunlop would depute a representative so that the matter could be resolved on the spot. It was also agreed that if the discount of Rs. 2 per kg. was not acceptable to the buyers, the consignment should be recalled at Dunlop's cost as they were also involved as this shipment was made at their request. Dunlops representative visited Tehran and was able to pursuade Iranian importers to accept 45 tonnes of tea at the original invoice price. The remaining 240 tonnes of tea was brought back to India and the cost of recalling the consignment was shared between Dunlop and TTCI on 50/50 basis though the original decision was that the entire cost would be met by Dunlops. Apart from bearing 50 per cent of cost of recalling this consignment, TTCI had also paid 5½ per cent Commission

to Dunlops for this deal. Dunlop representative is stated to have admitted that the buyers who had placed orders through their Agents (M/s. Tarahind Co.) were speculators who tried to take advantage of the situation. It has been stated that traders in Iran had imported large quantities of tea following rumours that import duty on tea in Iran would be increased substantially but when this duty was not raised, prices of tea in Iran crashed. Many traders in Iran are stated to have backed out of various deals.

2.55. Although the tea brought back from Iran is stated to have been somehow utilized, the Committee would like to know how much loss was caused to the TTCI and what was the liability of Dunlops to recoup that loss as well as the extent to which the liability was discharged by them. It is surprising how Dunlops (India) a multinational tyre manufacturing company could come into this business. The Tea Trading Corporation of India should learn a lesson from this export deal and not fall an easy prey to speculators who are not prepared to honour their commitment. This case gives rise to some suspicion.

C. Afghanistan Orders for Supply of Tea

2.56. In 1975-76 TTCI secured an order for 1000 tonnes of packet-tea to be supplied to Afghan Food Department at an average price of Rs. 17.68 per kg. against payment terms of 50 per cent at the time of shipment and 50 per cent to be kept in a Bank for import of dry fruits by STC. Out of 1000 tonnes, 400 tonnes was sub--contracted to Balmer Lawrie & Co., as TTCI did not have the infrastructure to maintain the delivery scheduled stipulated in the contract.

2.57. The Committee were informed by the Chairman and M.D. of TTCI during evidence that a sum of Rs. 6 lakhs was outstanding against the STC on account of the aforesaid barter deal. The problem, said the witness, was that:—

> "STC did not buy the dry fruits on time and they took a long-time to buy them because they had some difficulties with the Afghan Government. When they bought the dry fruit, the exchange rate had gone down and they could not get enough dry fruit. About Rs. 7 lakhs was the difference. They are saying that they will pay us Rs. 7 lakhs and we have said that since we have sliped our tea, it is their responsibility for not buying the dry fruit on time. The Ministry have been apprised and they have already held two meetings."

No order was given in 1976-77. Next order was obtained in 1977-78 for 100 tonnes at Rs. 20 per kg C&F.

2.58. With the change in the Afghanistan Government, considerable discussion took place between Indian Embassy, TTCI, representative for a larger quantity. In September, 1978 a contract was signed for 4,000 tonnes at a price of Rs. 18 per kg. on the condition that 50 per cent of the total value—Rs. 3.6 crores would be given as advance in 1978 and balance Rs. 3.6 crores in June, 1979. TTCI has pointed out that this advance would tantamount to an increase in revenue by 70 paise per kg. making a total of Rs. 18.70 per kg. A higher price would have been obtained had not an Indian Exporter, *viz.*, Messrs. Intersales quoted Rs. 17 per kg. for a superior FOP grade of tea. TTCI secured the order for 4,000 tonnes only due to the influence of TTCI's representative.

2.59. After the first order was received in JulJy, 1975 from Afghanistan for packet tea, a shipping agent was appointed in Bombay after advertising in the papers. Shipments had to be made *via* Karachi on a 3rd flag steamer. No such shipping opportunity was, it has been stated, available from Calcutta. The Shipping Agent, Messrs. Avtar Singh & Co, who was handling most of the Afghanistan shipments from Bombay, was appointed by TTCI. The rate quoted to TTCI by them was said to be reasonable. No other Clearing Agent had quoted. They also handled TTCI's shipments to Afghanistan from Amritsar.

2.60. Commenting on the quality of service rendered by M|s. Avtar Singh & Co, TTCI has, in a note, stated that:—

> "The service rendered by them had been satisfactory and we have received no complaints from the buyer. In 1978, besides consignments for Afghanistan, large shipments had to be made to Libya with specific delivery schedule incorporated in the Letter of Credit against which we had given an unconditional performance guarantee. Shipping opportunities from Calcutta were irregular and were available only if sufficient cargo for Libyan ports were assured of. On the other hand at least 3|4 sailing opportunity for North African countries were available from Bombay. Consequently, we had to make shipments from Bombay and M|s. Avtar Singh & Co's services were utilised

2.61 On the question of rates of M|s. Avtar Singh & Co., TTCI has opined:—

"Their rates were competitive as compared to other quotations received. As our contract with the Government Buyer at Libya was on a fixed price basis, we contracted with our Shipping Agent to quote to us a comprehensive rate for lifting of cargo from our warehouse till loading into the ship including storage, handling, Port and Customs clearance, locating of steamers etc., at Bombay. The rates obtained by us were also comparable to that available from Calcutta in January|February, 1978. The freight rates from Calcutta were increased from March, 1978 due to bunker surcharge but our rate remained the same for shipments through Bombay. As a result the Corporation has saved on account of freight and had also been able to execute orders in time."

2.62. Referring to the withdrawal of bunker surcharge in respect of ships sailing from Calcutta from August, 1978, TTCI has intimated:—

"Since August, 1978, the bunker surcharge has withdrawn in respect of ships sailing from Calcutta, and our Libyan orders are now being shipped from Calcutta. If freight rates are increased for sailings from Calcutta or timely sailings are not available at Calcutta, shipments from Bombay will be resorted to in order to keep to the delivery schedule accepted by the Corporation."

2.63. The Committee wanted to know if the appointment of M|s. Avtar Singh & Co. was far an indefinite period. The Chairman and M.D. of TTCI said in evidence:—

"When you have an agent, you do not keep on changing him."

2.64. Asked whether it was a fact that M|s. Avtar Singh & Co. use Non-Conference Liners for the purpose of paying lower rate of freight, TTCI, has, in a note, explained:—

"M|s. Avtar Singh & Co. Bombay are our Clearing and Shipping Agents. They have been mainly used by us for shipments ex-Bombay in respect of orders received from Afghanistan since 1975. We have been utilising their services on the basis of a fixed rate contract covering (a) removal of consignment from Calcutta, (b) handling and storage of the consignments in Bombay, (c) carting and shipment. Our Afghan orders call for shipment to "Karachi in transit Kabul." Under the existing regulations no consignment intended for a third country *via* Pakistan steamer can be shipped either on an Indian flag or on a Pakistan Steamer. A third counter flag steamer has to be used, which is normally a "Non-conference" steamer. Our buyers do not stipulate the use of a "conference line" steamer which in fact is not available for Afghan cargo. As indicated earlier a consolidated rate was offered by our Clearing & Shipping Agent against tender and their quotation was the lowest."

2.65. In the case of cargo for Libya, TTCI has pointed out that:—

"In the case of cargo for Libya, some consignments have been sent *via* Bombay either because timely sailings from Calcutta was not available at a particular period of time or the consolidated rate received from M|s. Avtar Singh & Co. for shipment to Libya *via* Bombay was lower than the freight rate from Calcutta.

Our order from Libya calls for shipment per "Liner terms", on a vessel which is not over 25 years of age. Hence the shipper can use a "Conference Line" vessel or a "Liner Term" vessel, which includes in its freight the leading and unleading charges. It may be emphasised that our contract without Shipping and Clearing Agent is on an *"ex-Calcutta consolidated rate"* inclusive of ocean freight "liner term" basis plus other incidental charges."

2.66. The Committee note that after the first order was received in July, 1975 from Afghanistan for packet tea, Tea Trading Corporation of India appointed M/s. Avtar Singh and Co. as their shipping agent in Bombay. The Committee have been informed that this appointment was made after advertising in papers. The rate quoted by this Agent (no other clearing agent had quoted) was said to be reasonable. In 1978, besides consignments for Afghanistan, large shipments to Libya were also entrusted to this Company of Bombay. Justifying shipments from Bombay, T.T.C.I. has stated that "shipping opportunities from Calcutta were irregular. The rates quoted by this company were stated to be competitive. The Committee learnt during evidence that TTCI have appointed M/s. Avtar Singh & Co. as their clearing and shipping Agents in Bombay for an indefinite period. The Committee recommend that clearing and shipping Agents should be appointed for a specified

period so that TTCI can review their performance at the end of that period and also satisfy itself whether the rates once fixed continue to be competitive.

2.67. The Committee are concerned to note that M/s. Avtar Singh & Co., the clearing and shipping Agents of TTCI, had been using Non-conference steamers for the purpose of paying lower rate of freight. They have been informed that TTCI's buyers did not stipulate the use of a "Conference Line" steamer and that in fact, a Conference Liner was not available for Afghan Cargo. The Committee would like to know whether the rate of payment allowed to the clearing agent took note of this factor and ~~if not,~~ how much of benefit was passed on by the TTCI to the agent ~~on account~~ of inflated rate.

if not
on account

D. Libyan Order

2.68. Tea Trading Corporation of India exported to Libya the following quantities of package tea:—

Year	Net Wet in kg.	Value of Export	Unit value per kg.
		Rs.	Rs.
1976-77	9,99,936	130,28,189	13·03
1977-78 . .	14,999,04	309,57,152	20·64

2.69. In the past most of the teas were exported to Libya by Sri Lanka. During 1975-76, a private Indian exporter made a break through by securing an order for 3,000 tonnes of packet tea. But he, it is understood, failed to supply any quantity against the order in view of rise in tea prices.

2.70. In June-July, 1976 (1976-77) TTCI secured a direct order from Libya for 1,000 tonnes of packet tea. In order to finalise this contract, Shri A. K. Sengupta, the then Manager (Export) of TTCI stayed at Tripoli for more than 10 days. In his letter dated 8-6-1976, addressed to Shri P. K. Dasgupta, M.D. Shri A. K. Sengupta wrote:—

> "Ambassador was insisting me to accept 2,000 tonnes at any price delivery within December, 1976. I told him it would be impossible for me to agree.... They might ask me to accept $ 1.35. But I am not going to accept $ 1.37, I will try to stick to $ 1.45, but as a last resort

come down to $1.40. At $1.45 I shall accept 1,000 tonnes, at $ 1.40 700|1,000 tonnes, but at $ 1.35 500|700 tonnes...."

2.71. The Committee enquired whether in quoting the price for Libyan order, TTCI had tried to cover itself against rising trend in tea prices and if so to what extent. The Chairman and M.D. of TTCI said in evidence:—

"We had to enter into a contract for supply in tour months and the prices shot up. The normal tea price movement for years and years tea price was kept at a steady pace. When we make our costing, we have to take a view of the market that it might go up by fifty paise or so. That has been the tradition. We try to cover ourselves against this.... But in 1976, the price went up by Rs 4-5 and with the contract in hand, where there was an arrangement to supply it from one Government Company to another Government Company basis, we had committed and we supplied it."

2.72. It transpired during evidence that out of Rs. 15 lakhs last by TTCI on supply of tea against 1976 Libyan order, TTCI, had been able to recover Rs. 7½ lakhs. The balance amount will, TTCI hopes, be deposited into the London Court by 31st March, 1979.

2.73. The Committee asked why tea was supplied to Libya at unremunerative price of Rs. 40 when our transactions abroad were at Rs. 52. In reply the Chairman and M.D. said:—

"That was the price which they were paying, the price at which we could get the order, as other people were getting."

2.74. The Chairman and M.D. of TTCI pointed out that if in its anxiety to avert a loss TTCI had backed out of its commitment. Libya would not have placed any fresh order with TTCI. He stated:—

"We thought we would be able to break even and enter a large market, which is 10 million kg. of tea per year. The result is we have now got 5 million kg; 50 per cent of their requirement is being served by us. We expect, after executing their order we should make a profit of Rs. 50 lakhs from Libya, which will completely wipe out our loss.... If we had failed to supply them, like the others, we would not have got the fresh orders."

E. Sub-contracting System

2.75. In the middle of 1978, Trishul Agencies secured an order for supply of 300 tonnes of teas in metal caddies directly from National Supply Corporation, Tripoli, the Government buying organisation in Libya. Trishul Agencies made enquiries with various tea packers and exporters with a view to sub-contract the work. Export Division of TTCI was able to pursuage Trishul to place the sub-contracting work with the TTCI at a very remunerative price which, it was expected, give the TTCI a gross margin of Rs. 15 to 18 lakhs on the order.

2.76. The Committee wanted to know who took the decision to make to accept this order and thereby the TTCI sub-contractor of Trishul Agencies, a private sector enterprise. In reply, the Chairman and M.D. of TTCI, said in evidence:—

> "I was not involvd in this order at all.... I will take full responsibility for everything, but I was on leave, when this order was accepted. There was nothing wrong with their order.... The FA&CAO was there at that time. Any order could be accepted."

2.77. In reply to a question, the witness informed the Committee that:—

> "As far as I know, because I am not involved in it, they do exports of marine products and other things.... This order has been secured by Trishul people in Libya, not in India. It was secured by them direct, like many of the other order coming to us."

2.78. The Committee desired to know how much profit Trishul Agencies would make in this deal, the witness said:

> "I do not know, because it is not my concern."

2.79. Asked why Chairman and M.D. was not requisitive to find this out especially when owners of Trishul Agencies happened to be related to him, the witness admitted :—

> "Trishul Agencies owners happen to be my wife's brother's wife's family in other words her sister-inlaw's family. When this order had been confirmed, I approached the

Board of Directors saying that this is the situation.... I was not there when the order was accepted. I was out of Calcutta."

2.80. The Committee regret that the Tea Trading Corporation of India was said to have been pressurised by the Indian Embassy in Libya to enter into a contract with Libya for supply of 1000 tonnes of packet tea at an unremunerative price. It transpired during evidence that supply of tea against Libyan order of 1976 had resulted in a loss of Rs. 15 lakhs.

2.81. It is a matter of grave concern that when in the middle of 1978, Trishul Agencies, a private concern, engaged in the export of marine products etc., secured a Libyan Order (directly from the National Supply Corporation Organisation, Tripoli) for supply of 300 tonnes of teas in metal caddies, the Corporation undertook to become its sub-contractor. The Committee are of the firm view that as a matter of principle public sector enterprises should try to secure the orders themselves. Although in this case the sub-contract was expected to yield a profit of Rs. 15 to Rs. 18 lakhs, TTCI is unaware of profit margin of Trishul Agencies. The Committee would like to know how a private concern could enter the Libyan market when TTCI had already established itself at a heavy cost unless it was inducted. The Chairman and Managing Director of TTCI admitted during evidence that owner of Trishul Agencies was distantly related to him.

NEW DELHI;	JYOTIRMOY BOSU,
April 23, 1979	*Chairman,*
Vaisakha 3, 1901 (*S*).	*Committee on Public Undertakings.*

APPENDIX

Summary of Recommendations/Conclusions of the Committee on Public Undertakings contained in the Report.

S. No.	Reference to the Paragraph No. in the Report	Summary of Recommendations/Conclusons
1	2	3
1	1.35	The Committee are perturbed to find that the Tea Trading Corporation of India which was set up in December, 1971 did not export any tea at all during the years 1971-72 to 1973-74 and that it was only in 1974-75 that it made a humble beginning by exporting tea of the value of Rs. 1 lakh. In subsequent years, however, its exports registered a growth from Rs. 196 lakhs in 1975-76 to Rs. 793 lakhs in 1977-78. The reasons for its dismal performance on the export front in the earlier years, are stated to be mainly lack of expertise and proper institutional arrangement. It is surprising that though the Corporation languished for as many as five years, Government remained a silent spectator throughout and did not, as far as the Committee know, take any effective steps to put the Corporation on its feet. This apathy on the part of Government which has brought rich dividends to the multinationals, is indeed deplorable, if not intriguing.
2	1.36	The Committee find that though the Corporation has improved its export performance in recent years, its share in the country's export of tea has as yet been very insignificant. Out of the country's export of Rs. 542.42 crores in 1977-78, the share of TTCI was Rs. 7.93 crores only i.e. 1.4 per cent. However, its share (Rs. 5.68

1	2	3
		crores) in the country's export of packet tea (Rs. 48.48 crores) was 11.7 per cent.
3	1.37	The Committee are convinced that if the Corporation is to achieve its objective of reducing the country's dependence on multinational companies like Brooke Bond (India) Ltd., Lipton Ltd., it will have to accelerate its efforts on the export front to such an extent that it attains a dominant position soon. The Committee have been informed that according to the five-year Export Plan drawn up by Government for the years 1978-79 to 1982-83, the country's export of packet tea in terms of quantity will reach 140 million kgs. by 1982-83. Of this, TTCI's share is expected to be 70.00 million kgs. *i.e.* 50 per cent. TTCI has indicated that at present "it is not equipped to act as a canalising agent/catalyst/coordinator". It has however, assured that if required it can gear itself to do so in a few years time. The Committee recommend that having drawn up the Export Plan, Government should keep a contemporaneous watch on the export performance of TTCI and ensure that whatever yearly targets of export have been set for it are achieved in full. Government should also consider the question of canalysing export of tea through TTCI in due course taking steps to equip it for this purpose.
4	1.38 and 1.39	The Committee find that while F.O.B. realisation on export in bulk/blended forms was Rs. 8.45, Rs. 10.80 and Rs. 21.76 per kg. in 1975-76, 1976-77 and 1977-78 respectively, the F.O.B. realisation on tea exported in value added forms was only Rs. 17.09, Rs. 13.72 and Rs. 20.30 respectively. This is most distressing to note as the price was abnormally low and it appears that in reality no value was added.

1	2	3
		The Committee have also noticed wide variations in value realisation on tea exported by the Corporation from country to country. They, therefore, desire that the Commerce Ministry should bring out a White Paper periodically showing the price fetched by packet tea of different types at the last counter in different countries, *vis-a-vis* FOB Price realised by us from the importing countries concerned. There is no use comparing the price obtained by the TTCI with that obtained by private exporters as the Committee do not have the slightest doubt that private parties particularly the multinationals indulge in invoice manipulations.
5	1.40	The major task of the TTCI in future should be to export teas in finished value-added i.e. packet tea, tea bags, instant tea etc. ready for sale at the last counter under its own brand names through its own appointed selling agents and retailers. Besides it should have its own sales promotion staff who should keep close watch on the performance of the marketing channels. This should be the main object of the Corporation. The Committee feel that with a view to obviating lengthy distribution channel and avoiding middlemen the Corporation should either on its own or in concert with the Tea Board or the STC even open sales counters in various countries on an experimental basis and in the meantime strive to sell on a commission basis its brands of teas direct to chain stores/Cooperatives in foreign countries. This alone would improve the unit value realisation.
6	1.41	According to the information received by the Committee it appears that the retail price in a number of importing countries is several times the value realised by us. The TTCI has utterly failed to achieve its primary objective in any

1	2	3
		worthwhile manner. The Corporation has not been able to penetrate into the traditional markets.
7	1.42	The Committee note that while claiming it has been maintaining a close liaison with the Directors of Tea Promotion and Tea Board Offices in Brussels, London Sydney, New York and Cairo, the Corporation has intimated that hithertofore Tea Board had treated the Corporation as a "Division" where their surplus staff could be deputed. It has been suggested to the Committee that Tea Board must regard TTCI in a different light and give all necessary assistance for it to develop". The Committee therefore stress the need for fuller understanding between Tea Trading Corporation of India and Tea Board. The Committee also recommend that officers of Tea Promotion in various countries should be utilised by the Tea Trading Corporation of India so as to increase its export prospects of Packet Tea.
8	1.43	The Corporation's export range covers 4 varieties of packet teas viz., Darjeeling, Assam, Niligiris and Oriental Blue in both "Natraj" and "Maya" packets as also Nataraja Tea of Darjeeling and Assam blends. The Corporation's 'Maya' range of tea won the International CLIO Award for excellence in packaging for the first time. The Committee however find that popularisation of brand names is being done in a cursory way. All that the Corporation does is to ask its super market buyers to undertake promotion and merchandising on their behalf. The Committee feel that such a half-hearted approach to export promotion can have only a marginal effect on export. The Committee wish to stress that in order to establish its brand TTCI should take to mass

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		communication media at least in countries where consumption of tea is high and export prospects bright. In the costing of tea there should be an element of advertisement and sales promotion expenditure.
9	2.33 to 2.36	The Committee are perturbed to note that during the course of its business dealings with the London Tea & Produce Co., the Tea Trading Corporation of India had been bestowing one undue favour after another on that Company in utter disregard of sound business principles and commercial practices. First, even though London Tea & Produce Co., had refused to pay for 870 chests weighing 39150 kgs. of Blend 'C' Tea (value £ 57443) shipped in July, 1977 and for another 170 chests weighing 7650 kgs. (value £ 13356) on the pretext of poor quality and/or severe damage in transit, TTCI did not stop subsequent consignment of tea shipped by "Jalakala" in November, 1977 a part of which (value £ 47142) was also rejected by the Company. The Chairman-*cum*-Managing Director, TTCI stated in his evidence that there was no reason to believe that the Company would engineer things like that.
		Secondly, on a telephonic request made by Managing Director of LTPC on 22nd July, 1977 Tea Trading Corporation liberalised the credit terms in favour of London Tea & Produce Co. by extending the period of payment of bills from 90 to 120 days for reasons best known to the Corporation authorities. Further instead of charging interest for delays in payment for shipments of tea made to the Company, Tea Trading Corporation in its letter dated 8th November, 1977 to SBI Calcutta, agreed to bear such interest itself.

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		Thirdly the Tea Trading Corporation after quoting the price of £ 2.00 per kg. for L.T. packets STD-233 (orthodox BOP Blend) in June 1977, went on reducing the price supplying fresh samples of tea undoubtedly to oblige the Company. The Company accepted on 29th July, 1977 the price of £ 1.80 which was again got revised to £ 1.65 per kg. on 2nd August, 1977. But on 9th August, 1977 TTCI quoted a still lower price of £ 1.60 per kg. which was accepted by the LTPC and Shipment made.
		It is clear that antecedents and financial standing of the foreign company were not verified before entering into business deals and what was worse no timely watch on the behaviour of the Company especially with regard to payments was kept. All this borders on favouritism or unusual behaviour for what considerations the Committee are unable to understand. Looking at the nature and extent of concessions bestowed on this Company, the Committee cannot but call for a probe into the TTCI's export deal with this Company. They would await the outcome of the probe.
10	2.37 and 2.38	On the whole a sum of £ 1,26,000 was due from the LTPC for the supplies made and the Company put up a counter claim of £ 24,000. TTCI had to ultimately file a suit against the Company after the Committee expressed their serious displeasure during evidence. The Committee were informed that in January, 1979 the Queen's Bench Division of High Court of Justice had passed an order that judgement be entered against the Defendent (LPTC) for (i) £ 49,037 and that execution be set for 28 days *i.e.* 21-2-1979 and (ii) further £ 64,466 and execution be set by 31 March, 1979. As regards the balance outstanding from LTPC, the matter, it has been

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		stated, will be decided, on trial. The Committee would like to be apprised of the decision of the trial court and the recoveries made.
		The Committee are extremely unhappy that due to the mishandling of the business the Corporation landed itself into avoidable complications which resulted in locking up of capital and diversion of the energies of the executives.
11	2.54 and 2.55	The Committee regret to note that on the basis of a contract negotiated in January 1978, 285 tonnes of blended bulk tea which were to be supplied in February and March 1978 to Iran through Export House Division of Dunlop (India) a multinational tyre manufacturing company, against irrevocable letters of credit for 100 per cent value of goods was actually shipped in April/May, 1978. The delay in shipment was said to be due to strike in TTCI's warehouses from January to March, 1978, low drought in Calcutta Port and other problems. By this time the letters of credit had expired and the buyers in Iran refused to accept the delivery of tea on the plea of delayed shipment. The Committee have been informed that Dunlop's Tehran Agent indicated that even if we were to offer a discount of Rs. 5/- per kg. there would be no firm commitment that consignment would be lifted by the importers at the discounted price. TTCI made a counter offer of discount of Rs. 2/- per kg. on the condition that Dunlop would depute a representative so that the matter could be resolved on the spot. It was also agreed that if the discount of Rs. 2 per kg. was not acceptable to the buyers, the consignment should be recalled at Dunlop's cost as they were also involved as this shipment was made at their request. Dunlops representative visited Tehran and was able to pursuade Iranian importers to accept 45 tonnes of tea at the original invoice price. The remaining 240 tonnes of tea was brought back to India

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		and the cost of recalling the consignment was shared between Dunlop and TTCI on 50/50 basis though the original decision was that the entire cost would be met by Dunlops. Apart from bearing 50 per cent of cost of recalling this consignment, TTCI had also paid 5½ per cent Commission to Dunlops for this deal. Dunlop representative is stated to have admitted that the buyers who had placed orders through their Agents (M/s. Tarahind Co.) were speculators who tried to take advantage of the situation. It has been stated that traders in Iran had imported large quantities of tea following rumours that import duty on tea in Iran would be increased substantially but when this duty was not raised, prices of tea in Iran crashed. Many traders in Iran are stated to have backed out of various deals. Although the tea brought back from Iran is stated to have been somehow utilized, the Committee would like to know how much loss was caused to the TTCI and what was the liability of Dunlops to recoup that loss as well as the extent to which the liability was discharged by them. It is surprising how Dunlops (India) a multinational tyre manufacturing company could come into this business. The Tea Trading Corporation of India should learn a lesson from this export deal and not fall an easy prey to speculators who are not prepared to honour their commitment. This case gives rise to some suspicion.
12	2.66	The Committee note that after the first order was received in July, 1975 from Afghanistan for packet tea, Tea Trading Corporation of India appointed M/s. Avtar Singh and Co. as their shipping agent in Bombay. The Committee have been informed that this appointment was made after advertising in papers. The rate quoted by

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		this Agent (no other clearing agent had quoted) was said to be reasonable. In 1978, besides consignments for Afghanistan, large shipments to Libya were also entrusted to this Company of Bombay. Justifying shipments from Bombay, T.T.C.I. has stated that "shipping opportunities from Calcutta were irregular. The rates quoted by this company were stated to be competitive. The Committee learnt during evidence that TTCI have appointed M/s. Avtar Singh & Co. as their clearing and shipping Agents in Bombay for an indefinite period. The Committee recommend that clearing and shipping Agents should be appointed for a specified period so that TTCI can review their performance at the end of that period and also satisfy itself whether the rates once fixed continue to be competitive.
13	2.67	The Committee are concerned to note that M/s. Avtar Singh and Co., the clearing and shipping Agents of T.T.C.I., had been using Non-conference steamers for the purpose of paying lower rate of freight. They have been informed that TTCI's buyers did not stipulate the use of a "Conference Line" steamer and that in fact, a Conference Liner was not available for Afghan Cargo. The Committee would like to know whether the rate of payment allowed to the clearing agent took note of this factor and if not, how much of benefit was passed on by the TTCI to the agent on account of inflated rate.
14	2.80	The Committee regret that the Tea Trading Corporation of India was said to have been pressurised by the Indian Embassy in Libya to enter into a contract with Libya for supply of 1000 tonnes of packet tea at an unremunerative price. It transpired during evidence that supply of tea against Libyan order of 1976 had resulted in a loss of Rs. 15 lakhs.

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15	2.81	It is a matter of grave concern that when in the middle of 1978, Trishul Agencies, a private concern, engaged in the export of marine products etc., secured a Libyan Order (directly from the National Supply Corporation Organisation, Tripoli) for supply of 300 tonnes of teas in metal caddies, the Corporation undertook to become its sub-contractor. The Committee are of the firm view that as a matter of principle public sector enterprises should try to secure the orders themselves. Although in this case the sub-contract was expected to yield a profit of Rs. 15 to Rs. 18 lakhs, TTCI is unaware of profit margin of Trishul Agencies. The Committee would like to know how a private concern could enter the Libyan market when TTCI had already established itself at a heavy cost unles it was inducted. The Chairman and Managing Director of TTCI admitted during evidence that owner of Trishul Agencies was distantly related to him.

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