

**ESTIMATES COMMITTEE
(1968-69)**

(FOURTH LOK SABHA)

EIGHTY-SEVENTH REPORT

MINISTRY OF FOREIGN TRADE AND SUPPLY

**Import of Wool, Nylon, Woollen yarn and other Woollen
products for the Woollen Textile Industry and its
allocation to various units since October, 1962**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1969/Vaishakha, 1891 (Saka)

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C O R R I G E N D A

To

Eighty-seventh Report (Fourth Lok Sabha) of Estimates Committee on the Ministry of Foreign Trade and Supply - Import of Wool, Nylon, etc.

- Page 1, para 1.1, line 3, for 'Ministry' read 'Minister'.
- Page 5, Para 2.10, line 3, for '23 lakhs' read '25 lakhs'.
- Page 6, para 2.13, line 3, for 'loans' read 'looms'.
- Page 6, para 2.13, line 7, for 'ade' read 'are'.
- Page 7, para 2.19, line 3, for 'sharing', read 'shearing'.
- Page 9, para 2.24, line 14, for 'being', read 'begin'.
- Page 9, para 2.25, line 6, for 'transferring', read 'transferring'.
- Page 13, line 21, insert 'to take up cotton, rayon and man-made fibre' after 'are free'.
- Page 16, line 16, for 'At', read 'As'.
- Page 25, para 2.61, line 2 from below, for 'whether' read 'where'.

Page 30, line 9, for 'was' read 'as'.
line 16, insert 'be' after 'not'.
Page 31, para 2.80, line 9, for 'on'
read 'no'.
Page 31, para 2.81, line 2, for 'the'
read 'to'.
Page 32, para 2.82, line 27, for 'panel'
read 'penal'.
Page 40, line 1, for 'vocated' read 'vacated'.
Page 42, para 2.107, line 8, for 'flactuate',
read 'fluctuate'.
Page 51, para 3.15, line 2, for 'papers'
read 'papers*'.
Page 71, para 3.33, line 5, for 'matter'
read 'matter*'.
Page 77, para 3.57, line 7, for 'mills'
read 'bills'.
Page 79, para 3.63, line 2 from below,
for 'their' read 'the'.
Page 105, lines 9-10, for 'hosiery...were'
read 'spinning units who had supplied
1/22 S hosiery yarn required for Defence
purposes were'.
Pages 105-106, read foot note below page
106 as foot note below page 105.

Page 108, line 4, for 'deterent'
read 'deterrent'.

Page 108, line 21, delete 'undue'.
line 28, for 'Association'
read 'Associations'.

Page 165, para 5.4, line 9, for
'probled' read 'probed'.

Page 171, line 2, for 'loomss'
read 'looms'.

Page 175, para 5.23, line 6, for
'continut' read 'continue'.

Page 186, para 5.39, line 5, for 'an'
read 'and'.

Page 291, line 3, for 'D.G.s and D.'
read 'D. G. S. & D.'.

Page 368, line 10 from below,
for 'if' read 'of'.

Page 369, line 16, for 'China'
read 'Chinese'.

Page 370, line 10, for 'this' read 'the'.

Page 370, line 28, for 'cindition'
read 'condition'.

Page 370, line 2 from below, for 'if'
read 'of'.

Page 371, line 8, for 'if' read 'of'

Page 371, line 34, for 'record'
read 'recorded'.

Page 375, line 9, delete 'undue'.

Page 375, line 25, for 'Orient' read
'Indian'.

Page 375, line 35, for 'remain' read
'remains'.

Page 376, line 30, for 'leases' read
'releases'.

Page 378, Sl. No.44, line 3, in column 2,
for '3.85' read '3.185'.

Page 379, Sl.No.49, line 8, delete 'that'.

Page 380, S.No.52, line 4, for 'received'
read 'receiving'.

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(1968-69)

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(1968-69)

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 9. Shri F. H. Mohsin
 10. Shri Chintamani Panigrahi
 11. Shri Shantilal Shah
 12. Shri Arangil Sreedharan
-

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Eighty-Seventh Report on the Import of Wool, Nylon, Woollen Yarn and other Woollen products for the Woollen Textile Industry and its allocation to various units since October, 1962, which was referred to the Committee by the Speaker, Lok Sabha, under rule 310 of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. The Sub-Committee of the Estimates Committee took evidence of the representatives of the erstwhile Ministry of Commerce (now Ministry of Foreign Trade and Supply), Ministry of Defence (Departments of Defence and Defence Production), Ministry of Finance, the Department of Supply, the Directorate General of Supplies & Disposals, the Central Vigilance Commission and the Central Bureau of Investigation on the 24th to 25th September, 7th to 11th October, and 17th October, 1968.

The Committee wish to extend their thanks to the Secretary (Commerce), Chairman Tariff Commission (previously Special Secretary, Commerce), Additional Secretary (Commerce), Additional Secretary (Defence), Additional Secretary (Finance), Financial Adviser (Supply), Additional Financial Adviser (Defence), the Director General of Supplies and Disposals, Joint Secretary (Finance-Economic Affairs), Joint Secretary (Supply), Joint Secretary (Defence), Joint Secretary (Defence Production), the Textile Commissioner, the Director, Central Bureau of Investigation, the Additional Director, Central Bureau of Investigation, the Secretary, Vigilance Commission, and other officers of these Ministries/Departments for giving evidence and for placing before the Sub-Committee the material and information they wanted in connection with the examination of the subject.

3. The Committee also wish to thank the Indian Woollen Mills Federation, Bombay, the All India Manufacturers' Organisation, Bombay, the All India Woollen and Textiles Association, Bombay, the Amritsar Small Scale Woollen Manufacturers' Association, Amritsar, the Federation of All India Handknitting Wool Processors, Delhi, the Hosiery Industry Federation, Ludhiana, the Rajdhani Hosiery Manufacturers' Association, New Delhi, the Small Scale Indigenous Spinners' Association, Ludhiana, and the Wool &

(x)

Woollen Export Promotion Council, Bombay, for furnishing Memoranda to the Committee.

4. The Report was considered and adopted by the Sub-Committee on the 1st and 2nd April, 1969, and finally approved by the whole Committee on the 8th April, 1969.

NEW DELHI;

P. VENKATASUBBAIAH,

April 19, 1969.

Chaitra 29, 1890 (Saka).

Chairman,

Estimates Committee.

CHAPTER I

INTRODUCTORY

1.1. On the 30th November, 1967, in response to a Call Attention Notice by Shri Madhu Limaye, M.P., a statement was laid on the Table of Lok Sabha by the Ministry of Commerce about the new policy of Government regarding import and distribution of wool. As decided by the Speaker, the matter was taken up in the House on the 1st December, 1967. Shri Madhu Limaye, M.P., suggested that the question of import of wool, nylon, woollen yarn and other woollen products etc. and its allocation to various units may be referred to a Parliamentary Committee. The Minister of Commerce stated that he had no objection to it and requested the Speaker to direct any Parliamentary Committee to enquire into the working of the Ministry. Relevant extracts from the proceedings of the House are appended (Appendix I).

1.2. On the 5th December, 1967, Shri Madhu Limaye, M.P., addressed a letter to the Speaker, Lok Sabha, which *inter alia* stated that there had been "several irregularities in the issuance of import licences and allocation of raw materials to Woollen Textile Industry", and that he had "repeatedly raised the issue of the Government policy in regard to the import and distribution of wool|nylon|woollen products after the Chinese aggression in 1962 in the form of Questions, Calling Attention Notices etc." In this letter, Shri Madhu Limaye requested for the setting up of a special Committee to look into the whole question of "import of wool, nylon and woollen yarn and other woollen products for the woollen textile industry and its allocation to various units".

1.3. On the 6th December, 1967, the Speaker, Lok Sabha, under Rule 310 of the Rules of Procedure and Conduct of Business in Lok Sabha, referred the following subject to the Estimates Committee, for examination and report:—

"Question of import of wool, nylon, woollen yarn and other woollen products for the woollen textile industry and its allocation to various units since October, 1962."

A paragraph (No. 413) announcing this decision of the Speaker, Lok Sabha, was accordingly issued in the Lok Sabha Bulletin, Part II, dated the 14th December, 1967.

1.4. On the 13th December, 1967, at a sitting of the Estimates Committee, the Chairman proposed the appointment of a sub-Committee consisting of 12 members, under Rule 263(1) of the Rules of Procedure and Conduct of Business in Lok Sabha, to examine the matter, which was agreed to by the Committee. A para (No. 418) about the appointment of the sub-Committee was accordingly issued in the Lok Sabha Bulletin, Part II, dated the 15th December, 1967.

1.5. On the 16th December, 1967, a Press Release was issued announcing the appointment of the Sub-Committee and inviting non-official institutions, organisations and individuals to send Memoranda containing their views and suggestions on the subject. Certain non-official organisations connected with the various sectors of the woollen textile industry were also addressed to furnish Memoranda on the subject.

1.6. The Committee called for relevant preliminary information and papers from the Ministry of Commerce on the 27th December, 1967, which were furnished by the Ministry in February, 1968. Certain additional information was called for by the Committee from the Ministry of Commerce in March/April, 1968 and on the 1st April, 1968, the Ministry of Defence and the Ministry of Works, Housing and Supply (Department of Supply) were also addressed to furnish information on certain points connected with the examination of the subject.

1.7. On the 25th January, 1968, Shri Madhu Limaye, M.P., furnished copies of certain papers to the Estimates Committee which made references to various allegations in regard to the violation of control orders by certain units of the Woollen Textile Industry, and the favouritism shown by the Textile Commissioner's Organisation in their dealings with such units and in allocating raw materials thereto.

1.8. On the 16th March, 1968, Shri Madhu Limaye, M.P., submitted a Memorandum to the Chairman, Estimates Committee bringing out certain cases of alleged irregularities, malpractices and corruption in regard to the import of raw materials by the woollen textile industry and the allocation of products manufactured by the same industry. A copy of this Memorandum is reproduced in Appendix II. A copy of Shri Madhu Limaye's letter to the Commerce Minister, referred to by him in para 7 of this Memorandum, which had been furnished to the Committee along with the earlier papers on the 25th January, 1968, is also enclosed as an Annexure to this Memorandum.

1.9. As complete information called for by the sub-Committee had not reached them before the expiry of the term of office of the Estimates Committee on the 30th April, 1968, the Committee could not complete their examination of the subject.

1.10. The Estimates Committee (1968-69) decided to continue examination of the subject and on the 11th May, 1968 appointed, under Rule 263(1) of the Rules of Procedure and Conduct of Business in Lok Sabha, a sub-Committee to examine the matter in detail and to report to the main Committee.

1.11. In addition to the papers already made available to the Estimates Committee (1967-68), the Committee called for further relevant information from the Ministries/Departments concerned. During the course of scrutiny of the material furnished to them, it came to the notice of the Committee that certain cases of alleged irregularities on the subject had been investigated by the Central Bureau of Investigation. The Committee obtained brief notes on these cases from the Central Bureau of Investigation and also called for the connected relevant material from the Ministry of Commerce and the Central Vigilance Commission. The cases have been referred to by the Committee in the Report at appropriate places.

CHAPTER II

WOOLLEN INDUSTRY IN INDIA

Introductory

2.1 The Woollen Textile Industry in India consists of three Groups viz. (i) Woollen Group—producing medium quality goods like blankets, tweeds and suitings, (ii) Worsted Group—producing superior (commonly known as worsted) fabrics, hosiery articles and hand knitted goods and (iii) Shoddy Group—producing coarser and cheaper varieties of fabrics.

2.2 The industry can be further divided into two distinct sectors, namely—

(A) Organised Sector which consists of the following :

- (a) Combing units (capacity 10.2 million Kilograms—installed with the Composite/Spinning Mills and also independently);
 - (b) Purely Spinning Mills (51);
 - (c) Composite mills having spinning as well as weaving/hosiery/yarn processing equipment (44)
- } Most of these 95 mills are located in the States of Maharashtra, Punjab & Haryana, and have a total installed capacity of 2,26,000 spindles and 2,038 looms.

2.3 The estimated investment in the organised Sector mills is about Rs. 70 crores, and employment as in September, 1968 was 32,000.

(B) Decentralised Sector consisting of—

- (a) Powerlooms (1,307);
- (b) Handlooms (1,286);
- (c) Hosiery manufacturing Units (About 1,300);
- (d) Gray hand knitting yarn processors (135).

2.4. The investment in the entire decentralised sector is approximately Rs. 20 crores and employment is of the order of 70,000 workers.

2.5. For the production of various woollen articles, raw wool has to be spun into yarn of which there are three types, viz. Woollen, worsted and shoddy.

2.6. The woollen yarn is directly spun from raw wool after carding and is used for producing carpets and heavy goods such as blankets, tweeds and suitings. Such yarn is usually made out of Indian wool and at present adequate supplies of such wool are available in India for manufacturing the yarn.

2.7. For the manufacture of worsted yarn, wool has to be imported and by and large the requirements of worsted yarn are met from imported wool. The wool has first to be converted into tops by combing. For this purpose, there are combers installed along with the composite spinning mills and also independently. The worsted yarn is used for the production of worsted fabrics, hosiery articles and hand knitting goods.

2.8. Shoddy yarn is spun out of shoddy wool which is recovered from rags, tailor cuttings etc. Such rags are mostly imported from Europe and U.K., and shoddy yarn is used for the production of cheaper varieties of woollen goods like blankets, rugs etc.

2.9. The controls exercised by Government on the Woollen Industry are discussed below.

Control on Growth of the Industry

2.10. Under the Industries (Development and Regulation) Act, 1951 no one can instal worsted, woollen or shoddy units without a licence if the fixed assets of the undertaking are Rs. 23 lakhs or above.

Under Clause 3 of the Woollen Textile (Production and Distribution) Control Order, 1962, no one can instal machines for the production of woollen, worsted or shoddy yarn or produce wool tops, shoddy wool without the previous permission in writing of the Textile Commissioner. Similarly, no powerlooms can be installed without the previous sanction of the Textile Commissioner.

2.11. The Committee have been informed in a written note by the Ministry of Commerce that on a two shift basis only 35 per cent

to 40 per cent of the installed capacity in the worsted sector of the woollen industry is being utilised. The decline in production started from 1964 with a reduction in the foreign exchange allocation each year. According to the woollen industry, an allocation of Rs. 45 crores per annum for import of raw materials would be necessary for 100 per cent utilisation of the licensed capacity. The Ministry of Commerce has stated that as the foreign exchange allocation for the woollen industry is dependent on the total availability of foreign exchange and is decided after taking into account the overall requirements of the entire country and the relevant priorities of various industries, unless the allocation is increased substantially, the capacity is not likely to be utilised in full.

2.12. In the course of evidence the representative of the Ministry has stated about the figure of Rs. 45 crores, "this is what the woollen industry had claimed and the answer that was given to them was that within the total amount of foreign exchange available they could not be given such a large amount or any-thing approaching it. But depending on their export performance they could get more."

2.13 It has been represented to the Committee that inspite of the low utilisation of the installed capacity and the "ban on the installation of spindles and looms for the manufacture of woollen, worsted and shoddy goods, units in violation of Government's orders sprung up before the very nose of the Government and the Textile Commissioner and the Commerce Ministry watched these developments helplessly and to day reports are received that the Commerce Ministry wants to recognise these spindles as authorised installations."

2.14 It has further been represented that the matter was brought to the notice of Government repeatedly but to no effect.

2.15 The growth of spindles and looms in the woollen industry has been as follows:

Spindles

The number of Spindles existing in 1956-57 was as follows:

Worsted Spindles	.	.	.	—1,20,312
Woollen Spindles	.	.	.	53,504
Shoddy Spindles	.	.	.	2,060
TOTAL	.	.	.	<u>1,75,876</u>

The total spindlage has by now risen to 2,26,904 as follows:

Worsted Sindles	1,42,880
Woollen Spindles	63,683
Shoddy Spindles	20,341
TOTAL	2,26,904

2.16. In a written note furnished to the Committee, the Ministry of Commerce have explained that upto 1st July, 1957, import of raw wool/wool tops was under open General Licence. Import of woollen fabrics as well as worsted and shoddy yarn was also being allowed to actual users in the decentralised sector. This indicated a certain amount of inadequacy in the total production of fabrics and yarn even at a time when the import of raw wool/wool tops was under Open General Licence. Consequently, some additional capacity was sanctioned before the end of 1957, but this capacity actually materialised over a period of three to four years. The import of woollen fabrics was stopped some time in 1958 and of yarn in 1960.

2.17. During 1956-57, there was no distinct shoddy sector. As shoddy is a cheap raw material and caters to the requirements of the lower income groups, it was considered necessary to have additional spinning capacity. From 2060 spindles in 1957, the actual capacity increased to 19633 spindles in 1966. The growth was particularly significant in the period of 1959 to 1962. Some of the spindles which materialised during the period from 1963 to 1966 had already been sanctioned in 1960-61.

2.18. Woollen spindles were steady at 53,504 throughout the period of 1956-66. However, in 1964, it was decided that installation of woollen spindles should be allowed freely subject to the condition that no import of machinery or of raw material will be allowed. The intention was that these spindles should utilise indigenous machinery and use indigenous wool which was becoming available in increasingly larger quantities.

2.19. The quality of Indian wool has improved considerably due to the sustained efforts of the Government to improve the breed of sheep and to introduce better methods of shearing, sorting and grading of wool. Until the Chinese aggression, Indian wool was not being utilised for production of wool tops which go into the manufacture of worsted fabrics. However, presently about 10 million lbs. of Indian wool are reported to be in use in the production of wool tops. To this extent, the availability of raw material to the worsted sector of the industry has increased.

2.20. When sanctioning additional capacity in the period 1956-57, there was no export angle. The installation was primarily to meet the shortage between demand and supply. In subsequent years however, the export angle is being taken into account by the Government.

2.21. As regards the growth of unauthorised spindles, the Ministry of Commerce have informed the Committee that "there were no unauthorised spindles before 1961, but after the introduction of the Central Excise duty on worsted yarn and fabrics, some unauthorised spindles came into existence and their number increased each time the duty was increased. Most of these unauthorised spinning mills have got L-4 licences (*viz.* permits given by the Excise Department to each unit so that they are able to maintain their production data and on that basis the Excise Authorities are able to collect excise duty). Although they obtained their raw materials against the old Export Promotion Licences etc. after paying premium in the open market, they still made a profit because it was alleged that there was a considerable evasion of excise duty by such mills who showed only a part of their production. About 26,000 unauthorised spindles are reported to be in existence at present. It has been stated that in the absence of any elaborate field enforcement staff, it was not possible for the Textile Commissioner's Office to check the growth of unauthorised spindles or get them sealed. The fact that most of these spindles have been given L-4 licences by the Central Excise Department makes the position more difficult as Courts are unlikely to penalise them because one Department of Government had given them permission to spin yarn, although under the law they are not absolved from the responsibility for getting permission also from the Textile Commissioner under the Woollen Textiles (Production and Distribution) Control Order."

2.22. With regard to action taken in these cases the representative of the Ministry has stated, "We have taken no action. . . . The only reasons why no action was taken was that the administrative effort would be wasted on it. After all, they are not entitled to any import allocation. . . it is not easy, it is probably not desirable in my view to take stringent action in these fields." He added "Some people have some old spindles and they set them up. If Government started destroying them, there would be a hue and cry in the country."

2.23. The Ministry of Commerce have further stated that "any proposal to remove the control on installation of spindles can only be implemented if the incidence of excise duty of worsted yarn

is shifted from yarn to wooltops. This step would take away the advantages enjoyed by unauthorised spindles and it is most likely that most of these spindles would disappear as it would no longer be profitable or economic for the owners to run these spindles which are very old and have a very low efficiency."

2.24. In the course of evidence the representative of the Ministry of Commerce has informed the Committee that the Ministry of Finance are considering this question on a representation made to them several months ago. The difficulty of the Revenue Department is that under the present excise structure there is a graduated rate of excise duty depending on the count of yarn. If the duty is shifted back to the wool tops, it would have to be a uniform rate and the inferior quality of yarn will not receive the consideration it is now receiving.

The Committee note that in his budget speech for 1969-70, the Finance Ministry referred to the transfer of this duty in the following words:

"It is also my intention to transfer the duty on wool yarn to wool tops; and to being with, I am levying a small duty on wool tops with a yield of Rs. 6 lakhs."

2.25. The Committee find from the provisions of the Finance Bill 1969 that a duty of Rs. 5 per kg. is proposed to be imposed on wool tops and the explanation for this, as given in the Explanatory Memorandum to the provisions of the Bill, reads as follows:

"The new levy on wool tops has been proposed with a view to transferring part or whole of the duty on woollen yarn to the wool top stage by notification. This will ensure better revenue collection."

2.26. In a written note the Ministry of Commerce have expressed the view that the removal of control on installation of spindles "may not necessarily result in worsening the position in regard to the utilisation of the existing installed capacity in the organized sector for the reason that the comparative efficiency, normal forces of market operation and removal of fortuitous advantages enjoyed by the unauthorised spindles will ensure that the more efficient mills in the authorised sector will get their full share of spinning."

2.27. In reply to a question whether the Textile Commissioner had no knowledge that so many thousands of unauthorised spindles were working in this country and it came to notice only through the excise authorities, the representative of the Ministry of Com-

merce has stated, "This is so". When it was put to him by the Committee that many people might be getting the excise licences (L-4) in order to establish or create evidence that they are in existence as a *fait accompli* for future regularisation, the representative of the Ministry stated "That is so."

2.28. In the opinion of the Committee, among the factors leading to the present state of affairs whereby only 35 per cent to 40 per cent of the installed capacity in the worsted sector of the woollen industry is being utilised are the issue of additional licences for worsted and shoddy spindles far in excess of requirements, as pointed out by the Estimates Committee in paras 10 to 12 of their 164th Report (Second Lok Sabha)—Part III—Woollen Industry, and the large scale installation of unauthorised spindles in violation of Government's orders and the failure of Government to enforce their orders or to take deterrent action. It is rather surprising that L-4 licences were issued by Excise Authorities to such unauthorised spindles without thorough verification.

2.29. The Committee note that a beginning has already been made by Government in the direction of shifting incidence of excise duty from the yarn to the wool-top. The Committee, however, desire that the following aspects should also be considered by Government:—

- (i) The steps and measures required to be taken for the strict enforcement of Government's Orders and for checking the growth of unauthorised spindles.
- (ii) A more intimate, closer and effective coordination between the Textile Commissioner's Organization and the Excise Authorities to ensure that L-4 licences are not issued to unauthorised spindles.
- (iii) Steps to be taken with regard to existing unauthorised spindles. The present level of utilisation of spindles and the repercussions on the prices of the products and the industry should be thoroughly examined.

The Committee hope that early action in the matter will be taken.

Looms

2.30. The Committee have been informed by the Ministry of Commerce that the Woollen Industry has at present a total number of 3,409 Powerlooms.

2.31. A study of the history of the woollen industry brings out the fact that the industry was originally laid out for heavy fabrics.

In 1940, the industry had 2,300 power looms most of which were of the heavy type using woollen yarn. The capacity at the end of the First Five Year Plan showed a steep increase in the direction of worsted fabrics due to change in fashion trends. The introduction of synthetics and the wide scope for blending such synthetics with wool tops gave further impetus to the worsted sector in the matter of production of light weight constructions. Most of the looms now in use for heavy fabrics are very old and are of obsolete designs.

2.32. On 19th December, 1956, the Textile (Production by Power-looms) Control Order, controlling the acquisition and installation of looms used for producing woollen, art silk and staple fabrics was issued. This order while making it compulsory for the owners of the looms to obtain prior permission of the Textile Commissioner for fresh acquisition and installation of looms, permitted the then existing looms to be registered with the Textile Commissioner within a certain prescribed date.

2.33. Despite the above Control Order, a large number of unauthorised looms were installed and worked in different parts of the country. The representative of the Ministry of Commerce has stated in evidence that anything less than four did not come under the mischief of the Industries (Development and Regulation) Act. Between 1956 and 1960 about 600 to 700 powerlooms came into existence in the country. In a written note furnished to the Committee the Ministry have stated that towards the end of 1958 the Textile Commissioner brought to the notice of the Ministry of Commerce that there was a large number of unauthorised powerlooms in various States working on cotton as well as non-cotton yarns. A census of such unauthorised power-looms was carried out, which confirmed the report of the Textile Commissioner. According to the census carried out the position of unauthorised Power looms as on 15.5.1960 was as follows:

Unauthorised Looms working on	
Cotton Yarn	Non-cotton Yarn
16,818*	16,793**

*Excluding figures relating to Assam, Rajasthan, Uttar Pradesh from where Report were awaited.

**Excluding figures relating to Assam, Rajasthan, Uttar Pradesh from where reports were awaited but inclusive of provisional figure of 10,400 reported by Mysore State pending detailed examination.

2.34. In order to regularise the large number of the unauthorised powerlooms already in existence and to check further installation of such powerlooms, Government of India, in consultation with the various State Governments, issued a Press Note on 5.11.60 and a further Press Note on 26.12.60 announcing that the Government had decided to take a lenient view regarding powerlooms installed without permits and inviting applications for regularisation of the unauthorised looms by a prescribed date. (Appendix III). The regularisation covered all sectors of the textile industry, viz., cotton art silk and wool, and was taken with the approval of then Minister of Commerce and Industry. The relevant factors which led to the issue of the Press Note dated 5.11.60 are elaborately mentioned in the following notes recorded at that time in the Ministry of Commerce and Industry:—

- “The problem of unauthorised powerlooms has been a recurrent one. In dealing with this problem, some effective steps will have to be taken to ensure that the problem does not recur in this manner. Unless such steps are taken, the demoralisation will continue and more and more unauthorised powerlooms will come into existence.
2. For this purpose, detection of unauthorised powerlooms must be quick and the deterrents against their continuance must also be quick and effective. We have suffered in the past from the fact that in neither respect the position has been satisfactory. There has been no control on the situation of the unauthorised powerlooms and the position has been allowed to drag on.
 3. The detection can be effective and quick only if there is a complete coordination of the functions of the Excise Department and the Textile Commissioners' organisation. The fact of exemption of looms meant that the Excise Department had no concern with the so-called small units nor did the Textile Commissioner have the field organisation which Excise Department has. The State authorities were naturally not taking any keen interest in this regard, the industry being a Central one and the local pressures being against control.
 4. Now that Government have decided on licensing of all powerlooms, one of the difficulties has been removed. It will now be ensured that the existence of powerlooms would be known in good time. The licensing provisions may, if necessary, be further tightened.

5. There remains the question of ensuring that in fact unauthorised powerlooms do not come into existence in large numbers.
6. There is not the least doubt that it is because of the large profitability of the small units of powerlooms that more and more powerlooms are coming into existence. A powerloom, as a unit, is far more productive than a handloom, but the small units completely escape all taxation. They are thus a danger both to handlooms and to textile mills. This position will have to be rectified as soon as possible. Even one powerloom cannot be free from all taxation because as a productive unit, it is capable of giving larger profit than a corresponding free-of-tax handloom.
7. We have had some discussions few months ago with C.B.R. and certain proposals were worked out which will have to be taken up.
8. There is also the other suggestion of the Licensing Committee that there should be some freedom of operation for powerloom units on different types of fibres and yarns. The handlooms today are free or wool as they like. We have attempted distinctions between powerlooms but these are not always easy to implement. It is feasible to work out a scheme of two-way taxation, one on fabrics and the other on yarns, which together, in different proportions, will ensure the necessary balances. It will then be possible to let powerlooms have freedom to use any yarns they like. In fact, there is a pressing demand from artsilk powerlooms to permit them to use cotton yarns and in any case in the unauthorised sections, the position is probably quite free.
9. The woollen powerlooms are extremely profitable units. I am placing on file the observations of the Working Group (a) Woollen Textile Industry and Art Silk Industry. These groups were fully representative and have submitted unanimous reports. They have pointed out the great danger of permitting tax-free units in these sectors. It has been observed that because of the tax structure large units become fragmented not so much on merit as merely to escape taxation.
10. In the result, a scheme would have to be devised the essential elements of which would be reduction in the

various slabs of units. The desirable slabs would be (i) licensable but with low taxation one or two units only, (ii) the next unit would be about 20 to 25 looms (iii). It is only by taking some decisions in principle on these larger issues that Government may also decide what to do with the unauthorised looms whose existence has now become known. A certain date will have to be prescribed and this may well be, say, 1st of November, 1960. Since State authorities have been given a very long period to register the powerlooms, no further relaxation in this regard should be made.

12. Some penal excise duty may be levied from all these unauthorised powerlooms at least for a definite period, the alternative obviously being the sealing of the looms.
13. As a supplement to all the measures, the control on the supply of powerlooms to the unauthorised sectors will have to be tightened as the Textile Commissioner is already doing. The sources of the supply of machines to the unauthorised sector have been (a) old looms in textile mills, which have been replaced (b) new looms from local manufacturers (c) units assembled from various old parts and (d) conversion of suitable handlooms to powerlooms by adding an extra motor. In brief, apart from control on these supplies, one would have to ensure that against a flow of new looms to mills etc., some looms at the end transaction will have to be physically scrapped.
14. I have detailed these measures because it is necessary to take firm decisions in principle and then work them out quickly to find a lasting solution to this recurrent problem.

Sd/-
12-10-1960 "

2.35. As a result of the Press Notes, applications for regularisation of 896 looms (Woollen Yarn) were received and 840 looms were regularised. If looms on cotton. Art Silk, Staple, Woollen and Pure Silk yarns are taken into consideration, out of 72,446 unauthorised looms for which 32940 applications were received a total of 57,796 were regularised before 1.11.1963.

2.36. Clarifying the position the Secretary, Ministry of Commerce has stated in evidence, "many of these looms, although they

were in existence, did not pay the excise duty, and when the excise people wanted to proceed against them, there was no evidence of regularisation etc. and they were unable to proceed against them. So as a result of inter-ministerial meetings, the decision was made in 1960 and this is the Press note....inviting people who had powerlooms to make applications so that they could be registered. What they are saying 'regularised' is really registration in response to the Press Note of 1960." He has further stated "We made a further distinction—we said that, although we registered the looms which have come into existence without our knowledge, the entitlement to quota will be only to old looms upto 1956. So, these were really registered in order to facilitate excise collection."

2.37. As regards the latest position about the entitlement to quota, it has been stated by the Ministry of Commerce in a written note that, "A decision has since been taken in May, 1968 that looms which had been regularised in 1961 but were not getting any quota of imported raw materials should also be eligible for such quota at par with other authorised looms which were in existence before December, 1956. It was considered that while it was no doubt true that it had been stipulated that these looms cannot claim quota as a matter of right, refusal to give quota of raw materials even after 7 years after their regularisation would be a glaring discrimination in the regularised loom sector and that, therefore, they should also get quota at par with other authorised looms".

2.38. The Committee desired to know if such decision would not adversely affect the existing authorised looms and the industry. The representative of the Ministry has stated in reply, "It is quite obvious that it would affect because the total quota will be divided by their number.....If you are increasing the number by 600 looms the quantity available per loom will go down."

2.39. The Committee wanted to know if this decision did not indirectly encourage the setting up of unauthorised looms which get regularised later on and thereby secure quotas at par with authorised looms which have not contravened any of the rules and regulations at the time they were set up. The representative of the Ministry has stated, "If your general question is that this kind of administrative handling of such cases encourages people to nibble at things and controls, my answer is 'Yes'".

Setting up of automatic and versatile looms

2.40. Asked to state why additional looms were allowed to be installed during 1962-63 to 1964-65 when the existing looms themselves were lying idle, the Ministry of Commerce have informed the Com-

mittee in a written note that a survey was undertaken in connection with certain measures to be taken to gear up the woollen industry to meet Defence and civilian requirements in the wake of Chinese aggression in 1962. At its meeting held on the 4th January, 1963 the Production Committee of Secretaries desired that the position should be examined to ascertain whether there was any need for additional capacity in particular sectors in woollen industry from the Defence requirement angle. The matter of short supply of blankets, great coat cloth etc. was reviewed at various inter-departmental meetings and it was felt that additional capacity of about 300 looms for producing high quality heavy fabrics should be created so that this capacity could be utilised for meeting primarily Defence requirements. The Licencing Committee at its meeting held on 1st July, 1963 agreed to the proposal of the Ministry of Commerce and Industry to allow the installation of 300 automatic looms in the woollen weaving sector. At 24 looms were considered a viable unit, licences were issued to 13 parties for 24 looms each. Subsequently there was a reduction in the demand for woollen cloth from the Defence and there were representations from the small scale sector that the existing capacity was adequate and that there was no need for installation of additional looms. Although licences under the Industries (Development and Regulation) Act had been issued, no import licences were issued for these looms.

2.41. The Ministry have further stated that, "The original intention was that looms to be installed were to be automatic and versatile and that they should be used for heavy clothing for Defence and at other times for purposes of developing exports. It was subsequently decided that the licences issued under the Industries (Development and Regulation) Act should be revoked and action has been taken in almost all cases. In the remaining cases show cause notices have been issued and the matter is being examined."

2.42. The Committee wanted to know why it was necessary to revoke the licences for the installation of 300 automatic looms issued under the Industries (Development and Regulation) Act when they were supposed to lapse unless utilised. In reply, the representative of the Ministry has stated: "The licences have to be revoked. If the licences remain extant with the party, there is the possibility of his setting up that capacity." The representative of the Ministry has added that the licences were granted on 1st July, 1963 and it was decided in April, 1964 to revoke them. Asked to state the reasons for first recommending the issue of licences and then deciding to revoke them, the Ministry has stated in a written note that, "Towards the end of 1963 representations were received from the small scale woollen industry complaining about the short-

age and high prices of worsted weaving yarn. As the addition of 312 looms in the organized sector was likely to make a further demand on the available supply of weaving yarn and as the Defence requirements had already been met substantially, import licences for these additional looms were held up at the instance of the Ministry of Finance (EA Department) and it was felt that until such time the small scale sector was able to secure its requirements of yarn, there should be no increase in the loomage capacity. Ultimately import licences for the additional looms were not issued and action was initiated for the revocation of the industrial licences issued to the parties."

243 The Details of the cases (the names of parties, dates of application, issue of licence, show cause notice and revocation of licence) are as follows :—

S. No.	Name of Party	Date of application	Date of issue of licence	Whether show-cause notice issued if so, date	Date of revocation of Licence	Remarks.
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	M/s. Oswal Woollen Mills, Ludhiana	6-4-63	11-11-63	Yes on 14-6-66	21-8-67	
2	M/s. Shree Digvijaya Mills, Jamnagar.	7-5-63	11-11-63	Yes on 14-6-66	30-9-66	
3	M/s. Punjab Woollen Mills, Chheharta.	23-4-63	11-11-63	Yes on 14-6-66		The firm has been represented against the proposed revocation of the licence and the matter is under consideration in consultation with the Textile commissioner.
4	M/s. The Raymonds Mills Ltd, Bombay.	18-5-63	11-11-63	Yes on 14-6-66	26-12-66	
5	M/s. Bharat Woollen Mills Ltd., Calcutta.	25-4-63	11-11-63	Yes on 1-8-66	11-8-67	
6	M/s. E. Sefton & Co. (P) Ltd., Mirzapur.	13-4-63	11-11-63	Yes on 14-6-66	24-7-67	
7	M/s. The Panipat Woollen & Gen. Mills Co. Ltd., Kharat, Ambala.	6-11-63	20-11-63	Yes on 14-6-66	21-9-66	

8	M/s. British India Corpn. Ltd., Kanpur	13-11-63	10-12-63	Yes on 14-6-66	3-7-66	In reply to the show cause notice the party requested the Ministry of Commerce that since no import licence for 24 automatic looms had been issued to them, the licence might be cancelled. In view of this request of the party, the case for revocation was not placed before the licensing committee
9	M/s. British India Corpn Ltd., Dhariwal.	13-11-63	30-12-63	Do.	Do.	
10	M/s. O.C.M. (P) Ltd., Amritsar.	13-1-64	3-3-64	Yes on 14-6-66	21-9-66	
11	M/s. Arthur Import Export Co., Ltd. Bombay.	23-4-63	3-3-64	Yes on 13-7-66	16-10-68	
12	M/s. Kabir Woollen Mills, Ludhiana.	4-7-63	11-11-63	Yes on 14-6-66		The mills had intimated that they had installed all the 24 looms and they were requested to furnish technical details of looms (automatic or plain). Reply of the mills is awaited.
13	M/s. Model Woollen Mills, Bombay.	19-4-63	11-11-63			The licence has expired and action is being taken for its formal revocation.

2.44. From the papers and documents submitted, the Committee feel perturbed to note the unauthorised acquisition and installation of a large number of looms without the permission of Government and in contravention of the existing orders, regulations and provisions of Acts etc. The Committee need hardly emphasise that if this tendency to set up unauthorised looms has to be curbed, the machinery for the detection of unauthorised power looms has to be geared up and deterrent action has to be taken against such unauthorised units. As already stated by the Committee with regard to unauthorised spindles, it will facilitate quicker detection of unauthorised powerlooms if there is complete co-ordination between the Excise Department and the Textile Commissioner's Organisation.

2.45. Another aspect of this case about which the Committee feel disturbed is the fact that the delayed action or inaction in many cases has resulted, as admitted by the representative of the Ministry of Commerce in evidence, in encouraging people to "nibble at controls". The Committee have no doubt that Government are themselves to blame for this state of affairs as they failed to take a comprehensive view of the unauthorised installation and acquisition of of a large number of looms at the initial stages and thus acquiesced in allowing the situation to deteriorate to such an extent.

2.46. The Committee find that unauthorised looms in large numbers were set up year after year; these were regularised by the issue of Press Notes inviting applications for registration in 1960 and although at that time it was conditional that they would not be entitled to quota which the old looms set up upto 1956 were entitled, by the latest decision taken in May, 1968 they have been brought on par with other looms which had been set up in obedience to existing rules and orders of the Government. Not only that, as a result of this decision, unauthorised looms have benefited in the sense that the quota of raw material which was available to the authorised looms will now be distributed amongst all the looms, both authorised and unauthorised. The Committee apprehend that in the ultimate analysis it will be the consumers who will have to suffer as the overhead expenses in production are likely to go up owing to shortage of raw material available to each mill. This, in their opinion, is putting a premium on irregular and illegal activities by the concerned authorities.

2.47. The Committee fail to appreciate why the Ministry took a decision in July, 1963, to license an additional capacity of 312 automatic looms when there was a large number of unauthorised looms in the country and many of the existing looms were lying idle. If the installation of these additional looms was necessitated to meet

defence requirements for heavy clothing items, they are not able to appreciate how within a period of 9 months a decision was taken to revoke the licences on the ground that defence requirements had already been substantially met. In the opinion of the Committee the decision to issue the licences and revoke them within a short period was obviously taken without thorough investigation.

2.48. The Committee also find that although a decision to revoke the licences was taken in April, 1964, show cause notices were issued only from June, 1966 onwards. By the end of 1968, the process of revocation of licences has been completed in 10 cases out of 13. The Committee note that in the case of Punjab Woollen Textile Mills, it has been stated that "the firm has been representing against the proposed revocation of licences and the matter is under consideration in consultation with the Textile Commissioner." Similarly, in the case of Kabir Woollen Mills, Ludhiana, it has been stated that "the Mills had intimated that they had installed all the 24 looms, and they were requested to furnish technical details of looms (automatic or plain)". In the case of M/s. Model Woollen Mills Ltd., it is observed that even though the licence was issued on 11th November, 1963 (as in several other cases) no show cause notice appears to have been issued to this firm and it has been remarked, "the licence has expired and action is being taken for its formal revocation". The Committee are unable to understand the reasons for non-issue of show cause notice to this firm and also the delay in actually revoking the licence. The Committee are of the opinion that had Government acted promptly and revoked the licences immediately after the decision to do so was taken in April, 1964, all these problems would not have arisen.

The Committee are constrained to observe further that even though show cause notices were issued to these firms on 14th June, 1966, no final decision about revocation had yet been taken after the lapse of about 3 years. The Committee would like Government to probe into the matter and fix responsibility for the delay in issuing orders for revocation of licences.

Combing Capacity

2.49. The Committee have been informed in a note furnished by the Ministry of Commerce that as a result of the emergency and the need to meet defence requirements for woollen clothing in full, it was decided in October, 1962 to review the then existing combing capacity in the country. Statistics were then collected by Government from the then existing combing units and on the basis of the replies received from them, it was found that against a licensed capacity of 23.5 million lbs. per annum, the actual installed combing

capacity was only 10.5 million lbs. per annum. Out of this, the capacity for combing Indian Wool was 2.7 million lbs. per annum and that for imported wool 7.8 million lbs. per annum.

2.50. The Ministry of Commerce have informed the Committee that sufficient combing capacity has now been created in the country since 1963 so as to stop the import of wool tops and only wool is allowed to be imported now. In a notification issued on the 2nd May, 1963 the Textile Commissioner had fixed the maximum commission for sorting and combing charges that could be charged by the combing units, but all production, price and distribution controls have since been removed under the new import policy which has been discussed later in this report.

Recognition of Units in Jammu and Kashmir State

2.51. It was alleged in the Lok Sabha by a Member (Shri Madhu Limaye) on the 1st December, 1967, in the course of discussion on the statement laid on the Table by the Minister of Commerce on the 30th November, 1967 regarding New Policy of Import and Distribution of Wool that "Special quota is being granted for Kashmir and Himachal Pradesh. A Unit is being established there in a wrong way. Whole of the quota is distributed among them." It was also brought to the notice of the Committee by the Indian Woollen Mills Federation that certain worsted spindles were installed in the State of Jammu and Kashmir in about 6 units since the last few years, which had not been recognised by the Textile Commissioner under the Woollen Textile Control Order. Only two Government mills in Jammu and Kashmir State were recognised by the Textile Commissioner as actual users for the purpose of allocation of import licences for raw materials. In order to meet the requirements of the Shawl weavers in that State, the Textile Commissioner had in the past made extra allocations of yarn to the State out of the registered mills in other parts of the country. However, against the actual users' allocations for 1966-67, the Textile Commissioner's office, for the first time, made foreign exchange allocation of Rs. 14 lakhs to the State Government of Jammu and Kashmir, with instructions to allocate the same amongst the unrecognised units in the said State. The Federation felt that if this was allowed, it would encourage further installation of spindles in the State of Jammu and Kashmir and also lead to migration of unauthorised spindles from the adjoining State of Punjab to Jammu and Kashmir with a view to take advantage of a loophole in the law as the Essential Commodities Act 1955 had not been made applicable to that State.

2.52. The Committee desired to know from the Ministry the procedure for allocation of imported wool to recognised units, unrecog-

nised units and Shawl Weavers in Jammu and Kashmir State; whether it was a fact that in 1966-67, for the first time, foreign exchange allocations have been made to the State Government against actual users' allocations, with instructions to allocate the same to unrecognised units in the State and if so the reasons for this departure from the old procedure; and whether, as represented to the Committee, the new procedure was likely to encourage further installation of unrecognised spindles in the State and also lead to migration of unauthorised spindles from the adjoining State of Punjab as the Essential Commodities Act is not applicable to Jammu and Kashmir. The Ministry of Commerce has stated in a written note that there are two woollen mills in the State sector in Jammu and Kashmir. These were registered under the Industries (Development and Regulation) Act, 1951. Until 1966-67, both these units were given licences on the all-India pattern.

2.53. In September 1963, Jammu and Kashmir State Government gave permission to five units to instal worsted spindles. These were:

- (1) M/s. Matto Worsted and Spinning Mills—1200 spindles;
- (2) M/s. Mehra Textiles, Jammu—1104 spindles;
- (3) M/s. Glamour Spinners, Srinagar—400 spindles;
- (4) M/s. Nur-ud-din and Company, Srinagar—2,400 spindles;
and
- (5) M/s. Jammu and Kashmir Woollen Silk Mills, Jammu—1200 spindles.

As these spindles were allowed to be installed by the State Government without the concurrence of the Central Government, it was considered that these units should not be given any Actual User quota of imported wool and that they should arrange to run their spindles with the locally available raw wool and in case of imported wool they should earn necessary foreign exchange through exports.

2.54. Out of the five mills permitted by the State Government two are in Jammu and one of these two, namely, Jammu and Kashmir Woollen and Silk Mills has since been licensed under the Industries (Development and Regulation) Act for the production of woollen yarn (as distinct from worsted). We have also agreed to this mill to import 1200 spindles from Rupee Payment countries.

2.55. In August 1966, the question of giving raw material allocation of imported wool in respect of units set up in Jammu and Kash-

air with the approval of the State Government was re-examined. One of the arguments advanced was that these units will not be able to obtain their raw materials under the Export Promotion Schemes which had since been withdrawn. The new policy for Registered Exporters provides only for the grant of import replenishment with the Actual User conditions. Having regard to the fact that these units were in an industrially backward area, and also for the need for development it was decided to give an *ad hoc* allocation of Rs. 14 lakhs in favour of the Director of Industries of Jammu and Kashmir for import of raw wool which could be distributed to these worsted spinning units. For the year 1966-67, the following three units were given imported raw material by the Director of Industries out of the *ad hoc* allocation of Rs. 14 lakhs placed at his disposal:

M/s. Matto Worsted and Spinning Mills	6.8 lakhs;
M/s. Mehra Textiles	4.8 lakhs; and
M/s. Glamour Spinning Mills, Srinagar	1.7 lakhs.

The balance of 0.7 lakhs was allocated to J & K Industries Ltd. for the Government Spinning Mills Andakadal, Srinagar. The Jammu Woollen & Silk and Weaving Mills were not eligible for any quota as they were licensed for production of only woollen yarn and not worsted yarn

2.56. The spindles installed by the units in Jammu and Kashmir cannot be considered either as unauthorised or un-recognised as they were set up with the approval of the State Government. The Essential Commodities Act did not apply to State of Jammu & Kashmir before 15th August, 1968. As the value of the fixed assets of these units was less than Rs. 25 lakhs they were not covered by Industries (Development & Regulation) Act, 1951 either. It was for this reason that a special *ad hoc* licence was given to the State Government for distribution to such units. As the Industries (Development & Regulation) Act had been extended to Jammu & Kashmir w.e.f. 15th August 1968, it has been decided that all these units should be treated at par with other woollen units in the rest of India.

2.57. Now that the Essential Commodities Act has been extended to the State of Jammu & Kashmir, the various Textile Control Orders will also be automatically extended to that State and the Textile Commissioner will be able to exercise control over installation of spindles and looms. For purposes of giving allocation of imported wool to various worsted spinning units in the State, the basic period has been taken as October, 1966 to September, 1967. Only such

spindles as were existing during this period October, '66 to September, '67 will qualify for imported raw material allocation.

2.58. The following worsted spinning units will now qualify for allocation of imported wool:—

State Sector

- | | |
|-----------------------------------|---------------|
| 1. Govt. Spinning Mills, Ambakada | 2400 spindles |
| 2. Govt. Woollen Mills, Srinagar | 1600 spindles |

Private

- | | |
|--|---------------|
| Matto Worsted Spinning & Weaving Mills, Srinagar | 1600 spindles |
| Mehra Textile Mills, Jammu | 1104 spindles |
| Glamour Spinning Mills, Srinagar | 1520 spindles |
| Amber Woollen Mills, Kathua | 918 spindles. |

2.59. Asked whether the State Government was authorised to grant permission to the five mills to instal the spindles, the representative of the Ministry of Commerce has stated in evidence that "the State Government had the power at that time."

2.60. The representative of the Ministry has added that the allocations so far made to the Jammu & Kashmir State are only *ad hoc* allocations made on the basis of the recommendation of the Director of Industries, Jammu & Kashmir. The Essential Commodities Act has been made applicable to that State with effect from the 15th August, 1968 and from that date the Textile Commissioner would be entitled to exercise direct control as in other parts of the country.

2.61 Asked whether while considering the legalisation of the spindles in Jammu & Kashmir the Government would also take into consideration applications from other parties in other parts of the country, the representative of the Ministry has stated that this would not be done. Asked whether this will not be taken into the context of the overall circumstances, or overall capacity in the country, the representative of the Ministry has stated:—

"In order to deal with the problem that certain capacity has come into existence in an area whether our previous regulations and controls had not applied and the local

Government's rule applied. Now we will go into the factual question whether they are ghost spindles and ghost looms or real spindles and real looms. On the basis of this enquiry whatever real spindles and looms are there they will be treated on par and will come in our authorised legal system of equitable distribution. They will have as much right to it as other authorised units in the rest of the country.

There will be no reappraisal (of allocation of raw materials), but in the next allocation instead of doing it *ad hoc*, it will be done on the basis of whatever the spindle rate is there."

2.62 The Committee wanted to know if the Jammu Woollen and Silk Mills have since been licensed. They also wanted to know whether any of the 5 parties to whom licences were issued by the State Government had already been trying to set up these spindles in other parts of the country. The Ministry have stated in a written note that "In Jammu Woollen and Silk Mills are not licensed so far under the Industries (Development and Regulation) Act or under the Textile Control Order... The Commerce Ministry is not aware that five parties to whom licences were issued by the Government of Jammu & Kashmir were already trying to set up spindles in other parts of the country."

2.63. The Committee desired to know whether even after the extension of the Essential Commodities Act, it would not be necessary to make specific provisions regarding extension of the various control orders issued under the said Act to the State of Jammu & Kashmir. In this connection, the Ministry of Commerce have stated:

"So far as the various Control Orders issued under the Essential Commodities Act are concerned, the Woollen Textiles (Production and Distribution) Order, 1962 does not contain a provision that the Order applies only to States other than Jammu & Kashmir. In view of this position, the Woollen Textiles (Production and Distribution Control) Order, 1962 would now be deemed to be extended to Jammu & Kashmir from 15th August, 1968. The Textiles (Production by Powerlooms) Control Order, 1956 contains a provision that the Order extends to the whole of India except the State of Jammu & Kashmir. A notification has to be issued deleting this provision and

extending it to Jammu & Kashmir State also. This is proposed to be done shortly.

* * * * *

It is proposed to extend the various schemes relating to yarn distribution as well as allocation of raw materials to units in the State of Jammu & Kashmir also on the same pattern as in force in other parts of the country."

264. The Committee note the position as explained by the Ministry of Commerce regarding recognition of the spindles installed in the State of Jammu & Kashmir before October, 1967. The Committee suggest that as promised by the representative of the Ministry, a detailed investigation should be made without delay into the factual question whether the spindles and looms that have come into existence in Jammu & Kashmir, where Government of India's regulations and control were not applicable before, are ghost spindles and ghost looms. Based on the investigation the Government should come to a decision whether the units are actually entitled to the allocation of raw material.

2.65. The Committee further suggest that the question of automatic applicability of the Woollen Textiles (Production and Distribution) Order, 1962 and other Orders issued under the Essential Commodities Act to the State of Jammu & Kashmir should be examined in consultation with the Ministry of Law so that there is no loophole in the extension and enforcement of these Orders in that State. *Import of Wool and Controls over distribution and prices of yarn.*

2.66. It has been stated by the Ministry "Till the year 1967, the imports of woollen fabrics, wool, worsted yarn, raw wool, tops and nylon used by the Woollen Industry in India were freely allowed under the Open General Licensing System. During the period of this free import, the value of total imports of wool/woollen tops and other woollen products did not exceed Rs. 13 crores per year.

2.67. With effect from 1st July, 1957 the system of free import was discontinued and the materials to be imported were brought under quota system.

2.68. The foreign exchange allocated for the woollen industry from year to year was no more based on actual requirements of the industry either for civil or for defence needs, but was determined by the Ministry of Finance on the basis of the foreign exchange that could be spared for this industry. According to the figures furnished by the Ministry of Commerce, the amount of foreign exchange made available during the subsequent years ranged between 5 to 10 crores upto 1964-65. Between October, 1965 and September,

1966, only Rs. 2 crores were made available but immediately thereafter a sum of Rs. 12 crores was provided during the period October, 1966 to September, 1967.

2.69. On the basis of the allocations of foreign exchange made by the Ministry of Finance from year to year, import licenses were issued in favour of actual user units. The shares allocated to such units were calculated according to different formulae followed from time to time, the basis being either installed capacity or past consumption during a certain basic period, subject further to certain maxima and minima.

2.70. The broad policy adopted in making allocations for import of raw/wool/wool tops and shoddy wool from October, 1962 till November, 1967 were as follows :—

October, 1962/September, 1963.—The old units were allowed 37 per cent of the past consumption and new spindles were given at the rate of Rs. 400 per spindle. Shoddy spindles were given at the rate of Rs. 450 per spindle and the maximum and minimum for old units were fixed as Rs. 550 and Rs. 300 per spindle respectively.

October, 1963/September, 1964.—Old units were given allocation at the rate of 25 per cent of their past consumption; the maximum being Rs. 370 and the minimum Rs. 200 per spindle. Worsted spindles were given at the rate of Rs. 260 and shoddy spindles were given Rs. 370 per spindle.

October, 1964/September, 1965.—Old units were given allocation at the rate of 25 per cent of their past consumption subject to maximum of Rs. 370 and a minimum of Rs. 200 per spindle. For new worsted spindles allocations were made at Rs. 251 per spindle and shoddy spindles were given an allocation of Rs. 360 per spindle.

October, 1965/September, 1966.—During this year only *ad-hoc* ceiling of Rs. 2 crores were allocated mainly for meeting defence requirements. No actual users licenses were given to the industry and the entire ceiling was initially earmarked to the Indian Woollen Mills' Federation to arrange import of raw materials for the Defence requirements. Following the cessation of hostilities with Pakistan, a part of the wool imported under the ceiling was found surplus to the Defence requirements and was distributed to the industry on the same basis as was given during the

earlier years subject to a maximum of Rs. 431 and a minimum of Rs. 225 per spindle. Shoddy spindles were given allocation of Rs. 113 per spindle.

October, 1966/September, 1967.—The allocations on installed capacity basis were at Rs. 489 and the maximum and minimum allocations were plus and minus Rs. 50.

2.71. As regards Nylon, the policy was that import of Nylon was allowed as an option upto a certain percentage of the face value of the licence for raw wool.

2.72. Under the Textile Control Order (1962) the Textile Commissioner was authorised to administer the production, distribution and price control on the worsted sector of the industry. The units with worsted spindles were to produce three types of yarn, viz., hosiery, knitting and weaving yarn on an average of 27 per cent, 18 per cent and 55 per cent respectively. The Composite Mills (i.e., those having both weaving and spinning arrangements) were allowed to retain a part of the above three types of yarn for use on their looms and the rest were to be delivered to the units of the decentralised sector. The prices at which yarn was to be delivered to them were to be fixed by the Textile Commissioner."

2.73. In terms of clause 4 of the Woollen Textiles (Production and Distribution Control) Order, 1962, the Textile Commissioner exercised powers to fix prices in respect of yarn produced by the spinning mills as also that portion of the yarn produced by the composite mills which was to be distributed to the decentralised sector. This price control also has been removed under the new policy. The policy followed by the Textile Commissioner in exercising his powers to fix price had been that wherever he was satisfied about the reasonableness of any price suggested by the two interested parties, he accepted such advice and notified the prices in terms of Clause 4 of the Control Order.

2.74. It has been represented to the Committee that the prices at which yarns were required to be supplied by the Spinning Mills to the decentralised sector have been increased from time to time although the price at which wool/wool tops were imported remained more or less at the same level.

2.75. In a note furnished to the Committee, the Ministry of Commerce have stated that the imports of wool tops have been stopped from 1963 and only wool is being allowed to be imported. This is because sufficient combing capacity has been created in the country

and import of wool in place of tops conserves foreign exchange. It could be said generally that there has been no significant increase in the price of wool in the international markets between the years 1962 till today. However, after the devaluation of Indian rupees in June 1966 the Indian importer has to pay more in terms of Indian rupee. As regards fixation of yarn prices, the Ministry have stated that interim price of hosiery yarn for supply from spinners to decentralised units was fixed in 1960 on a voluntary basis. Subsequently the price was worked out by the Cost Accounts Officers of the Finance Ministry was adopted in the same year. Later, in 1962, statutory prices were fixed on a mutual agreement basis for worsted weaving and grey hand knitting yarn. They were raised by 20 per cent in 1963 by mutual agreement. Simultaneously prices of some counts of hosiery yarn were also raised by 5 per cent on mutual agreement basis. In the fixation of these prices, the consumers could not be consulted as there was no organised body of consumers. An attempt was made among the concerned sections to reach a mutual agreement in 1967 following devaluation but agreement could not be reached between spinners and units of decentralised sector in regard to the fair price for different varieties of yarn. Accordingly for the period 1965-66, permits were issued by the Government at the old rates for the wool imported prior to devaluation. Thereafter the prices of yarn manufactured out of wool imported during the year October, 1966-September 1967 (after devaluation) have been revised recently because of the factor of devaluation of Indian currency, on the basis of a full fledged cost enquiry. The revision of prices from time to time was necessitated by the general rise in cost of production, wages, cost of stores etc.

2.76. Complaints were also received by the Committee that the Spinning Mills were charging from the decentralised sector higher prices for yarn than those fixed by Government. The Ministry of Commerce have stated that "no case has come to the notice of the Government where a spinning mill was charging from decentralised sector higher prices than those fixed by the Government for A.U. licences. Apart from A.U. allocation, wool was also being imported against Export Promotion licences. The yarn manufactured out of wool imported against Export Promotion licences was not subject to price control. Therefore, price control was applicable only in respect of yarn supplied against the permits on A.U. licences. It could not thus be clearly established that the higher price charged was not in respect of yarn which was not subject to price control." The Ministry have, however, stated that "representatives of the decentralised sector complained on various occasions that there was underweight and the quality of yarn was sub-standard. The mois-

ture regain was also higher with the result that in effect they had to pay higher price for the yarn. The spinners were also reported to have demanded higher charges on account of packing, transport etc."

2.77. As regards the spinning charges, it has been stated by the Ministry that, "The spinning charges have shown a downward trend in so far as spinning mills who are not affiliated to the Indian Wool-len Mills Federation are concerned. Mills affiliated to the Federation are, however, asking for a higher spinning charge in view of the terms of consent filed by the units in the decentralised sector and the Federation in the Writ Petition filed in the Bombay High Court by some member mills of the Federation. Once the Writ Petition is disposed of the natural law of competition would ensure that the spinning charges are reduced."

2.78. The Committee note that the yarn manufactured out of wool imported against Export Promotion licences was not subject to price control. Therefore price control was applicable only in respect of yarn supplied against the permits on AU licences. It could not therefore be established whether the higher price charged was in respect of yarn which was not subject to price control. The Committee have a feeling that this defect has facilitated the defaulting spinners to indulge in malpractices and to escape the rigours of law. They regret that such a situation should have been allowed to arise.

2.79. In view of the fact that under the new policy price controls have been removed, the Committee would like the Government to keep a careful watch to see how the new policy is working.

Production and distribution control on yarn

2.80. Reverting to the control over production and distribution, it has been stated by the Ministry of Commerce that in the beginning of 1960, production control was introduced and the Textile Commissioner prescribed the percentage of worsted, weaving, hosiery and knitting yarn which could be produced by each mill having regard to the national requirements. In terms of the new policy for import of wool discussed later in this Report, there is no production control on individual mills. It has been stated that the allocation of material is made in such a way that there is an automatic regulation of the production of different varieties of worsted yarn.

2.81. The Committee have been further informed that the Textile Commissioner also used the exercise control over distribution of the quantity of yarn produced by all the spinning mills and a portion of the yarn produced by the composite mills was allocated for production of fabrics, hosiery or processed knitting yarn.

2.82. The Committee desired to know whether it is a fact that with the organised spinning mills being dissatisfied with yarn prices (as fixed by Government) and the decentralised units with the delivery of yarn the Government just stood by watching the developments without invoking the Textile (Production and Distribution) Control Order, 1962. The Ministry of Commerce have stated in a written note that the maximum ex-factory price of hosiery yarn was originally fixed on 14th November, 1960 on the basis of a report submitted by the Cost Accountants of the Ministry of Finance. The price was subsequently revised on 8th August, 1961 and again in October, 1963. The prices of woollen grey hand knitting yarn were fixed on the 1st October, 1962 and prices of worsted weaving yarn were also fixed on 1st October, 1962 on the basis of mutual agreement between the spinning mills and the decentralised sector units. The Ministry have stated that, "it will not be correct to say that this price was uneconomic even if it may not have come up to the expectations of some of the mills, who probably wanted a higher price." The Ministry have added that the decentralised sector was getting the allotment of yarn through the Yarn Distribution Committee in the case of weaving yarn and through the Hosiery Industry Federation, Ludhiana in the case of hosiery yarn and through the Federation of Hand Knitting Woollen Processors in the case of grey hand knitting yarn. The Committee have also been informed that "Almost all the mills had defaulted in the delivery of yarn at some point or the other and, therefore, technically, they had contravened the provisions of the Woollen Textiles Order, 1962 read with the Essential Commodities Act to that extent. If panel action was taken, almost all the mills would have to be prosecuted. The Textile Commissioner has no field enforcement staff and this would have thrown considerable strain on the existing staff as the mills are spread over a number of places and States. He would also have to prove to the Court that there was a default and for this purpose he should get the evidence from the aggrieved party, namely, the person in whose favour the permit was issued that the yarn was in fact not delivered in terms of the permit. In effect it has been found difficult to get such evidence as units in the decentralised sector are not co-operating when it comes to such steps. . . . Cutting off raw material quota would have affected labour employment and also production of woollen textiles. . . . It was because of these considerations that no penal action could be taken against the mills. However, the question of prosecution of such mills is now under consideration".

2.83. In the course of evidence the Committee desired to know why, inspite of fixations of the price on the basis of mutual agree-

ment between the spinning mills and the decentralised sector units, it was stated that "it may not have come to the expectations of some of the mills". The representative of the Ministry has stated in evidence. "All this allocation was for the benefit of the decentralised sector. Now it is quite possible that the real suffering is not the non-availability of yarn but the price at which it became available..... It may be that the profits to be obtained by them got reduced. There is really no effective control on the final sale price to the consumer. The final sale price to consumer is by supply and demand and the real dispute is who will get the lion's share of the profits on the sales".

2.84. Cases of Spinning/Composite mills defaulting in the delivery of yarn according to the allocation terms issued by the Textile Commissioner came to be reported. According to the information furnished to the Committee by the Ministry of Commerce (Appendix IV) as many as 35 mills defaulted in the delivery of yarn and in some cases the extent of default was between 32 per cent and 39 per cent. It has been stated by the Ministry that the action taken by Government to deal with such defaulters consisted only of persuasion, issue of show cause notices as to why they should not be prosecuted and issue of warnings. It has been claimed by the Ministry that "It was as a result of the constant pressure exercised by the Textile Commissioner on the various mills that the percentage of default was brought down considerably". The Committee had asked for the dates when complaints regarding non-delivery were received, the dates when persuasion was resorted to and show cause notices were given, but this information has not been furnished. It has, however, been stated in the note by the Ministry of Commerce that in December, 1964 it was decided to prosecute three mills for non-delivery of yarn as they were serious defaulters. The Law Ministry was consulted in the matter and they pointed out some defects in the issue of delegation orders and also advised that because of this mistake, the prosecution may not stand in those three cases. That Ministry further suggested that the best course would be to bring pressure on the mills to comply with the orders under threat of prosecution. They also suggested that another way was to take departmental action for the reduction of import quota in subsequent periods. The Law Ministry suggested the issue of fresh orders and then observing the conduct of the mills. If the mills still persisted in committing breach, prosecution could be launched.

2.85. It has been stated that actual prosecutions could not, however, be launched by the Textile Commissioner as he had no enforcement powers.

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ment staff and could not get the necessary evidence. Moreover, "It is probable that in a few cases inability to deliver the yarn within the prescribed time was due to the non-availability of raw materials at that time".

2.86. With a view to gathering evidence the Textile Commissioner has now collected the relevant data from the decentralised sector and from the State Government of Punjab and the same is now being scrutinised. The question of giving necessary enforcement staff to the Textile Commissioner and of launching prosecutions of all the defaulting mills are now under consideration of the Government as prosecutions are looked after by the concerned State Governments.

2.87. The Committee regret to note that as many as 35 mills defaulted in the delivery of the yarn and in some cases the extent of default was between 32% and 39%. It is unfortunate that the only action taken by Government to deal with such defaulters who contravened the control orders consisted of persuasion, issue of show cause notices and issue of warnings.

2.88. Although the Committee have not been furnished with the dates when complaints of defaults were first received and persuasion etc. was resorted to, it would appear that the decision to prosecute the mills was taken first in December, 1964 and up till now, after a lapse of 4 years, no prosecution has yet been actually launched. In this connection the Committee would like to point out that one of the reasons due to which no prosecution could be launched is stated to be the fact that there was some defect in the issue of delegation orders. The Committee desire that this matter should be looked into thoroughly.

Proposal for penal import cuts

2.89. To deal with cases of failure on the part of mills in the matter of delivery of yarn to the decentralised sector, it was suggested to the Committee that penal import cuts should be imposed on the defaulting mills. The representative of the Ministry has stated during evidence that the Law Ministry was consulted in 1964 and they expressed the view that it might be difficult to make penal cuts for failure to deliver goods according to the Textile Commissioner's orders on distribution, unless a clause had been included in the import license that such action would be taken.

2.90. The Sub-Committee had desired to see the reference made to the Ministry of Law and the reply of that Ministry. It appears

from the paper furnished by the Ministry of Commerce that no formal reference was made to the Ministry of Law, but there was an informal discussion between the Under Secretary, Ministry of Commerce, and a Deputy Legal Adviser in the Ministry of Law, after which a note was recorded on 29th August 1964 by the former. It was stated in that note that unless the import licence stipulated a consideration that the spinner is under an obligation to supply yarn to the persons specified by the Textile Commissioner, failure to supply the goods would not amount to breach of the conditions of the licence. It was, however, agreed that although this may not fall within the various grounds given for refusal of a licence (mentioned in clause 6 of the Import Control Order, 1956), one could take a view that refusal of an import licence is a discretionary matter and there is no remedy against such a refusal.

2.91. From 1966-67 onwards, a clause has been introduced in the import licence that if somebody fails to deliver the yarn made out of wool in the manner ordered by the Textile Commissioner, a suitable cut could be made in the future import licences.

2.92. The Committee are glad to note that a clause was introduced in the import licences for 1966-67 that if a party failed to deliver the yarn made out of wool in the manner ordered by the Textile Commissioner, a suitable cut could be made in the future import licences. They would, however, like to point out that whenever the opinion of the Law Ministry is sought on any matter, particularly those relating to interpretation, contravention of provisions which involve prosecution or imposition of penalty/liquidated damages or recovery of dues to Government, there should be a complete formal reference by the Ministry/Department concerned and written advice should be furnished by the Ministry of Law to avoid any ambiguity.

New policy for Import of Wool

2.93. The Study Team on the Textile Commissioner's Organisation (Wool, Art Silk, Organisation and Personnel) examined the question of distribution of yarn prepared from imported wool and in their Report of February, 1968, observed as follows :

"It will be seen.....that the scheme for distributing yarn to the decentralised sectors has not been a success. The major defects as pointed out.....are summarised below:

- (a) the basis for determining the quantity of yarn to be delivered by each mill has been more or less *ad hoc* there being no uniform pattern of production for the industry;

- (b) yarn made out of raw material allocated to woollen spindles is not included in the distribution scheme;
- (c) the basic year for allowing mills to retain yarn for their own use varies for each type of yarn, 1959-60 for weaving, 1956-59 for hosiery and 1960-61 for grey hand-knitting;
- (d) the pattern of production fixed for some mills was modified subsequently and weight also given to some mills to retain additional quantity of yarn with reference to capacity allowed after the basic year;
- (e) many mills have defaulted in delivering yarn and no action has been taken against the defaulting mills;
- (f) many powerloom units did not get even their subsistence quota;
- (g) the verification team appointed by Government brought to focus the fact that 115 out of the 225 hosiery units verified were not genuine;
- (h) the reports of the Directors of Industries indicated that many processors did not process the yarn themselves."

2.94. The representative of the Ministry of Commerce has stated in evidence that upto the year 1965, the quantity of wool available was sufficient and by and large about 85 per cent. of the yarn earmarked for distribution was being distributed to the right persons. It was only after 1965 that wool allocation was drastically reduced and trouble started on major schemes and defaults in the delivery of yarn in compliance with the allocation made by the Textile Commissioner to which references have been made in the earlier paragraphs, began to increase.

2.95. When the Committee in the course of evidence pointed out that it took Government about 5 years to issue show cause notice after persuasion failed with the defaulters in the delivery of yarn, the Secretary, Ministry of Commerce admitted "the position is that when the supply of raw wool was as short as it was in 1965 the scheme of distribution which was somewhat attempted to be enforced between 1962 and 1965 completely broke down after 1965 in spite of best efforts. In 1967 we in the Ministry came to the conclusion that it was not possible to work such a scheme when we did not know from year to year how much foreign exchange would be available, how much wool could be imported, how much could be distributed, when there were hundreds, if not thousands of consum-

ers, for this product. The abuses had taken place not merely at the mill stage; the abuses had also taken place at the stage of registration of weavers. There were lots of people who were not weavers but got themselves registered as weavers. The conclusion we came to was that the machinery of the Textile Commissioner's office and the Commerce Ministry as at present organized was incapable of enforcing such a detailed type of control and yet we wished to do something in this matter. Here again there was an experimental system which we were adopting—a new policy, a new technique where raw wool was not imported by the mills but canalised through the STC and to increase the bargaining power of the weavers raw wool quota was given to the weavers' association and then they decided, not the Textile Commissioner, as to how much wool should be given to each mill. We thought that this would build into a market force sanction, which through the legal application of Essential Commodities Act we were unable to carry out. It is not yet certain whether the new scheme which we have introduced will produce the desired results or this will also run into some difficulties. The only consideration I would like to submit to the Committee is that we are dealing with a difficult problem and admittedly the Textile Commissioner's office and the Ministry of Commerce have not been able to deal with it efficiently from 1965 onwards."

2.96. A new import policy was accordingly announced in November, 1967, the broad features of which are as follows:—

- (1) All imports of wool and synthetic fibres whether for domestic consumption or for export replenishment will be canalised through the S.T.C.
- (2) No import allocations in respect of woollen spindles will be made.
- (3) Allocation of raw material imported by the S.T.C. will be as follows:—
 - (i) 20 per cent. to be distributed to the Actual Users, namely, worsted spinners *pro rata* to their installed spindlage.
 - (ii) The existing procedure of allocating on spindles and past consumption basis has been discontinued.
 - (iii) The balance of 80 per cent. will be allocated on the basis of pattern of production of various sub-sectors namely 55 per cent. for weaving, 27 per cent. for hosiery and 18 per cent. for hand knitting yarn.

- (iv) Allocation for weaving purposes will be distributed equally on the basis of eligible registered power looms installed whether they are in the organised sector or in the decentralised sector.
- (v) Hosiery yarn allocation will be on the basis of the consumption during basic period, namely, 1st April 1966-30th October, 1967.
- (vi) The knitting yarn allocation will be on the basis of past consumption.
- (4) The existing controls on production, prices and distribution will be removed. However, no production price or distribution controls will be made applicable in respect of the above mentioned allocations.
- (5) The Textile Commissioner will give quota certificates to each allottee on production of which they will get imported raw materials from the S.T.C.
- (6) The value of allocation will be computed at the rate of weighted average of wool prices as on 1st November, 1967.
- (7) Every allottee will be required to supply at a negotiated price certain percentage of their production of goods to Super Bazars and other Co-operative Fair Price Shops as may be determined by the Textile Commissioner.
- (8) The units in the decentralised sector are expected to get their raw material converted into yarn through authorised spinning units only. Certain checks to ensure compliance with this have been envisaged.
- (9) For failure to get the wool spun through authorised units or failure to supply the required quantities of goods to Super Bazars certain corrective measures are proposed.
- (10) Units in the decentralised sectors have communicated to the Government that they would try to work out a method by which all the spinning mills get equal opportunities for spinning wool which will be given to the decentralised units.
- (11) Special reservation has been made for Jammu and Kashmir State and the basic period for this purpose has been fixed as October, 1966 to September, 1967.

- (12) 10 per cent. of the value of allocation will be eligible for synthetic fibres and tow as against 20 per cent. which was allowed for 1966-67 wool year.
- (13) In the case of raw material for Hair Belting Yarn this will also be supplied to the manufacturers of Hair Belting for whom the raw material is yarn and not wool.
- (14) Actual users will be required to apply for allocations for the quota of raw wool to the Textile Commissioner. After scrutinising the applications the same has to be forwarded to the S.T.C. with an Essentiality Certificate for the value recommended by the Textile Commissioner.

2.97. While the decentralised sector have generally welcomed the new policy, the organized sector have not welcomed it because they feel that in view of the specialised nature of the work of wool purchase and the specific requirements of the machinery of individual mills, it would be better to allow the individual mills to effect the purchase suited to the specific requirements of their machinery.

2.98. A writ petition was also filed by some mills against the new policy in the Bombay High Court alleging that the decisions of the Government were in violation of the fundamental rights granted under Articles 14, 19(1)(g) and 31 of the Constitution.

The main points of dispute were:

- (i) The order of canalising through the State Trading Corporation of India all imports of wool, whether for actual users or under the policy for registered exporters, and of synthetic fibres was void in law, and that it affected the existence of the woollen mills.
- (ii) The new distribution policy which provided for a direct allotment of raw materials to the actual users in the decentralised sector was improper, as in view of the procedure, such units were not actual users and were not entitled to an allotment of wool. Their contention was that such actual users were entitled only to yarn which was the raw material.

2.99. On January 3, 1968, an interim injunction was issued by the Bombay High Court restraining the State Trading Corporation from importing or committing to import any raw materials for the woollen industry under the new policy. However, some interim arrangements were arrived at between the Indian Woollen Mills Federation and the representatives of the decentralised sectors, and the interim

injunction was vocated by the High Court of Bombay on the 30th, January, 1968. In terms of the Consent Order, 72 per cent. of the allocation made to the decentralised sectors was to be given to the mills affiliated to the Federation for spinning. If there was any dispute between the parties in regard to the spinning charges, such distribution was to be referred to the Textile Commissioner for fixing the charges and his decision will be binding on both the parties. According to the latest information with the Government, a very substantial portion of the wool allotted to the decentralised sectors has moved to the spinning mills affiliated to the Federation.

2.100. Certain shortcomings in the new import policy have been brought to the notice of the Committee by the organized sector who feel that under the import through the S.T.C. the country may have to pay more foreign exchange for such imports.

2.101. The organised sector feel that in centralised purchasing of wool, as provided in the New Import Policy, the timing and judgement as to price is not practicable. The Government do not agree with this view and have stated that it has been found that some of the purchases made by the S.T.C. are at more favourable prices than the mills' own purchases.

2.102. The organised sector have also stated whenever demand for bulk-buying is known, the prices in the Australian markets shoot up. Further there is a tendency amongst the foreign suppliers to form themselves into cartels for the sale of goods with a view to create a countervailing power against the power of a monopoly purchase and that such a cartel inevitably leads to higher prices. While accepting that it does happen that foreign buyers sometimes make an agreement among themselves in regard to price, and offer different prices to different purchasers, Ministry of Commerce feel that if the purchaser is a single agency, it would be possible for him to break any monopoly or cartel that may have been formed in the supplying country. The S.T.C. has been able in the past to break such monopolies in respect of some commodities.

2.103. The organized sector also feel that for the production of many different kinds of woollen and worsted yarns and for securing the desired effect on finished articles, wools of an even character and specified degree of fineness are required and the same can be economically and suitably purchased only by the consuming spinner according to his machinery, mill practice and end-product requirements. The Government, however, are of the opinion that even under the canalised procedure it is entirely open for a spinning mill to inform the S.T.C. of its own requirements of different types of

wool having due regard to the machinery available with it and the end-product requirements. As a result of the S.T.C.'s bulk purchase, it is anticipated that it should be possible to get more favourable prices. It is mainly with a view to safeguard foreign exchange expenditure and to get the best possible price, that canalisation has been introduced by the Government.

2.104. An apprehension has also been expressed that under the new policy exporters of woollen goods would not be in a position to know whether they would continue to get through S.T.C. the same varieties of man-made fibre which most of them used to import against their replenishment licences so far. The exporters would thus have to recalculate whether it would be worthwhile to continue accepting overseas inquiries at the earlier rates. The Government, however, do not consider that the exporters need have any apprehensions in regard to the quality of goods which they would get through the State Trading Corporation. It was always open to them to specify their requirements which the S.T.C. would be able to procure for them at competitive prices. There is no cause for apprehension that it will not be worthwhile for the exporters to continue accepting overseas enquiries at the earlier rates. S.T.C.'s servicing charges in respect of requirements of exporters are nominal.

2.105. The Committee are unhappy to note that "the scheme of distribution which was somewhat attempted to be enforced between 1962 and 1965 completely broke down after 1965" in spite of the best efforts as stated by the representative of the Ministry. The Committee further note that in 1967 when the Ministry of Commerce came to the conclusion that "it was not possible to work such a scheme" a new system, a new policy was thought of. Since the new policy has been stated to be of an experimental nature, the Committee would like the Government to keep a careful watch as to how the new scheme functions and to what extent it is able to achieve the desired results.

Allocation of foreign exchange for import of wool.

2.106. It has been also represented to the Committee that the announcement of Government regarding allocation of foreign exchange for import of wool is made quite late in the year, with the result that the actual users are not able to participate in auctions in Australia and New Zealand and to purchase the raw-wool at competitive rates. The auctions begin early in August when prices are relatively competitive and by November prices on an average are 15 to 20 per cent higher. This involves loss of foreign exchange and uneconomic prices which adversely affect the export effort of the industry. In 1967 the

loss of foreign exchange due to the late issue of import licences would be of the order to Rs. 2.5 to 3 crores.

2.107 The Committee have examined the representative of the Ministry of Finance (Department of Economic Affairs) in this connection. That Ministry have explained in a written note that though the auctions of wool start in August, it is not as if the prices are always lower in August and September than in the following months. Much of the variation of prices takes place according to outlook from time to time about the market availability and the demand. Prices, therefore, do fluctuate. However, they have not been able to get the data "either to confirm or to deny the statement". The Ministry have denied having received any complaints about payment of high prices due to delay in foreign exchange allocations. The Ministry have added that the foreign exchange position being under continuous strain, foreign exchange allocations for various items including commercial and industrial imports depend on the overall availability of resources which comprise mainly the export earnings and external aid. Any uncertainty in the availability of aid, makes it difficult to have an overall idea of the resources until quite late in the year. This has resulted sometimes in inadequate provision or provision in instalments. For the purpose of allocation of foreign exchange, the wool year is reckoned as October-September and the Ministry claim that in 1966-67 a full year's allocation of Rs. 12 crores was made on the 11th August, 1966 well before the beginning of the wool year. Also in 1967-68 Rs. 6 crores was allocated in July, 1967 and an equal amount in the middle of September, 1967. The Ministry have expressed their willingness to consider feasibility of providing foreign exchange allocation for the import of wool at an appropriate period and in special cases to indicate in advance the extent of availability of foreign exchange even when formal allocation was to take place later.

2.108. As all imports of wool are now being done through the State Trading Corporation, the Committee hope that the State Trading Corporation and the Ministry of Finance will devise a suitable method to ensure timely release of foreign exchange for import of wool so that it is possible to purchase wool in the International markets in time and at the lowest possible prices.

Alleged Delay in allocation of imported wool

2.109 In the contracts for sale of wool the foreign suppliers stipulate a condition that the supplies will be subject to the terms and conditions laid down by the International Wool Textile Organisation. One of the terms laid down by the said organisation is that any

claim in respect of under-yield or wrong quality must be referred to the supplier within seven months from the receipt of such wool in the importing country. It has been represented to the Committee that on account of delay in issue of release orders by the Textile Commissioner for the wool imported through the Indian Woollen Mills Federation, processing results etc. could not be made available by the actual users within the stipulated period of seven months and therefore no claims could be made against the foreign suppliers in respect of under-yield or bad quality.

2.110. The Ministry of Commerce have stated that it is possible to estimate the yield and also assess the quality of wool by means of a core test, which is usually made at the time of supply. The actual quantum of yield and the quality of wool can be determined at the stage of scouring or washing of wool before its conversion into tows or it is carded. It was the responsibility of the Federation to have either taken a core test or processed the wool within the stipulated time. This processing need not have been tied up with allocation and could have been done in time as has been done by the Federation in a number of other cases.

2.111. As all imports of wool after October, 1967 are being made through the State Trading Corporation, the Committee desired to know as to how it would be ensured that the time limits prescribed for preferment of claims are adhered to. The Ministry of Commerce have stated that the State Trading Corporation will be able to allocate the wool to various units without any delay and this should enable the mills to process the wool within the time prescribed in the contracts and make claims in respect of any under-yield or inferior quality. Once the wool is released it would be for the mills concerned to process it in time and make the claim.

2.112. The Committee trust the State Trading Corporation will ensure that the imported wool is allocated to various units without any delay. They further suggest that the Ministry may examine how far it is possible for the State Trading Corporation to undertake the core tests with the existing machinery before they are distributed to the mills so that claims, if any, could be made in time.

Import of Synthetic Fibres on licences for wool.

2.113. It has been suggested to the Committee by the Indian Woollen Mills Federation that in order to augment the production and supply of woollen materials, "the mixed yarn scheme for producing goods out of imported wool in admixture with man-made fibre should be introduced." The Ministry of Commerce have stated that "the trend in production is more and more towards mixed fibres. It

is not, however, possible for the Government to enforce a scheme. It should be left largely to the manufacturers and the consumers to evolve a pattern of production for mixed yarn or mixed fabrics." The Government hope that in due course of time, the production of mixed fibres would increase automatically, without any pressure from anybody. It has also been stated that under the revised scheme such mills as are desirous of producing mixed yarn or fabrics can do so.

2.114. It has further been represented to the Committee by the Federation that in the new policy for import and distribution of wool only 10% of the value of allocation has been made eligible for synthetic fibres and tow as against 20% which was allowed for 1966-67 wool yarn. The Committee asked the Ministry of Commerce to state the reasons for the reduction in percentage. In reply the Ministry has stated in a written note that "During 1966-67, 20% of the face value of the licence was permissible for import of synthetic fibres. This was reduced to 10% in the following year as it was felt that the industry could not gainfully utilise the allocation at the rate of 20% of the face value of the licence."

2.115. The Committee hope that Government would review the position periodically and take suitable measures with regard to fixation of percentage for eligibility of synthetic fibres.

Spinning Charges for Yarn

2.116. The decentralised sector have brought to the notice of the Committee that the Mills in the organized sector have decided not to spin yarn at less than the spinning rates fixed by their representative body which would be more than 300% higher than the normal spinning charges prevalent in the industry.

2.117. While confirming that the Indian Woollen Mills Federation are reported to have "apprised its constituent members not to accept any spinning work on commission basis at a charge of less than Rs. 20 per kilogram"; the Ministry of Commerce have informed the Committee that "quite a number of mills affiliated to the Federation have accepted commission for spinning from the decentralised sectors at much lower charges (about 10-11 rupees per kg.). So long as no dispute is referred to the Textile Commissioner for arbitration as required in the consent terms, Government consider that there is no need to take any action in the matter."

2.118. The Government also understand that the "spinning charges have shown a downward trend in so far as Spinning Mills who are not affiliated to the Indian Woollen Mills Federation are concerned."

2.119. The Government hope that once the Writ Petition before the Bombay High Court is disposed of, the natural law of competition would ensure that the spinning charges are reduced. If, however, it is found at any stage that production of woollen goods is likely to be affected as a result of dispute between the different sectors, statutory spinning charges would be fixed by the Textile Commissioner who has since been given adequate powers in this regard.

2.120. The Committee trust the Textile Commissioner will be prompt in initiating action in future, where circumstances so warrant.

Inadequacy of Allocations to Hand Knitting Wool Processing Sector

2.121. Complaints have also been made to the Committee regarding inadequacy of the allocations of imported wool made to the various units of the decentralised sector. The Ministry of Commerce have stated that what is true of the decentralised sector is also true of the organised sector. The present quota for the knitting sector is 18% to 25% and according to the assessment made by the Ministry this should be adequate for meeting the requirements of hand knitting yarn. It has been stated that the allocation is based on the actual number of registered looms irrespective of whether they are in the decentralised sector or the organised sector. 90% of the allotment for the hosiery sector is accounted for by units in the decentralised sector. Unless the foreign exchange allocation for import of raw wool is substantially increased or exports are stepped up, the present under-utilisation of capacity is likely to continue for some time. The organised sector on the other hand has the disadvantage of imbalance between yarn production and requirements for weaving and processing.

2.122. The Ministry have also stated that a Committee was recently set up by the Government to go into the question of distribution of allocation of raw materials to the units in the Hand Knitting Wool Processing Sector. That Committee has just submitted its report and it is being examined by Government.

2.123. The Estimates Committee would like Government to conclude their examination of the recommendations made by the Committee which has been set up recently to go into the question of distribution of allocation of raw materials to the units in the handknitting wool processing sector and come to an early decision in the matter.

Allocation to Hosiery Sector

2.124. It was also brought to the notice of the Committee that "so far as the decentralised hosiery sector" is concerned, 40% of the quota is consumed with Government's consent, by 24 big units in this Sector." The Ministry of Commerce have stated in this connection, "It is true that 40% of the quota for the decentralised sector is accounted for by 24 big hosiery units. This is because these units had large consumption of hosiery yarn during the basic period. Allotment of raw material to the hosiery sector is based on consumption during the basic period 1st April, 1956 to 30th October, 1959. Even in the organised sector a substantial percentage of the total allotment is accounted for by 5 or 6 mills. This is a historical accident but the Government have taken some steps to reduce the maximum quantity given to these units by making a progressive cut in the allotment due to them."

2.125. Asked as to what steps had been taken by the Government in this direction, the Ministry of Commerce have explained in a written note that, "there is no standardization for the manufacture of hosiery machines. It is, therefore, not possible to indicate the production capacity of these machines. Further, there is no acquisition or installation control on hosiery machines and it is open to a unit to increase or decrease its capacity according to needs and availability of raw materials. The only basis on which yarn could be distributed to the hosiery units was past consumption of yarn produced out of imported wool in a specified period."

2.126. The total number of hosiery units qualifying for quota is about 875. There is a number of other units engaged in the production of hosiery items including those of artsilk and cotton. The quota eligibility of hosiery yarn of the 24 big units in the decentralised sector was approximately 40% of the quantity available for normal distribution to quota holders in that sector.

2.127. In July, 1964, the Government of India appointed a committee under the Chairmanship of Shri A. V. Venkateswaran, Joint Secretary in the Ministry of Commerce, to review the then existing scheme of distribution of woollen hosiery yarn to the decentralised hosiery units in the country.

2.128. All the bodies invited by the above committee including Hosiery Industries Federation agreed that in the system of yarn allocation there was too wide a disparity between the minimum and the maximum entitlements and that this itself required to be narrowed down considerably in the interest of social justice. The Com-

mittee recommended that progressive cuts should be adopted for narrowing down the existing gap between the minimum and the maximum quotas. The committee suggested that no cuts need be made in the case of units having an average annual basic consumption upto 10,000 lbs. Units in the quota range of 10,001 lbs. to 20,000 lbs should surrender 20% of their quota in excess of 10,000 lbs., the units having a basic quota of 20,000 lbs. would accordingly get an allocation proportionate to a basic period consumption of 18000 lbs. Quota holders in the range of 20,001 to 30,000 lbs. were to surrender 25% of their additional quotas over 20,000 lbs. Similarly, quota holders in the range of 30,001 to 40,000 lbs were to surrender 30% of their additional basic entitlement over 30,000 lbs. The allottees in the range of 40,001 lbs. to 50,000 lbs. were to surrender 35% of their quota in excess of 40,000 lbs. The units in the range of 50,001 lbs. to 1,00,000 lbs were to surrender 40% of their excess quota over 50,000 lbs. The quota units in the highest range of 1,00,000 lbs. to 2,00,000 lbs were to surrender 45% of their additional quota in excess of 1,00,000 lbs. The recommendations involved overall reductions ranging from 10% to 33% for units having an average annual basic consumption to 10,001 to 2,00,000 lbs.

2.129. The said committee also recommended at the same time that all units having annual basic entitlements of below 750 lbs. may be brought up to an annual basic entitlement of 750 lbs.

These recommendations of the Committee were accepted by Government.

2.130. The Committee note the steps taken by Government to remove the wide disparities between the Minimum and maximum entitlements to hosiery units and hope that Government will pursue similar measures in the interest of equity if such disparities exist in other sectors of the woolen industry. They also hope that the industry, on their part, would also extend their full co-operation in bringing about such changes.

CHAPTER III

IMPORT OF WOOL FOR DEFENCE REQUIREMENTS

3.1 With the Chinese aggression in 1962 and with the declaration of emergency in the country, there was a certain huge demand from defence for various woollen items which was required to be supplied on a war footing. In the notes and documents supplied by the Ministry of Commerce, it has been stated:—

“The Minister for International Trade convened a meeting on the 10th November, 1962, to discuss the steps to be taken in ensuring supplies of woollen textiles for Defence. The Special Secretary, Ministry of Commerce and Industry and the Textile Commissioner with some of his officers were present. As a result of the discussions a note showing the action to be taken was prepared by the Textile Commissioner. The same afternoon the Minister for International Trade had a meeting with the representatives of the different sections of the woollen industry and the note was placed before the meeting. The representative of the woollen industry promised their fullest cooperation in organizing supplies for the defence.

As a result of the decisions taken a Controller of Woollen Textiles is being appointed. He will have three Woollen Production Advisory Committees—(i) for composite and spinning mills, (ii) for Hosiery and (iii) for small scale weaving sectors.”

3.2 On 11-11-1962, a press note was issued by the Press Information Bureau which, *inter alia* announced: “The Government of India have appointed a Woollen Controller to implement and supervise the various measures decided upon. A Woollen Production Advisory Committee, consisting of Shri R. K. Birla, Shri V. Calloway, Shri B. M. Grover and Shri G. K. Singhania, will advise the Controller in fixing the production schedules of each of the composite and spinning mills. Two other committees will assist the Controller in the work regarding the hosiery and small scale weaving sectors.”

Issue of Licences for Import

3.3 Prior to 1962 no separate foreign exchange allocation for import of raw materials was made for manufacture and supply of goods required by Defence forces. The units getting the raw material allocations were, however, free to manufacture and supply the goods to D.G.S. & D. against tenders invited by them for Defence requirements. However on three occasions the Government made a special allocation of foreign exchange for purchase of raw wool for supply of Defence needs. The first two allocations were made in 1962-63 at the time of Chinese aggression and the third allocation was made in 1965-66 at the time of out-break of hostilities with Pakistan.

First two ad hoc allocations made in 1962-63

3.4 Allocations had been made to the woollen industry in the normal way of the foreign exchange ceiling of Rs. 7.50 crores for the period October, 1962 to September, 1963. By the time of the Chinese aggression in October, September, 1962, the Woollen spinning/composite mills had not covered the entire value of their 1962-63 Actual Users Licences, primarily meant for civilian consumption. It has been stated by the Ministry of Commerce that the Government, therefore, decided to restrict the imports against these unutilised portions of the A. U. licences to 56s quality and 48s quality of wool only. This was done because Defence requirements were to be met mainly out of these qualities of wool. In addition to this utilisation of the A.U. Licences (expected to be of the value of about Rs. 2.50 crores), an additional foreign exchange of Rs. 5.70 crores was issued for meeting the Defence supplies. A part of this allocation was utilised for the import of dyes and chemicals. With a view to ensure prompt imports and proper distribution, the actual imports were canalised through the then existing two Associations of the Woollen Mills, viz. All India Woollen Mills Association, Bombay and the Federation of Woollen Manufacturers in India, the forerunners of the Indian Woollen Mills Federation.

3.5 Two licences were issued on 30th November, 1962 for import of raw wool, wool tops etc. (value of Rs. 5.25 crores) and dyes and chemicals (value Rs. 25 lakhs) and the balance of Rs. 20 lakhs "was apparently kept as a reserve by the Department of Supply". Later on the amount of Rs. 20 lakhs was surrendered by the Department of Supply and the Textile Commissioner was informed by the Ministry of Commerce that this can be utilised for the import of raw wool, wool tops etc.

3.6. As the requirements were immediate, a special Wool Purchase Mission consisting of M/s. Gopal Krishna Singhanian (Raymond Woollen Mills), R. K. Birla (Digvijay Woollen Mills) B. N. Grover (Model Woollen Mills) and V. Collway (British India Corporation). was sent to Australia and New Zealand in November, 1962 to arrange immediate purchases at competitive prices.

3.7 Taking into account the further needs of the Defence Forces and to make full use of the wool top season beginning March, 1963, a meeting of Secretaries, Department of Economic Affairs, Ministry of Economic and Defence Co-ordination, Ministry of Commerce and Industry and Joint Secretary, Department of Supply was held on 11-2-1963. At this meeting it was decided that an allocation of Rs. 5.7 crores from free resources should be given immediately. Out of this second *ad hoc* allocation of Rs. 5.7 crores of foreign exchange allowed by the Ministry of Finance for further import of raw materials to meet Defence requirements, only Rs. 3.48 crores were earmarked for the import of wool, wool tops etc.

3.8 After the hostilities with China had ceased and the imports had been effected against the above mentioned two *ad hoc* allocations, the Defence requirements had gone down and certain quantities of imported wool were rendered surplus to Defence needs and released for civilian consumption.

3.9 For a proper appreciation of the events and allegations at various stages, the Committee have gone into the details of each stage as detailed in the following paragraphs.

Assessment of Defence needs and allocation of foreign exchange.

3.10. The Ministry of Commerce had informed the Committee that the Defence needs for import of wool on the basis of which foreign exchange allocations were made were assessed by an inter-departmental Committee consisting of representatives of the Ministry of Defence, the D.G.S. & D. and the Ministry of Commerce.

3.11. The Ministry of Defence, however, informed the Committee in May, 1968 in a written note that "it has not been possible to locate the papers readily available with the Ministry of Defence (Department of Defence) whether and under what circumstances the special allocation was made in 1962 for the import of wool and other woollen products to meet the requirements of Defence."

3.12. When the Sub-Committee took official evidence on the 24th September, 1968 this position was reiterated by the representative of the Ministry of Defence, who stated that although some later papers were available with their Ministry they had not been able to locate any earlier papers about association of the Ministry of Defence with the inter-departmental Committee that assessed the requirements of foreign exchange. In reply to a question, the representative of the Ministry of Defence confirmed that there could be some papers in some attached or subordinate office (*viz.*, the Army Headquarters who actually place the indents for the Defence forces) or papers taken away by the S.P.E. which they had not gone through. After intimating the position to the Committee in May, 1968 as indicated above, the Ministry of Defence had started collecting the records in July, 1968, on receipt of a communication from the Ministry of Commerce dated 10th July, 1968 and were continuing their efforts to locate the earlier papers.

3.13. The representative of the Ministry of Defence was told by the Sub-Committee to locate the papers and give full information to them.

3.14. When the meeting of the Sub-Committee was resumed on the 25th September, 1968, the representative of the Ministry of Defence stated that they had since been able to locate the earlier papers which showed that on the 30th October, 1962, the Army Headquarters prepared a list of these tentative requirements of the Services for E.I. clothing items for the then existing forces as well as the new raisings upto March, 1964. On the basis of these requirements, meetings were held in the office of the D.G.S. & D. in order to plan a large scale production of textile items enumerated in the list prepared by the Army Headquarters. Officers of the Army Headquarters were also asked to attend those meetings.

3.15. The Committee wish to express their unhappiness over the fact that the Ministry of Defence could not locate the original papers

*At the time of factual verification, the Ministry of Defence have intimated as follows:—

"Under their Office Memo. No. 3/3(1)-EC-II/67 dated 10th April, 1968, the Lok Sabha Secretariat forwarded to the Defence Ministry a list containing four points on which information was required to be furnished from Defence Ministry. Complete information on 3 points was furnished to the Lok Sabha Secretariat under the Defence Ministry's Office Memorandum No. 5(1)/68 D(0.1) dated 28th May

for some time in the initial stages.* The Committee cannot over-emphasise the need for the Ministry to act with promptitude while dealing with references from Parliamentary Committees.

1968. The Defence Ministry were however, unable to furnish complete information on para 3 of the Questionnaire for reasons mentioned below. It was only on 24th September 1968 that we could obtain a copy of the minutes of the Inter Departmental meeting held on 5th November 1962 and other references and we were then able to locate the relevant files and furnish immediately the complete information on the 25th September, 1968. The statement below indicates the efforts made by the Defence Ministry from time to time in complying with the requirements:—

The Lok Sabha Secretariat Memorandum No. 4/3(1)-ECII/67, dated 10th April 1968 asking for information from the Defence Ministry in respect of specified points by 25th April 1968 was received in the Defence Ministry on 11th April, 1968. Immediately, information on the said points was sought from the Army Headquarters by note dated 15th April, 1968. The reply of the Army Headquarters was received on 18th April 1968. With reference to the Point 3, Army Headquarters stated as follows:—

"We are not aware of the details of allocation of Rs. 8.9 crores in the year 1962 in respect of wool and other woollen products to meet Defence requirements."

2. Information was also sought from the Navy side and the Air Force side and replies were received from them.
3. As the questionnaire received from the Lok Sabha Secret. concerned a number of Sections, a meeting was held in the Defence Ministry on 6th May 1968 to finalise the draft replies. All the Sections which could possibly be concerned with the matter were invited to that meeting. The replies furnished to the Lok Sabha Secretariat were based on the draft finalised at that meeting on the basis of the papers then available in the various Sections. These replies were sent on 28th May 1968.
4. On the same day i.e. 28th May 1968, action was initiated with a view to locate the various papers on the subject in question pertaining to the year 1962. A letter dated 28th May 1968 was addressed by the Defence Ministry to the Commerce Ministry drawing their attention to their reply to the Lok Sabha Secretariat stating that the requirements of raw material for meeting the Defence needs were assessed by an Inter-Departmental Committee consisting of the Ministry of Defence, the DGS&D and the Ministry of Commerce. The Commerce Ministry were requested to forward copies of the minutes of the Inter-Departmental Committee in question and the names of the representatives of the Defence Ministry who attended the meeting in question. This was done with a view to get the references in question from the Commerce Ministry in order to assist the location of the papers.
5. On 15th June 1968, the Defence Ministry reminded the Commerce Ministry and requested them to supply early the information desired in our letter of 28th May, 1968.
6. On 10th July, 1968, a reply was received from the Commerce Ministry forwarding certain information. As regards the minutes of

3.16. As a number of Ministries/Departments were concerned with the matter and different figures of foreign exchange requirements, values of the special *ad hoc* licences etc. had been indicated to the Committee by different agencies (including the Indian Woollen Mills Federation), the Committee desired that the Ministries/Departments concerned should prepare a joint note bringing out all the chain of events from the stage of formulation of requirements of Defence Services to the stage of actual import of wool to meet those requirements and arising of surplus from these imports. This note was furnished to the Sub-Committee on the 31st December, 1968 by the Ministry of Commerce and the salient features thereof are given below:—

- (1) The War Book of the Government of India lays down the functions of the various Ministries of the Government of India and other authorities in an Emergency. The procurement of essential supplies required in connection with the 1962 Emergency was the concern of the "Resources Committee", the composition of which is given in Appendix V.

the Inter-Departmental meeting of 5th November 1962, the Commerce Ministry stated that the minutes were prepared by the DGS&D and the copy of the minutes may be obtained from DGS&D.

7. Efforts were made to obtain the minutes of the meeting in question from the DGS&D who could not supply the same. Accordingly a letter was addressed by the Defence Ministry to the Commerce Ministry on 1st August, 1968 requesting again that a copy of the minutes of the meeting circulated by the DGS&D under their endorsement No. DS(STV)/Defence/62 dated 8th November, 1962 may be forwarded at a very early date. However the Commerce Ministry again in its reply dated 29th August, 1968 stated that the minutes in question may be obtained directly from the DGS&D although we have mentioned in our letter of 1st August, 1968 that we have been unable to obtain the copy from the DGS&D.
8. Meanwhile a notice was received from the Lok Sabha Secretariat on 2nd September, 1968 stating that the representatives of the Defence Ministry may be called at a very short notice on the second day of the evidence i.e. on 25th September, 1968.
9. On 24th September, 1968, a telephonic message was received from the Lok Sabha Secretariat desiring that a representative of the Defence Ministry should immediately attend the meeting in progress. After a short hearing, the matter was postponed to the next day. The particulars of the various references were obtained from the Commerce Ministry and the DGS&D on 24th September, 1968, the relevant files traced and the further information desired furnished.'

The Defence Ministry takes this opportunity to assure the Estimates Committee that all references from Parliamentary Committees are dealt with utmost promptitude and seriousness."

At the first meeting of the Resources Committee held on the 29th October, 1962, it was agreed that the D.G.S. & D. in consultation with the Development Wing and other appropriate authorities should initiate a complete review of existing and potential capacity of stores and equipment. The Ministry of Defence were requested to send to the Purchasing agency forward programmes of their requirements preferably in half yearly periods from the "Zero" date as a pre-requisite to effective planning.

- (2) Tentative requirements of extra issue clothing items upto March, 1964 were prepared by Services Headquarters (Defence) on 30th October 1962.

Director (R&D Defence) wrote to the Additional DGS&D the same day suggesting immediate action to hold meetings with the trade for planning a large scale production to meet those requirements, about which there had been telephonic conversations between the two Departments.

- (3) DGS&D decided to hold meetings with top executives of the woollen industry on 5th and 6th November, 1962, and the Liaison Officer of the Ministry of Defence informed the officers concerned in that Ministry about the same.
- (4) On 3rd November 1962, in the second meeting of the Resources Committee, the DGS&D informed the Committee about the forecasts of requirements indicated by the Ministry of Defence. The Resources Committee appointed a Sub-Committee under the chairmanship of the DGS&D to meet immediately on receipt of firm forecasts of requirements from the Ministry of Defence to review the existing and potential capacity for items in short supply.
- (5) On 5th November 1962 DGS&D met representatives of the following nine mills who had been generally meeting the Defence requirements in the past:—

- (1) Shri Dinesh Mills, Baroda.
- (2) B.I.C. Kanpur Woollen Mills Branch, Kanpur.
- (3) B.I.C. New Egerton Woollen Mills, Dhariwal.
- (4) Raymond Woollen Mills, Bombay.
- (5) The Bangalore Woollen and Silk Mills, Bangalore.
- (6) Bombay Fine Worsted Castle Mills, Bombay.
- (7) Oriental Carpet Manufacturing Co., Amritsar.

(8) Panipat Woollen Mills.

(9) Digvijay Woollen Mills, Jamnagar.

It is not clear from the file as to when and how the invitations were issued to the representatives of the industry.

(Prior to the above meeting on 5th November 1962 inter-departmental discussions were held with the representatives of the Ministry of Defence/Army Headquarters, Ministry of Commerce and Industry and the Textile Commissioner).

On 6th November 1962 there was a meeting with representatives of the hosiery units of Ludhiana who had been mainly supplying hosiery items for defence against DGS&D tenders.

(6) On 31st October 1962, DGS&D wrote to the Ministry of Commerce stating that he would need assistance for import of wool/woollen materials to meet requirements of Defence.

(7) On 31st October 1962, the Minister for International trade decided to hold a meeting on 10th November 1962 to discuss the emergency requirements in regard woollen articles. Apart from officers of the Ministries/Departments concerned, non-officials representing the woollen industry were also sent communications to attend that meeting. A detailed background note was also required to be prepared for this meeting.

(8) Shri Zalani, a Deputy Director, in the Textile Commissioner's office prepared a detailed background note on 7th November 1962 and came to the conclusion that the foreign exchange requirements would be about Rs. 16 crores.

(9) On 8th November 1962, Brig. Chopra DRD(G) in the Ministry of Defence, also prepared a detailed note estimating the requirements of imported materials at Rs. 15 crores plus Rs. 1 to 2 crores for dyes and chemicals.

(10) On 8th November 1962 D.G.S. & D. also sent a note to the Ministry of Commerce and Industry communicating requirements of Defence woollen clothing. This note calculated the requirements of foreign exchange at Rs. 14.9 crores (Rs. 17 crores if a part of the requirements were procured in manufactured fabrics).

- (11) The Finance Ministry was also informed about this-
ment of Rs. 17 crores of foreign exchange.
- (12) On 10th November 1962 the Minister of International
Trade held a meeting where certain decisions were taken
including setting up of a Woollen Advisory Committee of
non-officials.
- (13) On 15th, 16th and 17th November, 1962, meetings were held¹
in D.G.S. & D.'s office with various mills as well as hosiery
units. At these meetings certain proposals were formu-
lated for gearing up the woollen industry. These were
set out in the form of a note as a report of the Working
Group, signed by Shri R. G. Zalani, Deputy Director,
Textile Commissioner's office, Shri A. G. V. Subramaniam,
Under Secretary, Ministry of Commerce and Industry, and¹
Shri V. Subramanian, Director of Supplies in the
D.G.S. & D.

This note assessed the requirements of imported¹
materials, spare parts and accessories at Rs. 16.15 crores.
(Rs. 14.90 crores for raw materials and Rs. 1.25 crores for
spare parts and accessories) (A copy of the note is enclosed¹
at Appendix VI).

- (14) The Sub-Committee of the Resources Committee discussed¹
the above report of the Working Group on 20th November,
1962 and decided that a note should be submitted for the
consideration of the Resources Committee.
- (15) Shri B. D. Kumar, Deputy Secretary in the Department of
Supply, circulated a note for the meeting of the Resources
Committee to be held on 21st November, 1962. This note¹
assessed the foreign exchange requirements (including
spare parts) at Rs. 16.40 crores as follows:—

-
- (a) Rs. 14.90 crores : As assessed by Working Group.
- (b) Rs. 2.50 crores : Unutilised portion of AU Licences already¹
issued for October, 1962—September,
1963.
- (c) Rs. 1.50 crores : Estimated requirements of civilian market.
-

Total Rs. 18.90 crores

Less Rs. 2.50 crores. : Worth of licences which were to be utilised
on an immediate basis.

Final
Require-
ment Rs. 16.40 crores.

(A copy of the note, alongwith the Office Memorandum¹
forwarding the same is at Appendix VII).

- (16) On 21st November, 1962, the Resources Committee decided to release foreign exchange of only 50 per cent of the requirements, viz., Rs. 8.20 crores. (Rs. 2.50 crores by revalidating the unutilised balance of AU licences plus Rs. 5.70 crores as extra allocations), and to review the position after three weeks.
- (17) Instructions for issue of an import licence for Rs. 5.5 crores for import of raw wool, wool tops etc. in the joint name of the Federation of Woollen Manufacturers in India and the All-India Woollen Mills Association (the forerunners of the Indian Woollen Mills Federation) were issued on 26th November, 1962 and the Purchase Mission consisting of Wool Advisers left for Australia and other countries to make purchases.
- (18) D.G.S. & D. received indents from the Ministry of Defence between 29th November, 1962 and 4th December, 1962.
- (19) On 4th January, 1963, the Ministry of Commerce and Industry sent a further note to the Ministry of Economic and Defence Co-ordination regarding further allotment of foreign exchange. This note made it clear that although there were some reductions in the Defence requirements during the past few weeks, it was proposed to continue to work on the basis of the original estimates as a measure of abundant caution so that it could be easier to step up capacity at any time. It was considered in this note that it would be better to err on the side of safety. This note assessed further requirements of foreign exchange for wool at Rs. 9.2 crores for Defence and Rs. 8 crores for civilian requirements, a total of about Rs. 18 crores.

In another note of 2nd February, 1963 by the Commerce Ministry it was again brought out that production of woollen cloth for Defence had been programmed on the basis of original estimates given by Defence Ministry. Ministry of Commerce was going ahead on that basis even though requirements were not actually covered by firm indents. (Copy of these notes are at Appendix VIII).

- (20) In a meeting held in the Ministry of Supply, on 2nd February, 1963 at which representatives of the D.G.S. & D. and the Ministry of Commerce and Industry were present,

it was agreed to reduce the above demand to Rs. 5.7 crores (for Defence) because of the following reasons:—

- (a) Reduction in the requirements of wool tops on account of reduction in the demand of great coat cloth;
 - (b) Utilisation of Rs. 1 crore for Defence out of the previous license of Rs. 2 crores given to the industry.
- (21) On 11th February 1963, a meeting of the Secretaries of the Ministries concerned discussed the proposal. Supply Department announced some reduction in the demand for cloth for great coats amounting to Rs. 2.5 crores. The meeting agreed to an allocation of Rs. 5.7 crores. Out of this only Rs. 3.48 crores were earmarked for the import of wool, wool tops, etc.
- (22) At a meeting of Ministers of Supply, International Trade, and Defence Production held on 21st February 1963, a Sub-Committee consisting of Brig. Chopra DRD(G), Shri V. Subramanian, Director of Supplies in the DGS&D, Shri R. G. Zalani, Deputy Director in the Textile Commissioner's office and Shri A. G. V. Subramaniam, Under Secretary in the Ministry of Commerce and Industry, was appointed to go into the question of supply of raw materials required for woollen items and work out a paper so that the increased supply required from April to May onwards might be fully met.
- (23) The above Sub-Committee prepared details of demands. According to them—
- (a) 11.30 lakh lbs. of 58/60s quality wool tops were to be imported;
 - (b) 29.43 lakh lbs. of 56s wool tops would be surplus (because the imports had been done on the basis of a forecast of 34.87 lakh metres of Serge Battle Dress, but actual indents received were only for 20.63 lakh metres).

A copy of the Note is at Appendix IX.

- (24) On 14th March 1963 at a meeting in the room of the Minister of Defence Production, the Additional Secretary Defence announced that they had decided to change over to short coats in place of long coats. It was, however, decided that the production schedule should not be

disturbed and it might be technically examined in consultation with the industry when the change over to the short coat material could be made.

- (25) Department of Supply reviewed the position on 14th March 1963 and 15th March 1963 and came to the conclusion that there was no discrepancy between the requirements originally calculated and the imports authorised except that there were in stock wool tops sufficient for the manufacture of 1.7 million metres of serge B.D. for which demands had to be obtained from the Defence Services.

A copy of the Note is at Appendix X.

- (26) On 23rd May 1963, the Defence authorities cancelled their outstanding indents of 8,58,271 pieces of blouse B.D. serge, as this item was eliminated from the winter dress of the Army.

(In this connection, the Director General of Ordnance Factories was specifically advised by the M.G.O. Branch on the 14th and 23rd May, 1963, not to cancel their demands for Serge B.D. where demanded by them for the manufacture of blouses as this serge would be required and used for the supply of additional requirements for trousers B.D. serge. A total of 6,51,967 metres of serge B.D. was rendered surplus and this quantity was used against Defence requirements by transfer to Ordnance for additional requirements of trouser B.D. serge).

- (27) Demands for great coats were cancelled by the Defence between 4th April, and 30th July, 1963.

- (28) A total of Rs. 49.25 lakhs worth of imported woollen materials became surplus to Defence requirements.

3.17. It has been stated that the surpluses were mainly due to the following reasons:—

- (1) Decision of Defence Ministry to discard use of serge B.D. blouse by Army personnel and the resultant reduction in the demand for Serge B.D. This resulted in surplus of 56s quality wool, dyed tops and white tops. The dyed tops and combing wool were utilised subsequently and only white tops were ultimately declared surplus;
- (2) The decision to change over from great coats to short great coats with the use of cloth brown instead of cloth drab

mixture. This resulted in some surplus of top carding wool;

- (3) Request of Ministry of Defence to change over to manufacture of socks and jerseys out of imported raw material instead of admixture of Indian wool and nylon in view of unsatisfactory quality of the latter. (This resulted in some surplus in nylon which has been discussed later in this Report);
- (4) Non-lifting of allocations for shoddy yarn by some of the blanket manufacturing units as they had made their own arrangements for obtaining shoddy. This resulted in some surplus of shoddy yarn.

3.18. The Committee note that although there were some reductions in the Defence requirements, which came to the knowledge of the Ministry of Commerce and Industry in December, 1962, it was proposed to continue to work on the basis of the original estimates of requirements as a measure of abundant caution so that it would be easier to step up capacity at any time. It was considered that it would be better to err on the side of safety. Again on 2nd February, 1963 it was brought out by the Ministry of Commerce in a note that the Ministry of Commerce was going ahead on the basis of the original estimates given by Defence Ministry even though the requirements were not actually covered by firm indents.

The Committee are unable to appreciate why, when a decision was taken to continue to work on the basis of the original estimates, despite the reduction in the defence requirements, a review was not undertaken in the shortest possible time with a view to assess the possibilities of scaling down the imports to be actually made.

3.19. The Committee regret to note that although the representatives of the industry who had been generally meeting the Defence requirements in the past were invited to attend a meeting on 5th November, 1962, it is not clear from the file when the invitations were issued or how. The Committee would like that Ministries and Departments of the Government of India should take care to keep the records complete and retain them properly especially in important cases so that if at a future date these are required for purposes of investigation or otherwise, these can be readily available.

Quantities of Wool Actually Imported Against the First Two Ad Hoc Licences

3.20. The actual imports of wool against the two special ad hoc licences issued in 1962-63 were made by the predecessor associations

of the Indian Woollen Mills Federation. These were released by the Association as per allocations made by the Textile Commissioner from time to time in favour of the various mills on whom orders were placed by the Director-General, Supplies and Disposals for manufacture and supply of woollen materials for the Defence Forces. The statistics relating to wool of different varieties imported and the value thereof were made available to the Committee both by the Indian Woollen Mills Federation, Bombay and the Ministry of Commerce who had furnished the figures to the Public Accounts Committee earlier. A statement combining the figures as given by the Federation and as given by the Ministry of Commerce is indicated below :

Quality		Quantity lbs.	Value Rs.
(1)		(2)	(3)
First Licence			
8s carding wool	Federation	32,43,887	95,93,159
	Commerce Ministry	33,45,868	97,36,162
48s combing wool	Federation	4,79,090	28,38,605
	Commerce Ministry	3,39,619	12,56,590
56s combing wool	Federation	17,34,798	72,29,503
	Commerce Ministry	17,30,298	73,02,052
(C/64s carding wool	Federation	2,98,128	13,29,890
	Commerce Ministry	2,98,128	13,71,389
48s wool tops	Federation	23,03,404	1,01,37,609
	Commerce Ministry	25,68,120	1,14,74,905
56s wool tops (dyed)	Federation	20,79,600	1,13,23,394
	Commerce Ministry	20,79,599	1,14,72,695
56s wool tops (white)	Federation	4,64,810	21,53,565
	Commerce Ministry	5,31,187	22,32,808
60/64s wool tops	Federation	3,45,145	20,56,530
	Commerce Ministry	2,05,612	11,51,654
Nylon tops	Federation	1,50,000	6,27,577
	Commerce Ministry	1,46,769	8,92,200
Nylon Fibres	Federation	99,797	3,50,618
	Commerce Ministry	99,797	5,08,905

1	2	3
Second Licence		
48s wool tops	Federation	30,87,935
	Commerce Ministry	31,37,925
56/6cs wool tops	Federation	7,40,032
	Commerce Ministry	10,72,260
60/64s wool carding	Federation	65,297
	Commerce Ministry	65,407
Nylon Fibre	Federation	13,14,186
	Commerce Ministry	13,14,192
Nylon tops	Federation	3,68,939
	Commerce Ministry	3,67,995
Woollen Rags.	Federation	30,15,489
	Commerce Ministry	30,34,500

3.21. During the course of evidence the Committee wanted the representatives of the Ministry of Commerce to explain the discrepancies in the two figures relating to the same matter furnished by the two authorities. The representative of the Ministry stated, "the discrepancy needs to be settled after verifying the records of the Textile Commissioner which had been in the custody of the Special Policy Establishment. For giving this information we will have to reconcile our figures with the figures in the records of the Indian Woollen Mills Federation." He added, "Those figures were furnished on the basis of the information available to the Textile Commissioner We will have to go into the matter with the Federation as to what is their primary source and what is our primary source. As far as I can see, the difficulty would be that the primary source will be only the Customs. Once the import licence is issued, the control is exercised at the Customs level. The Customs report the total imports to the Director General, Commercial Intelligence and Statistics under the nomenclature which the Director General, Commercial Intelligence and Statistics uses. The Director General, Commercial Intelligence and Statistics nomenclature does not break down wool tops into difference categories. This Information will be available in the original bills of entry with the Customs people but even they will not be compiling this data. They are not supposed to report to the Textile Commissioner what exactly they

have imported but the control is exercised by the Customs. When the goods arrive the Customs Officer compares it with the import licence and other documents and, if necessary, he gets the consignments opened. But statistical compilation of different categories of items which are imported is not maintained by any organisation."

3.22. Asked whether after the import licence is issued, there is no organisation or authority to verify or check up whether the importer has in fact imported according to the licence issued, the representative of the Ministry of Commerce has stated, "Under the present system the work of Government is divided between different offices and administrations. Control over whether import takes place in accordance with the licence or in violation of the terms of the licence is exercised by the Collector of Customs at the port of importation. The Ministry of Commerce is in charge of the issuance of licences. The enforcement of it is in charge of the Collector of Customs, so far as the fact of import is concerned. So far as the fact of payment is concerned, the control is exercised by the Reserve Bank of India. This is the present procedure and if certain improvements are desired to be made, this can be gone into."

3.23. Subsequently, in a written note furnished to the Committee by the Ministry of Commerce explaining the discrepancies, it has been stated :

"Import of raw materials against the first licence dated 30th November 1962, as verified from Federation's record, are given below :

<i>Raw Material</i>	<i>Quantity</i>	<i>CIF value Rs.</i>
48s Carding wool	32,43,887 LA + LBS	95,93,138
48s Combing wool	7,78,611	28,38,606
56s Combing wool	17,34,798	72,29,504
60/64s Carding wool	2,98,128	13,29,890
48s Wool tops	23,03,404	1,01,37,609
56s Wool tops Dyed	20,79,600	1,13,23,395
56s Wool tops white	4,64,810	21,53,565
58s/60 Wool tops	1,39,533	9,06,103
60/64s Wool tops	2,05,612	11,50,247
Nylon tops	1,50,000	6,27,178
Nylon Filtes	99,797	3,50,618
	1,14,98,180	4,76,40,033

2. The correctness of these figures are being verified with Customs documents. According to the statement, now furnished, 58/60s wool tops which were not included in the information furnished earlier to the Estimates Committee by the Federation are included in the present statement. 139533 lbs. of 58/60s wool tops valued at Rs. 9,06,103 were imported and utilised for distribution to various mills against orders placed by the D.G.S. & D.
3. Licence No. 964732 dated 8th April 1963 was originally issued for Rs. 3.48 crores. Subsequently, the following five licences were issued in lieu of the above licence for a value of Rs. 326.76 lakhs:

<i>Licence No.</i>	<i>Value</i>
1. 967702	75 lakhs
2. 967703	75 "
3. 967704	75 "
4. 967705	75 "
5. 967706	26,76,420-
TOTAL	Rs. 326,76,420

4. Out of the licence No. 967705 for Rs. 75 lakhs, a subsidiary licence was issued on 14th October 1963 in favour of M/s. Bangalore Wool len Mills for a value of Rs. 10.98 lakhs. From licence No. 967706, another subsidiary licence was issued to the same Mill on 10th September 1964 for Rs. 94,700. Against the second licence for Rs. 3.48 crores, Rs. 10 lakhs were utilised for import of dyes for cotton items. Against the balance of Rs. 3.38 crores, licences were issued for Rs. 3,26,76,420.

5. The actual imports effected against these licences as seen from the Federation records were :

<i>Raw Materials</i>	<i>Quantity</i>	<i>CIF value Rs.</i>
1	2	3
48s Wool tops	30,87,935	1,42,73,795
58/60s Wool tops	7,40,032	68,85,892
60/64s Wool tops	65,297	3,03,784

1	2	3
Nylon Fibres	13,14,186	46,27,160
Nylon Tops	3,68,939	15,39,592
Rags	30,15,489	35,13,414
Dralon/Terelene	Two Bales as samples.	1,047
TOTAL	85,91,878	3,11,44,684

6. Apart from the check on the Exchange Control copies of the licences, an attempt was made to tally the figures available with the customs. As wool is not a dutiable item, most of the Bills of Entry did not contain full particulars of the quality of wool imported against such Bills of Entry as it is not required for customs purposes. The check of a very large number of Bills of Entry however agreed with the records of the Federation in respect of the imports covered by such Bills of Entry. As the C.I.F. value paid by the Federation has been duly audited by their Chartered Accountants and the Auditors statements had been published, the figures given by the Federation may be accepted.

7. The data furnished by the Ministry of Commerce to the Public Accounts Committee was based on intimation received from the Federation during December, 1965. The statement indicated the allocations of imports against the two special licences. It gave the quantities and cost. The cost as given in the statement included handling and other incidental charges such as interest, godown rent, etc., and, therefore, was higher than the CIF value which was furnished by the Federation to the Estimates Committee. The fact that the value included other items such as handling charges, customs duty, etc., was mentioned in paragraph 4 as well as in Annexure 4 of the note furnished to the Public Accounts Committee along with the Ministry of Commerce Office Memorandum No. 1(72)TEX(E)/67, dated 9th December, 1966. Hence the difference between the figures furnished by the Federation and those furnished by the Ministry of Commerce. The difference is significant in the case of nylon fibre and nylon tops which were subject to a duty of 22½% and a countervailing excise duty of Rs. 1.33 per kg.

8. It is further clarified that 139,533 lbs. of 58s/60s wool was included by the Federation under the head "60s/64s Wool tops" whereas the Commerce Ministry had indicated it separately, and shown 60s/64s as 205612 lbs. The two added together make 345145 lbs—which is the figure shown by Federation against 60s/64s wool tops.
9. In regard to 48s combing wool, there was a discrepancy in the Federation's accounts. The actual imports were of the order of 778,611 lbs. and C.I.F. value of Rs. 2,83,8605. It is seen from the original register maintained by the Federation that 299,521 lbs. were clean wool and had been sent for combing into tops and were allocated as 48s tops. This explains the difference between 778,611 lbs. and 479090 lbs. shown in terms of quantity. The value was the same. This was due to oversight on the part of the Federation.
10. The quantities shown by the Ministry of Commerce were different from the quantities shown by the Federation for the reason that the figures given by the Commerce Ministry were based on allocations. Some of these allocations were cancelled and reallocated at different stages. This accounts for the variation in figures."

3.24 At the instance of the Committee, the Ministry of Commerce have since cross verified the figures of actual imports under the two *ad hoc* licences as shown in the audited registers of the Indian Woolen Mills Federation from sources other than the Federation, viz. documents available with collector of Customs in Bombay and Calcutta and also from the endorsements on the Exchange Control copies of the relevant imports licences. The data compiled from the various Bills of Entry shows that the description given on the Bills was of a general nature, viz., "Scoured Wool", "Greasy Wool" etc. Only in certain cases was the quality of wool mentioned. It has been stated by the Ministry:—

"However, an attempt has been made to find out the quantity and value of imports of 58s/60s and 60s/64s wool from the Bills of Entry. The position is as under:

58s/60s	98,283.79 kg.	Rs. 13,76,414.40
60s/64s	1,18,027.70 kg.	Rs. 16,20,791.63

It may be mentioned here that the above figures do not give the correct picture in view of the reason stated earlier that the description on most of the Bills of Entry are of a

general nature. However, the data collected from the Customs Department and Exchange Control Copy of the licences have been correlated with the data available with the Federation. The available data are not adequate to prove that the figures of qualitywise imports furnished by the Federation are incorrect."

3.25. The final figures of imports as obtained by the Ministry from the registers of the Federation are as follows:

LICENCE—I

(Value Rs. 5.15 crores)

Quality	Bales Nos.	Quantity in lbs.	Value in Rs.
(1)	(2)	(3)	(4)
48s Carding wool . . .	13845	32,25,818	97,54,801
48s Combing wool . . .	1866	4,79,090	12,56,590
56s Combing wool . . .	7790	17,34,798	73,02,052
60/64s Carding . . .	1323	2,98,128	13,71,389
48s Wool tops white . . .	4110	25,68,120	1,14,74,914
56s Wool tops (dyed) . . .	2924	20,79,599	1,14,73,994
56s Wool tops white . . .	1087	5,31,187	26,49,656
60s & 64s wool tops white . . .	535	2,05,612	11,51,654
Nylon Tops . . .	405	1,50,000	9,12,232
Nylon Fibres . . .	465	99,797	5,08,965
58s/60s wool tops . . .	212	1,39,533	9,27,894
	34562	1,15,11,682	4,87,84,141

LICENCE—II

(Value Rs. 3,26,76,420)
(Rs. 326.76 lakhs)

48s wool tops . . .	4315	31,39,325	1,51,69,304
58s/60s wool tops . . .	1632	10,78,929	71,11,103
Nylon tops . . .	1143	3,68,440	22,87,428
Nylon Fibres . . .	5282	13,49,331	69,02,429
Rags/Shoddy . . .	3696	30,34,440	37,97,766
60s/64s Carding wool . . .	285	64,146	2,99,217
TOTAL . . .	16353	90,34,611	3,54,66,053

Alleged over-assessment of import requirements

3.26. The S.P.E. investigated into the case of alleged deliberate over-assessment of the quantum of wool required for Defence purposes during the year 1962. As a result of investigation, the Central Bureau of Investigation had come to the conclusion that Shri R. G. Zalani of the Textile Commissioner's office had shown negligence as he over-assessed the quantum of wool required for Defence purposes during the year 1962. The following details were furnished by the Central Bureau of Investigation to the Committee:

"The Defence forecast was for 13 lakhs trousers and 12 lakh blouses. The fabric required was 33.81 lakh metres of which 12.40 lakh metres had been offered by the Mills on "without assistance" basis. Provision had, therefore, to be made for 21.41 lakh metres. Total requirements of wool were assessed at 35.97 lakh lbs. on the assumption that one metre of the fabric would require 1.68 lbs. wool top which was the scale adopted by the Woollen Mills' Federation and was approved by the Textile Commissioner's Office although it was on the higher side. The requirements of 56s wool for manufacture of 21.41 lakh metres of fabric was therefore, 35.97 lakhs lbs. The total imports were equal to 14.35 lakh lbs. of combing wool and 20.84 lakhs lbs. of tops, the total being 35.19 lbs. It will be seen therefore, that almost the entire requirements of this quality of wool were imported although Shri Zalani who mainly worked out the requirements, was aware of the availability of wool from indigenous sources as well as on the basis of Actual Users Licences which had been specifically re-validated and endorsed for imports of 48s and 56s wool. It is roughly estimated that on the basis that, the Textile Commissioner's orders had validated the Actual Users licences for import of 48s and 56s wool to the extent of 50 per cent. of the face value, at least Rs. 116.72 lakhs were available for import of 56s wool on these licences alone. In terms of wool, this amount would have financed the imports of 23.34 lakhs lbs. of 56s wool, on the basis of these licences, and, therefore, wool imports outside the Actual Users Licences to the extent of only 12.63 lakh lbs. should have been necessary. It will be seen that the imports were in excess to the tune of 22.56 lakh lbs. ($35.19 - 12.63 = 22.56$) and the loss of foreign exchange on account of this excess @ Rs. 5 per lb. would work out to over Rs. 11 crores. If subsequently reduced demand of Defence is taken into account the loss in foreign exchange due to excessive imports of wool would be even higher.

As regards the question whether imports could have been reduced after the orders had been placed in December 1962, it may be mentioned that in fact the firm Defence demand had been placed even before the action for the purchase was initiated and major portion of the shipments arrived in India after February 1963. It can be argued that ordinarily orders once placed cannot be cancelled without financial repercussions. In this case, however, the price of wool had risen after the orders had been placed and Shri G. K. Singhanian one of the wool advisers when examined has stated that it might have been possible to reduce the orders under these circumstances. No action in that direction was however, taken."

On completion of their investigations, the Central Bureau of Investigation had recommended Regular Departmental Action against Shri Zalani for negligence in working out the requirements of wool for being imported resulting in loss of foreign exchange. The Central Vigilance Commission, after taking into account the comments of the then Textile Commissioner and the Ministry of Commerce, however, felt that no action was called for in the matter.

3.27. In the course of evidence the representative of the Ministry of Commerce has stated, "Shri Zalani's assessment was scrutinised by Three Man Committee on which the Department of Supply was represented and an officer of the DRD of the Department of Defence Production was also associated. Therefore, it must be presumed that the assessment made by the Three Man Committee in consultation with the representative of the DRD is an assessment based on the pooling of the experiences of all those who knew something about the matter". Asked about the qualifications of Shri Zalani and his technical background, the Committee has been informed that he is "a Textile Technologist" and that he "is the best possible experienced officer who was available at that time to the Government of India".

3.28. From the papers furnished to the Committee, they find that the case, along with the case relating to the distribution of the surplus wool for civilian purposes, was referred to the Central Vigilance Commission on the 19th June, 1967 and it was only on the 23rd May, 1968, that the final reaction of the Central Vigilance Commission was made available to Government. No detailed reasons were furnished by the Central Vigilance Commission except the following brief para in their letter communicating their recommendation:—

"After taking fully into account the Central Bureau of Investigation's comments on the views of the Textile Commis-

tioner expressed in his demi-official letter dated the 20th May, 1967, the Commission feels that the various points raised in the report have been adequately met. The Commission is in general agreement with the views indicated by the Textile Commissioner and endorsed by the Ministry of Commerce. The Commission would advise that no action appears to be called for".

3.29. As the office of the Central Vigilance Commissioner was vacant when the official evidence was taken by the Sub-Committee, the Sub-Committee examined the Secretary of the Commission. In reply to the question whether any notings relating to the CBI's comments were available on the files of the Central Vigilance Commission, he has stated "There were no notings on the file." The case was examined and disposed of at the level of the Central Vigilance Commissioner and the considerations which weighed with him in tendering the advice were recorded in the letter referred to above. In reply to a question, the Secretary of the Commission has stated: "There is no officer in the Commission to advise us on legal matters. . . . I may say that the Central Vigilance Commissioner was himself a jurist of eminence." On the 3rd September, 1968, the CBI made a fresh reference to the CVC for reconsideration of their earlier decision*.

3.30. In the course of evidence the Committee wanted to know whether the Ministry could take a decision in this case regardless of the opinion given by the Central Vigilance Commission. The Secretary Ministry of Commerce, has stated in reply that, "On the point on which CVC is reconsidering, we shall await their advice. On the point on which they have not yet advised, we shall await their advice. When all the advice is received, we will take an integrated view of the matter."

3.31. In connection with the examination of estimates relating to the Central Vigilance Commission, the Committee enquired from the new Central Vigilance Commissioner during evidence on 7th January, 1969 whether it was not necessary for the Commission to give cogent and sufficient reasons for exonerating people against the findings of the C.B.I. The Vigilance Commissioner stated in reply "I agree that when the CBI makes a recommendation, or any administrative body like that makes a recommendation, the C.V.C. should not say "I agree or I do not agree". The point is, as I conceive it, the C.V.C. is a quasi judicial body, with a quasi judicial function. He should give reasons, just as a judge will have to give the reasons for his conclusion. The form in which the C.V.C. has

*Please see foot-note to para 3.33.

to express its decision will be this: It may say "there is a report of the administrative ministry on the impugned or the accused public servant; here are the facts and the reasons. Therefore I do not agree. The reasons must be given. We cannot just be arbitrary. After all, the C.V.C. has only an advisory function. Advisory to the Government and the department concerned. How can a department reach a decision if the C.V.C. gives no reasons whatsoever."

3.32. The Committee find that no detailed notes or reasons were recorded in the Central Vigilance Commission while tendering the advice that no action was called for on the recommendations of the Central Bureau of Investigation for a regular departmental action against the concerned officer for alleged negligence in working out requirements of wool to be imported for defence needs, which resulted in loss of foreign exchange.

3.33. The Committee hope that while examining the fresh reference made by the Central Bureau of Investigation to the Central Vigilance Commission for reconsideration of their earlier decision, the Central Vigilance Commission will record detailed reasons for their final opinion in the matter, as stated by the present Central Vigilance Commissioner.

Utilisation of wool for the purpose for which imported.

3.34. Although the wool was actually imported by the Indian Woollen Mills Federation, the control over its distribution was that of the Textile Commissioner. The D.G.S. & D. issued actual acceptances of tenders in favour of the mills for supply of woollen materials for the Defence Forces, against which the Textile Commissioner issued release orders to the Federation for allotment to individual mills.

3.35. Asked as to what measures were taken by Government to ensure that the wool so released to the individual mills was actually used by them only for Defence requirements, the Secretary, Ministry of Commerce in his evidence has explained the procedure in this matter as follows:—

"The administrative procedure was that the wool was imported by the Federation and was stocked by the Federation and release orders were issued by the Textile Commissioner's Office. Against these release orders, the wool was issued by the Federation to the consuming units. The consuming units consumed the wool and produced the goods which were to be produced and the goods were taken over by the Defence people."

*At the time of factual verification of this Report, the Committee have been informed that the Central Vigilance Commission, after recording detailed reasons, have finally advised that there did not appear to be sufficient material for taking departmental action against the officer concerned.

3.36. It was added by the representative of the Ministry that, "The only effective check that could be exercised by the Office of the Textile Commissioner was to ensure that the finished products as contracted, which were to be manufactured with the raw material supplied, were delivered to the Directorate-General of Supplies and Disposals. So far as keeping accounts was concerned, that certainly was the responsibility of the Federation which has imported the wool and if the materials to be produced did come out and were actually supplied that was the only effective check which the Textile Commissioner's organisation could exercise." The representative of the Ministry of Commerce added that the materialisation of supplies for which orders had been placed on the mills was regarded as an adequate check on wool having been utilised for production of fabrics for the Defence Services. The representative of the Ministry has added that quantity and quality of supplies made to the Defence Department was also checked by them and if the quantities were less or the quality poor, the Defence Department would refuse to accept the same.

3.37. In the course of evidence the Committee referred to a letter dated 24th April, 1963 from the Ministry of Defence (CGDP) to Ministry of Economic and Defence Co-ordination wherein it was stated as follows:

"It will be appreciated if we are advised regarding arrangements which must have been made by the Textile Commissioner Supply Department to which the actual allocation and utilisation of the above imported materials, particularly to check up that they are being applied only to production for Defence for which the imports had been sanctioned."

3.38. The Ministry of Economic and Defence Co-ordination (Department of Supply) in their turn wrote to DGS&D on 7/9th May, 1963 asking to "know the arrangements which have been made to watch the actual allocation and its utilisation of the imported quantity of wool."

3.39. On the 21st May, 1963, the then Secretary, Ministry of Defence wrote a D.O. letter to the Secretary, Ministry of Economic and Defence Co-ordination stating, "Foreign exchange for these imports have been sanctioned by the Government to meet Defence requirements.

I would be grateful if we are please advised as to the arrangements which must have been made by the Textile Commissioner

Supply Department to watch the actual allocation and utilisation of the above imported materials, particularly to ensure that they are being applied only to production for Defence, for which the imports have been sanctioned."

3.40. The Committee have been informed that as intimated by the Director, Office of the Textile Commissioner, Bombay in his letter dated the 31st May, 1963/1st June to the Director (Supplies). Directorate-General of Supplies and Disposals, New Delhi the following measures were stated to have been taken by the Textile Commissioner:

"The quantity released is worked out strictly in accordance with the requirements of raw material for production of the specified quantities for which orders are placed on 'with assistance' basis.

As soon as the mills complete the contracts for which assistance has been rendered to them in the form of raw material, the utilisation of these raw materials will be complete and no further check is considered necessary.

Some quantities of wool tops are also released to the spinners for the production of hosiery yarn. Against the release of these wool tops, the quantity of yarn expected to be produced out of same is released to the hosiery industry who have accepted orders for hosiery articles.

A close watch is being kept in regard to the deliveries made by the spinners to the various hosiery units. The Hosiery Industry Federation, Ludhiana, has undertaken to keep a watch on the consumption of this yarn against Defence orders and has assured us that account for each and every lb. of hosiery yarn released to the hosiery industry will be rendered by them.

Some quantity of tops to the spinners have been released only recently and further quantities will be released as and when the consignments arrive.

The account from the Hosiery Industry Federation about the quantities of yarn received and consumed by the individual units in the production of Defence items will furnish the required proof that the imports have been utilised for Defence production."

3.41. The Committee are not convinced that a proper and complete check was exercised with regard to proper utilisation of the imported woollen materials for the purpose for which these were imported. They do not know whether at any stage any attempt was made either by the Textile Commissioner's organisation or by the D.G.S. & D. to actually reconcile the figures given by the Federation with the quantities released under orders of the Textile Commissioner against the contracts placed by the D.G.S. & D. and whether there was any discrepancy in any of the figures. The Committee would like that suitable action in this respect should be taken by the authorities concerned even now, if not already done.

3.42. The Committee feel perturbed to note that once the licence for the import has been issued, there is no single organisation or authority which can verify or check up whether the importer has in fact imported according to the licence issued or not. In the present case the Committee note that even though attempts were made at the instance of the Committee by the Ministry of Commerce to verify the figures of imports from documents available with the Collectors of Customs, Bombay and Calcutta and also from the endorsements on the exchange control copies of the relevant import licences, they have not been able to present a complete and correct picture.

3.43. The necessity of finding out the correct position with regard to quantities and value of imported items of wool cannot be overemphasised in this case in view of the following facts:

- (1) These figures have to be tallied against the quantities released by the Federation on instructions from the Textile Commissioner to the mills from time to time against the contracts placed by the D.G.S. & D. for meeting the Defence requirements.
- (2) In case lesser quantities than those specified in the licences have been shown to be imported, enquiries will have to be made as regards the difference in value and the amount saved in foreign exchange and what has happened to it.
- (3) In case lesser quantities than those indicated in the licences have been shown to be imported, it is necessary to find out whether it was actually so or whether the quantity not shown as imported has been utilised for purposes other than meeting the requirements of Defence.

In these circumstances the Committee desire that further attempts should be made to investigate on the lines indicated above.

3.44. The Committee also desire that the Ministry should devise ways and means in consultation with customs and other connected authorities to ensure that a proper check is exercised on the utilisation of import licences.

Prices paid for the purchase of wool by the Purchase Mission

3.45. At the meeting held under the chairmanship of the Minister of International Trade on 10th November 1962 to discuss the measures to gear up the Indian Woollen industry to meet Defence requirements in the wake of the Chinese aggression, one of the steps decided upon was the appointment of a Controller of Woollen Textile to implement and supervise the various measures required in this behalf. It was also decided that the Controller of Woollen Textile would be assisted by an Advisory Committee drawn from the industry to be known as the Woollen Production Advisory Committee, and the following persons were nominated as members of this Committee:—

1. Shri R. K. Birla—Chairman, Development Council for Woollen Industry.
2. Shri B. M. Grover—Chairman, All India Woollen Mills Association.
3. Shri G. K. Singhanian—President, Federation of Woollen Manufacturers' Association.
4. Shri V. Calloway—British India Corporation, Kanpur.

The Committee was to advise the Controller in fixing the production schedule of each of the composite and spinning mills.

3.46. All the four woollen Advisers, along with Shri Eric D'Souza, Executive Secretary of purchases on behalf of the Federation of Woollen Manufacturers in India and the All India Woollen Mills Association Ltd., left India on the 4th December, 1962, for Australia and other countries to make purchases of raw wool and wool tops mostly of 48 s. and 56 s.

In Australia, they visited Sydney and Melbourne where firm orders were placed for wool and wool tops with the various parties. From there they proceeded to New Zealand. Shri Birla was asked to proceed to U.K. via Delhi in order to have fresh instructions and

so he left Sydney for U.K. on the 11th December, 1962 *via* Delhi. The other members of the team and the Executive Secretary proceeded to U.K. from Sydney *via* U.S.A.

3.47. The Wool Advisers were given instructions from time to time asking them that our High Commissioners in Australia, New Zealand and U.K. should be informed of the developments and associated with the negotiations. Copies of cables sent in this regard by the Ministry of Commerce are given in Appendix XI.

3.48. A copy of the letter received from the Indian High Commission in New Zealand regarding the purchases made by the Wool Advisers is at Appendix XII.

3.49. On their return to India, the Wool Advisers furnished a Report to the Controller of Woollen Textiles, which is reproduced at Appendix XIII.

3.50. Copies of this Report were also endorsed to the Minister of International Trade, the Ministry of Supply, the Secretary and Under Secretary, Ministry of International Trade, the DGS&D and the Textile Commissioner.

3.51. In a Memorandum submitted to the Committee the Indian Woollen Mills Federation have stated that the funds for the import of the wool were provided by the Federation to whom the special *ad hoc* licences issued for the import had been allotted. The Federation had raised loans of Rs. 7 crores for the purpose from A class scheduled Banks on the security of raw woollen materials which were imported against the two special licences. The rate of interest paid on these loans was three per cent above the bank rate prevailing at that time.

3.52. An allegation was made that the prices paid by the Wool Mission were higher than the prices prevailing in the international market at that time. The allegation was looked into by the Central Bureau of Investigation and from the enquiries made in India they could not establish that the prices at which wool was imported by the Federation in 1963 was higher than the market rate. On the other hand, enquiries made by them from International Wool Secretariat, New Delhi and a comparison of some of the bills of entries pertaining to the past import by individual mills with the bills of entries in regard to the wool purchased by the Wool Mission showed that prices paid by individual mills for import against their licences were in fact, in some cases higher than those paid by the Wool Advisers.

3.53. It has been added by the CBI, "From a scrutiny of the bills of entry it was found that they did not contain full description of the goods imported and therefore did not furnish fool-proof data for comparison...."

3.54. The Committee referred to certain publications on the Australian Wool Industry which showed the average prices of wool and desired to know whether such publications could not help in making a comparison of the prices paid by the Wool Advisers with those prevailing in the international markets at that time.

3.55. The representative of the Central Bureau of Investigation stated in evidence that they had looked into certain publications but that it would be difficult to find out the price of a particular item prevailing in the foreign market at a particular time. They had obtained the prices from the International Wool Secretariat. The representative of the Ministry of Commerce has stated in evidence that it is impossible for anybody to claim that it is possible to check up what exactly was the ruling price. The publications on the subject would give the auction prices from time to time, from auction to auction and from grade to grade, and weekly summaries of the auctions (and not the c.i.f. prices) held in various parts of the world. That was why, it has been stated, one of the great problems of the Indian economy had been the under-invoicing of exports and over-invoicing of imports and the Government had been unable to check it and therefore they introduced the system of canalisation.

3.56. The Committee called for a detailed note as to the enquiries actually conducted by the Central Bureau of Investigation in this matter and the same is reproduced at Appendix XIV. This note states *inter alia* that "the enquiry by the Central Bureau of Investigation was taken up some three years after the importation of wool and even samples of the imported wool were not available except a few with Mills like the British India Corporation but even these were in a deteriorated condition."

3.57. The Committee note that from the enquiries made in India by the Central Bureau of Investigation, they could not establish that the prices at which wool was imported by the Federation in 1963 were higher than the market rate, and that, on the other hand, enquiries made by them from International Wool Secretariat, New Delhi, and a comparison of some of the bills of entries pertaining to the past imports by individual mills with the mills of entries in regard to the wool purchased by the Wool Mission had shown that the prices paid by individual mills for import against their licences were, in fact, in some cases, higher than those paid by the Wool Advisers.

The Committee also note from the information furnished by the Central Bureau of Investigation that detailed enquiries could not be made abroad because it was found that comparison was possible between the prices of the wool of the same quality only if country of origin was the same and then for proving that the price paid was higher it would have to be established that the relevant prices in the country from which the wool was obtained, for example Australia, was at the relevant time lower than the price for which a particular quality of wool was purchased. As evidence on the point should only be collected in the country from which purchases were made, these enquiries could not be pursued by them, especially as the experience of the C.B.I. was that the firms and other agencies in foreign countries did not cooperate even in giving information of this nature against the firms belonging to their country, let alone come for evidence in court. The Committee also note that the enquiry by the CBI was taken up some three years after the import of wool and even samples of the imported wool were not available except with a few mills, but even those were in a deteriorated condition.

Payment of prices for woollen articles purchased for Defence requirements in 1962-63.

3.58. In connection with the purchase of woollen articles by the D.G.S. & D. to meet the Defence Services' requirements at the time of Chinese invasion in 1962-63, it has been alleged that no tenders were invited and that the prices fixed through negotiations were the same as were being paid for such articles before the hostilities without obtaining any reduction on account of the fact that import licences were being granted to the suppliers thus enabling them to purchase raw materials at much cheaper rates.

3.59. The representative of the D.G.S. & D. has stated in evidence that no tenders were invited at that time because it would have taken at least a couple of months and this would have hindered expeditious action.

3.60. As regards the prices paid through negotiations and the comparison of those prices with the prices which were available prior to Chinese aggression, the D.G.S. & D. have furnished a detailed note, (with copies of notings from the relevant files), which is appended at Appendix XV. It would appear therefrom that in the case of cloth/articles produced from imported wool, the factor that licences for import were being granted by Government was not taken into account.

3.61. So far as prices paid through negotiations are concerned, while for majority of the items the prices fixed were nearabout the

last purchase price, in some cases (particularly Serge Battle Dress and Barea thea Blue Grey) the prices paid were considerably higher than the last purchase prices, for the following reasons:—

- (i) Conversion of prices from yard to metre;
- (ii) Statutory increase in excise duty;
- (iii) Increase in international wool prices; and
- (iv) Increase in the cost of living index.

3.62. The Financial Adviser in his note dated the 13th December, 1962 has recorded the following in connection with the fixation of prices in the case of cloth/articles produced from imported wool:—

“On an enquiry by me as to what was the basic reason that the prices for certain articles were significantly higher than the last purchase price, he (Deputy Financial Adviser—Supply) has clarified that the price of imported wool has gone up generally by about 10 per cent to 12 per cent during the last two months. Likewise there has been increase in the price of indigenous wool. The prices proposed to be accepted are stated to be the best which are obtainable as a result of negotiations.”

3.63. The Committee regret to note that in the case of cloth/articles produced from imported wool the factor that licences for import were being granted by Government was not specifically taken into account by the D.G.S. & D. and other authorities concerned in fixing the prices of articles supplied against D.G.S. & D. contracts.

The Committee are not aware of any investigations conducted by the authorities to check up, before fixing the prices, if the price of wool, imported by the Federation, had really gone up generally by about 10 per cent to 12 per cent during October-November 1962 and whether the suppliers actually had to pay this higher price for the imported wool being used for the purpose.

On the other hand the Committee find, as revealed from the investigations made by the CBI (vide para 3.52), the “prices paid by the individual mills for import against their licences (earlier) were in fact, in some cases, higher than those paid by the Wool Advisers (for imports made in 1962-63)”. It is difficult for the Committee, therefore, to be convinced of the claim of the D.G.S. & D. that the higher prices had to be allowed to the suppliers after negotiations because of their reasons that the price of wool had gone up in the international market.

Supply of excess quantities of raw material against orders for under-pants.

3.64. In order to meet the requirements of Defence, orders for supply of under-pants were placed by the D.G.S. & D. on 7 Hosiery Firms of Ludhiana. In the 'Acceptance of Tenders' in connection with these orders, it was stated by the D.G.S. & D. that "the requisite yarn required in the execution of this contract shall be released by the Textile Commissioner, Bombay." At the instance of the Committee, the D.G.S. & D. have checked up from all the Accepted Tenders that there was no reference to the quantity of raw-materials to be supplied to any of these firms. The task of assessing the quantities of imported yarn to be supplied for these orders was left to the Textile Commissioner.

In one of the cases investigated by the Central Bureau of Investigation it has been alleged that Shri Balani, a Deputy Director in the Office of the Textile Commissioner, originally assessed the quantities of yarn to be supplied at 8.6 Ozs. per under-pant, but subsequently these calculations were revised by him and a new scale of 12 Ozs. per under-pant was laid down. The CBI have collected evidence to show that this allocation of 12 Ozs. of yarn per under-pant was excessive. At that time imported yarn was much in demand and the CBI have also evidence to show that this yarn was sold at a premium above the control rate in the market. The firms which received yarn in excess of their requirements in the fabrication of under-pants, therefore, secured substantial pecuniary benefits. On completion of their investigation the CBI have recommended prosecution of three officers namely, Shri R. G. Zalani, Shri P. J. Soman and Shri V. Subramaniam and one non-official namely, Shri K. K. Adya, former President of the Hosiery Industry Federation Ludhiana, on whose advice the estimate of 12 Ozs. of yarn per under-pant was accepted by the Textile Commissioner's Office, under section 120-B IPC read with section 5(1) (d) and Section 5(2) of the Prevention of Corruption Act, 1947.

The Central Vigilance Commission have not given their opinion on this case as they have stated that they are awaiting explanation from Shri V. Subramaniam of the Department of Supply*.

3.65. From a D.O. letter No. LDH/WSB/1 (4) /845 dated April 15, 1963 from the Assistant Director, Office of the Textile Commissioner, Ludhiana to Shri R. G. Zalani, Deputy Director, the office of the Textile Commissioner, Bombay, it appears that the assessment of 12 Ozs. of yarn required per garment was intimated by the seven units concerned. In a note recorded by Shri R. G. Zalani, Director, Office

*Please see footnote to para 3.70.

of the Textile Commissioner, Bombay on the 20th May, 1966 (Appendix XVI) it has been stated *inter alia*, "If the count of yarn is alright and if the sample is acceptable, it would appear that the actual requirements of yarn are lower than 12 Ozs. estimated by the Hosiery Industry Federation. We should, therefore, after the report of the test sample, take up with the Hosiery Industry Federation and seek a full justification of their estimates of 12 Ozs. of yarn per under-pant.

3.66. The note also stated that if the allotment of 12 Ozs. per under-pant was not justified then the Hosiery Industry Federation and the various allottees may be asked to account for the excess yarn already released to them. It was also added in that note that if the yarn had been utilised for the purposes other than Defence, then the allottees should be asked to return the same so that it could be utilised for other Government orders or if the yarn was not available with them then their quota of yarn against actual hosiery raw materials should be adjusted under the distribution scheme.

3.67. The Director of Industries, Punjab was actually asked to make adjustments against future allocations of the hosiery yarn to the parties to whom excess quantities had been given in terms of old scale. The adjustments could not, however, be affected as details of the excess quantities could not be worked out since the relevant files were with the SPE. The Ministry of Commerce have stated that after the files are released, the quantity due from each will be worked out and intimated to the State Trading Corporation who are now incharge of the allocation of raw materials to hosiery units, under intimation to the Director of Industries, Punjab, for effecting necessary adjustments.

3.68. During the course of evidence, the Secretary, Ministry of Commerce has stated that "there is no doubt at all in my mind that over-assistance was given. 12 Ozs. was not required. They were given 12 Ozs. Later investigation proves that it was not correct. Whether there was negligence or collusion is a point to be decided."

3.69. The Committee note with surprise that the Director in the Office of the Textile Commissioner, who is a technical officer, should have relied on the estimates made by the Hosiery Industry Federation with regard to the quantity of yarn required for manufacturing each under-garment. It appears to the Committee that no check was exercised in this matter by the Textile Commissioner and proper attention was not given in calculating the quantity of yarn required. This has, no doubt, resulted in undue pecuniary benefit to the firms to whom raw material was supplied in excess of their actual require-

ments. The Committee desire that the serious lapse should be further investigated urgently to fix responsibility and suitable disciplinary action taken against the defaulting officers at an early date. In this connection the Committee desire that the remarks of the Secretary, Ministry of Commerce, "Whether there was negligence or collusion is a point to be decided" should be borne in mind.

370. The Committee desire that the Central Vigilance Commission should, without further delay, finalise their opinion in this case* so that necessary action may be taken by Government without loss of time.

371. The Committee further desire that early action should be taken to work out the quantities of yarn due from the mills to whom excess quantities had been issued and communication sent to the State Trading Corporation and Director of Industries, Punjab for effecting necessary adjustments. The Committee should be apprised of the final action taken in the matter in due course.

Quantities rendered surplus

372. The following quantities of wool were rendered surplus to the Defence requirements in 1962-63 against the total imports under these categories:—

Quality	Imports		Surplus	
	Quantity in Lakh lbs.	C.I.F. Value in Lakh Rs.	Quantity in Lakh Lbs.	C.I.F. Value in Lakh Rs.
56s white tops	5.31	26.50	*4.05 (*including some wool)	*18.78
48s Carding wool	32.25	97.54	0.35	1.02
Shoddy rags	30.34	37.98	7.08	8.14

373. As it was the 56s quality wool which was in great demand and on which there was a premium in the market, the examination of the distribution of the surplus pertains only to this quality.

Possible Utilisation for other Defence needs

374. The D.G.S.&D. explored the possibilities of utilising some of the surplus of 56s wool tops for other Defence requirements before

*At the time of factual verification of this Report, the Committee have been informed that the Central Vigilance Commission have advised on the 20th March, 1969, that the material on record did not make out a case even *prima facie* of conspiracy, but that departmental proceedings as for a major penalty be taken against the three public-servants concerned.

the same could be released for civilian consumption. The D.G.S.&D. felt that a part of the surplus quantity could be utilised for the manufacture of *Putties*, for army personnel but as alternative arrangements were being made to provide necessary 56s quality wool for these *Putties*, the possibility of using this surplus in the manufacture of vests winter or drawers woollen was examined. For this purpose, Shri V. Subramanian, Director in the Office of the D.G.S.&D. addressed Shri B. D. Naithani, Chief Inspector of Textiles and Clothing, Kanpur on the 28th October, 1963, as follows:—

“I was wondering whether these surpluses could be utilised in the manufacture of Vest Winter of Drawers Woollen, although 58s-60s are specified for this purpose. For the bulk requirements of Vests Winter, Drawers Woollen as well as Underpants, import of 58s-60s has already been arranged and the consignments have been received and are under distribution. If you agree to the utilisation of 56s for this purpose, this will enable us to use up the ready stock of 56s white tops”.

On the 6th November, 1963, the CIT&C wrote back to the Director in the office of the D.G.S.&D. as follows:—

“Although sample of only one quality of 56s tons has been sent to me, I understand that tops of this quality have been purchased by the Federation from 3 to 4 sources. The sample received by me is not a good quality 56s top and it will not be suitable for the manufacture of undergarments. Surplus quantity of these tops could be utilised for the manufacture of socks and jerseys because the fibre diameter of these tops is more close to 48s/50s quality rather than 56s”.

The comments of the C.I.T.&C. relate to only one sample of 56s wool and no other samples appear to have been sent to him for examination and report. The Director in the D.G.S.&D. forwarded the reply of the C.I.T.&C. to the Textile Commissioner's office stating that ‘it holds no promise in this direction, and I think we may have to think up of another alternative or release the quantity for civil consumption’.

3.75. As a result of their investigation, the Central Bureau of Investigation have come to the conclusion that a large number of orders for manufacturing under-pants, vests were pending and 5.37 lakh lbs. of 56s wool was required for the purpose. The surplus 56s

could thus be utilised for this purpose instead of releasing it for civil consumption. The representative of the CBI has stated during evidence that they had consulted the Chief Inspectorate of Defence who had confirmed that there was no objection from their point of view to the utilisation of 56s wool for manufacture of under-pants and vests, etc. In this connection a copy of letter dated the 29th January, 1963 from the Chief Inspector to the Defence Research and Development Organization has been furnished by the CBI (Appendix XVII).

3.76. The Ministry of Commerce in a note furnished showing the sequence of events with regard to the distribution of surplus after meeting the Defence requirements has stated as follows:—

- “(1) In a letter dated 23rd July, 1963 the Under Secretary in the Ministry of Commerce & Industry enquired from the Director in the Office of the Textile Commissioner whether there was any proposal to divert for civilian production some quantities of dyed tops imported on Defence account. The Director in the Office of the Textile Commissioner in his reply dated 30th July, 1963 stated that there was no diversion of any material imported on Defence account. All that had been done was to make an advance allocation of 56s dyed tops for production of serge battle dress in anticipation of future orders in the DGS&D.
- (2) In a sacraphone message No. 2771 dated 3rd September, 1963 from the Under Secretary, Ministry of International Trade to the Industrial Adviser, Textile Commissioner, it had been mentioned ‘any diversion from imports made for Defence needs for purposes of civilian consumption should be accounted within this additional allocation (release of additional Rs. 3 crores ceiling for import of raw wool/wool tops for the period October, 1963/September, 1964)’. In his letter dated 13th September, 1963 the Deputy Director in the Office of the Textile Commissioner enquired of the Ministry of Commerce & Industry whether the question of diversion was applicable only to licences issued jointly in the name of the two associations (the Federation of Woollen Manufacturers in India and the All India Woollen Mills Association). This was confirmed by the Ministry.
- (3) A review of the supply position of the essential textile and woollen items was made in an inter-departmental

meeting held in the room of the Minister of Supply on 13th September, 1963. It was mentioned in this meeting that depending on the time taken in making supplies and other factors, the Department of Supply will in consultation with the Ministry of International Trade and Department of Economic Affairs decide the action to be taken in regard to release of wool for civilian consumption, or exports.

- (4) In reply to a letter from the Director in the Office of D.G.S.&D. to the Director in the Textile Commissioner's Office on 17th September, 1963 the Director in the Textile Commissioner's office wrote on 20th September, 1963 that he had noted that it would be possible to utilise a major portion of surplus of 56s dyed tops, 48s carding wool and 48s tops for Defence production.
- (5) On 26th September, 1963, Joint Secretary in the Ministry of Economic and Defence Co-ordination wrote to Secretary, Ministry of International Trade regarding stocks of wool carried by the industry on behalf of Defence requirements. In this letter he stated that certain surpluses specially of 56s dyed wool for serge battle dress and 48s carding wool for cloth brown had occurred as a result of certain changes in the uniform. The Ministry of Defence had no immediate requirements for this cloth. He, therefore, requested the Ministry of International Trade to consider whether the surplus 56s dyed tops could be exported.
- (6) The Textile Commissioner in a DO letter dated 7/8th October, 1963 addressed to the Secretary, Ministry of International Trade pointed out that Shri R. K. Birla had complained to him about the delay in taking over the stocks of wool and tops lying with banks.

Procedure for distribution of surplus

3.77. A meeting of Secretary Finance, Secretary (Supply) and Additional Secretary Defence was convened on the 17th October, 1963 to consider the prospects of utilisation of surplus imported wool/wool tops against woollen and snow clothing requirements framed by the Ministry of Defence upto the end of 1966-67. At this meeting the representatives of the Defence Ministry stated that certain items of woollen clothing had been changed and as a result the

requirements of woollen material would be reduced in future. They also stated that as the supplies were ordered on the basis of these items, a surplus of wool tops had arisen. It was also mentioned that another reason for the surplus was that after the outbreak of the emergency stocks of wool held by manufacturers were frozen for meeting the Defence commitments. No representative of the Ministry of International Trade was invited to the meeting. The reasons for not inviting a representative of the Ministry of International Trade to this meeting are not on record in the files of the Department of Supply.

3.78. The following decisions were taken at the meeting of the Secretaries held on the 17th October, 1963:—

- (i) the stocks of white or undyed wool/wool tops (estimated at 4 lakhs pounds) be released to the civil market;
- (ii) the stock of wool/wool tops used for manufacture of cloth woollen known should also be similarly released;
- (iii) with releases at (i) and (ii), the manufacturers would be kept busy for about three months, during which time the possibility of export should be explored fully;
- (iv) the quantities released for civil market would be set off against future quota, except to the extent of those utilised in exports.
- (v) in regard to wool/wool tops, which have been dyed for drab serge, the consumption in civil market and the possibility of export should be investigated on the same lines as above. If the entire quantity cannot be thus disposed of, the question of utilising it against army demands would be examined.

3.79. The representative of the Ministry of Commerce has stated in evidence that the decisions taken at the meeting of Secretaries held on the 17th October, 1963, were communicated to the Ministry of International Trade in writing only on the 28th October, 1963 and reached that Ministry on the 29th October. It is, however, clear from the D.O. letter No. P.II/16(7)62-IV, dated the 28th October, 1963, written by Shri B. D. Kumar, Deputy Secretary in the Department of Supply to Shri A.G.V. Subramaniam, Under Secretary in the Ministry of International Trade (a copy of which has been furnished to the Committee by the Ministry of Commerce and is enclosed at Appendix XVIII) that the decision of 17th October was

not only verbally communicated to the latter on the 17th October itself but a gist thereof was also communicated in writing through a note on the 18th October, 1963.

The note dated 17th October, 1963 sent on 18th October, 1963 by the Deputy Secretary in the Department of Supply to the Under Secretary in the Ministry of International Trade referred to the release of undyed combing wool as follows:—

“Undyed combing wool equivalent to 2 lakh metres which is lying with the Federation should be released for civilian use. The foreign exchange equivalent of this quantity should be adjusted against the quota which may be sanctioned or has been sanctioned for import of wool to meet civil requirements.”

As soon as the minutes of the Secretaries' meeting were officially received in the Ministry of International Trade on 28th October, 1963, the same were put up by the Under Secretary through the Joint Secretary to the Secretary Commerce, who made a minute:

“How much was frozen that belongs legitimately to civil needs”.

The Commerce Secretary returned the file to the Joint Secretary.

3.80. It appears from the records that the Joint Secretary in the Department of Supply met the Minister for International Trade on 26th October, 1963. In pursuance of the wishes of the Minister of International Trade expressed on 26th October, 1963, the Joint Secretary in the Department of Supply sent a note dated 29th October, 1963 to the former, as follows:—

13 (2)/Tex (D)/63

SUBJECT:—Disposal of Serge battle dress.

DEPARTMENT OF SUPPLY

For meeting the requirements of the Defence Services, the Woollen Industry was granted licences to import the following categories of wool:—

- (1) 48s wool tops white, for socks and jerseys;
- (2) 58s, 60s dyed tops, for hosiery items, such as, under-wears, vests, etc.;
- (3) 64s dyed tops for Shirting Angola;

(4) 48s carded wool for cloth drab mixture and cloth brown;

(5) 56s dyed tops and groomed wool for Serge Battle Dress;

(6) Shoddy and Nylon Fibre for blankets;

(7) Nylon tops for admixture with indigenous wool for manufacture of hosiery.

2. The entire quantity of wool imported under Serial Nos. (1), (2) and (3) above is being utilised for meeting the Defence requirements and also the requirements of other essential civil indentors, mainly Police. There will be no surplus in these items.

3. 48s carded wool.

As regards Serial No. (4) above, viz. 48s corded wool, which is being partly utilised for the manufacture of cloth brown, collar cloth, etc. required for the Defence Services as well as the Police, the position of availability as on 1st October, 1963 is as given below:—

(lakh lbs.)

Total surplus reported by the Federation of Woollen Manufacturers		9.75
Total required for meeting demands of essential civil indentors, viz., State Police Central Reserve Police, Railways	5.78	
Anticipated demand for Defence and Police	1	
	<hr/>	
	7.75	7.75
Balance		<hr/>
		2.00

The Ministry of International Trade has been requested to release this balance of 2 lakh lbs. of 48s carded wool.

4. 56s dyed tops and wool.

After meeting the Defence requirements for Serge Battle Dress for which contracts have been placed on the industry, a total quantity of wool under item (5) viz. dyed tops

and wool, equivalent to 10 lakh metres, has been found surplus. It exists in the following forms:—

	lakh metres
(a) Already fabricated into Serge Battle Dress . . .	4·4
(b) Wool tops dyed and wool equivalent to . . .	3·6
(c) Undyed wool sufficient for . . .	2·0

As regards (a), the Ministry of Defence have not yet placed any firm demand for the 4·4 lakh metres of Battle Dress Serge already fabricated by the industry; they are examining their requirements in the light of the surplus that the Director General Ordnance Factories has accumulated owing to the withdrawal of Battle Dress blouses. The quantity of wool tops and undyed wool referred to in (b) and (c) above being surplus to Defence requirements, can be released to the civil market and should be set off against future quota except to the extent of the quantity utilised for exports. This position has been brought to the notice of the Ministry of International Trade.

5. Shoddy and Nylon Fibre for blankets.

Out of the total imported quantity of 30 lakh lbs. 26·78 lakh lbs. have been utilised against Defence requirements leaving a balance of 3·22 lakh lbs. of shoddy. This is likely to be utilised against further orders for admixtured blankets.

6. Nylon Tops.

Out of the total quantity of 4·36 lakh lbs. 0·66 lakh lbs. have been utilised leaving a balance of 3·70 lakh lbs. of nylon tops. This was primarily imported for admixture with indigenous wool for manufacture of socks and jerseys. As the Defence have not found the quality of the product satisfactory, it has been decided to meet the balance requirements of socks and jerseys against Defence demands purely out of imported wool. The Ministry of International Trade will, therefore, be requested to release the balance quantity of 3·70 lakh lbs. of nylon tops for civilian use.

The above note is being submitted to the Minister for International Trade, as desired by him when I met him on Saturday, the 26th October, 1963.

Sd./-

Joint Secretary,
October, 29, 1963.

Minister for International Trade.

Deptt. of Supply U.O. No. 6181-JSK (II)/63 dt. 29th October, 1963.

3.81. The Ministry of Commerce in a written note has stated with regard to the note recorded by the Joint Secretary, Department of Supply on 29th October, 1963 that the Minister of International Trade asked for comments on that note from the officers in the Ministry. This note is stated to have been examined by the Under Secretary, Shri A. G. V. Subramaniam, in the Ministry of International Trade who put up a note on 30th October, 1963 suggesting that the quantity declared surplus by the Defence Ministry should really be allocated for civilian requirements without any debit against future allocation. This proposal was submitted through the Joint Secretary to the Minister for International Trade who agreed with the same on 31st October 1963. The note is reproduced below:—

"13 (23) | Tax (D) | 63

I have already written to the Textile Commissioner indicating that the quantities mentioned in this note will be surplus to defence requirements. I have asked him to let us know the value so that we may take up the question of allocation to us of this quantity for civilian requirements. Earlier the Deptt. of Supply had proposed that they would prefer the export of wool tops as such even though we had pointed out this will not be feasible. Subsequently I consulted M(IT) & S (IT) and both were of the firm view that we should not agree to such a proposal. The tops should be utilised in the country and if necessary only the fabrics should be exported. The Deptt. of Supply have now left it entirely to us.

We may release these quantities for civilian requirements and ask the Textile Commissioner to make suitable allocations. So far as the debit is concerned, I do not think that we should accept any debit against future allocation.

It may be recalled that against an allocation of Rs. 8 crores for the year 1962-63 as much as nearly Rs. 4.5 to 5 crores were diverted for defence production. It is only on this account that *ad hoc* licence issued specifically for defence requirements was not used in full. Strictly speaking the civilian requirements have been drastically cut to accommodate the defence requirements.

Having regard to this very important fact and that considerable cuts have been made out of the civilian quota—nearly to the extent of 60 per cent., the quantity declared as surplus by the Defence Ministry now should really be allocated for the civilian requirements without any debit against future allocation. JS might like to discuss with M(IT).

Sd/-
US(AGV),
30-10-1963.

JS(AVV).

Sd/- JS (AVV)
31-10-1963.

M(IT)
I agree.

Sd/- M(IT)
31-10-1963"

3.82. After submitting his note on 30th October 1963, the Under Secretary left for Bombay on the morning (08.25 AM train) of 31st October, 1963. He noted the Minister's decision only on his return from Bombay after a few days and was thus not aware of the same before he left for or during his stay at Bombay. Asked whether the decision of the Minister was communicated to the Textile Commissioner, the representative of the Ministry has stated in evidence that "we have not been able to find any official communication in writing from the Ministry of Commerce to the office of the Textile Commissioner. But even in the absence of any such communication the Textile Commissioner had the authority to distribute the raw wool. Under the powers given to him he has the authority to dispose of the raw materials." The representative of the Ministry has further stated, "There should have been from the Commerce Ministry a very simple letter to him saying that 'this is surplus. Please distribute it.' The Commerce Ministry has not given these directions in clear terms in writing to the Textile Commissioner."

3.83. The representative of the Ministry of Commerce has also admitted in evidence that although the Ministries of Defence and

Supply were not concerned with the method of distribution of the wool rendered surplus to defence requirements, the Ministry of Finance were certainly interested because if this wool were to be distributed without allocating the same against future AU Licences, that Ministry would have to make further allocations of foreign exchange for import of wool. The Ministry of Finance should thus have been consulted before making a change in the procedure decided upon in the meeting of the Secretaries held on 17th October 1963, but this too was not done.

Events in Bombay

3.84. While the procedure for distribution of wool rendered surplus to Defence requirements was being settled at Delhi, action in this regard had also been initiated at Bombay. From a note recorded in the files of the DGS&D (Dated 5th November 1963), it appears that the then Director General of Supplies and Disposals (Shri Raghavachari) held a meeting at Bombay with the representatives of the woollen industry regarding the distribution of wool rendered surplus to Defence requirements. The representative of Ministry of Commerce has stated in evidence:

"If you are wanting me to tell the Committee, what is the correct procedure, according to me, Mr. Raghavachari had no business to hold a meeting in Bombay. It is the Textile Commissioner's job; it is not Mr. Raghavachari's job. But everybody is having a finger in the pie. What should be done by the Textile Commissioner, Mr. Raghavachari does. He holds a meeting and records a note."

3.85. In reply to a question what was the designation of Shri Raghavachari and where he was posted, the representative of the Ministry has stated that he was the Director-General of Supplies and Disposals and "He was posted in Delhi, and he was acting under the directions of the Minister who was acting on the basis of representations made."

3.86. In the course of evidence the Committee referred to the fact that, "It appears from the papers furnished to the Committee that the only paper relating to decision to release the surplus wool and the procedure for its release (as settled by the Secretaries Committee) available on the Textile Commissioner's files was a copy of a note dated 29th October, 1963 recorded by Joint Secretary, Department of Supply". The Committee wanted to know, "Is there any record to show as to how this note reached the Textile Commissioner's office?" The representative of the Ministry has stated in evidence, "If I may again try to work on my imagination how these

things work is, these gentlemen who are trying to get hold of this wool are seeing every possible person whom they can persuade. They see the Minister for Supply, they see the Secretary for Supply the Minister of International Trade, the Secretary of the International Trade, the Secretary for Commerce, the Textile Commissioner and each one is examining the matter and each one is recording notes. Everybody knows what the other person is trying to do. In the final process the Textile Commissioner takes the decision in the light of all the information."

3.87. Based on this meeting of the the DGS&D (Shri Raghavachari) (at which the Textile Commissioner and his Industrial Adviser were also present), Shri R. G. Zalani, Deputy Director in the Office of the Textile Commissioner, submitted a note on 1st November 1963, the opening paragraphs of which read as follows:—

"A meeting was held by the Director General of Supplies and Disposals, Shri N. E. S. Raghavachi, with the representatives of the local woollen spinning mills. The Textile Commissioner and Industrial Adviser were also present.

1. It was decided that the surplus quantities of 56s. White tops. 48s. carding wool and nylon tops imported for defence requirements under the special licences granted to F.W.M.I. and AIWMA may be released for civilian consumption."

At a later place in this note, Shri Zalani also recorded as follows:—

- "5. The quantities released for civilian consumption may be subject to a provisional condition of adjustment against future actual users' import quotas. Shri Grover, on behalf of the spinning industry, stated that he was not in a position to accept this provision straight-away, but he would discuss the matter with the spinners and would let us know the reaction".

The above mentioned note was submitted to the Director, Wool (Shri Chaudhuri), in the office of the Textile Commissioner, who recorded on 2nd November, 1963 as follows:—

- "1. It is proposed we shall compensate the mills which had given their own A.U. license in part for defence out of these surplus raw materials.
2. We may immediately ascertain the extent to which the individual mills had contributed raw wool, wool tops, nylon etc. for allocating out of this surplus.

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The file then went to the Industrial adviser (Shri I. B. Dutt) who signed the note on 5th November 1963, (thereby recording his approval thereto) but made the following marginal remarks against para I above:—

'For 56s. white tops, 48s. carding wool and nylon top'.

The file then went to the Textile Commissioner (Shri R. Doraiswamy) who signed the same on 9th November 1963, thereby recording his approval to Shri Chaudhuri's proposal. No immediate release orders appear to have been issued on the basis of the above decisions.

3.88. The percentages of 1/22s. Hosiery yarn delivered by the different mills were worked out by the Textile Commissioner's office and the question of allocation of 56s. wool tops became the subject matter of notings in that office again on 7-12-1963. The same percentage was applied to the total quantity to be distributed, and the quantities to be released along with draft letters informing the mills about their allocation were put up by the office for approval of the officers.

The Director, Shri Chaudhuri, recorded a note on 7-12-63, the opening paragraphs of which read as follows:—

"Discussed with D.D.(Z), letter from the Ministry No. 12(6) Tex. D/63 dated the 24th September (October) 1963 was discussed with TXC, I.A., and US (AGV) in Bombay on 31-10-63. DGS&D was also present.

It was agreed that 56s. white tops/combing wool lying in stock out of the purchase by the Federation and the Association may be released for the civilian market as these tops are no longer required for Defence production.

As it was pointed out that the mills will not be interested in lifting this quantity if adjusted against their future AU licences, it was agreed that these tops should be given to such mills who had surrendered a part of their AU licences towards Defence production.

US (AGV) pointed out that the mills which had surrendered a part of their AU licence during emergency should be compensated, to the extent possible".

3.89. As Shri A. G. V. Subramaniam, Under Secretary, referred to above was not in Bombay on 31-10-1963, having left Delhi only on that date, and reached Bombay by train on the morning of 1st November (to attend a meeting of the Handloom Study Group), a

suggestion has been made in the papers submitted to the Committee that the meeting referred to above might have been held on 1st November, 1963 and the reference to 31-10-63 could have been made out of inadvertence as the note was recorded over a month after the officers from Delhi had come to Bombay.

3.90. At a later place in his note referred to above, the Director (Shri Chaudhuri) recorded as follows:—

“The allocation suggested below will go to the spinners who had supplied 1/22s. hosiery yarn out of their own 56s/60s/64s. white tops out of their own AU licences.

While allocation for 2.5 lakh lbs. of white tops to the spinners may be made immediately according to the list placed below, we should also ascertain the extent to which the composite mills had surrendered their own AU Licences for suply of Serge Battle Dress with a view to calculate to what extent they could be compensated out of the balance stock with the purchase Mission/Mills”.

This note was not submitted to any higher officers and the release orders for 2.5 lakh lbs in fovour of 16 mills were issued.

3.91. After issue of the release orders pertaining to the 2.5 lakh lbs. of wool tops to the spinners, the notings in the Textile Commissioner's office files discuss the release of the balance of 1.53 lakh lbs. of wool tops and 1.36 lakh lbs. of combing wool, both of 56s. quality.

In his note, dated 22-1-1964, the Deputy Director (Shri Zelani) recorded as follows:—

“* * * * * we have 1.53 lakh lbs. of 56s white wool tops and 1.36 lakh lbs. of 56s combing wool for allotment for civilian production. It is proposed to allocate these quantities to those mills who had taken up orders for Serge Battle Dress on “Without Assistance” basis out of their own raw materials. A statement of such mills eligible for allotment and the proposed allotment of tops as well as coming wool on *pro-rata* basis is given in the statement below”.

3.92. On the note of the Deputy Director, the Director, (Shri A. C. Chaudhuri) recorded on 23-1-1964 as follows:—

“The above proposals have been made in consultation with me and I agree with the same.

Industrial Adviser may see for approval. Immediate follow-up action is necessary."

3.93. The Industrial Adviser (Shri I. B. Dutt) recorded as follows on 24-1-1964:—

"I understand from DD(Z) that it has already been decided to allocate 1.53 lakh lbs. of 56s. white wool tops and 1.36 lakh lbs. of 56s combing wool for production of goods for civilian purposes to the mills who have produced serge battle dress on the basis of 'without assistance'. Therefore, these varieties of tops may be allocated proportionately".

The file did not go to the Textile Commissioner.

On the basis of the above orders, allocations of surplus quantities of 56s white tops and 56s combing wool for civil consumption were prepared and submitted (for signature) by the office on 1.2.1964.

3.94. Before these allocation orders were approved and issued, a revision thereof was made and the office note recorded in this connection on 31-3-1964 stated as follows:

"DD(Z) may kindly see his notings on pre-page. As per discussions with the Wool Advisers the allocation has been revised to include orders for "serge blue" on without assistance basis also. Since weight of sq. yard of serge B.D. and serge blue does not differ considerably (viz. 12 ozs. and 14 ozs. respectively) the benefit of allocation of 56s combing wool|tops has been given on the basis of A|Ts. for No. of metres placed on various mills."

As a result of this decision four mills were given allocations out of the surplus wool. According to the Ministry of Commerce "since the serge blue manufactured was out of merino wools the same could have come only out of their A.U. Licences. The quantity of surplus wool allocated to these mills against orders for serge blue on without assistance basis works out to about only 7 per cent of the quantity of wool used by them out of their A.U. Licences.

3.95. The allocations made on this revised basis were ultimately signed on the 7th April, 1964.

The inclusion of 'serge blue' was done on the representation of one of the Mills (whose representative was one of the Wool Advisers and had been a member of the Purchase Mission) who had utilised

64s wool for manufacture of serge blue, that they had been deprived of the allocation of surplus imported 56s wool.

Investigations by C.B.I.

3.96. The question of disposal of surplus wool has been the subject matter of a case investigated by the C.B.I. and the irregularities brought out in the report of the investigating officer are broadly as follows:—

- (a) The wool should not have been released for civilian consumption as it could be utilised for other pending Defence requirements;
- (b) A Committee of Secretaries had decided that the releases to be made to the Industry for civilian consumption should be set off against their future entitlements of imported wool, but when the actual distribution was done it was not so set off;
- (c) The criteria for distribution of surplus wool laid down in the Textile Commissioner's office were changed from time to time in order to favour certain parties who were thus able to earn substantial pecuniary benefits.

3.97. According to the CBI, 56s wool was in great demand and was being sold in the market at a premium. Therefore, the mills to whom releases of surplus imported wool were made, earned substantial pecuniary benefit. Also that the spinners and the composite mills to whom these releases were made were allowed to sell the yarn outside the distribution scheme i.e. beyond the controlled prices.

3.98. In regard to Serge Battle Dress and Serge Blue, it is the case of the C.B.I. that although the criteria laid down in the notes was 'the extent to which the composite mills had surrendered their own AU licences' for their supply, the actual releases were made on the basis of the monthly returns of the mills which merely indicated the orders they had received on 'without assistance basis' and not the orders they had executed.

3.99. It is also the case of the C.B.I. that in most cases the orders were for fabrics made out of Indian wool and not out of imported wool, and this fact was known to the officers dealing with the allocations of the surplus wool. Thus some of the mills got a share of the surplus imported wool without using imported wool for manufacturing the serge battle dress.

3.100. It has been brought to the notice of the Committee that in connection with the distribution of the wool rendered surplus in 1963, while the organized sector were given allotments without adjusting the same against their future A.U. quotas, the decentralised sector were not afforded any such concession although they too had contributed towards the Defence efforts in the matter of manufacture and supply of woollen articles for the Defence services.

3.101. The Committee find that some of the surplus material was offered to the decentralised sector but only 'to be adjusted against backlog of permits for worsted weaving yarn in favour of their member units', but the same was not accepted by the latter.

3.102. When the findings of the Central Bureau of Investigations relating to the distribution of surplus wool were referred to the then Textile Commissioner for his comments, he stated in a D.O. letter dated 20th May, 1967 to the Joint Secretary, Ministry of Commerce as follows:—

"It seems absolutely evident that the Under Secretary (Shri A. G. V. Subramaniam) who had submitted this note (suggesting that the formula decided upon by the Secretaries Committee may not be accepted by the Ministry of International Trade) and who was in Bombay on the 1st November, must inevitably have briefed Shri Chaudhuri (the then Wool Director in the Textile Commissioner's Office) of this position".

3.103. In the course of evidence the Committee desired to know if there was any record in the Textile Commissioner's Office to indicate that Mr. Chaudhuri was actually so briefed. The representative of the Ministry has stated in reply, "There is no other record except the note of Shri Chaudhuri dated 7th December in the Textile Commissioner's Office". Asked how Shri Chaudhuri then had been briefed, the representative has replied, "It appears that he has received information, from whom one does not know". The representative of the Central Bureau of Investigation added, "Mr. Subramaniam has stated that he never mentioned this to Mr. Chaudhuri." The Committee thereafter wanted to know if Shri Subramaniam after his return from Bombay, made any notings on the file. The representative of the Ministry stated that there was no such noting. Asked if this was the usual practice in the Ministry to convey such important decisions verbally, the representative of the Ministry has stated, "The usual practice is to convey important decisions in writing." In answer to a further question the Secretary of the Ministry of Commerce has stated, "I would say that even if it be unfair that Mr. Subramaniam verbally conveyed it to Mr. Chaudhuri

or Mr. Doraiswamy, I still maintain that it was the duty of the Ministry to convey it formally and in writing and the Ministry failed in that".

3.104. The then Textile Commissioner in the same letter referred to the distribution of surplus wool to the decentralised sector as follows: "As you will appreciate, the decision to allocate the surplus wool to those of the units who had made Defence supplies was widely known to the entire woollen industry and hence any party who felt that he could benefit by such general policy would have or at least should have at that time approached us if there was any grievance".

3.105. In the course of evidence the Committee desired to know if there was any document or Press Note or newspaper item or Press publication to the effect in support of the expression "widely known" used by the Textile Commissioner. The representative of the Ministry has stated in reply, "There was no Press note or newspaper advertisement. The only documents that we have in proof of this having been done are the copies of the release orders which also contain reference to the basis on which releases have been made and they were endorsed to the Executive Secretary, Purchase Division of the All India Woollen Mills Federation, Bombay and the Federation".

3.106. In this connection the Committee wanted to have documentary evidence in support of the statement made by the then Textile Commissioner in his letter dated 20th May, 1967, that "The records only show that the decentralised industry had indicated that they would not be prepared to accept yarn made out of this wool under their distribution scheme". The representative of the Ministry has stated in reply, "I think the decision is that in the original communication which was sent to the decentralised sector the offer made to them was against a backlog and this offer the decentralised sector did not accept. At that time the same condition—the "set-off" condition—was supposed to be there for the organised sector also. Later on, when the "set-off" condition was withdrawn from the organised sector, no offer was made to the decentralised sector..... There is no letter on the Textile Commissioner's file indicating an interest on the part of the decentralised sector in allocation if there is no backlog. There is no letter, there is no grievance from them at that stage. From the Government's point of view I am saying that to be fair and to keep the records clean, they should have sent a communication". The representative of the Ministry has added, "At the second stage if they wanted to be fair and careful, they should have made an offer to the decentralised sector."

3.107. The Committee has been informed by the Central Bureau of Investigation in a written note that they had recommended prosecution of three officers of the Textile Commissioner's Office, but the Central Vigilance Commission had come to the conclusion that no action was called for in the matter.

3.108. The latest position is that the Central Bureau of Investigation have requested for reconsideration of the decision and the matter is under examination by Government*.

3.109. The Committee have been further informed by the Secretary, Central Vigilance Commission in the course of evidence that "no notings relating to the case are available on the files" of the Central Vigilance Commission. The Secretary, Central Vigilance Commission added, "This case was examined and disposed of at the level of Central Vigilance Commissioner after due consideration of all its aspects. The considerations which weighed with him have been indicated in the advice tendered by him."

The advice referred to above has been recorded in the letter dated the 23rd May, 1968, from the O.S.D., Central Vigilance Commission, to the Director (Vigilance) in the Ministry of Commerce.

3.110. The Committee note that at the meeting of the Secretaries (Finance, Supply and Additional Secretary, Defence) held on 17th October, 1963 a decision was taken inter alia to release white or undyed wool tops used for manufacture of cloth woollen brown on the condition that "the quantities released for civil market would be set off against future quota except to the extent of those utilised in exports". But this decision was nullified by a proposal made in the Ministry of International Trade in a written note suggesting that the quantity declared surplus by the Defence Ministry should really be allocated for the civilian requirements "without any debit against future allocation". The proposal which was contrary to the decision taken by the Committee of Secretaries mentioned above was agreed to by the Minister of International Trade on 31st October, 1963.

The Committee are unable to understand why at the meeting of the Secretaries on 17th October, 1963 no representative of the Ministry of International Trade, which was vitally concerned with this matter, was invited. Unfortunately the reasons for not inviting a

*At the time of factual verification of this Report, the Committee have been informed that the Central Vigilance Commission have advised on 1-2-69 that departmental proceedings for imposition of major penalty for lack of devotion to duty may be drawn up against one officer and warning (to be more careful in future) issued to another officer of the Textile Commissioner's office. The Commission have also held the third officer responsible but since he has already resigned from Government service, no departmental action is feasible against him.

representative of the Ministry to this meeting are not on record in the file of the Department of Supply.

The representative of the Ministry of Commerce in his evidence before the Committee stated that the decisions taken at the meeting of Secretaries held on the 17th October, 1963 were communicated to the Ministry of International Trade in writing on the 28th October, 1963. In this connection, the Committee find that in a letter dated the 28th October, 1963, from the Deputy Secretary in the Department of Supply to the Under Secretary in the Ministry of International Trade, there is a reference that the decision of 17th October, 1963 was not only verbally communicated to him on the 17th October, 1963 itself but a gist thereof was also communicated in writing through a follow up note on the 18th October, 1963.

It is, therefore, clear that the decision taken at the Secretaries' meeting on the 17th October, 1963 (namely that the quantities to be released for civilian consumption would be set off against future quota, except to the extent of those utilised for export) was made known to the Ministry of International Trade much earlier than the 28th October, 1963, when the decisions of the Secretaries' meeting were formally communicated to that Ministry.

3.111. On 26th October, 1963, the Minister for International Trade asked for a note from the Joint Secretary, Department of Supply, with regard to the surplus wool... In the note submitted by the Joint Secretary to the Minister for International Trade on 29th October, 1963, as desired by the latter, no mention was made about the decision that had already been taken on the 17th October, 1963 at the meeting of the Secretaries, though the note mentioned that the surplus quantity of wool tops and undyed wool 'can be released to the civil market and should be set off against future quota except to the extent of the quantity utilised for export'. The Committee also observe that there is no indication in the note dated 30th October, 1963, recorded by the Under Secretary (Shri A. G. V. Subramaniam) in the Ministry of International Trade that a decision had already been taken on 17th October, 1963 in the meeting of Secretaries that "the quantities released for civil market would be set off against future quota, except to the extent of those utilised in exports."

3.112. Neither the decision taken at the meeting of Secretaries nor the decision of the Minister of International Trade was communicated officially to the Textile Commissioner, Bombay for implementation. The Committee fail to understand why such an important decision taken at such high levels was not communicated officially to the authorities concerned. It has been contended before the Committee that even in the absence of any communication from the Ministry the Textile Commissioner by virtue of his office had the

authority to distribute the raw wool. If such were the case and no policy direction from the Ministry was called for, the Committee find no point in the futile exercise by the three Secretaries meeting and their coming to policy decisions at such high levels.

3.113. It is not clear as to why on his return to Delhi and on knowing the Minister's approval to his proposals, the Under Secretary in the Ministry of International Trade did not take the normal action of sending a communication to the Textile Commissioner's office to distribute the wool in the manner approved by the Minister for International Trade.

3.114. The Secretary, Ministry of International Trade, does not appear to have been associated with this case at any stage. When he made a query on receipt of the minutes of the Secretaries' meeting of 17th October, 1963 on 28th October, 1963, the same appears to have remained unanswered. The proposal made, which was contrary to the decision of the Secretaries with regard to the distribution of wool was also not routed through the Secretary before it was put up to the Minister of International Trade for decision.

3.115. The Committee find several other procedural lapses and irregularities in the disposal of wool declared surplus to Defence requirements. These may be summarised as follows:—

- (1) The decisions taken at the meeting of Secretaries (Ministries of Finance, Supply and Defence) for the distribution of wool were not approved by the Minister of International Trade but this fact was never communicated to the Committee of the three Secretaries.
- (2) The Ministry of Finance were not consulted at this stage even though by virtue of foreign exchange involvements they were directly concerned if the wool were to be distributed "without any debit against future allocation" as decided by the Minister of International Trade.
- (3) The D.G.S. & D. who is stated to have, "had no business" to hold any meeting to discuss the question of distribution of surplus wool, took decisions about the distribution of surplus wool after meeting representatives of the wool industry in Bombay of his own accord and took certain decisions which he was not authorised to take.
- (4) In the office of the Textile Commissioner the decisions originally taken for the distribution of surplus wool were changed from time to time until finally the surplus was distributed to the mills as shown in Appendix XIX.

A clear discrimination was also made between the organised sector and the decentralised sector while distributing the surplus wool

and no surplus material was offered to the decentralised sector on the same condition on which these were offered to the organised sector.

The Committee note that while on the 9th November, 1963 the basic policy decision approved by the Textile Commissioner was that the surplus wool should be distributed to those of the units who had made supplies for the Defence, Shri Chaudhuri's note of 7th December, 1963 elaborated the kind of units which were entitled to the allocation of surplus wool. Firstly, hosiery yarn required for Defence purposes spinning units who had supplied 1/22 S were to be preferred and, the balance given to composite mills who had manufactured serge battle dress.

3.116. The Committee do not understand why no reasons have been recorded as to the basis on which it was decided to release 2.5 lakh lbs. of white tops to the spinners and only the balance to those who had supplied serge battle dress.

3.117. The Committee feel constrained to observe that in taking the final decision regarding the distribution of surplus wool, the Textile Commissioner's organization did not obtain the prior or ex post facto approval of the Ministry. This, in their opinion, shows a serious lacuna in the control exercised by the Ministry over the functioning of the Textile Commissioner's Office. In their view the Ministry should have exercised greater scrutiny over the affairs of the Textile Commissioner's Office. It should also have clearly been laid down that important policy decisions should be approved by the Ministry of Commerce before final implementation.

The Committee suggest that the facts disclosed in this case should be taken into account while coming to a final decision in regard to the case.

Postings of Officers

3.118. It has been alleged that officers in the Textile Commissioner's Office were allowed to continue in their old position even when enquiries were being made into cases of irregularities alleged to have been committed by them in connection with the import and distribution of wool.

Case of Shri R. G. Zalani

3.119. The Special Police Establishment registered a case for investigation in connection with the import and distribution of wool in April, 1966. From the service particulars of the various officers concerned as furnished by the Ministry of Commerce, it seems that during the course of the investigations none of the officers involved in the case was posted in the Wool Branch of the Textile Commis-

isioner's organisation except that Shri R. G. Zalani held charge as Director, Wool, from 22-1-1966 to 26-5-1966 when he proceeded on leave up to 12-9-1966. On expiry of leave he took charge as Director at the Regional Office, Ahmedabad on 13-9-1966.

3.120. In addition to the charges relating to irregularities in the import and distribution of wool for Defence requirements, a separate charge has been made against Shri R. G. Zalani by the C.B.I. to the effect that he is in possession of assets disproportionate to his income. According to Police report an assessment has been made of his income and expenditure as well as his assets over a period of 17 years and this reveals that his assets are disproportionate to the extent of Rs. 1,41,671.

3.121. When this case was referred to the then Textile Commissioner by the Ministry of Commerce, the then Textile Commissioner observed as follows in this case on 20th May, 1967:—

“I would only suggest that in fairness to the officer concerned he should be confronted with the investigation report containing the various transactions of income and expenditure and asked to explain whether it is correctly recorded and, if so, what is his explanation. If his explanation is not found satisfactory, action under the law may be taken against him.”

3.122. The case was further examined by the Director (Vigilance), Ministry of Commerce on 13th June, 1967. That officer recorded the following note in this connection:—

“As regards the separate charge against Shri Zalani that he is in possession of assets disproportionate to his income it is seen from the C.B.I. report that Shri Zalani has refused to explain most of the transactions on the ground that he did not remember them. Details of moveable and immovable property acquired or disposed of by him, which were called for under the Conduct Rules, are also stated to have been not furnished by him in spite of reminders from the Textile Commissioner. In view of this position, asking for the officer's explanation in regard to the allegations of the C.B.I. in this regard may only prolong the matter without achieving anything worthwhile. If the facts stated by the C.B.I. are correct and can be established, there is sufficient case for the prosecution of the officer. However, the conclusion of the CBI is based on a number of assumptions and it is doubtful whether the evidence is strong enough for successfully prosecuting the officer.”

3.123. The Committee have, however, been informed that the Special Secretary, Ministry of Commerce noted as follows on the

14th June, 1967 on the note recorded by the Director of Vigilance:—

“I think we may safely leave it to the C.V.C. to form its own independent opinion on the basis of the reports of the Special Police Establishment and the Textile Commissioner's report.”

3.124. In the course of evidence the Committee desired to know whether the decision taken by the Director (Vigilance), Ministry of Commerce on 13th June, 1967 in this case could be justified. The representative of the Ministry stated in reply, “It is possible to take both views in the matter. If the enquiry against Mr. Zalani had been for departmental action, then it would have been incumbent on him to furnish answers to whatever questions were put to him. But since the enquiry that was being conducted by the Special Police Establishment was on a regular case registered against him, a view could be taken that a person who is accused need not.....” The Secretary, Ministry of Commerce has stated, however, “The point is that his explanation has been obtained. This explanation is now with the Ministry. It is being forwarded to the Central Vigilance Commission.” It has further been stated that the explanation of Shri Zalani was received towards the end of September, 1968 and the Ministry had begun examining it when on the 4th October a revised report against Shri Zalani was received from the C.B.I. Therefore, the whole matter will be examined by the Ministry.

3.125. Subsequently, in a written note furnished by the Ministry indicating the progress on action taken in this case it has been stated, “Shri Zalani was granted earned leave from 24-10-1968 to 23-12-1968. On 17th December, 1968, the Ministry of Home Affairs issued an order sanctioning his prosecution in a Court of Law on the charge of being in possession of assets disproportionate to his known sources of income. In view of this, the officer has been placed under suspension w.e.f. 24th December, 1968”.

3.126. In the opinion of the Committee, a charge against a Government official that he is in possession of assets disproportionate to his income is a serious one. The Committee note that the explanation of the official concerned has since been obtained and he is placed under suspension. They, however, feel that the explanation of the officer concerned should have been obtained much earlier and further action taken immediately. The Committee hope that there will not be any further delay in the matter*.

Case against Director, Wool Branch

3.127. It was brought to the notice of the Committee that when the Central Bureau of Investigation had started investigations into the irregularities in connection with the distribution of surplus wool etc., the then Wool Director (Shri A. C. Chaudhuri), who was involved in the case, was allowed to leave Government service and was absorbed as Secretary General of the Indian Woollen Mill's Federation.

3.128. The Ministry of Commerce have informed the Committee that Shri Chaudhuri resigned from Government service with effect from the 1st November, 1965. At the time of acceptance of his resignation there was nothing against him on record in the Ministry or in the office of the Textile Commissioner. It was only on the 25th April, 1966, on receipt of a copy of the First Information Report in R.C. No. 20/66, dated the 7th April, 1966, from the S.P.E., Bombay relating to the import and distribution of wool in the wake of the National Emergency in 1962, that the Ministry came to know that Shri A. C. Chaudhuri was one of the accused persons in that case. It has been stated in a written note by the Ministry "In another connection, the Central Bureau of Investigation furnished certain details in regard to this case in November, 1967. These indicated that R.C. No. 20/66, referred to in the preceding paragraph was registered on the basis of the material collected during a preliminary enquiry which was registered by the S.P.E. authorities on the 10th September, 1965, as P.E. No 86/65-Bombay. No copy of this P.E. was received in this Ministry or in the Textile Commissioner's organisation, presumably as it was only in the nature of a preliminary investigation which was being made by the S.P.E." A copy of the Preliminary Enquiry Registration is at Appendix XX.

3.129. Explaining the particulars of his service records, the representative of the Ministry of Commerce has stated in evidence that Shri Chaudhuri was appointed Director with effect from 20th December, 1961 and was posted in the Wool Branch of the Textile Commissioner's Office on 14th November, 1962. He continued as Director, Wool, up to 6th October, 1964 when he was posted as Director, Regional Office, Ahmedabad. He continued there till 28th August, 1965 when he was sent to Poland from where he returned on the 29th September, 1965 and proceeded on leave upto 31st October, 1965. During leave, he submitted his resignation on 13-10-1965 which was accepted and he was allowed to resign from 1st November, 1965.

3.130. In the course of evidence, the Committee also desired to know how whether in such an occasion where an investigation or an enquiry against an officer was pending, the Government would

*At the time of factual verification of this Report, the C.B.I. have informed the Committee that charge sheet has been filed in the Court of the Special Judge, Greater Bombay, on 20-1-69.

like to withhold his provident fund or not if he wanted to resign. The Secretary in the Ministry of Commerce stated in reply: "I would like to withhold it unless he gets clearance.....I am told there is no legal provision in regard to the provident fund but for gratuity there is a provision."

3.131. In a written note furnished to the Committee, the Ministry of Commerce have stated that Shri Chaudhury was not paid any gratuity. He was paid the amount to his credit in his General Provident Fund which represented his own contribution and the interest accrued thereon. Government have no power to withhold General Provident Fund amounts standing to the credit of a Government servant who has resigned from service, even in cases where investigations are under way.

3.132. As regards Shri Chaudhury's taking up employment with the Indian Woollen Mills Federation, the Ministry of Commerce have stated that Shri Chaudhury had mentioned in his application for tendering resignation that he has an opportunity to better his prospects substantially outside the Textile Commissioner organisation and was therefore, tendering resignation from Government service. Under Article 531-B of the Civil Service Regulations prior permission of Government is required only when a Class I Officer entitled to pension desires to take up a commercial employment within a period of two years from the date of his retirement. If he does not take such permission his pension shall be withheld. Since an Officer who tenders resignation from Government service will not be entitled to any pension, Article 531-B, Civil Service Regulations, does not apply to him and there is no provision for his seeking Government permission for accepting commercial employment after his resignation from Government service has become effective.

3.133. The Committee note that Shri Chaudhury who was Director, Wool Branch in the Textile Commissioner's Office for almost two years during the period 1962-64 (a period during which special ad hoc import and distribution of wool took place) had been dealing mostly with the Indian Woollen Mills Federation before resigning his Government job and taking over as Secretary General of the same Federation for bettering his "prospects substantially".

The Committee feel perturbed that in such a case, Government is more or less helpless, in that under the existing Rules, etc. no action can be taken against an officer unless criminal offence is made out against him.

3.134. In the opinion of the Committee, the lure of substantial betterment of prospects in private organisation is bound to tempt

some Government employees dealing with matters which are of vital and pecuniary concern to private organisations. This is a constant source of corruption in Government service. It is therefore of utmost importance that preventive and deterrent action is taken urgently to guard against such cases arising in future. With this end in view, the Committee would suggest that—

- (a) Government may examine the desirability of making a suitable provision in the Rules to the effect that even Government servants resigning from Government jobs should seek prior permission of Government before taking up commercial employment within a certain period after resignation.
- (b) Where investigations, whether preliminary or regular, are pending against a Government employee, he should not be allowed to resign till he is cleared of the charges. The feasibility of withholding the G.P.F. dues of such officials in cases where it is possible to do so till the Government employee is cleared of the charges should also be examined. In such cases, all investigations and departmental enquiries must be prompt and action thereon should be expeditious and effective so that no undue harassment is caused to the officials concerned.
- (c) the Head of the organisation, where the person against whom investigations are initiated is employed, should be informed immediately when an enquiry is started by the SPE/CBI. In addition, the Government should consider the feasibility of enlisting the support of Federations and Association and Chambers of Commerce in establishing a convention that before any Government employee is given an appointment by them, a clearance should be obtained from Government by the prospective employee.

3.135. In the present case, the Committee suggest that the IWMF be informed in writing by the Textile Commissioner that CBI investigation is pending against Shri Chaudhuri.

Tenure of the Textile Commissioner

3.136. An allegation also came to the notice of the Committee that although no officer is normally allowed to hold charge of the post of Textile Commissioner for more than 2½ years, Shri Doraiswamy was allowed to continue in that post for a much longer period. The

Committee desired to know the factual position from the Ministry of Commerce. In a written note furnished to the Committee, the Ministry of Commerce have stated that Shri Doraiswamy held the post of Textile Commissioner from 5.9.1963 to 15.10.1967. Prior to 25th July, 1968, the recruitment rules did not provide for any specific tenure for the post of the Textile Commissioner. Through an amendment issued to the recruitment rules on the 25th July, 1968, it was provided that for officers appointed on deputation to the post of Textile Commissioner, the period of deputation shall not ordinarily exceed five years.

Alleged Favouritism to an Officer

3.137. In his letter to the Committee, Shri Madhu Limaye M.P., had stated that in preference to senior officers, one Shri Vaidyanathan, a minor officer in the Textile Commissioner's Office, was sent to represent that office at the Conference of Central Excise Officers held in 1967, and that the favour shown to Shri Vaidyanathan is being loudly talked about in the Textile Commissioner's Office.

3.138. The Ministry of Commerce have informed the Committee that Shri Vaidyanathan is working as a Technical Investigator in the Office of the Textile Commissioner, Bombay and that "it is not a fact that in preference to senior officers Shri Vaidyanathan was sent to represent the Textile Commissioner's Office at the Conference of Central Excise Officers held in 1967. Shri Vaidyanathan proceeded to Delhi on 28th August, 1967 to assist Shri Muthuswamy, Assistant Director in the Office of the Textile Commissioner, who was then already in Delhi for verification of records with Central Bureau of Investigation, for preparation of draft affidavit regarding writ application filed by Birla Mills. Shri Vaidyanathan was present in Delhi upto 1st September, 1967. During his stay in Delhi, Shri Vaidyanathan accompanied Shri Muthuswamy with relevant records when the latter visited the Office of the Director Revenue Intelligence, Collector of Central Excise, Central Bureau of Investigation and Standing Government Counsel."

3.139. From the note furnished by the Ministry, it is not unambiguous whether Shri Vaidyanathan actually attended the Conference of Central Excise Officers held in Delhi in 1967. The fact remains that he had proceeded to Delhi on 28th August and remained there upto 1st September, 1967.

Third ad hoc licence (1965-66).

Issue of Licences

3.140. In a normal year the Defence requirements are met out of the total allocations of foreign exchange to the woollen industry.

The representative of the Ministry has stated in evidence that in 1965 (October, 1965 to September, 1966) because of the shortage of foreign exchange, no allocation at all was initially made to the woollen industry for import of raw wool complaints were then made to the Prime Minister who recorded the following Minute on the 15th September, 1965:—

"PRIME MINISTER'S SECRETARIAT

I understand that the entire woollen industry located mainly around Ludhiana and Amritsar is threatened with a closure, because no foreign exchange has been released for the import of raw wool. I know that the foreign exchange position is extremely tight. This may lead to industries working below capacity. But the possibility of a total stoppage is another matter. We have, moreover, to distinguish between industry and industry. Just as the winter is approaching and demand from the civil population, as well as the Police and the Army, for woollen clothing will be on the increase, a great shortage of raw wool would create major problems. We also do not want labour unrest in the Punjab at this juncture.

2. I should like Cabinet Secretary to get in touch with Commerce Secretary and Economic Secretary and examine urgently what can be done to relieve the situation.

LAL BAHADUR,
1-9-1965."

Cabinet Secretary.
No. 3693-PMO/65

3.141. The Cabinet Secretary discussed the subject with the Secretary to the Prime Minister, Secretary Finance and Additional Secretary (Finance) and recorded the following note on 2.9.65:—

"It was realised that absence of provision for import of wool would necessarily mean very much reduced activity in the industry. In the discussion, a reference was also made to the likely requirements of Defence.

It was contemplated to make a request to Australia for making wool available under Colombo Plan Aid.

Apart from what wool may be available from Australia under Colombo Plan Aid, Secretary (Finance) agreed to make available to the industry a sum of Rs. 2 crores against which commitments to import may be made. He stated also that the requirements of Defence would have priority in this total".

3.142. In evidence the representative of the Ministry of Commerce has also stated, "Apparently the decision which was made was that so far as the import of wool was concerned, it was for keeping the industry occupied whether they kept themselves occupied for defence or for civilian orders".

3.143. In the material supplied to the Committee there was a copy of a secraphone message from the Ministry of Commerce to the Textile Commissioner dated 6.9.1965 which read, "Contact Indian Woollen Mills Federation and ask them to make arrangements to import Rs. 2 crores worth of raw wool. As far as possible all the qualities to be imported should be such as may be useful for Defence requirements. The Chief Controller of Imports and Exports instructed Joint Chief of Imports & Exports, Bombay to issue licences as per your instructions". In the course of evidence, however, the representative of the Ministry of Defence stated that there was nothing unusual about the placing of Defence orders in this year also. He added, "This was as usual. No special indent was placed on consequence of conflict with Pakistan".

3.144. The Committee desired a clarification in this respect from the representative of Ministry of Finance. The Ministry of Finance in a written note furnished to the Committee subsequently has stated as follows:—

"From the files of the Department of Economic Affairs, the position seems to have been as follows:—

- (i) On August 2, 1965, the Secretary, Ministry of Industry and Supply, Deptt. of Supply and Technical Development, wrote to the Commerce Secretary mentioning that they received large demands for woollen clothing, including hosiery items, from the Defence Services. These required imported wool tops etc. He stated that foreign exchange equivalent to Rs. 1.8 crores approximately was required for the Defence demand for woollen garments and also gave a detailed list. The suggestion made to the Commerce Secretary was that appropriate amounts should be earmarked from the ceiling placed at the disposal of the Commerce Ministry in terms of the decision taken at a meeting held on 19-2-1965.
- (ii) It was later clarified by the Commerce Ministry that no allocation of foreign exchange had been made by the Department of Economic Affairs for the year 1965-66 for the import of wool. The Commerce Ministry thereafter pointed out that they would not be able to process the

procurement of woollen material and hosiery items required by the Defence Services unless the Department of Economic Affairs were persuaded to give an *ad hoc* allocation in favour of the Commerce Ministry.

- (iii) The question was discussed at a meeting convened by the Cabinet Secretary on 2-9-1965 when the Secretary (Department of Economic Affairs), Secretary (Commerce) and the Secretary to the Prime Minister were present. The allocations for the import of raw wool are made on the basis of October to September because Australian wool comes on to the market in the months of September/October and purchases have to be completed then in order to get the best prices. The Commerce Ministry had been urging the Department of Economic Affairs to make an early allocation for the import of raw wool since they would have to enter the Australian market in the next few weeks. Also, normal allocations ran to Rs. 8.9 crores for raw wool purchases but it had been reduced and in 1964-65 the annual allocation was about Rs. 5 crores. Also, orders had been received from the Defence services there were likely to be further orders from the Security Forces. It was, therefore, agreed that commitments may be made by Indian Woollen Mills to the extent of Rs. 2 crores, which would go towards meeting a greater part of their requirements. This decision was approved by the Finance Minister. Accordingly, an order was issued allocating an additional amount of Rs. 2 crores against free resources to the Commerce Ministry for the import of raw wool, wool tops, etc. The urgent defence requirements estimated at Rs. 1.8 crores for the import of these items were to be met out of the above mentioned allocation, and this was also specifically stated in the allocation order. The Economic Adviser, Shri Marathe in his O.M. No. 11(1)-FE/65 dated 18-1-1966 relating to foreign exchange allocation for commercial imports specifically referred to the allocations of Rs. 2 crores for import of wool during the period October, 1965 to September, 1966; this order specifically mentions that this provision was also to cover the urgent defence requirements of Rs. 1.8 crores".

3.145. The papers furnished to the Committee show that the Ministry of Defence also requested the Ministry of Commerce to ensure that necessary foreign exchange out of the above mentioned allocation of Rs. 2 crores was made available for meeting the indents placed by them on the D.G.S. & D. for woollen materials. Different

figures of Defence requirements, however, have been indicated in the different communications on the subject. A letter written by the Secreary, Ministry of Industry and Supply (Department of Supply and Technical Development) to the Secretary, Ministry of Commerce, on the 2nd August, 1965, indicates that the Department of Supply had calculated the foreign exchange requirements for Defence needs at Rs. 1,79,91,659/- and had also enclosed a detailed break up of this requirement.

3.146. The Ministry of Finance (Department of Economic Affairs) have informed the Committee that the decision to release Rs. 2 crores of foreign exchange to the woollen industry, was approved by the Finance Minister and the Ministry of Commerce were informed about the same on the 14th September, 1965.

3.147. In communicating their approval, the Ministry of Finance had specifically laid down that "The urgent Defence requirements of Rs. 1.80 crores for import of wool tops etc., should be met out of the allocation of Rs. 2 crores".

3.148. The above mentioned assessment of the foreign exchange for Defence needs was subsequently reduced to 1.03 crores as will be seen from the following notes recorded on the Ministry of Commerce file on the subject:—

"Extracts from Ministry of Commerce file No. 18/9/TEX(E)/65 on the subject of 'Raw Material Allocation for Woollen Industry 1965-66'.

Additional Secretary had a preliminary meeting today with Shri Bansod, Joint Secretary, Department of Supply and Shri A. D. Rao, Director of Supplies (Textiles) in the DG (S&D)'s office, in order to get an idea of the Defence requirements, both quantitatively and qualitatively, of the woollen items that would require to be made from imported raw wool or wool tops. The discussion was held in the context of the two D.O. letters that had been addressed to Secretary (Commerce) by Secretary (Supply) placing the foreign exchange quantum for raw wool, first at Rs. 1.79 crores and subsequently at Rs. 0.82 crores. (Copies of these two letters will be added to this file as soon as they are made available). Shri A. D. Rao and Shri Bansod stated that to the latest figure of Rs. 82 lakhs given by Secretary (Supply), an additional Rs. 20 lakhs foreign exchange would also have to be added in respect of certain indents which had been received by them subsequently.

2. Shri A. D. Rao promised to forward to us in the course of the day a detailed statement giving the analysis, both quantitative and qualitative, of the foreign exchange requirements of raw wool for Defence needs. This statement could then be shown to C.M. and adopted by us as the basis of discussion for the Secretaries' meeting to be held tomorrow afternoon. Immediately after the requirements are finalised, they could be forwarded to TXC for urgent implementation against the Rs. 2 crores worth of imported wool just licenced.

Sd/- A. V. Venkateswaran,
8-9-1965.

The statement forwarded by Shri A. D. Rao showed the total cost of the wool required as Rs. 1,06,84,565. He has since telephoned to say that the figure of Rs. 24,05,775 shown against item No. 10 of the statement (scarves, woollen) was incorrect and that the correct figure was Rs. 43,500; and that the total for all items was Rs. 83,21,000. He has sent a revised statement which is placed at flag 'S'. Shri T. Swaminathan has rung up to request that over and above the Rs. 83,22,290 for the items shown in the statement, another Rs. 20 lakhs might possibly be needed by Defence, and may be reserved for them. I have informed him that we shall arrange that for this Rs. 20 lakhs also the Indian Woollen Mills Federation will purchase wool of the grades required by Defence (i.e., 56s, 58s, 64s and 70s) and that this wool will not be utilised for any purpose without obtaining the Textile Commissioner's prior permission.

2. The total of Rs. 83.21 lakhs referred to 'A' above includes Rs. 16.81 lakhs for Nylon Tops and Rs. 1.35 lakhs for Flex.
3. The amount of foreign exchange needed for wool of the grades required by Defence is, therefore, Rs. 65.05 lakhs plus Rs. 20 lakhs, i.e., 85.05 lakhs. The Addl. Textile Commissioner will be asked to arrange that wool of grades 56, 58, 64, and 70 of this value is imported by the Indian Woollen Mills Federation out of the Rs. 200 lakhs placed at their disposal, the quantities of the various grades being in the same proportion as in the statement furnished by Shri A. D. Rao.

4. The amount of foreign exchange available for wool required for civilian consumption will then be Rs. 96.79 lakhs (i.e. Rs. 200 lakhs minus Rs. 85:05 lakhs for wool for Defence requirements minus Rs. 16:81 lakhs for nylon for Defence requirements minus Rs. 1.35 lakhs for flax for Defence requirements). Out of this Rs. 96.79 lakhs, Rs. 5 lakhs may be earmarked for wool of grades below 56 for the hairbelting and machine-cloth industry. The remaining Rs. 91:79 lakhs may be utilised for purchasing wool for civilian consumption. The distribution as between worsted, shoddy and woollen in the 1964-65 wool year was, I am told by JS(AVV), roughly in the ratio of 35 : 7: 5. The purchases this year out of the available Rs. 91.79 lakhs may be made in the same proportion.
5. The cost of wool for Defence purposes (Rs. 85:05 lakhs) has been worked out on the basis of import of wool tops. If raw wool is imported as such and the combing is done in India, there is likely to be a substantial saving in foreign exchange expenditure. It is, therefore, proposed that raw wool should be imported and then combed in the country. Shri A. D. Rao has informally consulted the DOS and DGOF officers concerned (i.e., Col. Khurana and Shri Sriram) and it has been ascertained that the delay of two months or so involved in getting the wool combed is acceptable to the Defence authorities in view of the saving in foreign exchange that will be secured. The foreign exchange saving will be utilised for importing wool for civilian consumption.
6. C.M. may kindly approve of action being taken on the lines indicated in the paragraphs above.

Sd/-

10-9-1965.

Secretary

Out of the Rs. 91.79 lakhs for wool for civilian consumption, the larger yardage would be available out of shoddy which is a cheap material. TXC is having talks this afternoon with the Wool Textile Industry and will no doubt report to us what agreed conclusions they reach. We may be

guided by them rather than adhere to the old proportions as more suitable when import availability for civilian consumption was larger.

Sd./-

10-9-1965.

C.M.

Sd./-

10/9.

§.149. The Ministry of Commerce arranged for the issue of a licence for Rs. 2 crores in the name of the Indian Woollen Mills Federation and the conditions of the licence were communicated by the Deputy Director (Wool) in the Office of the Textile Commissioner to the Joint Secretary, Ministry of Commerce in his D.O. letter dated 23rd September, 1965, reproduced below:—

“ GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

Office of the Textile Commissioner.

D.O. No. 4/2-65-66/Wool/6397

Post Bag No. 10004,

Bombay, 23rd September, 1965.

Dear Shri Venkateswaran,

Kindly refer to your D.O. No. S/357-JS (AVV)/65 dated 14th September, 1965 to Shri Fernandes regarding the import of Rs. 2 crores worth of raw wool.

I have already reported to you vide my letter No. 4/2/65-66/wool/6847 dated 21st September, 1965 about the action taken by us in regard to the issue of this licence.

The licence to the Federation has been issued subject to the following conditions:

1. The licence will not be valid for import of raw wool below 56s quality;
2. Only such qualities and quantities of raw materials under this licence will be imported as may be directed by the Textile Commissioner from time to time.
3. The raw materials imported under this licence will be sold and distributed to actual users in the woollen industry in accordance with the directions issued by the Textile Commissioner from time to time.

4. The raw materials imported under this licence and distributed to the various units will be utilised entirely for the purposes indicated by the Textile Commissioner from time to time.

5. A complete account of the utilisation of the licence and of the imported raw materials would be furnished to the Textile Commissioner as and when required by him.

In the context of the above conditions it is not considered necessary that the specific endorsement be made on the licence for the quantities required for defence. We have already informed the Indian Woollen Mills Federation about the defence requirements and they are arranging for import of the same.

As regards nylon and flax required by defence authorities, we have already informed the Indian Woollen Mills Federation to arrange import of the same under this licence. We have also informed Indian Woollen Mills Federation to arrange import of Rs. 10 lakhs worth of raw materials required for the hair belting industry. This quality will be below 56s. However, it may be noted that the import of this would have to be in the form of wool tops as the indigenous combing units are not present in a position to comb raw wool of the quality required for the manufacture of hair belting yarn.

The Jt. Chief Controller of Imports and Exports, Bombay is being requested to make the necessary endorsements in the licence regarding import of nylon, flax and wool tops for hair belting yarn.

With kind regards.

Yours sincerely,
Sd./- R. G. ZALANI.

Shri A. V. Venkateswaran,
Jt. Secretary to the Govt. of India,
Ministry of Commerce,
New Delhi.

Quantities imported:

3.150. The Ministry of Commerce has also stated in a written note "In addition to Rs. 2 crores, Rs. 12 lakhs which was the savings from the previous years were added and the Federation made

imports for a total value of Rs. 212.01 lakhs. Details of imports and the average CIF value per pound are indicated:—

Break-up of Actual Imports

Under Rs. 2.12 Crore Licence during 1955-56 (Pakistan Aggression)

Items	Actual Import	
	Quantity in lakh lbs.	Value C.I.F. (Rs. in lakhs)
56s Wool top	0.90	4.25
58s Greasy	10.84	49.21
64s Wool tops	0.73	4.73
64s Greasy	12.00	58.25
64s Carding	1.03	4.44
70s Wool tops	0.67	4.45
70s Greasy	1.49	7.16
Hair belting	2.18	9.93
Nylon Fibre/tow	4.80	16.73
Noils carbonised for felts	0.13	0.65
70s broken tops	0.12	0.72
48s Carding Wool (Machinery cloth)	Imported directly by the mills.	

(Separate mill-wise figures not readily available).

Special Allocations :

Binny (Shirting Angola)	Imported directly by the mills	18.16
Rags & Shoddy	Do.	27.90
Khadi Commission	Do.	2.43
Raw Flax	Do.	1.35
Common Wealth Trust	Do.	0.45
TOTAL		212.01

Allocations made

3.151. The Committee desired to be furnished with a detailed note giving the quantities of wool of different types and their value found surplus to defence requirements out of the imports made under the third *ad-hoc* licence issued in 1965. The Committee further desired

that the note may also indicate the method of its distribution to the industry for civil consumption and the quantities allotted to various mills.

3.152. The Ministry of Commerce has stated in a written reply, "Out of the licence of Rs. 2.12 crores granted to the Indian Woollen Mills' Federation for the import of raw materials during the wool licensing year October 1965—September, 1966 only a portion i.e. Rs. 103 lakhs was meant for defence production. No releases out of this have been made for civilian consumption."

3.153. It was however, brought to the notice of the Committee by the Indian Woollen Mills Federation that although the third *ad hoc* licence was issued in September, 1965, a good part of the raw material imported thereunder was still lying in stock incurring heavy cost on storage, interest and insurance, which amounted to nearly Rs. 90,000 a month.

3.154. When the Committee wanted to know the actual position regarding allocation and release of imports made during 1965-66 and 1966-67, the representative of the Ministry of Commerce has stated in evidence, "The actual position is that the yarn made out of 1965-66 wool has not been delivered to the consumers. This was imported somewhere during 1966". It has been added, "In 1965-66 very small licence was issued for wool. It was only about Rs. 2 crores because it coincided with Pakistan's emergency. Out of this it was only Rs. 45 lakhs or so for civilian consumption under the yarn Distribution Schemes which was earmarked in 1965-66. In regard to this yarn we issued the permits from March, 1967 and no delivery has taken place against those permits". As regards 1966-67, it has been stated, "Since they had defaulted already in the earlier allocation, we felt that we should do costing for the purpose of price fixation. That report was received in September, 1967. In the meantime we started considering the revision of policy and this point was not pursued at that stage. We are now taking it up for further consideration and we are now having (a) the penal cut clause is the import licence granted for the period October, 1966—September, 1967, and (b) it is canalised through the State Trading Corporation. We are taking into account defaults for purposes of issuing further licences and allocations."

3.155. The representative of the Ministry of Commerce has further stated in evidence (in October, 1968) that the total stocks still held by the Indian Woollen Mills Federation to whom the licence was granted and who imported the wool are valued at about Rs. 20 lakhs.

With the addition of certain clearing and other charges, it comes to about Rs. 24,74,000. The book value is Rs. 34.75 lakhs and the carrying charges (upto 1st October, 1968) come to about Rs. 10 lakhs. According to the information of Government these charges come to Rs. 41,000 a month and not Rs. 90,000.

3.156. In reply to a question it has been stated by the representative of the Ministry "The actual quantity and the original value are given by the Federation..... the stocks are with the Federation... so, we have to depend on the Federation....our figures are based on what we have been reported by the Federation." It has been added: "The Federation being the agency under this whole arrangement, it makes a report from time to time and releases are made against the orders placed by the Defence Ministry."

3.157. Subsequently, in a written note furnished to the Committee the position regarding unallocated stocks out of the imports made under this licence as on 31st December, 1968 was shown to be as follows:

Sl. No.	Quantities	Quantities in lbs.	Initial price per lb. in Rs.	Basic value in Rs.	Price per lb. as on 31-12-68 in Rs.	Today's value in Rs.	Total carry over charges in Rs.
1.	58s Wool/tops/nails	.	5.30	4,46,600	6.65	9,33,300.00	2,86,700.00
2.	70s tops	.	6.90	1,29,168	9.45	1,76,904.00	47,736.00
3.	Hair Belting	.	5.10	6,06,915	8.55	10,17,475.65	4,10,560.65
*4.	Nylon tops	.	6.30	1,46,790	15.90	3,70,470.00	2,23,680.00
**5.	Nylon allocated but not lifted against order for jerseys and Pullovers	.	6.30	5,70,276	14.62	13,23,402.40	7,53,126.40
	TOTAL	.	3,73,543	20,99,749.00		38,21,552.05	17,21,803.03

*Rs. 15.90 and Rs. 14.62 per lbs. loaded price by loading 50.0% the actual price to-day.

3.158. In the course of evidence the Committee wanted to know the reasons for the delay in the distribution of wool imported in 1965-66 and also in 1966-67. The representative of the Ministry of Commerce has stated in evidence, "The real question is the wool came some time in 1966 and we tried to distribute it to certain people. Then they took us to court. There has been a series of litigations going on in different courts.....So the Textile Commissioner has not so far been able to allocate to people, not because he did not try to, but because he was prevented by court's orders on the plea of different parties, different claimants to the wool. Ultimately when the distribution takes place, it will be the final responsibility of those who will probably make a claim on the Federation and the Federation will have to adjust and come to a negotiated settlement". It has been added that, "The allocation orders have been issued by the Textile Commissioner....The Federation says that these orders are illegal and they have gone to the Court. They have persuaded the court to issue an injunction...on the ground that until the points raised by the Federation are decided, we should not take any steps". It has been further explained that no permits have been issued by the Textile Commissioner because the question of price has been examined, the Cost Accountant has gone into it and the matter is under consideration. The representative of the Ministry, however, expressed the apprehension that, "The prices have not been fixed, distribution orders have not been issued and as far as can be judged, the yarn must have been produced, the yarn must have been woven into jerseys and sold."

3.159. Subsequently in a written note furnished to the Committee, the Ministry of Commerce have stated that "There is no dispute with the Federation about the release price of wool imported by them against the third *ad hoc* licence issued in 1965. There was however, some dispute in regard to the prices at which nylon tow|tops should be released against D.G.S.&D. contracts. This dispute arose subsequent on the reported deterioration of some quotations of hair-belted tops held in stock by the Federation."

3.160. In order to have a clear idea as regards the actual imports, their allocation and release against orders placed with the D.G.S.&D. by the Defence authorities, the Committee desired to be furnished with a statement showing the position under the third *ad hoc* licence regarding the actual imports, allocations and releases of wool imported in 1965-66 and 1966-67. In reply the Ministry of Commerce

have only furnished the following figures of issue price of the allocations as copied from the registers of the Indian Woollen Mills Federation:—

Allocations as collected from the Federation :

Quantity	Value (In lakhs Rs).
64s tops and carding	64.22
64s Greasy	30.05
70s tops (including broken tops)	11.20
70s Greasy	6.83
56s tops	9.60
58s Greasy	58.69
56s Tops	3.83
Rags	36.10
Nylon fibres/tows	37.18
Noils carbonised for felt	2.32
48s Carding wool (machinery cloth)	0.88
TOTAL	Rs. 260.90 in lakes
Value of cancelled quota	Rs. 28.52 -Do-
	Rs. 232.38 -Do-

3.161. The Ministry of Commerce have explained that "It was observed that the allocations are in the preparation stage and are not yet finally entered in the register. They are yet to be finalised as stated by the Federation.

However, the entire allocations so far compiled have been copied and forwarded. The summary of the entire allocations after separating item-wise is given. Since the value after compilation shows more than the licence value, the Federation clarified that there are some cancellations etc. which are yet to be scrutinised and indicated shortly. But this would take some time. Quantities in lbs. in all cases being not available, are not shown."

3.162. It has also been stated by the Ministry, "The allocations which are in terms of value include the C.I.F. cost of the materials plus customs duty, and countervailing duty wherever leviable plus service charges etc. In other words, the allocations are in terms of the issue price charged by the Federation and they are not on the basis of C.I.F. price, hence—the difference between the value of good imported and the value of allocations."

8.163. From the detailed information furnished and the evidence given before them with regard to third ad hoc licence, the Committee note the following points:—

- (1) The Ministry of Defence had not placed any special indent with the D.G.S.&D. following the outbreak of hostilities with Pakistan, but the usual annual one. However, the Department of Supply and Technical Development on 2nd August, 1965, had asked for foreign exchange equivalent to Rs. 1.80 crores for meeting the Defence demands for woollen garments. On this basis the approval of the Department of Economic Affairs, Ministry of Finance was issued on 14th September, 1965.
- (2) In the meanwhile because of the then Prime Minister's minute recorded on 1st September, 1965, it was decided that an allocation of Rs. 2 crores worth of foreign exchange may be released for keeping the woollen industry occupied for Defence and/or civilian orders. The amount of foreign exchange needed for Defence requirements was also reduced subsequently.
- (3) Despite these facts the Office of the Textile Commissioner did not consider it necessary "that the specific endorsement be made on the licence for the quantities required for Defence", because the raw material to be imported was to be released in accordance with directions to be issued by the Textile Commissioner.
- (4) Neither the Ministry of Commerce nor the Textile Commissioner's organisation has furnished any information as to the actual quantities allocated by the Textile Commissioner (against Defence orders and/or civilian allocations). Even the information about releases made by the Federation has been furnished in terms of value only. No break up of allocations between Defence and civilian purposes has been shown either in the case of releases made or in the case of stocks held by the Federation.
- (5) The Government seem to depend entirely on the statistics furnished by the Federation and these statistics regarding allocations have been observed by the Ministry to be even now in the preparation stage and not yet finally entered in the register.

In these circumstances the Committee fail to understand how any check whatsoever in this matter can be exercised by Government and how it can be ensured that the imports made, especially those to meet Defence requirements, have actually been utilised for the purpose of meeting Defence requirements. This matter needs a thorough investigation.

3.164. The Committee also find from the statement of the undistributed stock as obtained from the Federation, as on 31st December, 1968, that the undistributed stock having a basic value of Rs. 21 lakhs has already been loaded with carryover charges amounting to Rs. 17,21,000 which comes to 82 per cent of the basic value. Since the Committee have not been furnished with the details regarding actual imports and releases of wool against the imports in 1965-66 and 1966-67 but only the issue prices, they are not in a position to find out to what extent the distribution that has already been made was with a loaded price and, if so, whether this was justified.

However, from the statistics of the C.I.F. value of imports of various items it appears that as against the C.I.F. value of imports of Rs. 212.01 lakhs, the total sale price of releases so far made by the Federation is Rs. 232.38 lakhs and to this has to be added the present day value of stock held by the Federation which comes to Rs. 38.21 lakhs, thus making a total of Rs. 270.59 lakhs. The Committee desire that Government should investigate and find out if there has been any undue profit in this transaction.

3.165. The Committee feel that the loading of price of wool has to some extent occurred owing to the delay in the allocation of the items, by the Textile Commissioner. The Committee desire that this aspect of the matter also may be looked into thoroughly and the existing stock distributed without any further delay.

Hair Belting Tops|Kabir Woollen Mills

3.166. The wool imported under the third *ad hoc* licence issued to the Indian Woollen Mills Federation in 1965-66 included hair belting tops worth Rs. 9.79 lakhs. In connection with the allocation of these hair belting tops to the industry, it was brought to the notice of the Committee that an allocation of Rs. 4.50 lakhs worth of tops made by the Textile Commissioner in favour of M/s. Kabir Woollen Mills, Ludhiana, was quashed by Mr. Justice Tulzapurkar of the Bombay High Court and declared as 'arbitrary and unreasonable and perverse' in the following terms:—

"When the documents before him clearly told the Textile Commissioner that the yarn produced by Respondent No. 6 (M/s. Kabir Woollen Mills) was not at all satisfactory and not acceptable to the Association (Indigenous

Belting Industries Association) or its members, even then to say that the yarn produced by Respondent No. 6 was satisfactory would, in my view, amount to a perverse decision, which no reasonable person or authority could come to.

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It seems to me clear that while exercising the discretion which have been vested in him if the Textile Commissioner has come to a decision albeit after taking into account all permissible matters a decision which no reasonable person or authority could come to on the material before it, then the decision of the Textile Commissioner is likely to be interfered with. In my view as stated earlier the decision of the Textile Commissioner of making bulk allocation of Rs. 4,50,000 worth of hair belting tops to Respondent No. 6 (M/s. Kabir Woollen Mills) on the basis that Respondent No. 6 had the capacity to produce and had in fact produced hair belting yarn which was of the desired quality and specifications acceptable to the Association (Indigenous Belting Industries Association, Calcutta) and the members of the Association will have to be regarded as arbitrary and unreasonable and perverse, and if that is so, that order is liable to be quashed or set aside.

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In the circumstances I quash or set aside the decision of the Textile Commissioner of allocating Rs. 4,50,000 worth of hair belting tops to Respondent No. 6 * * *. The Textile Commissioner is further directed to proceed with the allocation of hair belting tops of the value of Rs. 4,50,000 and Rs. 79,000 afresh in accordance with law and while making the allocation to consider the application of the present petitioners as well as those of the four other petitioners before me and of such other actual users who might apply to him, and proceed to make allocation after satisfying himself about their capacity to produce hair belting yarn of the desired quality and specifications."

(Judgment of the Bombay High Court in Miscellaneous petition No. 384 of 1966, delivered by the Hon'ble Mr. Justice Tulzapurkar on the 22nd day of June, 1967).

3.167. The Committee were informed that in spite of the above order of the High Court, the reallocation of the hair belting tops in

question to all actual users has not yet been done by the Government. Further, despite this pronouncement of the High Court, M/s. Kabir Woollen Mills were given essentiality certificate in 1966-67 to import further hair belting tops.

3.168. The representative of the Ministry of Commerce has stated in evidence that the yarn made from hair belting tops is used for the manufacture of conveyor belting for machinery. In the past (upto 1963-64), only M/s. Jayshree Textiles, Rishra used to be given hair belting tops as they were the only established users. The Textile Commissioner's organisation was keen on breaking this monopoly and in 1964-65 Kabir Woollen Mills, Ludhiana, who was the second major producer also got allotments of hair belting tops. Some allocations were also made to a number of other people for experimental purposes.

3.169. In a written note furnished to the Committee, the Ministry of Commerce have explained that the Indian Woollen mills Federation was granted an A.U. import licence during the year October 1965-September 1966 for a value of Rs. 2 crores. Out of this about Rs. 103 lakhs were required for defence purposes. The balance was distributed for civilian purposes. There has been no problem regarding the distribution of raw material for civilian requirements except in regard to Rs. 9.79 lakhs worth of wool tops for hair belting.

3.170. M/s. Kabir Woollen Mills, Ludhiana, who is not a member of the IWMF, filed a writ petition in the High Court of Punjab, Chandigarh in December 1965 praying for the issue of a direction quashing the grant by the J.C.C.I., Bombay, of the said licence to the IWMF and in alternative for the allocation of the share of the said mill from the licence granted to the IWMF. In this writ petition the mills further prayed that the IWMF be restrained from importing the goods under the licence granted to them. They had also prayed for an order in regard to the charge of 10 per cent and 2½ per cent of the foreign exchange value of the raw material by the IWMF for their export promotion fund and the Wool Research Organisation respectively. The Hon. Mr. Justice Narulla of the Punjab High Court passed an interim order declining grant of interim relief to the said Kabir Woollen Mills. The Hon. Mr. Justice Narulla, however, suspended the imposition of the said two levies by the IWMF. He also directed that the pro-rata share of M/s. Kabir Woollen Mills as actual users of raw wool and wool tops for the year 1965-66, be released to them by the IWMF without insisting on the charge of the above 2½ per cent and 10 per cent levy. The above

order was to be operative only if and when any part of the above mentioned import quota of raw wool or wool tops for 1965-66 was released for civilian production. The said Kabir Mills filed another writ petition in the Punjab High Court alleging contempt of court on the part of the Textile Commissioner in not issuing to them allocation for wool tops as directed by the court. Meanwhile an allocation of Rs. 4.5 lakhs each worth of raw material was made to two firms viz. M/s. Jayashree Textile Mills and M/s. Kabir Woollen Mills, Ludhiana on 13th July, 1966 out of the wool tops for the production of hair belting valued at Rs. 9.7 lakhs imported by the IWMT. There were ten applicants for the allocation of these tops but allocations were made to these two in the first instance, in view of the fact that the two mills had received similar allocations in earlier years and the hair belting industry was in urgent need of yarn. This decision was taken with the approval of the Commerce Minister and the copies of the recommendations of the Textile Commissioner and of the relevant notes are at Appendix XXI. Before the tops were actually released, some mills who were members of the IWMT, filed writ petitions in the Bombay High Court against the said allocation of Rs. 4.5 lakhs worth of hair-belting tops to the said Kabir Woollen Mills. The said allocation was quashed by the Hon. Mr. Justice Tulzapurkar of Bombay High Court by his Order, dated 22nd June, 1967. The Kabir Woollen Mills have gone in appeal against this decision and the appeal is still pending.

3.171. The question of re-allocation of the hair belting tops which had originally been allocated to Kabir Woollen Mills and subsequently set aside by the Bombay High Court was examined in consultation with the Ministry of Law in Bombay. The original Writ Petition and the Contempt of Court Petition of the Kabir Woollen Mills, referred to earlier, were still pending in the Punjab High Court when the Bombay High Court set aside in June, 1967 the allocation of hair belting tops made to the mills in June, 1966. The Ministry of Law in Bombay was of the view that as the two Petitions in the Punjab High Court were still pending, it would be advisable, as a measure of abundant caution, before taking action in compliance with the Bombay High Court's direction for re-allocation of the hair belting tops, to move the Punjab High Court for necessary modification of their interim order passed in December, 1965 in the light of the orders passed by a Single Judge of the Bombay High Court on the Writ Petitions filed by some mills challenging the allocation to Kabir Woollen Mills. It was only on the 8th May, 1968, that the two Petitions filed by M/s. Kabir Woollen Mills in the

Punjab High Court were dismissed with the consent of the petitioners as they did not press the petitions.

3.172. In a circular letter dated 25-6-1968 to all the worsted/spinning mills the Textile Commissioner informed them that a certain quantity of hair belting tops was available for allocation. The allocation would be made to mills subject to the condition that the value of the tops allocated would be set off against future allocation. No mill except Kabir Woollen Mills was agreeable to such a condition. A summary of the replies received from various mills is given below.

Sl. No.	Name of the Mills	Quantity/value of hair belting tops wanting to lift	Whether the Mills agreed to accept the condition regarding reduction in A/U allocation.—Affirmative/Negative
1.	M/s. Shree Digvijaya Woollen Mills	Nil.	No reply to this point.
2.	M/s. Jayshree Textile and Industries Ltd.	Not mentioned	No reply to this point.
3.	M/s. Oswal Spg. and Wvg. Mills Ltd.	Rs. 5,000/-	No reply to this point.
4.	Shri Dinesh Mills Ltd.	10,000 lbs.	No.
5.	The Raymond Woollen Mills	5,000 lbs.	No.
6.	Bombay Woollen Mills	5,000 Kgs.	No.
7.	Commonwealth Spg. and Knitting Mills	Rs. 3,28,000/-	No reply to this point.
8.	The Bombay Fine Worsted Manufacturers	Not mentioned	No reply to this point.
9.	New Era Hindustan Woollen Mills	Rs. 2,50,000/-	No reply to this point.
10.	International Woollen Mills	25,000 lbs.	No.
11.	Model Woollen Mills	25,000 Kgs.	No.
12.	Kabir Woollen Mills	Entire lot valued at Rs. 5,29,000/-	Yes.
13.	Oriental Carpet Mfrs.	Entire lot	No.

3.173. The question of allocation of hair belting tops valued at Rs. 5.29 lakhs including the tops originally allocated to Kabir Woollen Mills which was subsequently cancelled by the Bombay High Court which was still in stock with the Federation was further examined in consultation with those mills which had filed the Writ Petitions in the Bombay High Court. It has since been proposed with the consent of these mills that the hair belting tops in stock with the Federation may be allocated to such authorised worsted spinning mills who quoted the highest price for the wool tops subject to a minimum price guarantee. The matter is under examination.

3.174. As the appeal of M/s. Kabir Woollen Mills against the decision of Mr. Justice Tulzapurkar is still pending before the Bombay High Court, the Committee would not like to make any comments in regard to the allocations of hair belting tops made by the Textile Commissioner, at this stage. The Committee would, however, suggest that as soon as the matter is finally decided by the Courts of Law, expeditious action should be taken by the Textile Commissioner to allocate the hair belting tops which have been lying in stock for about three years obviously involving storage and other charges. The Committee would also suggest that the judgments of the Courts of Law in this regard should be carefully examined in the Ministry of Commerce and suitable remedial/disciplinary action taken to deal with procedural defects/administrative lapses that might come to notice.

Deterioration of hair-belting tops

3.175. It has also been brought to the notice of the Committee that the delay in the allocation of the hair belting tops imported in 1965-66 has caused deterioration of stocks. The Ministry of Commerce have stated in a written note that a Textile Committee had inspected the stocks and, as per the report of the Textile Committee, the extent of deterioration was 18.5 per cent in the part of the consignment inspected. On the presumption that 18.5 per cent deterioration is spread over to the entire consignment of hair belting in stock then the value of the same would work out to about Rs. one lakh. However, this assessment of loss would be correct only if there is complete deterioration of quality. According to the test report the deterioration is only in respect of a few attributes of the wool such as colour and PH value. Therefore, the loss is likely to

be less. As already mentioned, the petitioner mills as also I.W.M.F. have suggested a basis of allocation by which it is expected that neither the Indian Woollen Mills Federation nor the Government would suffer any loss in the distribution of this wool.

3.176. The Committee cannot over-emphasise the necessity of an early decision in regard to distribution of the stock so as to avoid further deterioration and consequent loss of Foreign exchange investtd on its import.

Allocations in 1966-67

3.177. As regards further allocations to Kabir Woollen Mills in 1966-67, the Ministry of Commerce have stated in a written note that while litigation was going on in the Bombay and Punjab High Courts in regard to allocations out of the imports made in 1965-66, the hair belting manufacturers were not getting any raw materials. A deputation of the indigenous hair belting manufacturers association met the Special Secretary in the Ministry of Commerce on 28th November, 1967. The deputationists complained that they had not got any allocation of hair belting yarn since October 1965 and that the allotment intended for them had been frozen and they had not been given any allotment either for 1965-66 or 1966-67. The Association pleaded that this had paralysed the industry and had affected the supplies to various machinery manufacturers and other essential production agencies. The Ministry of Commerce requested the Textile Commissioner to move the High Court for either vacation of the injunction or at least permission for the release of about 75 per cent of the materials so that the hair belting industry was provided with sufficient raw materials. It was also suggested that at least 50 per cent of the allocation might be released for production of hair-belting yarn to the belting industry, under intimation to the Ministry. The Law Ministry was consulted on the question whether it would be appropriate to issue import licences to M/s. Jayashree Textiles, Rishra, West Bengal, and M/s. Kabir Woollen Mills, Ludhiana (who had been getting previously licences for import of hair belting tops), having regard to the fact that they were co-respondents in the writ petitions filed in the Bombay High Court by the Bombay Mills. The Ministry of Law advised that the Textile Commissioner's liberty to recommend actual users applications for the period October 1966 to September 1967 would not be curtailed by the interim injunction issued by the Bombay High Court. Allocations were accordingly made to these two mills, and the relevant notes in the Textile Commissioner's office are at Appendix XXII.

3.178. The following six mills had applied for issue of licences for import of hair-belting tops in 1966-67:—

Name of the Mills	Value applied (Rs.)
1. Kabir Woollen Mills (Rs. 50 lakhs for raw wool/wool tops/wool waste/raw material for hair belting yarn)	Value not indicated separately.
2. Jayashree Textiles (Rs. 25 lakhs for the import of wool/wool tops and hair tops)	Value not indicated separately.
3. Prabhat Woollen Mills, (Wool tops and/or raw wool for manufacture of woollen yarn exclusively used in the manufacture of hair belting)	Rs. 80,000/-
4. Pearl Woollen Mills	Rs. 2,00,000/-
5. New Era Hindustan Mills	Rs. 10,00,000/-

The allocations made to M/s. Jayashree Textiles and M/s. Kabir Woollen Mills covered only 50 per cent of the total allocation for hair belting tops and the balance was kept for distribution to other mills after getting the Court's decision because that would indicate as to how far the claims of others were justified.

3.179. The Committee hope that a final allocation of the balance of the hair belting tops will be made without delay as soon as the question of allocation of hair belting tops for the year 1965-66 pending before the Bombay High Court is finally settled.

Australian Wool Pool

3.180. On the basis of the recommendations made by the International Wool Secretariat, that a stock pile of wool on which manufacturers could draw against export orders with minimum delay and formality should be established by Government, the Government of India and the Australian Government, after negotiations, signed an agreement on the 9th September, 1966 under which the Australian Government would supply, under the Colombo Plan, a total quantity of 4 million lbs. of merino wool (greasy weight) valued at about Rs. 3.32 crores over a period of three years to establish a stock pile of wool. This stock pile would be replenished from

time to time by imports against licences or release orders surrendered to STC by exporters of woollen goods in terms of the policy for registered exporters against exports of woollen goods. A copy of the drill prepared for the operation of the Revolving Pool of Raw Wool is at Appendix XXIII.

Between November, 1966 and August 1967, a total of 17 lakhs lbs. of wool of greasy weight (clean weight 9 lakh labs.) of a total value of Rs. 93 lakhs was imported.

3.181. Out of the wool imported, a total quantity of wool valued at about Rs. 92 lakhs has already been released to the organised and the decentralised sectors, the first release having been arranged in July, 1967, leaving a balance of only 12,000 lbs. of an approximate value of Rs. 1 lakh with the State Trading Corporation. The release of this balance is stated to be under negotiation.

3.182. It has been stated in a written note submitted to the Committee that "After the agreement was signed the Australian High Commission in India was given details of the various qualities of wool required for the first four consignments. These qualities were indicated by the Textile Commissioner in consultation with the Indian Woollen Mills Federation." Despite this position, however, the Federation and other sectors of the trade "raised objection in respect of the quality as well as the procedure of supplies of wool from the stock-pile and its replenishments etc. The differences were resolved only towards the end of June, 1967 and the first release was made in July, 1967 to Messrs Raymond Woollen Mills. Other mills and the hosiery sector did not even then lift their allocations. Further discussions had, therefore, to be held and special facilities given. The facilities which have been offered to the exporters since include (1) release on the basis of prevailing international prices, (2) absorption of the liability for payment of sales tax, (3) payment of 10 per cent of the sale value against delivery and the balance 90 per cent at 3 months credit at the normal rate of interest, (4) issue of advance quotas against export orders, (5) issue of letters of authority in respect of 50 per cent of export entitlement to manufacturers—exporters. A panel was also formed to advise the State Trading Corporation regarding choice of qualities and acceptable prices. As a result of all these facilities the State Trading Corporation has been able to dispose of the entire quantity of 1.7 million lbs. imported by it, except 12,000 lbs. The State Trading Corporation are preparing to import a further quantity of about 1.6 million lbs. immediately; imports of remaining 0.7 million lbs. will be considered a little later."

3.183. The Committee were further informed in a written note furnished in January, 1969 that, "The foreign exchange allocation for import of wool during the period October, 1967—September, 1968 was Rs. 12 crores. The foreign exchange allocation for the period October, 1968 to September, 1969 is of the order of Rs. 11 crores. Havnig regard to the substantial allocation, there are no grounds for the apprehension that there will be any increase in the prices of woollen cloth and materials in the current season. There are no indications that the prices of woollen materials have gone up in the market at present."

3.184. The Committee regret to note that despite the fact that the various qualities of wool required for the first four consignments from Australia were indicated by the Textile Commissioner in consultation with the Indian Woollen Mills Federation, the latter and other sectors of the trade raised objections in respect of the quality as well as the procedure of supplies of wool from the stock-pile and its replenishment etc. The Committee are not aware as to why prior agreement with the various parties concerned had not been made in respect of all aspects before the particular quality of wool was imported. This failure resulted in delay in the distribution of wool supplied by Australia under the Colombo Plan which could have been avoided.

3.185. The Committee hope that while finalising import of the further quantity of about 1.6 million lbs. proper care would be taken to come to prior agreement with the various parties concerned so that no difficulties arise in the release of the imported wool from the stock-pile as occurred in the past.

3.186. In view of the establishment of the stock-pile for the revolving pool of raw wool with the imports of merino wool from Australia, the Committee hope that there will not be any resultant increase in the prices of woollen cloth and materials and the consumers will not have to suffer.

CHAPTER IV

IMPORT OF NYLON

4.1. The policy of Government in regard to the import of nylon for the woollen industry has been to allow the import of nylon upto a certain percentage of the face value of import licences for raw wool.

First two ad hoc licences issued in 1962-63

4.2. At the time of assessment of requirements of woollen materials for the Defence Services in October-November, 1962, nylon was required mainly for hosiery items and only about 2.5 lakh lbs. of nylon fibre/tow worth about Rs. 10 lakhs were imported as a part of the first ad hoc licences for Rs. 5.70 crores.

4.3. On the 21st February, 1963, the Sub-Committee of the Inter-Departmental Co-ordination Committee (consisting of representatives of the Ministry of Commerce & Industry, Ministry of Defence and Department of Supply) made a review of the quantities of the raw materials required to meet the Defence needs of woollen articles. They assessed the requirements of nylon fibre|tops|tow at 39 lakh lbs. In computing this requirement, it was assumed that for the balance quantities of blankets (not yet delivered), for which raw material had yet to be imported, the manufacture would be on the basis of a mixture of 45 per cent Indian Wool, 40 per cent imported shoddy and 15 per cent nylon (instead of 100 per cent Indian Wool). Further, in the case of worsted and woollen items made from Indian wool, admixture with nylon was assumed at 10 per cent and 15 per cent respectively.

4.4. Brigadier N. N. Chopra, the then D.R.D.(G) in the Ministry of Defence (C.G.D.P.) represented that Ministry on the Inter-Departmental Co-ordination Committee. The representative of the Ministry of Defence has stated in evidence that Brig. Chopra, who has since retired, was an Army specialist on Textiles but no documentary evidence is available in the Ministry of Defence to show that he himself had prepared the projection of the fibre composition for the forecasts of army requirements made by the M.G.O. All that the Ministry of Defence have been able to locate is an unsigned typed sheet of paper in which the break-down of wool and nylon has been made. This sheet does not bear any date and was found

by the Ministry of Defence in one of the covers where the working sheets for those meeting were kept.

4.5. The Committee deprecate the manner in which papers have been kept in the Ministry of Defence. They would suggest that standing instructions should be issued that whenever any officer of a Ministry/Department attends any Inter-Departmental Committee meetings, he should invariably record notes relating to those meetings on the appropriate files of his Ministry/Department, clearly bringing out the role played by him and the commitments, if any, made on behalf of his Ministry*.

4.6. At the time of official evidence, it was not clear as to how the change from 100 per cent wool blankets to shoddy-admixture blankets was brought about. The Ministry of Commerce in a subsequent written note have, however, stated that "The D.G.S.&D. has confirmed that Defence specifications for blankets (produced from study wool), jerseys and socks provided for admixture of nylon." That Ministry have also furnished to the Committee a copy of Defence specifications for blankets, the relevant portion of which reads as follows:—

"SCOPE

1. This specification covers the requirements of the following types of blankets

Cat No.	IKC	0006	Blankets Barrack
	IKC	0008	Blankets Hospital Brown

MATERIAL

2. The blankets shall be made from

- (a) 100 per cent indigenous wool of medium quality,
- (b) 85—90 per cent indigenous wool of coarser quality admixed with 10—15 per cent other fibres such as viscose rayon or nylon,

or (c) 45 per cent indigenous virgin wool of medium quality and 45 per cent shoddy wool admixed with minimum 10 per cent nylon."

4.7. Originally the army had asked for blankets made of Indian wool in which no nylon was included. At the time of review by the Sub-Committee of the High Power Review Committee (consisting of Brig. N. N. Chopra, Ministry of Defence; Shri V. Subramaniam, Director of Supplies DGS&D; Shri A. G. V. Subramaniam.

*At the time of factual verification of this Report, the Ministry have intimated that "generally record notes are maintained by representatives of this Department who attend inter-departmental meetings unless formal minutes are issued by the concerned convening authority. The circumstances under which this was not done in this particular case are not known at this stage and might probably be due to emergency conditions prevalent at that time."

Under Secretary, Ministry of Commerce and Industry; and Shri R. G. Zalani, Deputy Director, Office of the Textile Commissioner, Bombay), the position was that out of a total demand of 44.53 lakh blankets the total coverage had been to the extent of 23 lakh blankets including 1.35 lakh blankets by way of imports. For the rest, Indian Wool being in short supply, it was decided to manufacture shoddy mixture blankets for which nylon was required. The copy of the specification furnished to the Committee, however, concludes as follows:—

“Correct copy of sealed specification at this date.

Kanpur,

Dated 14th November, 1967

Sd/-

for Chief Inspector,
Chief Inspectorate of Textiles and Clothing.”

4.8. The Committee note that the percentage of admixture of nylon was assumed in February, 1963 while assessing the requirements of nylon fibre|tops|tows. But the Defence specification furnished to the Committee is dated the 14th November, 1967. In the opinion of the Committee the question whether the specifications of blankets referred to above were actually operative at the time it was decided to produce blankets out of shoddy mixed with nylon (instead of 100 per cent Indian wool) requires investigation.

4.9. Out of the total requirements of 39 lakh lbs. of nylon as assessed by the Inter-Departmental Co-ordination Committee referred to in para 4.3 above, a quantity of 6 lakh lbs. was estimated as likely to be available from the imports against commercial quotas. Another 6 lakh lbs. was expected to be available from the unutilised portion of the import licences already issued to the industry for 1962-63. since according to the terms and conditions of those licences the mills could import nylon fibre/tow/tops upto 10 per cent of the face value of the licences. In addition to the above availabilities, two barter deals for the import of nylon worth Rs. 25 lakhs each had been separately concluded, and it was expected that 14 lakh lbs. of nylon would be available through those deals. The details of the barter deals have been discussed later.

4.10. It would be seen from the above that against a total requirement of 39 lakh lbs. of nylon, availability of 26 lakh lbs. was presumed and the remaining quantity of 13 lakh lbs. constituted the outstanding import requirement under the first *ad hoc* licence already issued and the second *ad hoc* licence to be issued.

4.11. As against the import requirement of 13 lakh lbs., the actual imports made under the two *ad hoc* licences issued in 1962-63 in favour of Federation of Woollen Manufacturers in India and All India Woollen Mills Association were as follows:—

	Quantity imported (in lbs.)	CIF value (in Rs.)
Nylon Tops/Fibre under the first <i>ad hoc</i> licence .	2,49,797	9,77,796
Nylon Tops/Fibre under the second <i>ad hoc</i> licence .	16,83,125	61,66,752
TOTAL . . .	19,32,922	71,44,548

Import of Nylon under the Barter Deals

4.12. Early in 1963, M/s. Arthur Import Export Co. (later known as M/s. R. K. Synthetics) and M/s. Commonwealth Synthetics entered into a barter deal with the State Trading Corporation for export of Manganese Ore which was a difficult item to export and on which there was a loss on export. The said two firms were to export Manganese Ore valued at Rs. 25 lakhs each and in lieu allowed to import nylon tow of equivalent value to be used in their own plants (to be converted into nylon tops). Each of the firms also paid to the State Trading Corporation an amount equal to Rs. 16.6 lakhs as compensation towards the possible loss in the export of Manganese Ore over and above the C.I.F. cost of imported tow.

4.13. The proposal for this barter deal was forwarded by the Managing Director of the State Trading Corporation to the Secretary of the then Ministry of International Trade. The proposal was approved by the then Minister for International Trade without any notings by any officer of the Ministry. The Managing Director's note dated 11th January, 1963 and the Minister's orders thereon are reproduced below:

"M/s. Arthur Import Export Co. have made a proposal that they would be able to import synthetic tow at a price of 107 pence per lb. from Japan for a total value of Rs. 50 lakhs against export of 46/48 per cent grade manganese ore at \$ 27.50 per ton f.o.b. Indian port basis. The proposal envisages exports of manganese ore either to the USA,

Japan or West European countries and the import is, however, to be arranged from Japan. The firm has, however, pointed out that in case free foreign exchange was available, the import could have been arranged at a price of 75 pence per lb. c.i.f. and the present difference in price between 107 pence and 75 pence represents the anticipated loss by them on exports of manganese ore and an overhead commission and margin of 6 per cent. As against our price of \$ 27.50 for manganese ore the firm has indicated that they would be able to sell it only at \$ 22 per ton. The Corporation had several discussions with the representative of the firm. As the firm has, at the moment no buyers in sight for the manganese ore it is difficult for the Corporation to evaluate precisely the extent of loss which the firm is likely to sustain and to concede the minimum loading that would be necessary to make the transaction go through over and above the naked price at which import of synthetic tow could be arranged, had free foreign exchange being made available. The firms representative pointed out that it would take a minimum period of 3 months by them to finalise sales of manganese ore. In the absence of a firm contract for manganese ore and settlement of prices it would be impracticable to recommend import at a firm price.

It is, however, understood from the Ministry that the requirement of tow is of an urgent nature and immediately imports to the tune of Rs. 12.5 lakhs are to be arranged and the balance thereafter. In view of the difficulties stated above in the preceding paragraph, it would be difficult to determine the extent of loading on the import commodity and to go forward and finalise this deal with M/s. Arthur Import Export Co. who have given this proposal.

A reference had been made to the Textile Commissioner to ascertain his views whether a naked price of 75 pence proposed by the firm was in accord with the international price and whether he would have any difficulty in releasing this import to the woollen mills at a price of 107 pence as had been proposed by the firm in their letter dated 5th January, 1963. The Textile Commissioner has indicated that in his judgment a price of 70 pence per lb. would be considered reasonable under the present market conditions and the same would be released to the woollen

Mills at a price range of 104 pence or 105 pence and the mills could afford to pay even slightly higher price. In other words, if imports are permitted under the present arrangements there would be a difference of approximately 35 pence per lb. available between the import price and the release price to serve as a cushion to absorb any loss sustained on the exports of manganese ore.

As the firm at the moment, has no buyers for manganese ore, it is proposed to process this as follows:

- (a) The State Trading Corporation arranging imports through M/s. Arthur Import Export Co. of synthetic tow to the specifications required by the Textile Commissioner at a price of 70 pence, if this is acceptable to the firm.
- (b) The material imported under this arrangement to be released to the firm with the approval of the Textile Commissioner at a price of 104 or 105 pence as may be acceptable to him and the difference in price to be made available to the STC to absorb the loss on exports of ore.
- (c) The Corporation would undertake itself the responsibility of exporting managanese ore on f.o.b. Indian port basis to balance the c.i.f. value of the import and utilise the difference between the import and the release price of tow as stated in para 3 above, if necessary, for export.
- (d) The firm to give a performance bond for 10 per cent of the contract value backed by a bank guarantee that they would implement the deal on the lines indicated above and to release the tops processed by them from the imports made under this arrangement in accordance with the approval and directions of the Textile Commissioner.

The Ministry may kindly communicate if the proposal as outlined above meets with their approval so that further action could be taken to arrange import immediately and also to negotiate sales of manganese ore of equivalent value.

Sd./- Govind Narain,
Managing Director.
 11th January, 1963.

Shri D. S. Joshi, Secretary (IT)

We may approve and give a debit to our ceiling for this with the Textile Commissioner. This may be immediately cleared.

Sd./- Manubhai Shah,

15th January, 1963.

A debit may be raised against the TXC's ceiling in the first instance for allowing imports. After exports take place, a credit should be given, and debited to barter ceiling. S(IT) has seen and has agreed to this being cleared. Further action may be taken by S.T.C.

Sd./- A. G. V. Subramaniam,

15th January, 1963.

M.D. STC (Shri Govind Narain).

Min. of Com. & Ind. U.O. No. 5(1)-Tex(D)/63 dt. 16-1-1963

4.14. The undertakings given by the two firms provided *inter alia* that the nylon tow imported under the agreement shall not be distributed, allotted or transferred as Tow/processed tops/waste to any party without the prior written permission of the Textile Commissioner. Further the top produced out of the tow, or unprocessed stock of nylon tow or stock of nylon waste shall be delivered in accordance with the written instructions of the Textile Commissioner and at prices to be fixed by him. There was no statutory price control on nylon tops but it was provided in the agreement because the nylon tow at that stage was expected to be utilised for defence manufacture and it was necessary to have a control on the prices of nylon so that the ultimate products being purchased for defence were comparatively cheaper.

4.15. The total quantities of nylon tow imported by the two firms

under the barter deals come to about 14.23 lakh lbs. as shown below:

	M/s. Arthur Im- port Export Co.	M/s. Common- wealth Syn- thetics
(1) Total Quantity imported.	711804 lbs	711805 lbs.
(2) CIF value	Rs. 24.89 lakhs	Rs. 24.89 lakhs
(3) Amount paid as compensation to S.T.C.	Rs. 16.79 lakhs	Rs. 16.69 lakhs
(4) Customs duty	Rs. 13.69 lakhs	Rs. 13.69 lakhs
(5) Total landed cost exclusive of handling charges, insurance, bank interest on investment-cost of conversion into tops etc.	Rs. 55.37 lakhs	Rs. 55.27 lakhs

4.16. The Committee desired to know the reasons for allowing import of nylon under barter deal. The representative of the Ministry has stated in evidence, that "the State Trading Corporation were interested in finding profitable import items from the profits of which the losses on the export of manganese ore could be recovered. Nylon yarn was obviously one such item. Now, in a situation when the country does not have the foreign exchange, when we are assuming for the present stage of our discussion that 1.4 lakh lbs. of nylon is required, when we are assuming that manganese is a fit item to be exported, when a private party is prepared to meet the State Trading Corporation losses on it so far as barter arrangement is concerned, I would submit for the consideration of the Committee that this was as good a decision as could be reached at that time."

Allocations made for Defence requirements and surpluses rendered out of the imports made under the two ad hoc licences and the barter deals.

4.17. As already stated in earlier paragraphs, a total quantity of about 19.33 lakh lbs of nylon was imported under the first two ad hoc licences and another 14.23 lakh lbs. under the barter deals.

4.18. Out of these quantities, allocations of only 14.09 lakh lbs. could be made by the Textile Commissioner against orders for Defence requirements. These allocations were not sufficient even to consume the total quantities of about 19.33 lakh lbs. imported by the Federation under the two *ad hoc* licences. There were thus a total surplus of about 19.47 lakh lbs. viz., 5.24 lakh lbs. with the Federation and 14.23 lakh lbs. with the two importers under the barter deal.

4.19. The Ministry of Commerce have informed the Committee that the "main reason for the surplus was that there was a scaling down of the (Defence) orders and nylon fibre tops available with the mills exceeded the actual estimate of availability which was based on the value of licences utilised by the industry." It has also been stated that "the quantity declared as surplus to Defence requirements out of the two *ad hoc* licences issued to the Federation was indicated by the D.G.S. & D. in consultation with the Ministry of Defence". A relevant document connected with the reasons for surplus which has been furnished to the Committee is a letter written by the Textile Commissioner to the Secretary, Ministry of International Trade, on the 8th October, 1963, an extract of which reads as follows:—

"Shoddy/Nylon Fibre

Evidently, in this category, there is a substantial surplus as most of the units who had taken up for supply of Shoddy blankets have met their shoddy requirements from their own A/U Licences which were also earmarked for Defence. Against 30 lakh lbs. of shoddy imported, the Federation has been able to allot only 5.82 lakh lbs. leaving a balance of 24.18 lakh lbs. valued at Rs. 28 lakhs. Even taking into account the recent orders placed on the industry with guarantee for assistance for shoddy and nylon fibre, a further quantity of 3.92 lakh lbs. valued at Rs. 4 lakh could be utilised and also a corresponding quantity of nylon fibre. Unless a decision is taken to place orders for Shoddy Blankets for supply during 1964 to the extent of approx. 6.2 lakh Nos. this quantity of shoddy and corresponding quantity of nylon fibre will remain unutilised. In that case, decision will have to be taken to release this quantity for civilian consumption.

As for Nylon Tops of 3.70 lakh lbs. (valued at Rs. 22.80 lakh), which were primarily imported for admixing with Indian wool in the manufacture of hosiery items, this may have

to be released entirely as our experience of the admixture quality of hosiery has not been fully satisfactory."

4.20. The representative of the Ministry has explained in evidence that so far as the shoddy-nylon mixture is concerned, since they are mixed in the ratio of 40 : 15. The 24.18 lakh lbs. of surplus of shoddy referred to above would thus have rendered 24×15

40

or 9 lakh lbs. of nylon as surplus. If the 3.70 lakh lbs. of nylon tops which were primarily admixtures of wool in the manufacture of hosiery items be added to this, the total number would come to about 13 lakh lbs.

4.21. No detailed calculations in regard to the rest of the surplus (*viz.* about 6 lakh lbs.) have been furnished to the Committee.

Distribution of surplus:

4.22. The Committee desired to know as to how and at what prices the nylon rendered surplus to Defence requirements was released to the civilian industry. So far as the surplus (of about 5.44 lakh lbs.) arising out of the imports made under the first two *ad hoc* licences is concerned, the Committee have been informed by the Ministry of Commerce that the imports were made at a price of about 70 pence per lb. and were sold to the Woollen Mills, against distribution orders issued on a *pro rata* basis, after adding handling charges, storage, etc. The Ministry do not have any information as to the prices at which nylon was ultimately sold to the consumers and what profit was earned by the mills in the process.

4.23. So far as the release of nylon imported under the barter deals by M/s. Commonwealth Synthetics and M/s. Arthur Imports & Exports Co. (later known as M/s. R. K. Synthetics) is concerned, the two mills were, as already mentioned, under obligation to release processed tops etc. at prices to be fixed by the Textile Commissioner. The two mills were originally required to deliver the nylon tops prepared out of the two imported by them at a price of Rs. 17 to Rs. 18 per kilogram. This price was fixed on the basis of the report of the Costing Officer who was required to go into the question of fixation of a fair price, taking into account the premium paid by the two mills to the State Trading Corporation and other charges relevant to the release price.

4.24. It has been represented to the Committee that this price control was ultimately lifted and the two Mills were allowed to sell the material to mills of their choice at negotiated prices. It has been alleged that as a result of this relaxation, the two converters

were able to sell the tops in the open market where the ruling price was more than Rs. 13 per lb. and thus made huge profits.

4.25. The Committee desired to know the reasons for relaxing the control on price and the level at which this decision was taken. In a written note furnished to the Committee, the Ministry of Commerce have stated as follows:—

“The price control on nylon tows produced out of tow imported under the two barter deals was originally imposed by obtaining an undertaking from the two concerned firms. This was done because the nylon was at that stage expected to be utilised for defence manufacture and it was necessary to keep a control on the prices of nylon so that the ultimate products being purchased for defence were comparatively cheaper.

On the 26th September, 1963, Shri A. C. Chaudhuri, Director in the Office of the Textile Commissioner wrote to the Ministry of International Trade intimating that 3.70 lakhs lbs. of nylon tops valued at Rs. 22.8 lakh imported by the Indian Woollen Mills Federation was to be diverted to the civilian market as Defence no longer needed hosiery materials out of an admixture of Indian wool any nylon. The tops were imported at about 70 d. per lb. He also mentioned that in view of this the tops converted by M/s. Arthur Import Export Co. and Messrs. Commonwealth Synthetics out of the tow imported against the barter deals would also have to be used for civilian consumption. Some tops already produced by these firms were awaiting lifting by the mills according to the release orders issued by the Textile Commissioner. As there was no demand for Defence, the mills were not in a position to lift the nylon tops earmarked for Defence production. He also mentioned that the matter of price fixation of the tops against the barter deal was being examined by the Textile Commissioner's office. Meanwhile, the two firms sent repeated telegrams to the Textile Commissioner's office and the Ministry asking for an expeditious fixation of price. The decision that the tops produced out of the tow imported under the barter deal should be used for civilian market was taken with the approval of the then Minister for International Trade.

2. In his letter of 11th October, 1963, Mr. Zalani, Deputy Director in the Textile Commissioner's office informed the Ministry that he had issued release order in respect of nylon tops manufactured by the two firms. He had also made it clear to the worsted spinning mills that unless the material now offered was lifted, the mills would not be given the benefit of utilising any part of their future A.U. licences for import of man-made fibre. The price of the tops was fixed at Rs. 17.94 per kg. for Messrs. Commonwealth Synthetics, Ludhiana and Rs. 17.84 for Messrs. Arthur Import Exports Co., Bombay. Releases to the extent of 13.5 lakh lbs. from the concerns had been issued to various worsted spinning mills as tops could be used only for worsted spinning. The two manufacturers, particularly Messrs. Arthur Import Export Co. protested against the fixation of price of Rs. 17.84 per kg. on the ground that even the cost of tow after payment of compensation to the State Trading Corporation, Import duty, Countervailing Excise Duty, Bank Charges etc., came to Rs. 17.60 per kg. In addition, they had to incur charges on conversion, godown rent, interest etc. According to them, a price of Rs. 12.29 per lb. (Rs. 27.00 per kg) would have been justified as against Rs. 17.84 per kg. fixed by the Textile Commissioner.

3. On the 6th November, 1963, Shri Zalani, Deputy Director in the Textile Commissioner's office wrote to this Ministry. The points made in his letter were that:
 - (i) nylon tops produced by these two units were released to the worsted spinning mills at the ex-factory prices indicated by the Textile Commissioner;

 - (ii) Messrs. Commonwealth Synthetics, Ludhiana, had delivered some quantities against the release orders whereas Messrs. Arthur Import Export Co., Bombay had not delivered any quantity on the ground that the price fixed was low;

 - (iii) Some of the mills to whom these tops were released were reluctant to take delivery on account of certain reasons, such as their having already adequate stocks, imported earlier against their own actual users' licences or their inability to use nylon tops on their existing plants on account of technical difficulties;

- (iv) The Textile Commissioner had already decided to release the nylon tops imported (by the Federation) against the special licences for civilian production. These tops could be cheaper than the tops released from the two firms;
 - (v) Having regard to these points, the Textile Commissioner discussed with the concerned officers and felt that the tops produced by these two units need not be subject to any price of distribution control. These two units could be permitted to sell the tops by direct negotiations with the individual mills at a negotiated price.
4. This letter was examined in the Ministry. In view of the position explained therein it was suggested that the recommendations contained in that letter relating to removal of both distribution and price control, might be accepted. It was pointed out at that time that the tops produced by the two firms included an element of compensation paid to the State Trading Corporation at 42 d. per lb. whereas the other tops imported by the Indian Woollen Mills Federation were not under this handicap and so would be cheaper. The case was put up to Secretary (International Trade). He observed that it would be awkward to have regulated prices for some releases and not for others. He wanted to know whether it was possible to think of doing away with price fixation of tops from all sources. He also pointed out that while one of the two units was supplying at regulated prices, the other was not and wanted freedom to make profit which they said would otherwise accrue—unjustifiably, according to them—to spinners. It was pointed out in reply that there was no statutory price control on nylon tops. The prices were fixed by the Textile Commissioner on the strength of an undertaking given by the firms at the time barter agreement was approved. This undertaking was necessary because the tops were intended to be used for meeting Defence requirements. In view of the availability of the tops with the spinners, and also the tops imported by the Federation at a cheaper cost, there would be competition and prices would find their own level as Mills were unlikely to pay higher than market prices, particularly as this item did not seem to be in short supply. Secretary (International Trade) agreed with this view on 1st December 1963 that there was no objection to accepting the Textile Commissioner's recommendations (Minister of

International Trade was away at that time). In the letter that to the Texile Commissioner, it was stated that in view of what had been stated in his letter dated 6th November, 1963, there would not be much scope for the two firms to make disproportionate profits."

4.26. The Committee desired to have a list of mills who were reluctant to take delivery of the tops, referred to in para 3(iii) above. The names of these mills have not been furnished, but the Ministry of Commerce have stated that the refusal or acceptance of the nylon by the mills was dependent upon the market conditions prevailing at different points of time.

4.27. With regard to the profits earned by the Federation and the two other firms who imported nylon under the barter deal, the Committee wanted to know whether it was not a fact that the nylon imported by the Federation was at an unloaded price as against the loaded price in the case of the barter deals. The representative of the Ministry has stated, "I entirely agree that as compared with 5.44 lakh lbs. obtained by the Federation, these two firms which obtained by barter certainly had a basic disadvantage that they had to pay to the State Trading Corporation 43 d. on something which costs 64 d. Relatively speaking the scope for profit was less to that extent."

4.28. The Committee wanted to know whether on account of the price control (the price was fixed by the Costing Officer), the importers "held back their stocks and sold them at a later date at higher rates (Rs. 13 or so per lb.) and thus unanticipated profits had gone to these firms, and correspondingly the price to the consumers would be higher." The representative of the Ministry of Commerce has stated in evidence, "I do not believe that the earlier releases of tow were cheaper. I do not believe the statement of this party that he is unable to sell. I also do not believe that those who were spinning these tows into yarn were not making profit. In fact I believe that the consumer price was high and I believe there was no imbalance in supply and demand. If we had foreign exchange, more imports would have been permitted. For the consumer there was a higher price because despite barter, the total fibre available in the country was less than the demand of the country. Profits were made by the spinners and in this bargain the profits were also made by the top makers and included amongst them were these two parties and other parties."

4.29. With regard to the profits made by the two firms who imported nylon under barter, the representative has stated, "these

two parties will have made less profit than the parties to whom the other quantities were released per lb. But these parties overall would have made more profit because the amount given to them was larger. The per lb. profit of these two parties, these barter parties, was less than that of the parties to whom the nylon tows were released from the other sources, but the overall profits of these parties also must have been considerable."

In this connection the Ministry have forwarded copies of letters received by them in the middle of 1967 from M/s. Commonwealth Synthetics and M/s. Arthur Import and Export Co. regarding sale of nylon tops, which are reproduced in Appendices XXIV and XXV.

4.30. The Committee have noted the views expressed by the representative of the Ministry that the per pound profit of these two parties (two barter parties, namely, M/s. Arthur Import Export Co. and M/s. Commonwealth Synthetics) was less than that of the parties to whom the nylon tows were released from the other sources but the overall profits of these parties must have been considerable. The Committee are inclined to agree with these views of the representative of the Ministry.

4.31. The Committee note the circumstances which led to the permission being granted to two firms to enter into barter deal with the State Trading Corporation for import of nylon in lieu of export of manganese ore. They are, however, not convinced that the assessment made for the requirements of nylon to meet the needs of Defence was realistic. On the other hand they are of the view that the assessment of requirements of nylon for meeting Defence needs was grossly exaggerated. This is evident from the fact that in addition to the entire quantity of about 14 lakh lbs. of nylon tows imported under the two barter deals which became surplus, a quantity of over 5 lakh lbs. out of the quantity of 19.33 lakh lbs. imported under the two ad hoc licences by the Federation also became surplus. In the whole transaction neither the consumer nor the Ministry of Defence, for whose benefit the imports were permitted, appear to have benefitted.

Third Ad'hoc Licence (1965-66)

Quantities imported

4.32. Against the third *ad hoc* licence for about Rs. 2 crores issued in favour of the Indian Woollen Mills Federation for import of raw materials in September, 1965, the following quantities of nylon (in

addition to wool, which has been discussed earlier in this Report) were imported by the Federation:

	Quantity (lbs)	C.I.F. Value (Rs.)
Nylon Fibre	2,40,000	8,46,700
Nylon Tow	2,40,000	8,26,700
TOTAL	4,80,000	16,73,400

4.33. The Ministry of Commerce have stated that although the concerned licence was valid for General Currency Areas, the Federation was requested to purchase nylon fibre and tow preferably from rupee payment countries in the ratio of 50 : 50. The Federation was also informed that in case tow was not available from any rupee payment country the entire quantity might be in the form of nylon fibre. The Federation was also informed by the Textile Commissioner that if suitable types of nylon Fibre/tow were not available from any rupee payment countries, fibre and tow might be bought in the ratio of 50 : 50 from any other country.

4.34. Messrs. CHIKA LTD., Bombay offered to the Federation only Acrylic, cupramonium and perlon from rupee payment areas but the same were not purchased as these are not required for defence production. Indian Woollen Mills Federation stated that they had made enquiries for the purchase of required quantity of nylon from rupee payment countries but were total that nylon industry in rupee payment countries being then of a recent origin the quality of product was not satisfactory. Further the bulk of supplies from Rupee Payment countries was also reported to be from a third country.

4.35. In view of this position the nylon fibre and tow was purchased by the Federation from Japan. In the circumstances explained by the Federation, the Textile Commissioner did not pursue the matter.

Prices Paid

4.36. In connection with the purchase of the nylon fibre/two by the Indian Woollen Mills Federation, it was also brought to the notice of the Committee that although an offer was made by a firm for the supply of nylon tow at the rate of 59 pence per lb., the Federation purchased the same from Japan at a price of 63 pence per lb.

4.37. In a written note furnished to the Committee, the Ministry of Commerce have stated that—

“In the Textile Commissioner's file No. 4|2|65-66|Wool-Volume I (Policy)—page 117—there is a copy of letter No. nil dated Bombay—16th September, 1965 from M/s. ITALVIS-COSA EASTERN TRADING S.P.A. (a company incorporated in Italy with limited liabilities) addressed to the Chairman, the Indian Woollen Mills Federation, Bombay, offering synthetic fibres from Italy on special deferred payment terms on certain conditions at a price of 66 d. per lb. C.I.F. Bombay.

There was another offer dated 5th October, 1965 from the Bombay Liaison representative of M/s. Nichimen & Co. Ltd. for supply of nylon tow of certain specifications addressed to M/s. R. K. Synthetics and Fibres Pvt. Ltd., Bombay, at the rate of 62 pence per lb. c.i.f. Bombay. Copy of the said letter was endorsed to the Textile Commissioner and others including the Indian Woollen Mills Federation.

This matter was examined in consultation with the Indian Woollen Mills Federation and the Textile Commissioner. The position is that the Federation received an offer directly from Toyo Rayon, Japan for nylon fibre at 62 d. per lb., and for nylon tow at 63½ d. per lb. on 4th October, 1965. As the raw materials were to be purchased on a high priority basis, the Federation accepted the offer on that date and concluded the deal on 5th October, 1965.”

4.38. The position has been explained by the Federation in their letter dated the 15th February, 1966, a copy of which was forwarded by the Textile Commissioner to the Ministry of Commerce, as follows:—

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As soon as the instructions were received from your office to cover defence raw materials on immediate basis, the Federation's Purchase Committee lost no time in making a judicious selection and in response to their efforts, a

cable dated 4th October, 1965 was received directly from Toyo Rayon, Japan, offering nylon fibre at 64 d. and nylon tow 63.5 d. further suggesting that price reduction was unacceptable to them. A copy of this cable is enclosed in confidence for your information. The Federation had on the same day confirmed to Toyo Rayon's local representatives in Bombay M/s. Marubeni-iida and M/s. Ataka accepting the offer as no time could be lost in the matter. Both the Bombay agents confirmed the offer in writing on 5th October, 1965 and the deal was closed.

We have on our file a copy of letter from Nichiman & Co. Bombay addressed to R. K. Synthetics offering same brand of nylon tow to them at 62 d. This has, of course, no meaning as far as we are concerned because an individual deal between Nichiman & Co. who are also reported to be not the authorised agents of Toyo Rayon and R. K. Synthetics cannot be taken note of by the Federation because the yield wastage loss, etc. have not been specified. A copy of this letter is enclosed for your information.

We have also on our file a letter dated the 5th October, 1965 from the same Nichiman & Co. addressed to us offering only nylon fibre at 62 d. and no offer of tow has ever been made. A copy of this letter is also forwarded herewith for your information.

All these correspondence will only show that there was attempt to create some kind of confusion just at the time the Purchase Committee was trying to conclude the deal for purchase of nylon fibre and tow for the best quality and at the cheapest ruling price at that time.

* * * *

4.39. In an earlier communication dated 14th October, 1965 on the subject, the Indian Woollen Mills Federation had written to the Textile Commissioner as follows:—

“* * * *

As regards price, the lowest quotation for nylon fibre from Japan and from Italy was 62 d. per lb. The Federation has finalised purchase at this price for nylon fibre for good quality Japanese fibre. The price paid for good quality nylon tow is 63.5 d. per lb. and the Federation have covered nylon tow and nylon fibre in equal proportions to take care of the conversion capacity in the country in an uniform manner. As good quality nylon

fibre has been purchased, it is expected that the top produced out of this fibre, will not be costlier compared to the top produced out of tow on our conversion plants having regard to the price and wastes involved."

4.40. The Committee note the position with regard to the reported offer made by a firm for the supply of nylon tows at the rate of 59 d. per lb. to the Federation.

Allocation and Distribution

4.41. As already mentioned, 2,40,000 lbs. each of nylon fibre and nylon tow were included in the imports made by the Indian Woollen Mills Federation under the third *ad hoc* licence. Out of these quantities, M/s. British India Corporation were given 44,000 lbs. of nylon fibre against defence orders placed on them. The quantity left over, consisting of 1,96,000 lbs. of nylon fibre and 2,40,000 lbs. of nylon tow, needed to be converted into tops before the same could be utilised by the spinners for producing worsted yarn in blend with nylon for defence requirements. In connection with the allocation of raw material for such conversion into tops, it was reported to the Committee by the Indian Woollen Mills Federation that in the year 1966, in accordance with the instructions given by the Textile Commissioner, the Federation entered into agreements with M/s. Wellman India, Pvt., Ltd., and M/s. R. K. Synthetics, for conversion of the raw material into tops and return to the Federation for distribution to individual mills (in accordance with release orders to be made by the Textile Commissioner). While M/s. Wellman India, Pvt. Ltd., satisfactorily converted and delivered back the tops to the Federation, M/s. R. K. Synthetics did not return the very first instalment of 10,000 lbs. of nylon tow given to them for conversion. It has been further stated that the Federation brought this failure on the part of M/s. R. K. Synthetics to the notice of the Textile Commissioner but no action was taken against that firm. It was alleged by the Federation that "the Textile Commissioner's office did not take any action as it wished to favour the said R. K. Synthetics by allowing them to dispose of the stocks in the open market at substantially higher prices."

4.42. The Committee desired to know the factual position from the Ministry of Commerce. In a written note furnished to the Committee in February, 1968, the Ministry have stated as follows:—

"There are three licensed convertors and their licensed capacity is as under:—

M/s. Wellman India Pvt. Ltd. Bombay—1.6 million lbs. per annum.

M/s. R. K. Synthetics, Bombay—1·6 million lbs. per annum.

M/s. Commonwealth Synthetics, Ludhiana.—1 million lbs. per annum.

The Office of the Textile Commissioner allocated 1,91,056 lbs. of nylon fibre to M/s. Wellman India Pvt. Ltd. for conversion into tops. This allocation letter was issued on 18th April, 1966. The conditions *inter alia* were:—

- (i) that allottee was required to lift the entire quantity within one week from the date of allotment by the Federation;
- (ii) that the allottee would complete the processing of nylon fibre and deliver the nylon tops to the Indian Woollen Mills Federation within two months from the date of actual receipts of nylon fibre by the allottee;
- (iii) the allottee was required to enter into a suitable contract with the Indian Woollen Mills' Federation for their specific performance of the above conditions. A copy of this allotment was endorsed to the Indian Woollen Mills' Federation for making arrangements for allotment of nylon fibre to the party.

The allotment letter to R. K. Synthetics was issued on 21st May, 1966 for 1,20,000 lbs. of nylon tow more or less on the same conditions and the Indian Woollen Mills' Federation was also informed on the same lines. The allotment letter to Commonwealth Synthetics was issued on 8th June, 1966 on identical lines. The quantities allotted were in proportion to the licensed capacity. On 25th of May, 1966 the IWMF wrote to M/s. R. K. Synthetics informing them *inter alia* as under:—

- (i) The Federation shall be releasing nylon tow in lots of approximately 10,000 lbs. each one after another.
- (ii) As soon as the process was completed the allottee will intimate the I.W.M.F. the full combing results and the IWMF's clearing agents will take delivery of the tops and other by-products from the allottee convertor and deliver further lot of tow.

(iii) The allottee will deposit equivalent amount with IWMF which shall carry the interest which the IWMF bankers will be agreeing to pay to IWMF on each deposits.

(iv) The title of these goods will be that of IWMF only.

On these terms and conditions the Indian Woollen Mills' Federation released 10,670 lbs. (gross weight including tare) to M/s. R. K. Synthetics. This 10,670 lbs. of nylon tow intended to be converted into tops ran into difficulty. On 4th July, 1966, M/s. R. K. Synthetics wrote to the Textile Commissioner saying that the Federation had not released 1,20,000 lbs. of nylon tow to them as directed by Textile Commissioner in his release order mentioned above. They further indicated that it was not possible for them to fix up their manufacturing programme with deliveries in small lots. They desired that the IWMF be instructed to deliver the entire quantity of tow in one lot. In this letter they also indicated that they will have no objection if delivery orders or delivery of tops to the mills for production of defence goods are issued on them and the deliveries are effected directly by them. The Office of the Textile Commissioner on 5th/7th July, 1966 intimated the IWMF the difficulties mentioned by R. K. Synthetics and enquired of the Federation whether they had any difficulties in releasing the tow according to the allocation order issued by the Textile Commissioner. M/s. Commonwealth Synthetics who are stationed in Ludhiana mentioned that this 10,000 lbs. was sufficient to them only for 3 days. They also mentioned that the Textile Commissioner's allocation was for 1,20,000 lbs. and they also desired that the IWMF should deliver them the entire quantity of 1,20,000 lbs. in one lot to avoid all difficulties. This firm also mentioned that the processed goods will be delivered by them directly to the parties concerned on the basis of the allotment made by the Federation or the Textile Commissioner. The IWMF replied *inter alia* expressing the following difficulties:—

“that in view of the condition stipulated in the allotment letter, IWMF had to ensure about the waste percentage and the quality of the tops produced.”

Therefore, the IWMF desired that unless the total quantity allocated to these parties are processed in lots the IWMF

will have no chance to verify about their performance. The IWMF stated therefore that they had decided that they would deliver nylon tow/fibre to these convertors in lots of about 10,000 lbs. each which will be replenished after verifying the quality and performance of the first processed lot. They mentioned that M/s. R. K. Synthetics had also at first accepted these arrangements and had taken delivery of first instalment. They mentioned that unless some arrangement was made, it will be difficult for the Federation to get the conditions stipulated in the allotment letter implemented.

Regarding Commonwealth Synthetics, the IWMF stated that so far as Ludhiana firm was concerned, they were prepared to ensure stocking of tow with their bankers at Ludhiana to ensure speedy replacement of the instalments.

In this letter, the IWMF had also mentioned about the barter deal and said that in view of the past performance of the R.K. Synthetics it was necessary that such an arrangement should be made.

The Office of the Textile Commissioner tried to sort out these difficulties and the IWMF agreed that they would be giving allotment in lots of 30,000 lbs. of each. Commonwealth Synthetics were prepared to accept instalments of 2,000 lbs. as they were not in a position to give guarantee money. They, however, suggested some arrangement to indemnify the IWMF as the bankers of both were the same. The fact, however, remained that the Commonwealth Synthetics was not able to pay a deposit for taking the nylon in instalments and therefore, they got no nylon for conversion. The nylon taken by M/s. R. K. Synthetics for conversion was against the deposit of Rs. 70,090 paid to the Federation in respect of 10,670 lbs. The IWMF, vide their letter dated the 14th January, 1967 wrote that in view of the fact that M/s. R. K. Synthetics were not returning to them the first lot of tops the IWMF had to take adequate safeguards in their further dealings. It was further stated by the IWMF that they intended to raise the security deposit to Rs. 18 per lb. which according to their judgment would act as a deterrent against unauthorised disposal of the converted tops. They further intimated that M/s. Wellman whose performance was

satisfactory had also been asked to give security deposit on the basis of Rs. 18 per lb. The Federation stated that they were prepared to give allotment of 30,000 lbs. lots to R. K. Synthetics only on this basis. As there was a stalemate, the matter was discussed further with the representatives of the two firms and the Secretary General of the IWMF. One of the reasons for stalemate was that the Federation in their letter No. F/61/H/4461 dated the 17th March, 1967 wrote to the Ministry of Commerce that their information was that entire nylon stock will not be needed for defence production and only a small portion will be needed against the tenders issued by the D.G.S.&D. and the balance was likely to be diverted for civilian use. It was further stated that according to the IWMF's estimates nylon of 3 lakhs lbs. would be found surplus after meeting the existing defence demands. It was suggested in this letter that the nylon found surplus after meeting the existing defence demands be allocated to the registered units of the woollen industry on the same basis on which the actual user licences are allotted to the industry. It is not understood how the IWMF came to this conclusion as no portion of this nylon was proposed to be diverted to the civilian market. The entire quantity was required for defence.

During discussions with the representatives of the two firms and the Secretary-General of the IWMF, the two firms were asked to confirm whether in lieu of security deposit of the value required by the IWMF, they would be prepared to give an undertaking to the Textile Commissioner agreeing in case of any contravention to forfeit out of their A.U. licences an amount equal to 2½ times the CIF value of the nylon tow delivered to them. In the meanwhile, M/s. Wellman India Pvt. Ltd., made representations to the Ministry of Commerce protesting against the proposal and making various allegations. M/s. Wellman further suggested that out of the balance tow that required to be converted into tops they should also be given a proportionate share. In other words, they wanted that in addition to the 1,91,000 lbs. already given to them for conversion, they should be given about 80,000 lbs. out of the balance 2,40,000 lbs. earmarked for the other two converters.

Subsequently, the D.G.S.&D. who is responsible for placing orders on the various units in the industry for production of defence goods intimated to the Textile Commissioner and the Ministry of Commerce that the entire quantity lying in stock with the IWMF might be placed at the disposal of the D.G.S.&D. and that it would be allotted by him to various units on whom orders for defence goods will be placed. At this stage R. K. Synthetics and Fibres Pvt. Ltd. informed the Textile Commissioner and the D.G.S.&D. that the 10,000 lbs. given to them for conversion into tops which was with them all along, after conversion could be taken over by either D.G.S.&D. or any of his nominees at any time. In this connection, it may be mentioned that M/s. R. K. Synthetics and M/s. Commonwealth Synthetics are not members of the I.W.M.F.

The position as it stands today is that D.G.S.&D. has placed necessary orders for supply of goods and has also directed the IWMF and M/s. R. K. Synthetics to deliver nylon tops to D.G.S.&D. contractors on payment. The Federation has delivered 14,000 lbs. of tops and some quantities of fibre to D.G.S.&D.'s nominees and M/s. R. K. Synthetics have also reported their willingness to deliver the tops to D.G.S.&D.'s nominees."

4.43. The Ministry of Commerce have confirmed that there is no proposal to divert any portion of this nylon to civilian use and the entire quantity will be utilised for the Defence.

4.44. The representative of the D.G.S.&D. had stated earlier in evidence that they issued the release orders on the Federation in favour of contractors on whom orders for socks and jerseys had been placed and the Federation delivered only some quantity and in respect of the balance the Federation had asked for a price of Rs. 13 per lb. instead of Rs. 9 per lb. which was the rate at which assistance was to be given to the contractors.

4.45. The addition of Rs. 4 per lb. had been claimed by the Federation because of deterioration in the hair belting tops imported under the same licence which had resulted in a loss to them, and this loss they wanted to make up by charging Rs. 4 per lb. more on nylon.

4.46. The Committee desired to know the background leading to the decision that allocations of nylon might be made by the

D.G.S.&D. instead of the Textile Commissioner and the progress made in allocation and distribution of the nylon. In reply, the Ministry of Commerce have stated in a written note as follows:—

“The D.G.S.&D. received the demands for 1967-68 for Jerseys and Socks in November 1966. At that time DGS&D was aware that some quantity of nylon was available with Indian Woollen Mills Federation. It was decided in a meeting held in the room of DG (S&D) on 13th December, 1966 that these demands being of emergent nature should be processed on without assistance basis. (Nylon is required with admixture of 80 per cent indigenous wool and 20 per cent nylon for manufacture of Socks and Jerseys). Accordingly, orders were placed in March/April 1967 on without assistance basis. However, at that time the IWMF represented that the DGS&D should not purchase Jerseys and Socks for Defence on without assistance basis instead utilise the stocks available with the IWMF. The proposals were examined and it was decided that the stocks available with IWMF should be kept in view for immediate utilisation against subsequent requirements of Defence Departments. It was also decided that against the tenders opened for 1967-68 demands a quantity of 80,760 Jerseys which could not be purchased should be re-tendered for purchase on with assistance basis. Accordingly this quantity was purchased in August, 1967 on with assistance basis requiring nylon to the extent of 12,922 Kgs.

2. In a DO letter dated 28th June, 1967, the Textile Commissioner informed the Ministry of Commerce and the DGS&D that he had at that time the following quantity of Nylon tow/tops available for transfer to the DGS&D.:—

(a) Unconverted tow lying with IWMF—2,30,000 lbs.

(b) Tow lying with M/s. R. K. Synthetics—10,000 lbs.

(c) Tops converted by M/s. Wellman (India and lying with Federation—87,904 lbs.

Total—3,27,904 lbs.

3. The Textile Commissioner further intimated that out of the above quantity of 3,27,904 lbs., tops to the extent of 14,029 lbs. due for release to 4 concerns who had not so far lifted them, had also to be released. Therefore, the effective balance was 3,13,875 lbs.
4. DGS&D received an indent from Ministry of Defence for 4,29,300 Jerseys on 20th June, 1967. In order to utilise the Nylon available with I.W.M.F. but at the same time streamline the procedure for release of nylon so that there was no delay, the DGS&D wrote a D.O. letter to Secretary, Ministry of Commerce on 29th April, 1967. The Ministry of Commerce held a meeting on 8th June, 1967 in the room of Special Secretary. As decided therein, another meeting was held in Ministry of Defence on 1st July, 1967. Special Secretary, Ministry of Commerce, wrote to Secretary of Department of Supply on 26th July, 1967 asking if DGS&D will take over entire stock of nylon lying with IWFMF and release it direct to contractors. This matter was considered at length in Directorate General of Supplies and Disposals and Department of Supply. A detailed D.O. letter suggesting the exact drill to be followed, for the release of nylon was written by DGS&D to Special Secretary, Ministry of Commerce on 18th September, 1967. On 30th January, 1968 the Textile Commissioner advised the DGS&D that nylon could be released direct by DGS&D to the knitters.
5. Another indent for 18,00,000 pairs of Socks was received by D.G.S.&D. from Ministry of Defence on 28th July, 1967. This indent was also dealt with on with assistance basis. along with another 2,81,000 pairs of Socks, which had been cancelled against previous acceptance of tenders without financial repercussions on different units.
6. The indent for Socks mentioned in para 5 was covered on 10th February, 1968 and that for Jerseys mentioned in para 4 was covered on 29th February, 1968, on with assistance basis.
7. The total nylon requirements subsequent to June 1967, when the Textile Commissioner had intimated the effective

availability of 3,13,875 lbs., therefore, worked out as under:—

(i) 80, 760 Nos. of Jerseys with 20% nylon on the basis of 16 Kgs. per 100 Nos. on an average	12,922 Kgs.
(ii) 4,29,300 Nos. Jerseys on the basis as above	68,640 Kgs.
(iii) Approximately 21,00,000 pairs of Socks on the basis of average 3 Kgs per 100 pairs	63,000 Kgs.
TOTAL	1,44,562 Kgs.
Or	3, 18,000 lbs. (approx.)

8. After the placement of orders for Socks and Jerseys mentioned in para 6, CIT&C informed the DGS&D that a wastage of 2 per cent should be allowed over the scale fixed for release of Nylon, if Tow was released.

9. DGS&D. issued release orders for 4,29,300 Jerseys and approximately 21,00,000 pairs of Socks in the month of March, 1968.

10. The IWMF honoured the release orders for Socks. For Jerseys, the IWMF asked for a rate of Rs. 14 per lb. approximately for Nylon, against approximately Rs. 9 charged for Socks. The rate charged for supply of Nylon for Socks was in accordance with the information given by Textile Commissioner before placement of orders for Socks and Jerseys. The hosiery contractors protested against this and have not lifted the nylon for Jerseys. The argument of the IWMF is that they suffered loss on account of deterioration in hair belting imported by them (under the same licence) and they want that loss to be compensated by loading the price of this nylon. The matter is under examination."

4.47. In the course of evidence the Committee pointed out that it had been alleged that the entire allocation of 1,20,000 lbs. of tows meant for M/s. Commonwealth Synthetics and the balance of 1,10,000 lbs. of tows meant for R. K. Synthetics has been directly allocated to the Defence order holders who were neither tow makers nor spinners and that this material is now being openly marketed in Ludhiana by the hosiery tender holders. The representative of the Ministry has stated that "This is the kind of compli-

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ation in which we enter once we depart from the normal commercial channels. What we have just told is we allowed the DGS&D to allot these to their contractors. Their contractors will not be able to use all that we have allotted to them. What they would do is, they will sell this to others and the complaint that you have received is in regard to this item. to give the allocation to others is not a very good way of doing it and in my view the Government must be strong enough to tell these people 'this is the quantity'."

4.48. The Committee note that the Textile Commissioner's organisation had only been mediating in the dispute between the Indian Woollen Mills Federation on the one hand and M/s. R.K. Synthetics and Wellman India Ltd. on the other but has not so far taken a firm line to ensure that the Federation releases the raw material without loading the price and the firms which had received the tows return them after conversion without further delay. The Committee feel concerned about the helplessness of the Textile Commissioner's Organisation in enforcing their orders regarding release of nylon tow and their return after conversion into nylon tops. The Committee cannot but express their regret over the helplessness displayed by the Textile Commissioner's Organisation in the matter all these years. They entirely agree with the views of the representative of the Ministry of Commerce that "the Government must be strong enough" to enforce their orders in such matters.

4.49. The Committee note that the Federation has now delivered 4,000 lbs. of tops and some quantities of fibre to D.G.S. & D's nominees and M/s. R.K. Synthetics have also reported their willingness to deliver the tops to D.G.S. & D's nominees, but they would like the Government to ensure that their directions are implemented in full and without delay. Suitable penal action should be taken promptly by Government in case there is failure to implement their directions.

4.50. As certain agreements regarding the price of hair belting tops were stated to have been reached between the various parties concerned and the matter was receiving further consideration of Government, the Committee would urge that an early decision should be taken in the matter and the stocks of nylon, imported as far back as 1966, released to the contractors executing the Defence orders without delay so that there is no further loading of prices and deterioration in quality of the raw material.

4.51. The Committee further desire that the allegations that the entire allocation of 1,20,000 pounds of tows meant for M/s. Com-

monwealth Synthetics and 1,10,000 lbs. of tows meant for R.K. Synthetics has been directly allocated to defence order holders who were neither tow-makers nor spinners and that the material is being openly marketed by the hosiery tender holders, should be investigated, specially in view of the fact that Ministry of Commerce have confirmed that the entire quantity will be utilised for Defence.

CHAPTER V

MISCELLANEOUS MATTERS

Model Woollen Mills

5.1. In the papers made available to the Committee by non-official sources, references were made to alleged favouritism shown in various matters to M/s. Model Woollen Mills by the officers concerned in the Textile Commissioner's organisation. It was pointed out that allegations of favouritism to this Mill were brought out by some officers even in the official notes recorded in the office of the Textile Commissioner, but no action was taken in the matter.

Distribution of Yarns

5.2. The first allegation made was that the Model Woollen Mills which was a spinning Unit falling under the purview of the Worsted Hosiery Yarn Distribution Scheme did not distribute any yarn, although it drew its full share of imported materials.

5.3. In the course of evidence, the representative of the Ministry, when asked about the action taken by Government for non-compliance of the provisions in the Worsted and Hosiery Yarn Distribution Scheme, has stated that "the action taken was to give them warnings." The Committee then referred to the following notes recorded by a Deputy Director of the Textile Commissioner's office on 3rd December, 1965:

'It is well-known now that M/s. Model Mil's Bombay was a spinning unit and falls under the purview of Worsted and Hosiery Yarn Distribution scheme. This unit did not distribute any yarn so far but did draw full share of imported raw material. We are not told so far by Headquarters the exact amount of import licences issued in favour of this woollen mills; from the circumstantial evidence, we presume that the licences are valued for Rs. 1 crore. The difference between the price of raw material/wool top and finished cloth is normally as sold. If the price of imported raw wool top is at Rs. 5 per pound, then the cloth produced from the same material is likely to be sold approximately at Rs. 59 to 60 per yard in 10 to 12 quality. Therefore, the pecuniary advantage that can be earned

over the import licence of Rs. 1 crore may easily come to Rs. 7 to Rs. 8 crores.'

5.4. Asked to state what action was taken on this note, the Committee have been informed: "We have not prosecuted anybody so far." When asked to state if the matter was referred to the income-tax authorities, the representative of the Ministry has stated: "I think, the note went to the Income Tax Department also—not from the Ministry. That note went to all possible concerned people". He added: "On the basis of the preliminary investigation into the entire material, C.B.I. came to the conclusion that certain matters should be probed further in order to establish whether any offences had been committed or not. We took the general view that C.B.I. having looked into the matter or sorted out what should be looked into, we need not do anything further."

Clarifying the position, the representative of the C.B.I. has stated: "A copy of the note did not come to us. After the preliminary enquiry, we registered the case only on certain allegations. A copy of the FIR was sent to the Ministry also..... We were only concerned with the criminal offences, not with departmental action."

5.5. The Ministry of Commerce have informed the Committee that the following raw materials were allocated to the Model Woollen Mills during the years 1962-63 to 1966-67:

	Rs. in lakhs
1962-63	.. 31.93
1963-64	.. 10.87
1964-65	.. 13.22
1965-66	.. 1.65
1966-67	.. 24.42

This Mill was also a defaulter in the delivery of yarn to the decentralised sector, along with other mills. The extent of default of this mill was 8.37 per cent of the quantity of yarn for which permits were issued on them by the Textile Commissioner. The question of prosecuting the defaulters is now under consideration.

5.6. The Committee feel perturbed to note that no action was taken either by the Textile Commissioner or the Ministry in this case against the defaulting mill (M/s. Model Woollen Mills) except "to give them warnings", as the view was taken by Government that "CBI having looked into the matter or sorted out what should be looked into we need not do anything further." The Committee are unable to appreciate this stand taken by the Government, especially

in view of the fact that serious allegations, including the gaining of pecuniary advantage by non-distribution of yarn under this scheme, have been made by an officer of the Textile Commissioner's Office in an office note.

The Committee hope that an early decision will be taken by Government on the question of launching of prosecutions in this case as also other cases of default in delivery of yarn which have been dealt with by the Committee in Chapter II of this Report.

Conversion into Composite Mills

5.7. Another allegation relating to the Model Woollen Mills pertains to the gradual conversion of this Mill from a purely spinning mill to a composite mill without obtaining adequate permission. It appears from the records that in one of the official notes recorded by a Deputy Director (Technical) in the Textile Commissioner's office on 3rd December, 1965, it was pointed out that—

“Messrs, Model Woollen Mills, Bombay is no longer a spinner.

The Production unit of the Company at Thana consists of Spinning, Weaving, Dyeing and Finishing. The Industrial Licence granted to the Industrial Undertaking under the Industries (Development and Regulation) Act of course hardly show all the new lines of production, manufacture or processing of new articles at pre-June, 1965, stage. On the basis of the information available in the record we may safely state that M/s. Model Woollen Mills expanded the production capacity of the Production undertaking by introducing new lines of manufacture of woollen textiles and fabrics and processing of hosiery and knitting yarn together with woollen fabrics, without obtaining adequate permission and amendment to the original Industrial Licence issued in its favour under Clause 10 of the Industrial (Development and Regulation) Act, 1951, as modified upto 1st June, 1957, between middle of 1963 to middle of 1965”.

Certain cases connected with the irregular expansion of the Model Woollen Mills which have emerged during the course of examination by the Committee are discussed below:—

Taking of Powerlooms on Lease:

Case No. 1—

5.8. The Model Woollen Mills, Bombay, have seven sister concerns working in their premises who owned four powerlooms each. Out of the 28 woollen powerlooms owned by these mills, 11 were

authorised powerlooms covered by the Control Order dated the 19th December, 1956 and 17 unauthorised powerlooms which had been regularised by issue of installation permits in 1962 on the basis of the decisions of the Government announced on 5th November, 1960 to register the unauthorised looms.

M/s. Kanshi Ram Kidar Nath who owned the Model Woollen Mills, Bombay and the Model Woollen and Silk Mills at Amritsar received orders for the supply of Barrack Blankets, Serge Battle Dress, Cloth woollen brown and Shirting Angola in 1962 in the wake of the Chinese aggression. Immediately after these orders were placed, M/s. Model Woollen Mills approached the Director (Wool Section), Office of the Textile Commissioner, Bombay for permission to take on lease the above 28 woollen powerlooms from their sister concerns who were agreeable to lease out their looms with a view to meeting the defence requirements and expediting supply. Necessary permission for this lease was granted to the Model Woollen Mills on 5th January, 1963 on the following conditions:—

- (1) The Amritsar Woollen Powerloom unit was primarily engaged for defence production out of the yarn supplied by the spinning unit at Bombay;
- (2) The Amritsar Powerloom unit would not be entitled to allocation of weaving yarn for the civilian markets under the Distribution Scheme;
- (3) The powerlooms in Bombay which were not then entitled to weaving yarn under the Distribution Scheme would not be entitled to such yarn in future when they were free from defence production;
- (4) The working of the powerlooms on lease basis should not affect the overall position of the industrial licence granted to this unit *vis-a-vis* the position of their spinning unit in Bombay, and the powerloom unit in Amritsar.

5.9. In the letter communicating the permission it was further stipulated that the above arrangement will be temporary so long as the Mills supplied Defence orders. The Spinning Unit in Bombay will continue to be a spinning Mill and the lease should expire after the Defence orders are expected. Such temporary arrangement will not confer any special right on the petitioner Mills. The Lease permits were issued on the 22nd April, 1963 and the lease period was 1st January, 1963 to 30th June, 1964.

5.10. On the 14th October, 1964, M/s. Model Woollen Mills, Bombay applied to the Ministry of Commerce for Industrial Licence for

substantial expansion in respect of the 28 powerlooms, which had been purchased by them from their sister concerns, a reference to which has been made above. From the papers furnished to the Committee, it appears that the application of Model Woollen Mills was forwarded by the Ministry of Industry and Supply to the Textile Commissioner, Bombay. The same was examined in that organization and the following notes were recorded:—

“(S. No. 6) is a letter No. 1819 of 1964 from the Ministry of Industry and Supply (C.L.P. Section) forwarding the application of M/s. Model Woollen Act, 1951 for 28 powerlooms for woollen cloth.

As no expansion is being allowed, we may regret the case and inform accordingly to Ministry. Draft put up for approval please.

Itd/-

23-11-64.

We may regret as no further expansion is being allowed.

Sd/-

23-11-64. ”

5.11. As a result of the above-mentioned noting the following communication was issued by the Textile Commissioner's organization to the Ministry of Commerce on the 24th/25th November, 1964:—

“Will the Ministry of Commerce please refer to No. 1819 of 1964 from the C.L.P. Section of the Ministry of Supply forwarding therewith the application dated 15th November, 1964 (15-10-64?) from M/s. Model Woollen Mil's for a licence for 28 powerlooms for manufacture of woollen cloth?

This Office is not in favour of recommending the application as no expansion is being allowed in the weaving sectors of the woollen industry according to the existing policy.

Sd/-

Asstt. Director.

Ministry of Commerce (Textile) (E) Section, New Delhi

Textile Commissioner, Bombay U.O. No. IL/52/64/Wool 1675, dated the 24th/25th November, 1964.”

5.12. On the 18th November, 1964, the Model Woollen Mills had also made an application to the Regional Office, Textile Commissioner, Bombay through the District Magistrate, Thana.

The Collector, Thana, visited M/s. Model Woollen Mills and reported that all the 28 looms were already working in the Mills premises as per the Mills lease agreements with the seven concerns and it was now proposed by them to purchase the looms and terminate the lease agreements. Shri Gokhale reported that the Government of Maharashtra had no objection to such purchase of 28 looms by the Mills if the Textile Commissioner was normally regularising such termination of lease and for selling them to one individual company. This application was processed both in the office of the Textile Commissioner, Bombay and the Ministry of Commerce and ultimately, the Ministry of Industry and Supply issued the Industrial Licence dated the 15th June, 1965 as amended by their letter dated 13th August, 1965 for 28 power looms. It was indicated in the letter that "this licence does not automatically confer on the Mills any right for claiming quotas of imported/indigenous raw materials for unauthorised powerlooms which have been subsequently registered as such." Upon the issue of this Licence the 28 looms in question stood transferred to the Model Woollen Mills on a permanent basis.

5.13. The representative of the Textile Commissioner has informed the Committee in the course of evidence that Government issued a press note on the 5th November, 1960 wherein the Textile Commissioner asked the mills, who had not yet registered themselves, to apply for the same before a fixed date for registration. All those who had been in existence before 31st October, 1960, were asked to put in their applications so that they could be regularised. The time-limit prescribed was upto the 15th May, 1961, Model Woollen Mills applied on 16th February, 1961. The regularisation certificate was issued to them in September, 1961. The Secretary, Ministry of Commerce, clarifying the position has stated: "Anything less than four looms did not come under the mischief of the Industries (Development and Regulation) Act. Between 1956 and 1960, about 600 to 700 powerlooms came into existence in the country. Sometimes in 1958, an excise duty was imposed by the Ministry of Finance. Then many of these looms, although they were in existence, did not pay the excise duty and, when the excise people wanted to proceed against them, there was no evidence of registration etc. and they were unable to proceed against them. So, as a result of inter-Ministerial meetings, the decision was made in 1960" and the press note was issued "inviting people who had powerlooms with them to make applications so that they could be registered. What they are saying 'regularised' is really registration in response to the press note of 1960."

When the Committee pointed out that "there is a serious omission on the part of the Commerce Ministry here in the sense that

they did not have a firm check over these mills coming into existence", the Secretary, Ministry of Commerce stated: "Yes; there was no check." Asked to state on what basis raw material was issued to the mills, it has been stated by the representative, "they will be allocated only on the basis of the looms they hold in their own name and not on the basis of additional looms which they may have acquired by lease."

5.14. The C.B.I. had investigated the case and recommended prosecutions of the persons concerned, but the Central Vigilance Commission did not agree with their findings.

The Committee have been informed that the matter is awaiting consideration of Government.

5.15. The Committee note that the Central Vigilance Commission did not agree with the findings of the C.B.I. in regard to this particular case, viz., taking over of powerlooms by M/s. Model Woollen Mills on lease and their subsequent purchase to expand their capacity. They also note that the matter is awaiting consideration of the Government. The Committee hope that an early decision would be taken in this case.

5.16. From the papers furnished to the Committee, they observe that as late as 13th January, 1965, the Assistant Director in the Regional Office of the Textile Commissioner at Colaba, Bombay, wrote to the Deputy Director, IL Section (Wool), Office of the Textile Commissioner, Fort, Bombay, as follows:

"It may please be seen that the said mill is in possession of 25 woollen powerlooms from seven parties on lease upto 31st June, 1964. So far this office has not received any information from the leasers for the continuation/extension of the lease. It may also be seen that since the concern is registered under Industries (Development & Regulation) Act, 1951, any extension of business by purchasing additional powerlooms must be sanctioned by the Ministry, New Delhi, by amending the licence to that effect. So far this office has not received any indication either from the mill or from the Ministry, New Delhi."

These facts go to show that even though the period of the lease of the looms expired by the end of June, 1964, the mills were allowed to continue the working of these looms in their own mills without any request for continuance/extension of the lease. The Committee, therefore, desire that this aspect of the case should be thoroughly examined and responsibility fixed on the officers concerned for their lapses and suitable disciplinary action taken.

Case No. 2—Conversion of Art Silk Powerlooms to Woollen Powerlooms—

5.17. Another case relating to M/s. Model Woollen Mills pertains to the conversion of some Art Silk Powerlooms to Woollen Powerlooms. M/s. Model Woollen Mills had a sister concern named M/s. Brij Textiles having 72 Powerlooms, all registered for working exclusively on art silk yarn. In January, 1963, M/s. Model Woollen Mills approached the Textile Commissioner stating that 40 looms out of 72 looms which they were having were of 72" width and were quite suitable for manufacturing barrack blankets for which the Supply Department had not been able to cover their full requirements. It was stated that if they were allowed permission to use 40 powerlooms on woollen yarn for the duration of the Emergency they would be able to execute Defence orders more expeditiously. It was stated by the mills that the permission was sought for exclusively for the execution of the Defence orders.

5.18. Shri R. G. Zalani, Deputy Director in the Textile Commissioner's Office recommended acceptance of the Mills' request, on the ground that full requirements of barrack blankets had not been met and that temporary conversion of 40 art silk looms to work for manufacturing barrack blankets, may be permitted for a period of one year provided the DGS&D was prepared to place orders for 50,000 blankets and provided no assistance was asked for in regard to raw material supplies. Shri A. C. Chaudhuri, Director, however, did not agree with these recommendations and stated that unless it was proved that looms in the woollen industry were not adequate for supply of barrack blankets, besides handlooms, such proposals should not be entertained. Shri I. R. Dutt, Industrial Adviser, to whom the notings of Shri R. G. Zalani, Deputy Director and Shri A. C. Chaudhuri, Director in the office of the Textile Commissioner were put up, however, ordered that Shri Zalani might analyse the position and consult DGS&D when he went to Delhi. In the analysis prepared by Zalani, it was brought out that there was a shortfall of about 7.15 lakh blankets in the production capacity available in the country. Shri V. Subramanian, Director Supplies of DGS&D was also consulted and he observed that additional capacity for blankets was welcome and 50,000 blankets more were likely to be made available by permitting these looms and that the permission might be issued. The factory was got inspected by Shri J. P. Sharma, Technical Investigator in the office of the Textile Commissioner, along with others. Shri Sharma reported that M/s. Brij Textile had 39 powerlooms of 72" width which could be utilised to produce woollen goods for Defence without any technical difficulty. Shri Chaudhuri

on this report suggested that utilisation of 39 powerlooms for manufacturing barrack blankets might be agreed to on certain terms and conditions. The recommendation of Shri A. C. Chaudhuri was approved by the Industrial Adviser and accordingly a letter dated 12th/13th February, 1963 was issued to M/s. Model Woollen Mills, Bombay, permitting them to use their existing 39 art silk looms belonging to their sister concern M/s. Brij Textiles, Bombay, on the following terms and conditions:

- (1) That M/s. Model Woollen Mills will accept further order of 50,000 pieces of Barrack Blankets (over and above the order for this item already accepted by the Mill) from D.G.S. & D. for Defence requirement;
- (2) That the permission to work the 39 Art Silk Powerlooms on woollen yarn will be temporary and will remain valid till execution of the above order;
- (3) That working of these 39 Art Silk looms of M/s. Brij Textiles, will not confer any right on Model Woollen Mills, Bombay, to claim these looms as a part of their capacity now or any time in future;
- (4) That the blanket yarn required for working these 39 looms will be supplied by Model Woollen Mills, Bombay.

5.19. It is the case of the Central Bureau of Investigation that there was already sufficient idle capacity in the woollen industry at that time and even otherwise, a change in the type of yarn as allowed to the Mill was not permissible under the Textile Control Orders.

It has been pointed out by the Central Bureau of Investigation that in September, 1963, the Mills applied for permission to continue the use of the looms on woollen yarn in anticipation of some Defence orders and also intimated that they had produced some civilian cloth on the looms which the excise authorities were not releasing. Shri Zalani, Deputy Director, and Shri I. B. Dutt, Industrial Adviser recommended rejection of the Mills' request and this was agreed to by the Textile Commissioner, Shri Doraiswamy on 13th September, 1963. Three days later, the papers were recalled by the Textile Commissioner and on this occasion notes favouring the accord of permission to the Mills were recorded by the subordinate staff and the earlier decision to refuse the permission to the Mills was reversed under the orders of the Textile Commissioner on the 23rd September, 1963.

5.20. The representative of the Ministry of Commerce has stated in evidence that the papers indicate that on the 17th September,

1963, M/s. Model Woollen Mills, sent another letter to the Director of Woollen Section in the office of the Textile Commissioner. On this letter, the following note was recorded in the Textile Commissioner's office:—

"A further letter received from the Model Woollen Mills dated 17th September, 1963, may kindly be seen in this regard. It would appear from this letter that 25 registered woollen looms belonging to the sister concern of M/s. Model Woollen Mills were leased out to the Mill for execution of Defence orders. These looms being registered looms are also entitled to woollen yarn. There may, therefore, be no objection to work these looms for civilian production in the absence of Defence orders. However any worsted yarn out of imported raw materials consumed on these looms should be limited to such quantities as are being allocated by the distribution committee. The looms however can be worked on other types of woollen and worsted yarns which do not fall within the purview of the distribution control.

In addition to these 25 looms, 39 looms belonging to M/s. Brij Textiles, another sister concern of the mill, which are registered for art silk were also allowed to work on woollen goods for the execution of Defence orders. The mill had made some adjustments in these looms for manufacture of serge battle dress and therefore desire that these looms may be allowed to work on woollen goods till the entire demand of Defence is met. During this idle period these looms may be allowed to be worked for civilian production. It is stated by the Mill that on these looms they are doing only shoddy yarn.

In view of the fact that these looms of Brij Textiles are only engaged on production of goods out of shoddy yarn perhaps a temporary permission to work them on shoddy yarn till fresh Defence orders are received may be given. We may inform the mills, if agreed, that in any case, these looms should not be worked for civilian production beyond December, 1963.

We may permit clearance of 90,000 metres of cloth already produced for civilian production on the woollen as well as art silk looms of the sister concerns.

Shri Khanna, General Manager of the firm had seen the Textile Commissioner on the 16th evening when I was

also present and Textile Commissioner desired that the case may be resubmitted to him.

Submitted for orders.

Sd/- R. G. ZALANI,

Dy. Director,

18th September, 1963".

5.21. From the papers furnished to the Committee, they find that, on the above mentioned note, the following note was recorded by the Industrial Adviser on 20th September, 1963:

- "1. So far as 25 registered woollen looms, which are normally authorised to weave woollen fabrics, are concerned, they may work on woollen yarn produced out of AII licence, subject to the condition that they would consume woollen yarn not exceeding their quota under the Distribution Scheme.

X

X

X

2. 36 powerlooms belonging to Brij Textiles which are registered for art silk yarn and have been permitted to weave Defence woollen goods only, may be allowed to weave civil woollens goods, subject to the condition that they would be using only shoddy yarn for a period not exceeding two months. In case they fail to get Defence order, these looms should be converted into art silk looms. No further extension to weave woollen goods will be given under any circumstance. I am suggesting the above as shoddy yarn is available in large quantities and shoddy goods are required immediately for civilian use during the coming winter season. Moreover, conversion and reconversion of the looms, if they succeed to get further Defence orders, would cause inconveniences and expenses.

3. Whatever has already been produced, on these looms for civilian use may be released and suitable instructions may be issued to the Excise Authorities. The Mill may be warned that in future they should not produce any goods which they are not permitted to manufacture. Textile Commissioner may kindly see M/s. Model Woollen Mills letter dated 17th September, 1963 at PUC and also the notings on page 1/N.

The wool branch will check No. of registered looms before taking action."

The action suggested by the Industrial Adviser's note above was approved by the Textile Commissioner on 23rd September, 1963.

5.22. Asked whether there is any other material justifying the change of attitude towards the request of M/s. Model Woollen Mills, the representative of the Ministry has stated in evidence that there was only the discussion which the representative of the Mill had with the Textile Commissioner and there was no other material readily available on the file.

The Central Bureau of Investigation looked into this case and on the basis of their investigations recommended prosecution of three officials including Shri Doraiswamy, former Textile Commissioner, and private person and sent their report to the authorities concerned on the 7th February, 1968. On the 23rd August, 1968, the Central Vigilance Commission advised that no prosecution would be justified.

The Committee have been informed that this case is under further examination in the C.B.I. in consultation with law officers*.

5.23. The Committee find in this case that there was conversion of some art silk powerlooms to woollen powerlooms by Model Woollen Mills and running them without installation permits. They note from the facts disclosed that even though the senior officers including the Textile Commissioner rejected the request of the mills on the 13th September, 1963, for permission to continue the use of looms on woollen yarn in anticipation of some defence orders, within a few days (on 23rd September, 1963) this request was acceded to after the General Manager of the firm had seen the Textile Commissioner on the 16th evening. The Committee note that this case is under further examination by the C.B.I. in consultation with their law officers. They would suggest that final conclusion on this case should be reached without delay*.

Case No. 3—Transfer of Wool Processing Machines from Amritsar to Bombay:

5.24. The next case of M/s. Model Woollen Mills relates to the transfer of some wool processing machines from Amritsar to Bombay without permission of the authorities concerned. During the

*At the time of factual verification, the Committee have been informed that on reconsideration of the matter on a reference made by the C.B.I., the Central Vigilance Commission have advised that no prosecution or formal disciplinary action against any of the accused public servants would be justified.

The Committee have also been informed by the C.B.I. that in view of the advice of the C.V.C. and in consultation with their Law Officers, it has now been decided to launch prosecutions against the mills concerned.

period 1959 to 1961, M/s. Model Woollen & Silk Mills, Amritsar, submitted seven applications requesting for import licences for replacement of some finishing machines of their Amritsar factory. After due verification the Textile Commissioner, Bombay, issued Essentiality Certificates in favour of the firm and ultimately, they were issued six A.U. licenses for the import of finishing machinery by the Joint Chief Controller of Import and Export, Bombay. The delivery of the first five machines was taken by the mills at their factory at Thana, Bombay on different dates from 4th May 1961 to 21st February 1962 and of the last machine on the 17th January, 1963. Although the machines had been imported for their Amritsar unit, M/s. Model Woollen Mills installed them at their factory at Bombay. The matter came to the notice of the office of the Textile Commissioner, when the application of M/s. Model Woollen Mills, Bombay, to the Maharashtra Government for additional power for the newly installed dyeing and finishing machines was referred to that office by the State Government. It was pointed out in the notes recorded in the office of the Textile Commissioner that since an earlier application of the Mill for the processing of woollen and worsted fabrics was turned down on the ground that the mills are purely spinning unit, the installation of dyeing and finishing machinery at Bombay amounted to a contravention of the Industries Development and Regulation Act as also of the Import Trade Regulation Act. Shri I. B. Dutt, the Industrial Textile Adviser noted on the 20th October, 1962 that the Essentiality Certificates issued should be cancelled till investigation was completed and no further essentiality certificates for spares and machinery should be issued. The State Government were also informed that since the licence issued under the Industries (Development and Regulation) Act to the Bombay unit of the Mills was not covered for finishing of woollen textiles or for the manufacture of Rayon Textiles, their application for additional electric power deserved no consideration till they obtained an amendment in their Industrial Licence. Necessary on-the-spot investigations were also ordered both at Amritsar and Bombay so as to make a complete inventory of the machines that had been improperly installed. After a few days of the issue of these communications, notings on the file again started in the office of the Textile Commissioner, Bombay as follows:—

“DD(Z) telephoned me just now to say that Tex. C. has kindly desired to see the case of contravention by Model Woollen Mill Bombay which is as under:

Model Woollen Mills, Bombay had applied to the Ministry in 1958 for a licence for the setting up of a processing plant which was not granted. (f. X).

2. In examining their application for additional power allocation made to the Government of Bombay, it was observed that a fairly big Finishing Unit has come into being unauthorised y capable of finishing woollen, silk rayon fabrics, etc. (F/A).
3. On being suspicious, the representative of the mills was called and he had verbally confessed that the woollen machinery installed in the finishing plant at Bombay do incorporate machinery which were allowed imports for their sister concern M/s. Model Woollen & Silk Mills, Amritsar. This has further been confirmed in their letter under F/Z. We have also asked for on-the-spot verification—report from R.O.L., Amritsar and Bombay about the woollen machinery meant for Amritsar have been installed in Bombay (F/B).
4. It has been concluded in noting at p. 28/n that since the mills in Bombay have expanded their capacity contrary to the instructions of the Ministry they have contravened the Textile Control Order and it was also contended that the mills have contravened I.T.C. regulations by installing imported machinery at Bombay which were allowed for Amritsar.

Sd/- Assistant Director.
29-11-1962.

Spoken to Tx. C. The party has not only contravened the provisions of I (D&R) Act but also the Import Trade Regulations. I understand from AD(N) that there are quite a few similar cases where the parties have contravened one of the above Regulations or both.

2. In view of the present emergency when we are trying to gear up the entire woollen industry for defence production, any penal action may jeopardise the war efforts particularly in this case where the mill is likely to manufacture defence woollen items in large quantities. It is also not possible to take over the defaulting mills under I(D&R) Act for continuity of production.

3. Therefore, we may accede to lesser evil of the two and allow the mills to continue production uninterruptedly so that execution of defence orders is not jeopardised.

4. In view of the above position, withholding of necessary assistance as envisaged in my note on page 29/n ante may not be given

effect to and necessary assistance may be rendered. We may, however, prepare a confidential note for the concerned officers of this organization indicating the parties who have deliberately contravened the I (D&R) Act or Import Trade Regulation or both so that necessary action may be taken in appropriate time. There appears to be no other alternative in view of the present emergency as contraventions have been already committed by the party on whom sizeable defence orders are likely to be placed.

5. After Tx. C. has seen, D(C) may take necessary action.

Sd/- Industrial Adviser.

10-12-1962.

Tx. C.
D(C)

Sd/- Tx. C.
11-12-62.

AD(N) may please see 'A' and 'B' for n/a.

Sd/-

14-12-62.

D(C) may kindly see before issue.

Sd/-

17-12-62.

Sd/-

17-12-62."

A revised letter was accordingly issued to the State Government for granting additional power to the Mills, and the communications to other authorities were also duly modified.

5.25. On the 8th May, 1963, M/s. Model Woollen Mills, Bombay, made an application to the Textile Commissioner for formal permission for the installation of the machinery (already installed) at Thana, Bombay and enclosed a letter from their sister concern at Arrritsar to the effect that the latter had no objection to it. This application was processed in the light of a directive issued by the Ministry that units manufacturing textiles, desirous of undertaking processing and installation of additional equipments need not apply for licences for substantial expansion and that such cases may be dealt with by the Textile Commissioner. The notings in the Textile Commissioner on this application read as follows:—

The partnership firm of M/s. Kanshi Ram Kidar Nath have along with several units under their management, two woollen units, M/s. Model Woollen

Mills, Bombay and M/s. Model Woollen and Silk Mills, Amritsar.

Model Woollen Mills, Bombay, is a spinning unit and Model Woollen and Silk Mills, Amritsar, is a weaving unit along with processing facilities.

On the basis of Actual User's Licence granted to the Amritsar Unit by our office, some items of weaving machinery were imported by them a few years back. This machinery was, however, not despatched to Amritsar but installed in the Bombay Unit for reasons better known to the management.

Subsequently, more items of finishing machinery from indigenous sources were added to the Bombay unit and today the position is that Bombay unit is a full fledged processing unit attached to the spinning mills.

From the Industrial Licence point of view, so long as there is no expansion of spindleage or loomage by any unit, no licence appears to be necessary for substantial expansion.

Even if a spinning mill or a composite mill installs processing machinery in excess of their personal requirements for undertaking commission processing of outside goods, there is nothing to prevent them from doing so and a formal permission from the Textile Commissioner appears to be adequate for this purpose.

The position from import regulation point of view is however different in respect of this case. The items of finishing machinery were allowed to Actual Users M/s. Model Woollen and Silk Mills, Amritsar and this machinery cannot be transferred to any other premises without the permission of the licensing authority.

It has been explained that their finishing machinery earmarked for Amritsar Unit had been installed in Bombay as it was considered necessary by the management in the best interests of the work.

I have discussed this matter with Shri Khanna of Model Woollen Mills, Bombay and I requested him that it will be necessary for Model Woollens, Amritsar, to give in writing to the Textile Commissioner that they have no objection to these items of machinery being installed in Bombay and further they have no claim on this machinery now or any

time in future. This is considered necessary in view of our obligation to the Actual User *vis-a-vis* the import licence granted to them.

A letter has now been submitted to us (Flag/a) from Model Woollen and Silk Mills, Amritsar, confirming that they have no claim on this machinery which has been installed in their sister concern in Bombay with their concurrence.

In view of the circumstances explained above, it is considered there should be no objection on the part of our office to issue a formal permission to Model Woollen Mills, Bombay, to install processing machinery as requested by them.

Before the permission is given, it will, of course, be necessary for us to consult JCCI for clearing the matter from his angle as the Licensing Authority for this machinery.

Model Woollen Mills are engaged in vital Defence Production requiring finishing of fabrics. Number of applications from them asking for modernisation of this plant are before us. Before we accommodate them further in this regard, it is necessary to regularise the existing finishing plant by way of a formal permission from the Textile Commissioner.

LA/Tx. C. may please see for approval.

Sd./-

Director

14-5-1963.

LA.

The following points require examination.

- (i) Whether the Amritsar unit was given substantial expansion licence for installation of processing capacity.
- (ii) there is a directive from the Licensing Committee with regard to installation of processing capacity in existing mills. C.P. Section may be having the copy of directive. If the case is clear from the above two angles, we may have no objection, provided the J.C.C.I. has no objection.

D(C) may please note on the above points.

Sd/-

Industrial Adviser.

15-5-1963

From the records available with us, it appears that both the units in Bombay and Amritsar have been separately registered under item 23(3) of the Scheduled Industries which reads as follows:—

“Textiles (including those dyed, printed or otherwise proces-

sed) made wholly or in part of wool, including wool tops, woollen yarn, hosiery, carpets and druggets."

This being the position, it cannot be said that the Amritsar Unit was given a substantial expansion specifically in installation of processing machinery.

As regards the directive, placed below is an extract from Ministry's file copy of which is available on our records.

"It will be observed that units manufacturing textiles, desirous of undertaking processing and installation or additional equipments need not apply for licence for substantial expansion and such cases may be dealt with by the Textile Commissioner under the Textile Control Order and under the Import Control Regulations in respect of any plant required to be imported."

The Directive from the Ministry* being clear, it appears there should be no objection to regularising installation of processing machinery by Model Woollen Mills, Bombay, subject to the imported items of machinery being cleared by the J.C.C.I. particularly when this unit is engaged in vital Defence Production and the processing machinery are engaged in processing of Defence goods including Barrack Blankets.

Tex. Commissioner may kindly see for approval.

Sd/-
Director
20-5-1963

Tex./C

Sd/-
21-5-1963

*The extracts from the Ministry's file referred to above read as follows:—

"Extract from file No. 23(8)Tex. (B)|60.

The point is whether, when a textile manufacturing firm which has not been doing any procession of textiles (such as dyeing, sanforising, printing etc.), wants to undertake such processing by installing additional equipment it is necessary for it to apply for a licence under the Industries Act for "substantial expansion". While the actual production capacity of the firm in terms of textiles will not have increased, it is possible to take the view that the productive capacity in respect of processing fabrics,

5.26. A letter recommending the case of the firm was accordingly issued by the Textile Commissioner's Office to the J.C.C. I&E Bombay and he was requested to intimate if there was any objection to the regularising of the installation of the machinery in Bombay. Intimation of approval was issued by the J.C.C. I&E Bombay to the Mills and the Textile Commissioner, in July, 1963.

The Central Bureau of Investigation have made out a case that there was abuse of power by the officers concerned who threw overboard the earlier decision for action being taken against the mills at the appropriate stage. The mills were thereby enabled to convert themselves into a composite unit. On completion of their investigation, the C.B.I. recommended prosecution of three officials including Shri Doraiswamy, former Textile Commissioner, and private persons on the 7th February, 1968. The Central Vigilance Commission advised on the 23rd August, 1968, that no prosecution would be justified and that there was no warrant for disciplinary action against any official**.

being new and additional, there is substantial expansion in its productive capacity and hence it should apply for a licence. However, since there is no actual expansion in production of textiles by the firm in such cases, but only expansion of a certain type within the over all capacity for textiles, and in view of the current policy of reducing references to the licensing committee and reducing available reference generally, I suggest that we need not insist on an application for licence for substantial expansion in such cases. Such cases may be dealt with by the Textile Commissioner under the Textile Control Order, which has sufficient regulatory provisions in this respect and under the Import Control regulations in respect of any plant required to be imported.

Sd/- D. HEJMADI

29-9-1960

I agree with the above.

Sd/- NAGENDRA BAHADUR

28-9-1960

I agree

Sd/- MANUBHAI SHAH

2-10-1960

IA(I) Section

Copy forwarded to Textile (D) Section for information and guidance.

Sd/- CHANDRAN.

Textile (D) Section

M.C. & I U.O. No. 4(39)IA(19)60 dated 12-10-1960."

**Please see footnote to para 5.31.

5.27. In the course of evidence, it transpired that the Model Woollen Mills, Bombay, applied for a processing plant in May, 1958, but the permission for its import was not granted. Later on, the Amritsar unit of the same firm applied for the import of certain processing machinery and it was granted as a result of a policy decision taken by the Ministry in 1960. These arrived in 1961 and 1962. It was accepted in evidence by the representations of the Ministry of Commerce that the Amritsar and the Bombay units of the same firm should be regarded as independent units and therefore, when the machinery imported for the purposes of installation at Amritsar were actually installed in Bombay, "it is a violation of the conditions of the import licence; the two units might have belonged to the same persons but they were separate legal entities... They were under the control of the same people. So after taking the delivery at Bombay, they put it at Bombay; it was a deliberate action; not an error."

5.28. The representative of the CBI clarified that "there was no question of any replacement in the Bombay unit because they did not have any such machinery. The replacement was only for the Amritsar unit. Moreover, you know the Bombay unit was only a spinning mill. Therefore, it was not a weaving unit. So they could not get any licence for any finishing machinery. It was registered as a spinning mill only."

5.29. The Committee desired to know if there had not been irregularities (i) in installing imported machinery for replacement in Bombay which did not have such machinery, (violation of conditions of licence), (ii) installing machinery meant for Amritsar at Bombay (violation of I (D&R) Act) and (iii) regularisation of such installation (violation of I (D&R) Act.)

5.30. The Secretary, Ministry of Commerce summed up the position as follows:—

"I have no doubt that there was a violation of the Import Control Regulation involved in it. This was condoned. I have some doubt that there was also a violation of the Industries (Development & Regulation) Act if we look at it very technically, because two or three points were made out in the course of discussion—there has been change of location, there has been change of party and there has been addition to a processing Plant in Bombay. So, in technical terms, I would take the view that there has been a violation of the Industries (Development and Regulation) Act. My personal view is that in technical terms it was a wrong view which was taken.

* * * * *

This firm has been operating in many names in different places for different things and for different reasons. When in 1958, their finishing unit application was turned down, in 1960 they applied for a finishing unit in Amritsar. They got it. When this stuff came in, it was in the name of the other firm but, because it was a family concern, instead of taking it to Amritsar, they installed it in Bombay. It was found out by the Maharashtra Government and the officers at the lower level took the technical view that this was a breach of the Import Control as well as the Industries (D&R) Act. At that time on the mind of the Ministry and the Textile Commissioner, the wider considerations were operating that the finished products capacity in Bombay also has to be built up. So in the process, the higher officers in the Textile Commissioner's office, being influenced, not so much by the technical consideration—you may like to call it higher or broader or change in policy considerations—they did not take as strict a view of the matter as normally one would expect these people to take."

5.31. In view of the facts disclosed in regard to the case relating to the alleged transfer of wool processing machines from Amritsar to Bombay by M/s. Model Woollen Mills and the views expressed by the representative of the Ministry of Commerce in evidence, the Committee desire that the case should be thoroughly re-examined by the C.B.I. and the C.V.C. and an early decision in the matter taken with regard to the question of launching prosecutions and initiating disciplinary action against the persons concerned.*

Allocation of Yarn

5.32. Another case of alleged favouritism to M/s. Model Woollen Mills that was brought to the notice of the Committee relates to the allocation of 50,000 lbs. of 2/15 S and 1/10 S worsted yarn by the Textile Commissioner to the Mills to which they were not entitled. The Committee have been informed by the C.P.I. that in 1963 certain qualities of wool imported to meet defence requirements were rendered surplus to those requirements and were earmarked to some Mills in anticipation of Defence orders for serge battle dress. M/s. Model Woollen Mills were also given 1,72,075 lbs. of 56s comb-

*At the time of factual verification, the Committee have been informed that on reconsideration of the matter on a reference made by the C. B. I., the Central Vigilance Commission have advised that no prosecution or formal disciplinary action against any of the accused public servants would be justified.

The Committee have also been informed by the C. B. I. that in view of the advice of the C. V. C. and in consultation with their Law Officers, it has now been decided to launch prosecution against the mills concerned.

ing wool for the manufacture of one lakh metres serge battle dress. The anticipated defence order did not however, materialise. On 10th December, 1963, Deputy Director in the office of the Textile Commissioner recorded a note that M/s. Model Woollen Mills Bombay had converted 75,000 lbs. of combing wool into worsted weaving yarn of 2/15s and 1/10s counts and that Amritsar Small Scale Manufacturers Association had refused to accept the yarn. He, therefore, suggested that M/s. Model Woollen Mills be allowed to consume the yarn on their looms. The Industrial Adviser recommended release of 50,000 lbs in favour of M/s. Model Woollen Mills and of retention of 25,000 lbs. for distribution to the handloom industry in case it was interested. The Textile Commissioner on 26.12.63 approved of the release of 50,000 lbs. of yarn to M/s. Model Woollen Mills who were purely spinning unit and were, therefore, not entitled to any yarn under the distribution scheme. It has been stated by the C.B.I. that this allotment of 50,000 lbs. of yarn was also without any adjustment against the mills share of surplus stocks of 56s wool tops allocated on *pro rata* basis.

5.33. On completion of investigation, the C.B.I. recommended prosecution of 3 officials including the former Textile Commissioner and private persons and sent the case to the Central Vigilance Commission and concerned authorities on 7.2.68.

5.34. On the 23rd August, 1968, the Central Vigilance Commission advised that no prosecutions would be justified and the C.B.I. are examining the matters further in consultation with their Law officers*.

5.35. As the case relating to alleged irregular allocation of 50,000 lbs. of 2/15s, 1/10s worsted yarn by the Textile Commissioner to M/s. Model Woollen Mills has been pending for a long time, the Committee would urge that an early decision should be taken by the authorities regarding launching of prosecutions against the persons concerned*.

Alleged purchase of barrack blankets from other Manufacturer instead of their production in their Mills

5.36. In the note recorded by the Deputy Director (Technical) on the 3rd December, 1965, in the Office of the Textile Commissioner, Bombay, it has been stated *inter alia*—

*At the time of factual verification, the Committee have been informed that on reconsideration of the matter on a reference made by the C. B. I., the Central Vigilance Commission have advised that no prosecution or formal disciplinary action against any of the accused public servants would be justified.

The Committee have also been informed by the C. B. I. that in view of the advice of the C. V. C. and in consultation with their Law Officers, it has now been decided to launch prosecution against the mills concerned.

"It is alleged that M/s. Model Woollen Mills, Bombay found it remunerative to purchase 40,000/50,000 blankets from M/s. E. E. Shafton & Co., Mirzapur to supply to the Government against the said Defence Order. From this it is clear that the entire barrack blankets were not produced by the above woollen manufacturer.....It is not understood why the people failed to see the evil motive of M/s. Model Woollen Mills, Bombay to approach the Textile Commissioner, Government of India, Bombay to obtain permission to borrow looms on short terms lease from 7 different parties, and convert 39 art silk looms of Brij Textiles, for the production of woollen goods, on the pretext of fulfilling the alleged obligation of the defence orders, somewhere in the earlier part of 1963.....the fact remains that M/s. Model Woollen Mills, Bombay and Brij Textiles have gained a huge financial advantage out of these orders, especially depending on the imported raw materials."

5.37. During the course of official evidence, the representative of the Ministry has stated "this is one of the cases mentioned by Mr. Dutt's report. But no further probe was made into it because even if that had been done, there would have been no illegality. A contractor could purchase material from a sub-contractor and so long as he fulfilled the defence contract, there was no irregularity or illegality." Asked to state whether the question of illegality or irregularity had been examined by the Ministry of Law or the Ministry of Commerce, the representative of the Ministry replied, "This has not been examined by the Commerce Ministry."

5.38. The Committee fail to understand why the allegation that M/s. Model Woollen Mills had purchased Barrack blankets for supply against the defence orders from other manufacturers instead of producing them in their own mills, was not examined either in the Ministry of Commerce or in the Ministry of Law, with a view to see whether any irregularity was involved in the matter.

5.39. From a study of the cases of alleged favouritism to M/s. Model Woollen Mills, which have been dealt within the previous paragraphs, the following basic facts emerge:

- (i) M/s. Model Woollen Mills were given special permission for taking powerlooms on lease and ultimately taking them over permanently;
- (ii) The firm were allowed to utilise art silk looms for production of woollens;
- (iii) The firm installed at Bombay certain machinery which was permitted to be imported for installation in their

Amritsar unit. This involved violation of certain control regulations.

In the opinion of the Committee, the totality of circumstances in these cases and other cases of alleged irregularity against this firm indicate that there is laxity in enforcing the provisions of various control orders, Act, etc., by the Textile Commissioner's Organisation. The Committee cannot too strongly urge the necessity for a thorough investigation and firm action in all these cases and similar other cases, so that no circumvention of the various provisions of the rules and control orders is permitted.

Himachal Shoddy Mills, Paonta

5.40. Another case of alleged favouritism by the Textile Commissioner's organisation that was brought to the notice of the Committee related to the Himachal Shoddy Mills, Paonta (H.P.). It was alleged that though this Mill was given permission to install spindles on the specific condition that they would not be entitled to any imported raw materials, they were allowed to import shoddy rags worth about Rs. 37,000.

The Minister of Commerce have informed the Committee that the New Era Hindustan Woollen Mills (now known as Himachal Shoddy Mills, Paonta) were given a licence under the Industries (Development and Regulations) Act on the 18th July, 1959 for installation of 1600 shoddy spindles. One of the conditions of the licence was that raw materials would be permitted to be imported only if suitable arrangements could be made for supply against equivalent value of export of finished products. Subsequently, the question whether a shoddy spinning unit should at all be asked to export its products in order to obtain imported raw materials was examined in the Ministry of Commerce in July 1963. It was decided with the approval of the then Minister of International Trade that having regard to the fact that the shoddy industry was supplying blankets for defence requirements and that the entire production of the country was required either for defence or for civilian consumption, the export condition need not be insisted upon. This decision applied to all the three shoddy spinning units which were licenced under the IDR Act with similar condition regarding export.

5.41. The Ministry have added that M/s. Himachal Shoddy Mills, Paonta, applied to the Textile Commissioner for the grant of imported raw materials through their letter dated the 28th June, 1966. The Deputy Director-in-charge of the Textile Commissioner posted at Amritsar in whose region the plant was licenced to be installed wrote to the Textile Commissioner, vide his d.o. No. ASR/Wool/5/101/8138 dated the 20th August 1966 "that the entire shoddy spinning plant consisting of 1600 shoddy spindles has already arrived at the

mill site and the same is under the process of erection. It is expected that it will be going into production shortly." The said Deputy Director-in-charge of the Regional Office of the Textile Commissioner at Amritsar by another letter No. ASR/Wool/5/101/10742 dated the 12th December, 1966 reported to the Textile Commissioner, Bombay, after an on-the-spot inspection on 11th December, 1966 that "the entire plant consisting of 1600 spindles has been installed and is ready for production. The plant was put into commission on trial basis in the presence of the undersigned and the same was found to be working in perfect order." It was on the basis of this report and the earlier policy decision of the Ministry, that import licences were granted to this firm. However, on the 11th April, 1967, a telegram was received by the Textile Commissioner from one Shri Dharam Paul stating the "Gupta's Himachal Shoddy Mills misrepresented and manouvered quotas. Their plant not fitted yet. Not even electricity connection connected—your Amritsar Officer gave completely wrong report—justice requires immediate checking." On receipt of this information enquiries were ordered to be made from the electricity department and the Director of Industries, Government of H.P. Simla. As a measure of abundant caution at the instance of the Textile Commissioner, the JCCI & E, Bombay recalled the import licence from the mills for the time being. The mills thereupon filed a writ petition in the High Court at Chandigarh and in accordance with the High Court's orders they could retain the licence with them and operate on the same without any difficulty. Subsequent enquiries were made from the Electricity Department and Director of Industries, Punjab. A joint enquiry was also made by the successor of the Deputy Director who reported installation of the plant, along with an official of the State Government, Bombay Port Trust, Customs, Bombay, Bankers of the firm and the clearing agents of the Mills. These reports did not establish that the plant was not installed as certified earlier. On this basis the firm has been released raw material worth Rs. 36,833/- lying in stock with the I.W.M.F.

542. The Ministry have further stated that actual users quota is usually issued to the shoddy spindles for the period October/September and the allocations per spindle depends on the total availability of foreign exchange for the concerned period. Where an undertaking comes into production in between the said period only a proportion of quota from the date on which the production was started to the end of the period is made available. From the point of view of entitlement to the import quota of raw materials, the date of installation and readiness to go into production is very important. Before granting licence to import raw material, a stock quota to the extent of three months' requirements is also issued immediately on receipt

of intimation from the undertaking about its readiness to go into production. This is done with a view to ensuring that the undertaking is not kept idle pending import of raw material against actual user licences. Necessary essentiality certificate for the import of the raw material was issued accordingly and on the strength of this, the JCCI, Bombay, issued a licence on 3rd February, 1967 for Rs. 10,48,045. This was in addition to the licence issued for the stock quota of Rs. 2,68,400/- on 19-11-1966. Besides this allocation of Rs. 2.68 lakhs, the firm also was issued an allocation letter to obtain shoddy rags covered by the IWMF for a value of Rs. 36,833/- as their total entitlement for stock quota was for Rs. 3,23,233. The IWMF had booked the goods prior to devaluation. M/s. Himachal Shoddy are not members of the IWMF. However, licences were canalised through IWMF in the wake of Pakistani aggression and were originally meant to cater to the requirements of Defence. The IWMF were reluctant to part with the goods to this mill as they had booked the same at pre-devaluation rates. As already stated above, this mill was not one of their members. The IWMF *vide* their letter dated 15th December, 1966, *inter alia* wrote to the Textile Commissioner that it had been decided by them that all mills would be charged at the new rates of exchange except where the imported materials were required for defence production. The Textile Commissioner in return informed the IWMF, *vide* his letter dated the 6th January, 1967, that the *ad hoc* licence for the licensing year 1965-66 was canalised through IWMF and according to the relevant rules, the Federation was not entitled to derive any pecuniary advantage by trading in the import licence granted to them for distribution to the units of the industry. Accordingly, IWMF was informed that M/s. Himachal Shoddy Mills should be asked to pay for imported raw materials at the same prices at which the exchange had been covered by the Federation. The Federation was allowed to charge any actual reasonable expenses made towards covering of the foreign exchange. In the meantime, as stated above, certain enquiries were started on receipt of the telegram alleging non-existence of the unit. The IWMF was advised depending the enquiries, not to allocate any raw material to this firm. However, after the completion of enquiries the raw material against the said allocation of Rs. 36,833/- was released to M/s. Himachal Shoddy mills on 4th September, 1968.

5.43. The Ministry have mentioned that the problem involved was only about Rs. 37,000/- of shoddy wool. The Textile Commissioner had to take note of the telegram and did not release the raw material as on 2-8-1967 as it was reported by the Indian Overseas Bank Ltd. through whom the goods were imported that two cases were not

cleared by Bombay Customs on behalf of the firm and the Bombay Port Trust had fixed auction for the same on 19th June, 1967 and 21st August, 1967. These cases could not subsequently be traced. Therefore, the Textile Commissioner had to satisfy himself fully that the two missing cases did not contain any important machinery which was necessary for completing the installation. Subsequently it came out that the two cases contained only some very minor electrical equipment which did not affect the installation of the plant and its going into production on the date as certified earlier.

5.44. The Committee note that although one of the conditions of the licence given to Himachal Shoddy Mills, Paonta was that raw materials would be permitted to be imported only if suitable arrangements could be made for supply against equivalent value of export of finished products, it was decided with the approval of the then Minister of International Trade that having regard to the fact that the shoddy industry was supplying blankets for Defence requirements and that the entire production of the country was required either for Defence or for civilian consumption, the export condition need not be insisted upon. The Committee have also been informed that "this decision applied to all the three shoddy spinning units which were licensed under the Industries (Development and Regulations) Act with similar condition regarding export".

5.45. The Committee have been informed in this case that the Indian Woollen Mills Federation were reluctant to part with the goods to this mill (Himachal Shoddy Mills, Paonta) as they had booked the same at pre-devaluation rates and that the Federation in their letter dated the 15th December, 1966 wrote inter alia to the Textile Commissioner that it had been decided by them that all mills would be charged at the new rates of exchange except where the imported materials were required for Defence production. The Committee note in this connection that the Textile Commissioner in his letter of the 6th January, 1967 informed the Federation that the ad hoc licence for the licensing year 1965-66 was canalised through the Federation and according to the relevant conditions "the Federation was not entitled to derive any pecuniary advantage by trading in the import licence granted to them for distribution to the units of the industry". The Committee desire that an investigation should be made expeditiously to find out whether the Federation has actually derived any pecuniary advantage through the import licenses which were granted to them ad hoc during the period 1962-63 onwards. If any contraventions of the relevant conditions of the licences come to notice suitable action in the matter should be taken.

Case against M/s. R. K. Synthetics.

5.46. In the course of examination of the case of import of and distribution of wool, nylon, etc. by the Committee, a case of viola-

tion of conditions of the customs clearance permit came to notice. The firm (M/s. R. K. Synthetics) were granted a Customs Clearance Permit in May, 1966, for the import of synthetic fibre of the value of Rs. 20 lakhs (subsequently enhanced to Rs. 31,50,000 due to devaluation.) The firm were to import material without remittance of foreign exchange in the first instance and the following conditions were imposed:—

- (a) that the firm would be required to utilise the imported raw material in their own factory exclusively for the purpose of conversion into synthetic tops and re-export; and,
- (b) that the firm would be allowed to remit the foreign exchange for the goods imported only after the sale proceeds against the synthetic tops exported have actually been received in India and a certificate to that effect is issued by the Joint Chief Controller of Imports and Exports, Bombay, after the scrutiny of the necessary documents produced to him by the Party.

The firm has not so far asked for permission to remit foreign exchange against exports made by them in terms of the Customs Clearance Permit.

5.47. The Ministry of Commerce have informed the Committee that in May, 1967, the firm were found by the Collector of Customs, Madras to be exporting tops made from re-generating cellulose (viscose) and not from synthetic fibre. A scrutiny of documents in connection with alleged over-invoicing of these exports had also shown that the goods had been purchased in India and not manufactured from the imported synthetic fibre).

The Customs authorities have been alerted to stop any further attempts of the party to export the goods of viscose origin in a similar fashion.

The party has been issued show-cause notice and has also been kept in the abeyance list for purposes of issue of import licences.

5.48. The Ministry have added that the violation of the conditions of the Customs Clearance Permit were brought to the notice of the Deputy Minister and the Minister who ordered that the case should be referred to the CBI for investigation if not already done. The allegations against the firm are being investigated by the Special Police Establishment, Madras, and their report is awaited by Government.

5.49. The Committee desire that the investigation relating to the alleged violation of the conditions of the Customs Clearance Permit by M/s. R. K. Synthetics, Ltd. should be completed early and action taken thereon by the Government expeditiously.

Issue of Licences for production of synthetic tops

5.50. There are three firms which have been given licences under the Industries (Development and Regulation) Act to produce synthetic tops, namely:

- (1) M/s. Wellman (India) Pvt. Ltd.,—1.56 million lbs. per annum.
- (2) M/s. R. K. Synthetics, Bombay—1 million lbs. per annum.
- (3) M/s. Commonwealth Synthetics, Ludhiana—1 million lbs. per annum.

None of these firms were given any actual user licences and they had, therefore, to meet their import requirements from their export earnings. On requests being made by M/s. R. K. Synthetics and M/s. Wellman India (Pvt.) Ltd., the two firms were allowed facilities for imports of raw materials to be paid for out of their export earnings.

5.51. In this connection it has been represented to the Committee that while M/s. Wellman (India) Pvt. Ltd., are permitted to fulfil their export obligation by exporting Viscose Tops and Cut staple of indigenous origin and thus permitted to retain the imported materials for sale in the open market, this facility is not being extended to M/s. R. K. Synthetics who are required to export only goods produced out of their imported materials. The representative of the Ministry of Commerce while admitting in evidence that differential conditions were imposed on these two parties promised to send a note later to the Committee.

5.52. In a written note subsequently furnished to the Committee, the Ministry of Commerce have stated as follows:

"M/s. Wellman India Ltd. is a firm which has foreign collaboration. The Indian share in the equity capital is 51 per cent and of the American collaborator is 49 per cent. One of the conditions attached to the licence No. L/23(5)/10-Tex(D)/60, dated 3rd October, 1960, issued to M/s. Wellman India Ltd., is as reproduced below:—

"9(a) There will be no foreign exchange involved for the import of machinery and also for import of raw materials. The American collaborator will finance the initial imports of raw material and the foreign exchange contribution of the foreign collaborator would be kept in rotation by regular exports of synthetic fibre tops and/or cut staple.

M/s. R. K. Synthetics Ltd. was granted licence under the Industries (Development and Regulation) Act, licence No. L|23|5|N-202|60, dated 25th October, 1960. Condition No. 5 of the licence stated that no foreign exchange expenditure should be involved for the import of capital plant and machinery and raw materials for the manufacture of this article. This in other words meant that they will not be eligible for any allocation of foreign exchange for import of raw material as actual users. They had to earn the necessary foreign exchange for import of raw material out of export earnings.

The licence given to M/s. Wellman India Ltd. was for the manufacture of "Synthetic (man-made) fibre top and/or staple made from man-made fibre, producers' waste and tow". In their application for licence under the Industries (Development and Regulation) Act, M/s. Wellman had expressed the intention to manufacture tops and/or cut staple out of indigenous rayon producers' waste, and worsted spinners' soft waste and imported non-cellulosic synthetic fibre producers' waste. Their foreign collaborator was to finance the initial import of raw material and his contribution of foreign exchange was to be kept in rotation by regular export of the products. They had indicated that they would export their products at least to the extent of the same value as their imports so that no burden on account of foreign exchange was created and that it would also help effecting substantial foreign exchange savings by replacing the import of synthetic tops by tops manufactured out of the materials imported by them.

Subsequently, the firm made an application for import of raw material of the value of Rs. 20 lakhs. It was thereupon decided to authorise the issue of a licence and the Exchange Control copy of the licence was to bear the following endorsement:

"Remittance of foreign exchange should be allowed only on the basis of special certificate to be issued by the JCCI&E, Bombay."

The JCCI&F, Bombay, was asked to get a written undertaking from the firm that they would effect exports for a value equal to the value of raw material imported by them on credit before they applied for remittance of foreign exchange. The firm was first issued an advance import licence for a value of Rs. 2.50 lakhs on 10th July, 1964 for

import of synthetic staple fibre, fibre producers' waste and man-made fibre of non-viscose origin. The following undertaking was taken from them:

"We hereby affirm declare and undertake that we will apply for remittance of foreign exchange against our import of raw material (under import licence/licence for import of man-made fibre producers' waste and tow to be issued by you) only after earning the foreign exchange by our exports of synthetic fibre tops and staple made from man-made fibre, producers' waste and tow to the extent of the value of the foreign exchange earned by us."

Subsequently, the firm represented to the Textile Commissioner's Office that the exports of tops made of viscose and other man-made fibres and/or cut staple should be taken into consideration for purposes of issuance of export certificates. This interpretation given by the Textile Commissioner's Office to the earlier undertaking given by the firm was that the export of viscose tops and/or cut staple would not be taken into account towards their obligation since the firm was required to export only the same material which was imported. This question was examined and it was considered that there was some ambiguity about the expressions used in the undertaking because technically speaking "man-made fibre" could be taken to include products like viscose and other fibres and therefore the JCCI&E Bombay was advised by the Textile Commissioner to take into account the firm's exports of viscose tops also against their export obligations. It was, however, made clear to the JCCI&E Bombay, that this decision applied only to the then existing import licences of the value of Rs. 3.50 lakhs and that if in future similar licences were to be issued the exact wording in the undertaking should be drawn up in consultation with the Textile Commissioner.

Subsequently, another licence for Rs. 17.40 lakhs was issued to the firm on 24th December, 1964 for import of synthetic fibre, fibre producers' waste and tow (man-made fibre). The revised undertaking was as follows:

"We hereby affirm declare and undertake that we will apply for remittance of foreign exchange against our import of raw material (under import licence/licence for the

import of synthetic non-viscose man-made fibre, producers' waste and tow to be issued by you) only after earning the foreign exchange by our exports of synthetic fibre tops and synthetic staple fibre produced by us to the extent of the value of foreign exchange earned by us".

The term "synthetics" as understood in the Textile Commissioner's Office was deemed to connote only non-cellulosic fibre. The firm, however, contended that the term included viscose fibre and other man-made fibres also. The matter was, therefore, referred to the Ministry of Law for their advice. The Ministry of Law advised as follows:

"The answer to the question raised in the foregoing notes depends on the terms of the licence granted under the Industries (Development and Regulation) Act. We are, therefore, to construe the expression used therein by applying certain uniform principles of interpretation applicable on the matter. In the Preamble to the licence, it is stated that the company filed an application for the manufacture of "synthetic fibre tops". This application was granted and under clause (4) of the licence the company was authorised to have the installed capacity in respect of "synthetic man-made fibre, producers' waste and tow". Obviously, this installed capacity covers not only the cellulose but also non-cellulosic fibres. Having regard to the fact that the licences cannot ordinarily go beyond what is asked for we have to construe the expressions "synthetic fibre tops" used in the Preamble to the licence as including not only cellulose but also non-cellulose fibre products. The same expression "synthetic fibre tops" occurs in clause 9(a) of the licence. It has been suggested that this expression in the said clause 9(a) covers only non-cellulosic fibre products and not cellulosic fibre products on the ground that that was the meaning commonly given to the expression "synthetic fibre" at the relevant time. This, however, does not appear to be correct. It is a fundamental rule of interpretation that expressions used in the particular documents should be used in the same sense at all the places at which they occur unless there are compelling reasons to indicate the contrary intention. In the present case the expression "synthetic fibre tops"

which occurs in clause 9(a) also occurs in the Preamble to the licence. As already explained the expression as used in the Preamble covers not only the cellulose but also non-cellulosic fibre products for the reason that installed capacity was also for both purposes. Accordingly, the same expression "synthetic fibre tops" in clause 9(a) should be construed as inclusive not only cellulose but also non-cellulose products".

Having regard to this advice, the import licence given to the firm was extended for a further period of three months. The matter was discussed further with the firm and it was decided that there should be a further discussion with them in order to decide the future course of action so that there is no net outflow of foreign exchange as a result of the existing arrangements.

The licence granted to M/s. R. K. Synthetics was also for the manufacture of synthetic fibre tops. But a condition similar to 9(a) of the condition in M/s. Wellman India Ltd., does not exist in the case of M/s. R. K. Synthetics.

On 10th February, 1966 M/s. R. K. Synthetics made a representation to the Ministry of Commerce requesting that they should also be granted Customs Clearance permit facilities on the same lines as allowed to M/s. Wellman India Pvt. Ltd. Under these facilities they are allowed to import fibre-tows and producers' waste and these goods are paid for against export earnings of tops. In the case of Wellman (India) Ltd., the goods are being paid for in the first instance by the collaborators whereas in the case of R. K. Synthetics they will make necessary arrangements with the foreign suppliers to supply the goods on credit which they will pay out of export earnings of tops. This request was examined in the Ministry of Commerce. None of these converters was given any actual user licence and, therefore, had to find its own raw materials. Whereas M/s. Wellman India Ltd., were able to find their raw material requirements by getting on advance from their collaborations which was rotated, the other two units did not have such facility. As the plant of R. K. Synthetics was idle it was considered with the approval of the Minister that there was no objection to permit them to import raw materials against their export earnings as this has been allowed in the case of M/s. Wellman India Ltd. and to extend to R. K. Synthetics similar facilities as had

been given to M/s. Wellman India Ltd. The Textile Commissioner was informed in the Commerce Ministry's letter No. 18(17)/TEX(E)/65, dated 8th March, 1966, that M/s. R. K. Synthetics should be given the same facilities for import of raw materials as had been given to M/s. Wellman India Ltd.

There has been no discrimination in so far as the grant of Customs Clearance Permit facilities are concerned.

M/s. R. K. Synthetics applied for the grant of a Customs Clearance Permit (CCP) with the same conditions as were applicable to M/s. Wellman India Ltd. This would normally mean that the conditions applicable to both should be the same. In practice, it has been decided, in view of the advice tendered by the Ministry of Law, that the Wellman were not under the obligation to re-export after processing whatever material was imported by them under the CCP given to them. In other words they have been allowed to retain within the country a part of the synthetic raw materials imported by them against the CCP and in lieu thereof export cellulosic fibre tops produced out of raw materials indigenously available.

In the case of M/s. R. K. Synthetics, however, the condition is that they should re-export after processing the entire quantity of materials imported by them under the CCP i.e. they are not permitted to retain within the country any quantity of the material imported by them under CCP.

The representation from R. K. Synthetics that they are being discriminated in regard to conditions under the CCP is separately under consideration."

5.53. The Committee trust that the matter relating to alleged discrimination between M/s. R. K. Synthetics and M/s. Wellman India, Ltd., in regard to the conditions imposed under the Customs Clearance Permits issued to them would be examined thoroughly and an early decision taken by the Government.

Licences for import of Shoddy Rags

5.54. It has been alleged that all along the policy for allocating actual users import licences for import of raw material has been to give import licences only to those units who had spinning capacity and could utilise the imported raw material and not sell it in the market. The Textile Commissioner's Office in 1966 made a departure from this basic policy by giving import licences for import of shoddy rags to three rag pullers who did not have any spinning capa-

city, namely, (a) Indian Shoddy Mills, Bombay, (b) Globe Industries, Bombay and (c) Bombay Woollen Waste Factory, Bombay who sold the pulled rags in the market.

5.55. The Committee desired to be furnished with a detailed note regarding the issue of licences for import of shoddy rags in 1966 to these three rag pullers. The Ministry of Commerce have stated in a written note that:—

“So far as the spinning is concerned, the woollen industry can be broadly classified into the following three divisions:—

1. *Worsted spinning sector*.—This mostly depends on the imported wools. However, of late due to improvement in the quality of indigenous wool and better sorting and grading, considerable portion of Indian wool is also being utilised by the worsted sector.
2. *Woollen Spindles*.—These can entirely do with indigenous raw wools.
3. *Shoddy Spindles*.—Technically the spinning system is common to that of woollen. However, in addition to the spinning, this sector has rag cutting and garnet machines. The raw material for the shoddy spindles is old rags, tailor cuttings and like items. The following three units have garnet and rag machines on which they break open the old shoddy rags with a view to reclaim wool fibre and are called shoddy pullers:—
 1. M/s. Globe Industries Pvt. Ltd.
 2. M/s. Bombay Woollen Waste Factory.
 3. M/s. Indian Shoddy Mills, Bombay.

The woollen fibres so reclaimed from old rags, are used for spinning on shoddy spindles. Besides these 3 shoddy pullers, there are spinners of shoddy wool who have their own attached shoddy pulling equipments. It would be incorrect to say that actual users import licences for import of raw materials were given only to those units who had the spinning capacity. In the year 1959 the Textile Commissioner's Office decided to grant actual users raw material import licence to M/s. Globe

Industries (Pvt.) Ltd. Bombay for import of shoddy rags, etc. This firm has been getting actual users import licence for raw materials all these years along with the other spinning units. The remaining two firms viz. Bombay Woollen Waste Factory and Indian Shoddy Mills, Bombay, were also included in this category during the year 1962. All the three firms have been getting actual users import licence regularly for the past several years. Besides these units, import licences for wool have been granted to other organisations also who had no spindles of their own. These allocations had been given within the frame-work of the general policy and during the course of several years in the past. These units are actual users and had been so recognised for over many years. Allocations on this established basis were given to these shoddy pullers during the year 1966 also. Government did receive representations from the Indian Woollen Mills' Federation during the year 1966, protesting against the allocations being made to these three concerns. It may be reiterated that the Government was not in a position to accept the representation as the principle of allocating actual users import licence for raw materials to rag pullers had been accepted as early as in 1959 and no representations were received against this practice in between the years 1959 to 1966.

The value of raw material licences issued to 3 rag pullers during the year October, 1966—April 1967 is indicated below:—

	Allocation in value (Rs. lakhs)	
1. M/s. Globe Industries, Bombay	..	2.268
2. M/s. Indian Shoddy, Bombay.	..	8.263
3. M/s. Bombay Wool Waste, Bombay.	..	0.949"

5.56. In the course of evidence the Committee desired to know whether the rag pullers had sold the pulled rags in the market, and if so, what was the profit made by them. The representative of the Ministry has stated in evidence, "We have no specific information. By implication we can say that most of the spinning mil's who spin shoddy have their own rag pulling capacity. The chance of these people selling these rags as such may not be very much, but we have no specific information".

5.57. The Committee then desired to know whether any representations were received from the industry against the grant of these licences. The representative of the Ministry of Commerce has stated in evidence, "Representations were received only in 1966 although most of them have come into existence much earlier".

5.58 The Committee note the position regarding the allocation of actual users import licences to three rag pullers, namely, Indian Shoddy Mills, Bombay, Globe Industries, Bombay and Bombay Wool-len Waste Factory, Bombay.

CHAPTER VI

CONCLUSION

6.1. The Committee have examined in detail the matters relating to import and distribution of wool, nylon etc. from 1962 onwards. During the course of their examination, the Committee have noted with concern the acquisition and installation of a large number of looms without the permission of Government and in contravention of the existing orders, regulations, and provisions of Acts, etc. They have noted that the various control orders regarding the installation of spindles and looms have not been properly enforced. All this has resulted in putting a premium on breach of law and placing at a disadvantage the concerns which followed the control orders *vis-a-vis* those who indulged in their violation. The Committee have been informed that lack of field enforcement staff was one of the reasons for the development of such a situation. The Committee fail to understand why such a difficulty was not anticipated before introducing the various control orders because, in their opinion, if there is lack of suitable machinery to ensure enforcement of various control orders, the introduction of such orders will have no meaning. The Committee are doubtful about the effectiveness of controls if they cannot be enforced at all. In the circumstances, the Committee are of the view that a time has come when it is necessary to have a close look at the whole system of controls which are now in operation.

6.2. The Committee have also noted that the price control on yarn which was operative earlier was defective. The yarn manufactured out of the wool imported against export promotion licences was not subject to price control and that price control was applicable only in respect of yarns supplied against the permits on A.U. licences. The Committee have a feeling that this defect has facilitated the defaulting spinners to indulge in malpractices and escape the rigours of law.

6.3. The Committee have also come across instances of defaults with regard to delivery of yarn by the spinners to the decentralised sector. The Committee hope that an early decision will be taken by Government on the question of launching of necessary prosecutions in all such cases.

6.4. The Committee have noted that a new import policy was announced in November, 1967, under which all imports of wool and

synthetic fibres, whether for domestic consumption or for export replenishment, will be canalised through the S.T.C. The Committee have suggested that Government should keep a careful watch as to how the new scheme functions and to what extent it is able to achieve the desired results.

6.5. As regards the alleged over-assessment in the import of wool through *ad hoc* licences to meet the Defence requirements as well as the alleged irregularities in the distribution of surplus wool, the Committee have pointed out that these matters are still under consideration of the C.B.I. and the C.V.C. The Committee have suggested that these cases should be finalised without delay.

In this connection, the Committee have expressed their unhappiness over the fact that there is no single organisation or authority which can verify or check whether the imports have actually taken place in accordance with the licences and that the materials imported for meeting the Defence requirements have actually been utilised for the purpose.

6.6. The Committee have also dealt with cases relating to nylon tows imported for meeting Defence requirements but declared surplus, which discloses that considerable profits had been made by the parties and that the assessment of requirements of nylon for meeting Defence needs was grossly exaggerated. Certain difficulties in the distribution and conversion of nylon tows have also been examined by the Committee. They have suggested the implementation of Government's directions in this matter and penal action for failure to do so. They have also suggested an investigation about an allegation that huge quantities of nylon tows allocated to Defence order holders are being openly marketed by hosiery tender holders. The Committee trust that whenever allegations of such a nature come to Government's notice they should be promptly and fully investigated so that no one is allowed to circumvent the law.

6.7. The Committee have further dealt with certain cases relating to alleged irregularities indulged in by certain mills and concerns and have given their conclusions/observations at the appropriate places. They hope suitable action in these matters will be taken without delay.

NEW DELHI;
The 19th April, 1969.
Chaitra 29, 1891, (Saka).

P. VENKATASUBBAIAH,
Chairman,
Estimates Committee.

APPENDIX I

(*Vide* para 1.1)

Extracts from Lok Sabha Debates dated the 1st December, 1967

NEW POLICY OF IMPORT AND DISTRIBUTION OF WOOL

MR. SPEAKER: Yesterday, in reply to a Call Attention of Shri Madhu Limaye, a statement was laid by the Minister because it was a long one and I said that we may take it up today. Shri Madhu Limaye.

* * *

SHRI MADHU LIMAYE: Mr. Speaker, Sir, the 8 page statement contains a new policy about the import and distribution of wool and basic changes have been made in the old policy. May I know from the hon. Prime Minister if she has received complaint against the old distribution system for instance there is a report by Shri M. C. Datt in respect of Model Woollen Mills? Similarly, there is a judgement by the Bombay High Court concerning Kabir Woollen Mills of Ludhiana since the judgement is a lengthy one, it would suffice if I read only one sentence and it will startle this House as to what sort of things are going on in their offices. Mr. Speaker, Sir, the Bombay High Court says as follows: against which they do not dare to file an appeal:—

“The decision of the Textile Commissioner of making bulk allocation of Rs. 4,50,000 worth of hair belting tops to Respondent No. 6 (*i.e.* the Kabir Woollen Mills) on the basis that Respondent No. 6 had the capacity to produce and had in fact produced hair belting yarn which was of the desired quality and specification acceptable to the Association and the Members of the Association, will have to be regarded as arbitrary, unreasonable and perverse and if that is so, that order is liable to be quashed and set aside”.

They have quashed this order but in the meanwhile all the goods worth Rs. 4 and a half lakhs of Rupees have been sold in the blackmarket and the money misappropriated. I have presented before you only one case. May I also know from the hon. Minister whether nylon worth Rs. 80 lakhs was imported after the Chinese aggression, out of which nylon valued at Rs. 50 lakhs has been declared surplus. This stock of nylon valued at Rs. 50 lakhs which was imported before devaluation was given to the two units, *viz.* Arthur Export and Import Agency, and Commonwealth Woollen Mills, after the devaluation. My assessment is that

in view of the premium prevailing in the market these two units might have made a profit of about Rs. 6 crores on the stock of 50 lakhs of Rupees.

MR. SPEAKER: Please refer to the question.

SHRI MADHU LIMAYE: Mr. Speaker, the statement consists of 8 pages. I will have to tell you something regarding it, I am quoting two instance i.e. one is, of the Kabir Woollen Mills and other of the Arthur Export and Import Woollen Mills. They have transacted business to the tune of one and a half crores and six crores of rupees respectively. There is no doubt about it that their old policy has been a failure. In his statement it is stated that it was the responsibility of those to whom the raw wool was supplied and who have converted the raw wool into yarn. The distribution was also their responsibility. But now they say that distribution has not been done in time. There was a delay or the full quota was not supplied and that the quality was not good. I would like to know whether the hon. Minister will apprise the House of the position in regard to the percentage of the yarn supplied by us during the last five years and also in regard to the details of its quality.

He has also stated that the new policy is that of the decentralisation of industries. Mr. Speaker, what is this decentralisation of industries. I have a complete list with me so far as hosiery is concerned. It will be accepted that Hosiery is a decentralised industry but there are some units which consume wool even less than 100 pounds. There are also one or two units which consume even 2 lakh pounds of wool. So the new policy will result in blackmarketing. The people will sell their quotas of wool and yarn in the blackmarket. I would, therefore, like to know whether the hon. Minister is aware that there are about 24 units in hosiery industry which take away 40 percent of their quota. I have a list of about one thousand units and out of which 24 units take away 40 percent of their quota. Where is Mr. Qureshi to-day? He is absent. He has a hand in it. Special quota is being granted for Kashmir and Himachal Pradesh. A Unit is being established there in a wrong way. Whole of the quota is distributed amongst them. I would like to know from the hon. Minister whether he is prepared to refer this whole matter to the Public Undertakings Committee, Public Accounts Committee or to any Committee of the House? The three questions which I have raised are not ordinary ones. . . .

MR. SPEAKER: The hon. Member should conclude now.

SHRI UMANATH: Previously you used to ring the bell during speeches. Now you are ringing the bell even when a question is being put.

MR. SPEAKER: What can I do?

SHRI MADHU LIMAYE: In his report Shri M. C. Datt has pointed out a case involving 100 million rupees with your permission I want to place it on the Table of the House.

MR. SPEAKER: Let us see afterwards.

SHRI MADHU LIMAYE: He is a Deputy Director—Technical. That I will have to place it with your permission.

SHRI DINESH SINGH: Mr. Speaker, Sir, you are aware that I never object to anything. You may direct any Parliamentary Committee to enquire into the working of my Ministry I will not mind it.

So far as the questions raised by the hon. Member are concerned you have yourself rung the bell. A number of questions have been asked together. As regards these questions I would like to say that an enquiry is being conducted, and after the completion of that enquiry they would be punished, if found guilty.

SHRI MADHU LIMAYE: Mr. Speaker, Sir, the questions raised by me have not been answered. You kindly appoint a Committee.

MR. SPEAKER: He cannot say anything now.

SHRI MADHU LIMAYE: There are certain points which have to be replied by him. These points will not be referred to the Committee. I am not prepared to accept it. I have asked for the appointment of a Committee to enquire into these irregularities. The policy matters should be answered only by him. I crave for your indulgence. A Committee should be appointed regarding the irregularities pointed out by me but the policy matters should be elucidated.

MR. SPEAKER: If he wants he can say.

SHRI MADHU LIMAYE: It is my privilege. It is not a matter of his liking.

SHRI DINESH SINGH: The difficulty is that the hon. Member feels that this privilege is only meant for him. I would like to submit Sir, that every Member here has equal rights. Whatever privileges and rights he has in the House, they all are meant for all the members keeping this in view a Member should speak here, it is not good talking here in that way.

As regards the question of holding an enquiry, I would submit that the House is empowered to get it instituted by anyone.

SHRI MADHU LIMAYE: My question has not been answered. I am not going to yield in this way.

MR. SPEAKER: No, no. This cannot be continued. I am on my legs—

SHRI MADHU LIMAYE: Sir, if you are on your legs then I will sit down. But in case the hon. Minister stands I would also not go to resume my seat.

MR. SPEAKER: I am on my legs. He will please resume his seat. If hon. Members are not satisfied with the answer, they can take to some other methods or devices to have the matter further clarified. What am I to do? As the hon. Minister has said, he has also some rights here. He says I am not able to give more information.

SHRI MADHU LIMAYE: There is no question of satisfaction in it. This is our right. Is he not going to reply to the questions raised by us?

MR. SPEAKER: He has said that.

SHRI MADHU LIMAYE: My request is that a reply to the question regarding an enquiry should be given.

SHRI RANDHIR SINGH: No answer will be given. What is this?

SHRI MADHU LIMAYE: The questions are asked to get answers.

MR. SPEAKER: I am not allowing it.

APPENDIX II

(Vide para 1.8)

Memorandum submitted by Shri Madhu Limaye, M.P.

The Chairman,
Estimates Committee,
New Delhi.

6, Rakabganj Road,
New Delhi.
March 18, 1968

Sir,

I have time and again raised in the Lok Sabha issues relating to irregularities, malpractices and corruption in regard to the import of raw materials by the woollen textile industry and the allocation of products manufactured by the same industry.

The last time I raised this issue was through a Calling Attention Notice. I was happy that the Commerce Minister, Shri Dinesh Singh, conceded my demand for a thorough probe by a Committee of the House into the affairs of the woollen textile industry.

I am convinced that if the specific cases which I have given below are pursued to the bitterest end by this Committee, with the help of the other appropriate investigating agencies of the Government of India, a major hot bed of corruption, namely, the Commerce Ministry and the Textile Commissioner's Office will be exposed. Transactions involving millions and crores of rupees are handled by the Commerce Ministry. The officers belonging to this Ministry and its subsidiary organisations have made fabulous illegitimate gains by distributing favours to selected parties, encouraging trafficking and trading in licences and quotas, allowing private parties to build up huge zamindaries and also by exonerating gross, flagrant and persistent violations of Government laws and regulations.

The instances that I have given are only illustrative. I have already drawn your attention to the Bombay High Court judgment which said that the quotas/licences issued by the Commerce Ministry and the Textile Commissioner's office in favour of Messrs. Kabir Woollen Mills was 'arbitrary, unreasonable and perverse'. It is noteworthy that the Government has not appealed against this judgment even though one of its own decisions has been struck down with such severe strictures. I should like the Committee to inquire into the reasons which persuaded the Government not to defend its own name and prestige by appealing from the High

Court's judgment. And since it has not chosen to appeal, the sub-Committee should ask the Government to explain the reasons why it has not taken action against the Minister and/or officer responsible for such an arbitrary, unreasonable and perverse' allocation.

Here I would like to utter a warning. There may be an ingenuous plea by the Commerce Minister and his officers that their policies are intended to serve the interests of the small-scale, decentralised sector. As a matter of fact, these Ministries and officers have been serving the interests of only 17 large quota/licence holders within the decentralised sector, as well as a few individuals within the organised sector.

I shall now take up the specific cases which I would like the Committee to investigate thoroughly.

1. *Nylon Imports*.—I wish to draw the Committee's attention to two major scandals connected with the import of nylon, where the Commerce Ministry and the Textile Commissioner's office in collusion with certain private parties dispensed favours in an arbitrary manner. I would request the Committee to call for all the papers in relation to these two cases and fix the responsibility of the Ministers and officers involved. I would suggest that the properties and interests of the Ministers|officers involved in this affair and their close relations be investigated by the appropriate Government agencies and the illegitimate gains made by such Ministers and officers of the Government of India may be traced.

- (a) In 1962, following the Chinese aggression against India, in the name of urgent defence requirements, a barter deal was arranged, blessed by the State Trading Corporation of India Ltd., between some Japanese suppliers and two Indian firms, namely, Messrs. R. K. Synthetics & Fibres Ltd., Bombay (Originally known as Arthus Import Export) and Messrs. Commonwealth Synthetics, Ludhiana. The principal interest in these two concerns are represented by Mr. Khanna and Mr. Puri for R. K. Synthetics and Mr. Gupta for Commonwealth Synthetics. Under this barter deal approximately 14 lac lbs. of nylon tow valued at Rs. 50 lacs was imported for conversion into Nylon tops. The S.T.C., after allowing itself a profit of over 60 per cent fixed the price of the Nylon top to be converted from the said Nylon tow at Rs. 8/- per lb. *The Textile Commissioner issued necessary directives to the two converters regarding the price and distribution of the Nylon tops.* Despite the protests made in 1963 the directives regarding prices and distribution were suddenly withdrawn and these two firms were permitted to sell the Nylon tops in the open market where the prevailing price were in excess of Rs. 13/- per lb. In this manner these two firms were assisted

by the Government Ministries and Officers concerned to make enormous profits at the expense of the public.

The specific questions that arise out of this case of blatant favouritism are as follows:—

- (i) Why allocation of Nylon tow was made only to two parties by the Commissioner's office and why other people were excluded?
 - (ii) Why did S. T. C. load the price of Nylon top by an unusual margin of over 60 per cent?
 - (iii) Why were price and distribution controls removed suddenly in 1963 enabling Mr. Khanna, Mr. Puri and Mr. Gupta to make windfall profit of Rs. 5|- per lb. in addition to the margin already permitted to them in the fixed price of Rs. 8|- per lb.?
 - (iv) Who were the Ministers and Officers responsible for this sudden decontrol? Whose notings are on the files which resulted in this arbitrary change in policy?
- (b) The second case of favouritism with regard to import of Nylon relates to the year 1965 when the Indian Woollen Mills' Federation was authorised to import about 2.4 lac lbs. of Nylon tow and 2.4 lac lbs. of Nylon fibre for manufacture of certain defence equipments following the outbreak of conflict with Pakistan. In 1966 under directive from the Textile Commissioner's Office the Indian Woollen Mills Federation handed over Nylon Fibres to Messrs. Wallman India Private Ltd. and Messrs R. K. Synthetics for conversion and return to the Federation for subsequent allotment to actual users. Did these firms honour the contracts and if so to what extent? Is it true that Messrs R. K. Synthetics who were given the first instalment of 10,000 lbs. have not to this date returned the material to the Indian Woollen Mills' Federation? And what about the other party? Did it likewise default on its contract? No action was taken by the Ministry and/or the Textile Commissioner's Office against the parties who made fantastic profits by violating the procedure laid down and approved by the Government itself. It may be noted that the convertor firms were authorised to instal machinery for conversion on the specific and written understanding that they would not be entitled to any assistance from the Government of India in the matter of raw material imports. Specific questions that arise in this connection are:—
- (i) Who was responsible for exonerating the parties despite their violating Government approved procedures? From the

files is it possible to ascertain the names of the Ministers and officers who favoured these firms.

- (ii) What action does the Government propose to take against the parties even at this late stage in respect of raw material which these firms have not yet returned?

2. *Shoddy Imports*: I will now take up certain gross irregularities in connection with imports of shoddy.

- (a) Despite the clear and firm policy of the Government of India to permit only authorised spinning mills to import shoddy rags, 3 firms who did not possess any spinning capacity whatsoever were allowed to import shoddy rags since 1964. These 3 firms are:

- (1) India Shoddy Mills, Bombay.
- (2) Bombay Woollen Waste Factory, Bombay.
- (3) Globe Industries, Bombay.

It may be emphasised that the principal interests involved in the case of India Shoddy Mills are represented by the same notorious pair of Mr. Khanna and Mr. Puri, who are also involved in the scandalous case of Nylon import referred to hereinabove. I would also like to emphasise that in the case of M/s. Globe Industries and M/s. Bombay Wool Waste Factory, they were given merely nominal licences so as to cover up the major allocation made in favour of the notorious pair of Mr. Khanna and Mr. Puri. The specific questions that arise in this case are:—

- (i) Who are the Ministers and Officers whose notings resulted in the issue of these import licences to the parties who do not possess spinning capacity?
- (ii) Which Ministers and Officers are responsible for favouring Mr. Khanna and Mr. Puri who have an extraordinary pull with the Government of India?
- (b) The 2nd case of flagrant favouritism concerns Messrs. Himachal Shoddy Mills. It may be noted that this Mill is also controlled by the same notorious Mr. Gupta who has the principal interest in Messrs. Commonwealth Synthetics who were shown extraordinary favours by the Minister and Officers of the Government of India in the case of Nylon imports as mentioned hereinabove.

Messrs. Himachal Shoddy Mills, a sister concern of M/s Commonwealth Synthetics, were allowed to instal spindles on the specific written understanding that they would not be entitled to any imported raw material, but in 1966 this unit was granted import licences by the Textile Commissioner's Office.

The favouritism shown to the said Himachal Shoddy Mills did not end by merely allocating to them the imported raw material not due to them. As a matter of fact out of imports made by the Indian Woollen Mills' Federation under the special import licence issued in the wake of Pakistani aggression certain allocations were made in favour of Himachal Shoddy Mills despite protests from other sections of the industry. The said party failed to establish letters of credit and give necessary directions for import to the said Federation within the specified period. After devaluation the said Himachal Shoddy Mills insisted upon receiving the goods at pre-devaluation price. The Textile Commissioner's Office insisted that the benefit of such exchange coverage should be transferred to the said Himachal Shoddy Mills. Why did not the Government itself appropriate this benefit and earmark it for research and welfare?

Now coming to the new import policy formulated by the Government of India, based on the Demi-official letter written by Shri A. G. V. Subramaniam, Under Secretary, Ministry of Commerce, Government of India, dated 22nd November, 1967, which I had referred to in the course of my supplementaries in the Lok Sabha during its last session, on the Calling Attention Notice concerning the Woollen industry. Under this policy Himachal Pradesh has been given a special allocation of imported material under the guise of regional allocation, which in itself is irregular. An attempt has thus been made to cover up the favouritism shown to Mr. Gupta of Himachal Shoddy Mills who are the principal beneficiary of the quota reserved for Himachal Pradesh. Thus the specific questions that arise in this connection are:—

- (i) Which Ministers and Officers are responsible for favouring Mr. Gupta of Himachal Shoddy Mills?
- (ii) Who is responsible for making special allocation of imported material to Himachal Pradesh?

3. *Hair Belting Top Scandal*: I will now take up the scandal of imports of Hair Belting tops. In 1965-66 Hair Belting tops of foreign exchange value of about Rs. 10 lacs c.i.f. were imported and the Textile Commissioner's Office arbitrarily allocated these tops exclusively to two units viz. Jayashree Textiles, Calcutta and Messrs. Kabir Woollen Mills, Ludhiana. This allocation was entirely irregular and the Textile Commissioner's Office ignored the applications of other spinners. The interests discriminated against filed writ petitions in the Bombay High Court which quashed the allocation made to M/s. Kabir Woollen Mills, saying as stated above, that the said allocation was unreasonable, arbitrary and

perverse." I read extracts from this judgement in the course of my supplementaries in the Lok Sabha during the last session.

It may be noted, incidentally that of these two firms, M[s. Jayashree is a Birla concern.

M[s. Kabir Woollen Mills is controlled by one Mr. R. K. Soni. The specific questions that arise in this case are as follows:—

- (i) Which Minister and Officer are responsible for the arbitrary allocation of half the quantity of Hair Belting tops to Mr. R. K. Soni of Kabir Woollen Mills and the other half to the Birlas?
- (ii) What action does the Government of India propose to take on the basis of the strictures passed by the High Court?
- (iii) Since the High Court did not quash the allocation made to Jaishree Textile Industries, a Birla concern, probably because of the favourable report of the Tariff Commission in regard to the specialised machinery that this concern possesses, what does the Government propose to do in order to increase the *element of competition* in the matter of conversion of imported Hair Belting tops into Hair Belting yarn?

4. *Regional Favouritism*:—I will now take up the matter of unreasonable favouritism with regard to certain regions. During the last two years a special quota out of imported raw materials has been reserved for the State of Jammu and Kashmir. In the new policy announced by the Government of India a special quota has been reserved for the State of Himachal Pradesh. Thus quotas for these two States have been earmarked although the units in these States get raw material supplies under the existing production, distribution and price control of raw material of yarn. As additional benefits to the units in these two States are sought to be given the specific questions that arise in this connection are:—

- (i) Why was the special quota reserved for the State of Jammu & Kashmir? Is it because the Deputy Commerce Minister hails from this State?
- (ii) Why has a special quota been reserved for the State of Himachal Pradesh? Is it because of Mr. Gupta of Himachal Shoddy Mills may be enabled to make windfall profits?
- (iii) Which Minister and Officer are responsible for these capricious allocations?
- (iv) Is it true that because of the non-applicability of the Woollen Textile Control Order to the State of Jammu & Kashmir, certain industrial units have shifted from the State of Punjab across the border into the State of Jammu & Kashmir?

5. *Racket of Decentralisation*:—Now I wish to take up the mess that has been created by the Commerce Minister and the Textile Commissioner's office with regard to the matter of allocation of woollen yarn to the decentralised sector.

- (a) During the last 5 years (I am restricting myself to this period because of the terms of reference for this Sub-Committee of this Estimates Committee prescribed this limit) quotas of yarn were fixed for small Hosiery weaving and knitting units in the decentralised sector. The imports were effected by the large spinning units in the organised sector and they used to convert the imported raw material into woollen yarn. Part of the production of woollen yarn was allocated to various units in the decentralised sector by the Textile Commissioner's Office. This yarn was to be delivered at prices prescribed by the Government of India. But there was no control on the price of the finished goods manufactured by the decentralised sector.

Secondly, after the Chinese aggression a special allocation for defence requirements was made out of the imported raw materials. The import licences issued to the spinning mills in the organised sector were reduced on account of separate fixation of ceiling for defence production. However, no such reduction was effected in respect of basic periods consumption of the decentralised sector.

It may be emphasized that out of the total allocation of yarn to the decentralised sector approximately 40 per cent went alone to 17 units of the decentralised sector. The same 17 units were amongst the important suppliers to the defence services whose yarn quota was artificially maintained at a high level by the failure of the Textile Commissioner's office to deflate their yarn quotas to the extent of their defence production. This made a mockery of decentralisation.

During the last 2 years there has been a gross failure on the part of the Textile Commissioner's Office to fix prices and *enforce them*. Due to the failure of the Textile Commissioner's office to fix reasonable prices and enforce them the decentralised sector could not obtain yarn according to its quotas and had to buy the yarn in the open market.

In the last 5 years some of the mills in the organised sector, particularly, the mills belonging to Mr. R. K. Soni of Kabir Woollen Mills, have failed to deliver yarn to the decentralised sector, as per the quotas issued by the Textile Commissioner's office. No action was taken against these parties.

The specific questions which arise in this connection are:—

- (i) Which Minister and Officer have shown extraordinary favours to the 17 large units in the decentralised sector by allowing

their yarn quotas to remain at the artificially high level despite the special allocation made in the import policy for defence requirements?

- (ii) Is it true that these 17 units have often sold their yarn quotas making enormous profits without taking the trouble of converting the yarn into finished hosiery or knitting goods?
- (iii) Despite this having been brought often to the notice of the Textile Commissioner's office why has this agency given yarn quotas to all sorts of bogus units particularly in the Ludhiana-Amritsar region? Has any attempt been made by the Textile Commissioner's office to verify whether those parties which had yarn quotas did possess hosiery and/or weaving and/or hand-knitting wool processing machinery and whether each of them was utilising the yarn quota for manufacturing finished goods with their own machinery?
- (iv) Has the Textile Commissioner's office made any attempt to prevent and to bring to book those who are trafficking and trading the yarn quotas?
- (v) Why has the Textile Commissioner's office failed to fix the price of yarn for the last 2 years? Why has it not referred this matter to an independent authority like the Tariff Commission?
- (vi) Why is the Woollen Textile Control Order not being enforced?
- (vii) Why has the Textile Commissioner's office consistently favoured the units owned by Mr. Gupta and Mr. Soni and others?
- (viii) Why has an independent authority not investigated the relation subsisting for the last few years between these parties and the Ministers and officers concerned?
- (ix) When the yarn was to be supplied to the hosiery, weaving and hand-knitting units at controlled prices, why was the price of their finished products not controlled? How in the absence of price control on finished products, could the interests of the consumer be protected?
- (x) Why under the guise of helping the decentralised sector consisting of a thousand and more units, the Commerce Ministry and the Textile Commissioner's Office have consistently favoured the 17 large hosiery and knitting units who are the principal beneficiaries of the quota system?

6. *Kabir Woollen Mills*:—This Unit is a great favourite of the Textile Commissioner and the Commerce Ministry. This unit had moder-

modernised some of its old spindles and made representations that on modernisation the production capacity of its spindles has gone up by about 3 times. On such representation, after making a sham inquiry, the authorities increased the actual users import licence entitlement to this unit by 3 times. Although many other units had also modernised, similar treatment was not given to them. It appears that this information was not communicated to the industry and therefore there are no protests from the industry and therefore there are no protests from the industry for lack of knowledge of this favouritism.

The Committee should, therefore, find out whose notings enabled the Kabir Woollen Mills to obtain additional actual users allocations and licences on the basis of modernisation?

7. About the Model Woollen Mills I have already sent to the Committee a copy of my letter to the Commerce Minister. The allegations contained therein are of a serious character.

In all the above mentioned specific cases, including the Model Woollen Mills affair, are examined in depth by the Sub-Committee, I am sure that a closely connected net work of corruption will be discovered.

Sd/- MADHU LIMAYE:

Annexure to Appendix II

Copy of letter, dated 6-9-1967, to Shri Dinesh Singh, Minister of Commerce

Bombay,
6th September, 1967.

Dear Mr. Dinesh Singh,

This is in continuation of my letter of 26th August, 1967 in regard to the charges against the Textile Commissioner, Bombay.

I wish to bring to your notice three additional matters in which the Textile Commissioner is personally implicated.

(1) This relates to the import of raw wool after the declaration of national emergency in 1962, licences for which were issued in the name of the Woollen Mills Federation, as per the advice of the Textile Commissioner and four Wool Advisers viz. (1) B. M. Grover (Model Woollen Mills), (2) G. K. Singhania (Raymond Woollen Mills), (3) R. K. Birla (Digvijay Woollen Mills), and (4) V. Galloway (Lal Imli Woollen Mills, Kanpur).

The Government appointed Mr. I. B. Dutt, Industrial Adviser, to the Textile Commissioner, as Wool Controller. A sum of Rs. 8 lakhs was sanctioned for the purpose and the Advisers were sent abroad to make purchases of raw wool.

I understand that the said delegation arranged to purchase raw wool abroad at prices very much higher than the prevailing International prices. The usual procedure of direct import by actual users was dispensed with, and this, I am told, has caused great loss of foreign exchange to the country.

Besides the quantity imported was less than the total foreign exchange allocated for the purpose.

The raw wool imports were sanctioned for the purpose of producing goods for defence services. In fact a large part of the wool was used for producing goods for civilian consumption. The price of raw wool was only 80 to 90 pence i.e. Rs. 4/6 to 5 per pound (Pre-devaluation).

The finished goods of 12 ounces quality require about one pound wool per metre. These goods were sold at Rs. 40 to Rs. 70 per meter against the manufacturing cost of only Rs. 4 to Rs. 5 per meter. Thus, the profit margin was anything between 400 to 700 per cent.

The order for hosiery goods and woollen cloth were at prices negotiated between the Wool Adviser, Textile Officers and D.G.S.&D. and bulk of the orders were placed with the concerns controlled by the Wool Advisers themselves.

It was found that when after the cession of the hostilities with China tenders were invited as usual, the same goods were offered at very much lesser prices. The negotiated prices were the same at which D.G.S.&D. was purchasing such goods before the Chinese aggression. The vital difference between the previous orders and orders placed after the emergency was that whereas in normal times the manufacturers purchased raw material on their own and had to pay a premium of 200 to 300 per cent for the same, after the emergency the raw material was allowed to be imported by the Government and the negotiated prices should have taken this fact into account plus the cost of manufacture and reasonable profit.

Further, bulk of the quantity imported was of 56s wool top which could be made from Indian raw wool, though the products would have been of lower quality. The defence services, however, required wool of 64s variety. Therefore 56s wool top was found surplus and later on was distributed to the mills controlled by the wool advisers, completely ignoring the requirements of other mills in the country. As a matter of fact, the surplus wool top should have been distributed to all the mills on *pro-rata* basis.

When CBI started investigation into this affair, the Wool Director, who had connived at these dealings was allowed to leave the Govern-

ment Service and was absorbed as Secretary General of the Woollen Federation, whose Chairman happens to be the Wool Adviser. Mr. B. M. Grover of Model Woollen Mills, Bombay. The said Director has been receiving fabulous salary and other firing benefits. He should never have been allowed to leave the service till the results of the enquiry had been published and he had been found innocent.

2. In connection with the affairs of the Model Woollen Mills may I draw your attention to the report submitted by the Deputy Director in the Textile Commissioner's office? This Officer made an on-the-spot investigation and held that 50 thousand pounds of 2|15 and 1|10s worsted yarn should not have been allotted to them as was done by the Textile Commissioner's office. [*Vide* letter No. DS (W 17|72|63:64) 8|3, dated 2-1-64 as the mill was itself a spinning mill.]

This allotment gave them a benefit of Rupees one million, since the control prices of the above yarn varied from Rs. 17.55 to 18.97 per kilogram. The firm utilised this yarn to produce worsted cloth by converting the silk looms to woollen looms. The conversion cost did not exceed Rs. 5 per meter, and allowing commission charges for sale of another Re. 1, the manufacturing cost comes to Rs. 14 per meter against the minimum sale price of Rs. 35 per meter. With 50 thousand pounds of yarn at least 50 thousand meters of worsted cloth can be manufactured.

The conversion of art silk looms into woollen looms was illegal. Even for defence purposes this conversion could not be made and this particular cloth was not produced, be it noted for defence purposes: There are notings on the file in which it has been stated that the T.C. had given the Mill permission to produce defence goods on the converted looms when the excise people had objected and Deputy Director upheld the objection. This relates to the clearance of 90000 meters of civilian woollen *vide* letter No. DS (W.7) |72|9432-33, dated 24-9-63. Mr. Doraiswamy had ordered that not only this cloth be allowed, but that the Mills further production of two months should be exempted. As a matter of fact the Model Woollen Mills continued to produce such cloth even after the expiry of the two months period.

I understand that a CBI inquiry has been ordered in the matter. I would like you to intervene personally and put stop to this policy of hush hush in regard to the activities of the Textile Commissioner.

3. I understand that several Birla Mills have filed a suit against the Government for their having levied extra excise duty on the sarees etc. produced by these mills. The gains made by the Birla Mills were of a three fold nature.

1. By producing sarees of shorter length and width a saving was made in consumption of cotton.

2. They paid less excise duty since the sarees passed as controlled items.

3. Since these sarees were sold at controlled prices, the difference between these prices and the lesser cost incurred on production these varieties because of shorter length and width was also pocketed by the mills.

I understand that at the Conference of the Central Excise that was recently held in Delhi a minor Officer, Mr. Vaidyanathan, was allowed to represent the office of the Textile Commissioner and all the superior officers were completely ignored. This has become a scandal in the office of the Textile Commissioner and every employee is loudly talking about the favour shown to the officer by Mr. Doraiswamy.

It is obvious that the Textile Commissioner and the vigilance Officer-cum-Jt. Textile Commissioner are in league and are trying to suppress the facts. It was this vigilance Officer who submitted the Dutt report to officers against whom the main complaint had been made. This was very unfair. Unless these officers are suspended|removed from the present posts, no real enquiry can be held. Who could dare to give evidence against his superior officers?

I would, therefore, urge upon you to take immediate action by way of suspension or transfer of the officers concerned.

Yours sincerely,

APPENDIX III
(Vide para 2.34)

(1) PRESS NOTE DATED 5TH NOVEMBER, 1960

Unauthorised Powerlooms

Owners of powerlooms engaged in the production of cotton, woollen, artificial silk and staple fibre fabrics were required to obtain registration certificates from the Textile Commissioner under the Textile Control Orders before a prescribed date. The installation of new powerlooms was at the same time prohibited except under a special permit issued by the Textile Commissioner.

2. While registration certificates related to the looms installed and/or working before 30th November, 1956, the installation permits were granted only in the case of transfers of registered looms from one owner to another either by sale or under a lease deed. In view of the small number of powerlooms registered within the prescribed period, applications for registration were permitted even later on payment of a late fee of Rs. 10 pr loom. It was found, however, that many of the applications received related to powerlooms installed after 1956 without having obtained any permission from the Textile Commissioner. In order to ascertain the exact position, a census of all unregistered powerlooms was held by State Governments last year.

3. The installation of powerlooms without obtaining a permit from the Textile Commissioner is a contravention of the Textile Control Orders and the question of prosecution of the owners under the Essential Commodities Act, 1955, has been under the consideration of the Government. It has been represented that the prosecution of the offenders and the imposition of penal tie will entail hardship to the large number of weavers engaged in these units. After careful consideration, the Government of India have decided that a lenient view may be taken by regularising the unregistered powerlooms through the issue of formal permits from the Textile Commissioner subject to certain conditions referred to below.

4. Accordingly the following decisions have been taken:—

- (i) All unregistered powerlooms which were declared in the census already held by the State Governments or which were in existence on the 31st October, 1960, and were working with an excise licence issued before that date, shall be granted an

opportunity to obtain a permit from the Textile Commissioner for continued operation under such conditions as may be prescribed by him.

- (ii) Every owner of an unregistered powerloom which was in existence on the 31st October, 1960, should submit to the Textile Commissioner an application (in triplicate) in the prescribed form for a permit, so as to reach him by the 30th November, 1960. The application should be accompanied by a certificate issued by the appropriate Central Excise Authority that the looms in question had been licensed under the Central Excise Rules before the 31st October, 1960.
- (iii) Each application should be accompanied by a Treasury Receipt in respect of a fee at the rate of Rs. 500 (Rupees Five Hundred) per unregistered powerloom. The Textile Commissioner may make a refund in the case of looms which were installed before 30th November, 1956, and in respect of which an application for registration had been made with a late fee of Rs. 10 per loom, if satisfactory evidence is adduced to show that the looms in question had been in the possession of the applicant before 30th November, 1956.
- (iv) Unregistered powerlooms in respect of which an application for permit have not been received before 30th November, 1960, under item (ii) above, will be sealed and their owners prosecuted for a breach of the Textile Control Orders. The penalties prescribed for such breaches include imprisonment and fine, besides confiscation of the looms.
- (v) The grant of permits to unregistered powerlooms will not entitle the owners to claim, as a matter of right, allotment of any quota of indigenous or import art silk or other non-cotton yarn. They will, however, be able to avail themselves of any import entitlements for yarn which they may earn under the export Promotion Scheme.
- (vi) In future, no new powerloom will be allowed to be installed except in cases where it is required for the purpose of imparting vocational training in any educational institution or for some other special purpose approved by the Textile Commissioner.

5. Suitable provisions have already been made in the Textile Control Orders restricting the sale, purchase, lease and/or installation of any powerloom without prior permission of the Textile Commissioner. This

restriction applies to all Textile Mills and powerloom factories as well as to dealers in powerlooms and manufacturers of powerlooms who are warned that failure to obtain prior permission of the Textile Commissioner before the sale or the offer to sell or the purchase of any powerlooms or side frames of powerlooms will render them liable to prosecution, imprisonment and fine and confiscation of the powerlooms.

6. The above decision together with the details of the procedure for the issue of formal permits regularising the unregistered powerlooms and the prescribed form of application are being communicated forthwith by the Textile Commissioner to all State Governments, powerloom associations, and other Chambers of Commerce and Trade Associations. The prescribed form of application for permit for unregistered looms may be obtained from these agencies or from the Office of the Textile Commissioner (Powerloom Branch), Hararwala Building, Wittet Road, Ballard Estate, Bombay-1.

Government of India,
Ministry of Commerce & Industry,
(Branch Secretariat),
Office of the Textile Commissioner,
Bombay, the 5th November, 1960.

(2) PRESS NOTES DATED 26TH DECEMBER, 1960

Unauthorised Powerlooms

Revised Policy for Registration

The Government of India's policy regarding regularisation of the large number of unauthorised powerlooms in different parts of the country was announced in a press note issued on 5th November, 1960. The principal condition for the issue of permits to the owners of such looms with a view to save them from the consequences of prosecution for contravening the Textile Control Orders was that a fee of Rs. 500 was payable for each powerloom acquired or installed before 31st October, 1960, without a permit or registration certificate from the Textile Commissioner.

2. Several representations have been made to Government that this fee of Rs. 500 per powerlooms acquired and installed without permission was too heavy to be borne by the numerous owners running their looms on a small scale for their livelihood, particularly the owners of the tape and ribbon looms run on a cottage industry basis. On a careful review of the position, the following decisions of Government are announced:—

- (1) All powerlooms, including a pedal loom run with a small horse-power motor attached, producing wearable and non-wearable fabrics, acquired or installed on or before the 31st October, 1960 without a permit under the Textile Control Orders, will be regularised by the issue of permits by the Textile Commissioner, on application made to him in the prescribed form, which should be accompanied by a Treasury Challan for a fee of Rs. 100 (one hundred) per powerloom. This fee might be paid in a lump-sum alongwith the application or in three instalments, Rs. 50 being paid with the application and Rs. 25 at the end of the first and second quarters respectively.
- (2) Powerlooms producing tapes, ribbons and newar acquired or installed before 31st October, 1960 without a permit from the Textile Commissioner will be issued permits on applications made to him alongwith a fee of Rs. 25 (rupees twenty five) per tape|ribbon|newar loom to be paid in lump-sum with the application.
- (3) Persons who acquired or installed powerlooms before 31st October, 1960 but had not put them into operation for one reason or the other, are permitted to apply for registration enclosing a certificate by the Collector of the District or the Local Superintendent of Excise certifying the existence of the loom before that date, in the possession of the applicant.
- (4) No installation of any new powerloom shall be permitted even though the person may have applied to the Textile Commissioner before 31st October, 1960, for permission to install it and had refrained from doing so.
- (5) The applications for registration should be accompanied by an Excise Licence. The Excise Authorities have been requested to issue such licences even though the applications for such licences were made after 31st October, 1960, provided the Excise Authorities were satisfied that the looms had been in existence before that date. In cases where the excise licences were issued in the names of persons other than the owners, the applications should be accompanied by a certificate from the Excise Authorities that the looms have been in the possession of the owners.
- (6) The time permitted for making applications for registration according to the press note issued earlier has been extended till the 15th March, 1961.

- (7) Applicants who had submitted applications before 31st October, 1960, for registration of looms which were in their possession before 30th November, 1956, and who have not been given registration certificates for want of satisfactory evidence about the existence of the loom before 30th November, 1956, shall also submit fresh applications again, with the fees prescribed at (1) and (2) above. If it was established that the looms had been in existence prior to 30th November, 1956, the excess amount would be refunded.
- (8) Applications in regard to powerlooms in existence before 30th November, 1956, made after the 31st October, 1960, should be accompanied by a fee of Rs. 100 or at least by the first instalment of Rs. 50 and, in the case of a tape, ribbon or newar loom, by a fee in full of Rs. 25 per loom; and if it was established that the loom had been in existence prior to 1956 the excess amount over Rs. 10 would be refunded.
- (9) No application for the sale of newly registered loom shall be entertained for a period of two years from the date of permit by the Textile Commissioner.
- (10) Powerlooms acquired or installed before 31st October, 1960 and in respect of which no application for registration is received by the Textile Commissioner in accordance with the above conditions before 15th March, 1961 and powerlooms acquired without prior permission from the Textile Commissioner after 31st October, 1960, shall be sealed by the authorities empowered to do so under the Textile Control Orders.

3. The Government of India wish to reiterate that the regularisation of the unauthorised powerlooms by the issue of permits is only by way of protection from prosecution of the owners for having contravened the Textile Control Orders. No new powerlooms are permitted to be installed in future.

Government of India,
Ministry of Commerce & Industry,
Branch Secretariat,
Office of the Textile Commissioner,
Bombay-1, the 26th December, 1960.

APPENDIX IV

(Vide para 2·84)

List of Defaulting Mills

S. No.	Name of the Mills	Percentage of the obligation which was in default.
1	2	3
1	M/s. Ahmed Woollen Mills, Bombay	17·33
2	„ Amritsar Rayon & Silk Mills, Amritsar	00·36
3	„ Bombay Fine Worsted Mfrs. Thana	10·58
4	„ Bergal National Textile Mills, Calcutta	0·55
5	„ Bharat Woollen Mills, Calcutta	0·34
6	„ Bombay Woollen Mills, Bombay	1·80
7	„ Commonwealth Spg. & Knt. Mills Ludhiana	8·39
8	„ Dhruva Woollen Mills, Bombay	5·79
9	„ Fine Spinners Amritsar	0·99
10	„ G. M. Worsted Spinning Mills, Amritsar	4·01
11	„ Gokalchand Rattanchand Woollen Mills, Bombay	0·08
12	„ India Woollen Textile Mills, Chheharta	10·79
13	„ International Woollen Mills Ludhiana	4·91
14	„ Jayashree Textiles & Industries, Rishra	39·62
15	„ Kapoor Spg. Mills, Amritsar	0·48
16	„ Kabir Woollen Mills, Ludhiana	33·58

1	2	3
17	M/s. Lal Woollen & Silk Mills, Amritsar	5.23
18	„ Model Woollen Mills, Bombay . . .	8.37
19	„ Kay Kay Woollen Mills, Thana . . .	17.21
20	„ M. H. Spinners, Amritsar .	32.99
21	„ New Era Hindustan Woollen Mills, Ludhiana .	6.04
22	„ Nagpal Woollen Mills, Bombay .	0.01
23	„ Oswal Woollen Mills, Ludhiana .	10.23
24	„ Oswal Spg. & Wvg. Mills, Ludhiana .	10.20
25	„ Oriental Carpet Mfrs., Amritsar . . .	0.15
26	„ Padamas & Co., Ludhiana .	1.84
27	„ Punjab Worsted Spg. Mills, Chheharta .	3.42
28	„ Pearl Woollen Mills, Ludhiana . . .	10.09
29	„ Panipat Woollen & General Mills, Kharar . .	23.43
30	„ Raymond Woollen Mills, Thana . . .	4.91
31	„ Shree Dinesh Mills, Baroda	0.03
32	„ S. P. Worsted Spg. Mills, Verka . . .	4.49
33	„ Star Woollen Mills, Ludhiana	7.53
34	„ Supreme Woollen Mills, Ludhiana . . .	2.29
35	„ Shri Digvijaya Woollen Mills, Jamnagr . . .	1.33

APPENDIX V

(Vide para 3.16)

RESOURCES COMMITTEE

(1962-63)

Composition

The Resources Committee will consist of the representatives of

- (a) Ministry of Commerce and Industry. }
- (b) Ministry of Works, Housing & Supply } Convenor
- (c) Ministry of Defence.
- (d) Ministry of External Affairs—who will attend the meeting of the Committee when commodities for import from abroad are under discussion.
- (e) Ministry of Finance.
- (f) Ministry of Food and Agriculture.
- (g) Ministry of Health.
- (h) Ministry of Irrigation and Power.
- (i) Ministry of Labour and Employment.
- (j) Ministry of Railways (Railway Board).
- (k) Ministry of Scientific Research & Cultural Affairs.
- (l) Ministry of Mines & Metal.
- (m) Ministry of Heavy Industries and Steel (Department of Iron and Steel).
- (n) Ministry of Heavy Industries and Steel (Department of Heavy Industries).
- (o) Ministry of Transport and Communications (Department of Transport).
- (p) Controller General of Defence Production.
- (q) Representatives from other Ministries to be co-opted as and when required.

APPENDIX VI

[Vide para 3.16 (13)]

Recommendations for Gearing up the Woollen Industry to Meet Defence Requirements (Report of Study group).

Measures to be taken to meet the Defence requirements in regard to woollen items, were discussed with the representatives of all the sectors in the woollen industry on the 15th, 16th and 17th November, 1962. A Committee of Advisers consisting of—

- (i) Shri R. K. Birla, Chairman of the Woollen Development Council;
- (ii) Shri G. K. Singhanian, President of the Federation of Woollen Manufacturers Association;
- (iii) Shri B. M. Grover, Chairman of All India Woollen Mills Association; and

(iv) Shri V. Calloway of the British India Corporation assisted the Controller of Woollen Textiles during these discussions. Representatives of the Ministry of Commerce & Industry, Directorate General of Supplies & Disposals and Directorate, Research & Development (General) were also present.

2. The optimum capacity of the industry in regard to the various items of Defence requirements and the actual requirements of Defence and other higher priority indentors, as assessed by the Committee are as indicated below:

Item	Total demand	Maximum capacity (annual)	Offered with out assistance
<i>Cloth (in lakh meters)</i>			
Sarge Battledress	34.87	46.25	15.79
Shirting Angola(30'')	76.16	132.16	38.48
Great Coat Cloth	39.67	11.94	3.32
Pile Fabric	5.00	5.00	0.75
Barrack Blankets	42.10	36.32 + 3.00	13.58
		convertible to Drab' Mixt.	
<i>Hosiery (in lakh pes.)</i>			
Jerseys	15.17	111.60	5.40
Socks (in pairs)	85.14	195.00	15.00
Vests	17.00	60.48	3.00
Caps Comforters	10.00	112.24	4.00
Gloves (in pairs)	10.00	32.06	0.50
Underpants	15.00	36.24	3.00
Caps Balaclava	2.00	52.02	1.50

Raw Material Requirements

3. It has been worked out that the total raw material requirements for manufacturing these items would be as shown below:

(a) Wool Tops	17.8 Million lbs (Rs. 10.68 crores)
(b) Carded Indian Wool	39.1 ,, 15.64 ,,
(c) Nylon Fibre/Two/Tops	1.3 ,, (Rs. 0.52 ,,)
(d) Cotton (long staple)	1.0 ,, 0.60 ,,
(e) Dyes & Chemicals	0.62 ,,
	<hr/> 28.06 ,, <hr/>

Estimate of Imported Raw Materials

4. It is estimated that some quantities of raw materials will be available for immediate use provided the licence holders are permitted in advance to utilise their licences for the value of Rs. 2.5 crores earmarked for the period April–September, 1963. This is an urgent necessity as almost all the licence holders have already utilised the first half of the full year's licence for importing superior types of wool|wool tops which are not normally required for Defence requirements. The value (Rs. 2.5 crores) could be utilised for importing about 4.0 million lbs. of raw wool|wool tops of the required varieties for making Defence clothing items. In addition, the Committee has estimated the current availability of Indian wool tops and such Indian wool as is useable for meeting these requirements at 3.5 million lbs. and 12 million lbs. valued at Rs. 2.1 crores and Rs. 4.8 crores respectively, in addition to about 8 million lbs. of shoddy yarn valued at about Rs. 2.4 crores. The entire quantity of cotton required valued at Rs. 0.6 crores will be found from existing resources. In the opinion of the Committee, even though the above estimate of availability of raw wool|wool tops from indigenous sources was optimistic, the import of the following quantities of wool tops, raw wool, nylon fibre|tops and dyes and chemicals, is inescapable:—

To be imported

	QTY (m.lbs)	Value (crores)
1. Wool tops (mainly 48s and 56s cross bred and some qty. of 64s)	10.2	6.12
2. Raw Wool	19.1	7.64
3. Nylon Fibre/Tops	1.3	0.52
4. Dyes & Chemicals	0.62	14.90

Import of Spare Parts and Accessories

5. In order to meet the Defence requirements in full within a specified period, the industry will have to work three shifts. Most of the machinery in the woollen industry is very old and unless spare parts and essential accessories are made available immediately, the industry will not be in a position to step up production and deliver the goods in time. As the machines will be worked intensively, spare parts will have to be allowed on a more liberal scale than is being allowed at present. The total value of the spare parts and accessories required by the industry as a whole has been worked out at Rs. 1.25 crores. Although the woollen industry would require immediate modernisation, it was considered that in the present context it would be desirable to use the existing machinery to the maximum advantage by providing the immediate requirements of spare parts and accessories rather than attempt at wholesale modernisation.

Increase in Wool Combing Capacity

6. The Committee examined in considerable detail the existing combing capacity in the country and considered that it was essential to increase the capacity so that more imported Indian wool could be combed. At present, we have to import larger quantities of wool tops mainly because of the limited combing capacity available for combing wool.

7. The question of exploring the possibility of stepping up wool top production capacity with a view to meeting the immediate needs, may be examined by the appropriate authorities and wherever this could be achieved without considerable expenditure of foreign exchange, it should be welcomed. From the details furnished to the Committee it appears that there is considerable scope in this direction. It would be desirable to allow existing units back process and securing, top-dyeing and essential spares for versatility of production of different varieties. It was also considered advisable that such of those composite units as were desirous of installing combing capacity for purpose of balancing their production, should be assisted in doing so as this would ensure continuity of production.

Estimates of Availability of Indian Wool

8. The Committee considered carefully for purposes of making fabrics and other woollen items. Out of total estimated annual yield of 69 million lbs. in greasy state, the maximum quantity of Indian wool (including Bikaner wool, some other Rajasthan wools and other categories of Indian wool). that could be used for defence requirements and civilian requirements would not exceed 17 million lbs. although even this is considered as a high estimate. Out of the balance, the carpet industry which earns a foreign exchange of Rs. 4 to 5 crores, consumes about 15 million lbs. The hand spinning industry and other miscellaneous cottage industries consume about 5 million lbs leaving a balance of 30 to 35 million lbs. in the greasy stage which is exported. Until improved methods of shearing and grading are introduced, the actual quantity of Indian wool that can be utilised for combing may not exceed 5 million lbs. at present. The International Wool Secretariat has sent out a few experts in connection with setting up an Institute at Rajasthan and the State Government has also taken steps for training of a large number of graders and also for imparting training for shearing. With the improvement in quality and proper grading, it should be, in the long run, possible to step up somewhat the production of the type of Indian Wool which may be used for worsted fabrics or hosiery. This is no doubt a long term project and may yield only limited increase.

Exports of Raw Wool

9. The Committee also examined whether it would be worth while to divert for domestic consumption the quantity of raw wool that is now being exported. The type of wool that is now being exported is used mainly for producing carpet yarn and being brittle and of short fibre, it is not likely to be utilised for clothing purposes. Having regard to the foreign exchange that is being earned by the export of raw wool and the possibility of importing crossbred wool of 48s and 56s at a price slightly cheaper than the price earned by our wool in the export market, it was considered inadvisable to stop such exports. It will only make us lose foreign exchange earned by exports without any corresponding increase in local requirements. From the point of view of machine activity also, the Committee thought that imported raw wool of 48s and 56s would ensure even spinning and greater productivity with considerably less wastage. It is also essential that we should not lose contact with our traditional customers, particularly in view of the experiments in the larger use of synthetic materials in the making of carpets. Once we lose touch with these markets, it is unlikely that we will be able to recover them at any time. Taking into account the financial advantages of exporting this type of wool, which is not of much use to

us, and the availability of fairly good quality of wool at cheaper prices from abroad, it is to our advantage both from short term and long term view that exports to the extent of our surplus in Indian wool are maintained.

Export of Woollen Textiles

10. In this context, the Committee also considered the question whether export commitments entered into by the manufacturers of fabrics and hosiery items should be allowed to be honoured or whether there should be a ban on such exports. The total capacity that is available to us in both weaving and knitting is far more than the capacity required for meeting the entire Defence requirements in most of the items. Even spinning capacity is reasonably adequate. The Committee also took note of the fact that the incentives available under the export promotion schemes, provide for the import equal to 100 per cent f.o.b. value of the goods in the form of wool, wool tops and woollen yarn etc. and therefore such exports will not in any way affect the availability of raw materials for Defence or even Civilian requirements. Instead, it would help in maintaining some of the units which may otherwise have to be partially idle.

Production of Woollen Industrial Fabrics etc.

11. Some of these manufacturers, are at present supplying items like felt and other industrial requirements to be used by the various industries. In view of the need to step up production in all the sectors, it was considered that the industry should continue to meet these requirements and in fact should be prepared to step up production of these if such a necessity arises.

Production of Carpet Yarn

12. The Committee was also of the view that spinning of carpet yarn should be maintained at the present levels with a view to ensuring that exports of carpets are maintained. As a result of certain additional incentives recently allowed, it is expected that the exports of carpets will be stepped up, and it was considered that the industry would not be handicapped for want of adequate quantities of carpet yarn.

Supply of Hand Knitting Yarn

13. The Committee considered that in the present circumstances it would be far more cheaper and expeditious to have machine knit jersies and other hosiery items required by Jawans, in preference to hand knit articles. The production of hand knitting wool would be at the cost of hosiery yarn. However, in view of the public enthusiasm and spirit

of voluntary effort shown by women's and other welfare organisations, it was thought desirable that adequate quantities of hand knitting wool should be made available to these organisations and the knitted goods prepared by these voluntary organisations either from hand knitting yarn or hosiery yarn.

Import and Distribution of Raw Materials

14. The question of feeding the industry with raw materials for defence requirements and the mechanics of such operations was then discussed. If raw wool|wool tops are obtained on a Government-to-Government basis, it will be necessary to give a detailed break-up of the quantities and varieties required for meeting the Defence requirements. In that case, the wool will have to be imported by a central agency and distributed to the various units which have accepted orders from the DGS&D with due regard to the size of the orders placed on them. Any central agency that undertakes this distribution will have necessarily to be assisted in the matter of selection of different varieties of wool|wool tops, quality of dyes, etc. and will have to make adequate arrangements for storage and distribution to the units located in the different parts of the country. This may also result in avoidable delays as the transport position is not particularly easy. The risk of deterioration in quality and damage as a result of attack by insects, will also have to be taken into account.

15. The other alternative would be to import the raw materials as gifts or against credits or release of foreign exchange or under any other agreement as may be decided by Government, and issue licences to the manufacturing units against orders placed by DGS&D. Care will be taken to ensure that the raw wool|wool tops are utilised *only* for the purpose for which they are released against finished goods purchased by DGS&D under specific orders. The Textile Commissioner's officers as well as the Defence Inspectorate would exercise legal as well as administrative control in this matter. This will have an added advantage in that the manufacturers will be able to select the type of wool most suited for making particular fabrics and the responsibility for importing and storing wool would entirely be theirs. This will eliminate any possible complaint that the wool given was not of the type suitable for making a particular fabric.

16. On a balance of considerations, it would appear the second alternative referred to in para 15 would be more suited in the present emergency. Thus, instead of a controlled import, a link type import arrangement as in para 15 will be more practical and advantageous. A block allotment of foreign exchange may be placed at the disposal of

the DGS&D who would issue recommendations to the Joint Chief Controller of Imports in consultation with the Controller of Woollen Textiles. This will also ensure that production in all stages is properly coordinated.

Capacity likely to be surplus for Lack of balancing Machinery

17. So far as the composite mills are concerned, the spinning capacity is adequate to match their weaving capacity required for meeting these orders. It is likely that in some cases, part of the spinning capacity may have to remain idle for lack of the balance preparatory capacity. Similarly, some weaving capacity may be surplus in certain other units as the type of looms now available are not all suited for making heavy type of fabrics which are required by Defence.

Control over the Combing Industry & Availability of Indian Wool Tops

18. Adequate powers have now been vested in the Controller of Woollen Textiles to have proper check over the combing units. The combing units have agreed to deliver tops to such persons as may be specified by the Textile Commissioner or any other officials nominated by him. It is envisaged that tops will be delivered only to such of the manufacturing units as have accepted orders from DGS&D.

19. Two or three combing units which have experience in the line, have agreed to undertake the responsibility for buying Indian wool and converting it into tops and deliver such tops to the consuming units, instead of undertaking piecemeal commission jobs. This would make matters considerably easy and it will also ensure that there will be no unhealthy competitive buying. As the purchase operations will be canalised through two or three agencies, instead of a large number of persons, it will have the effect of voluntarily regulating the prices of Indian wool and will arrest any upward tendency of prices.

Price Control Over Indian Wool

20. It was not considered necessary at this stage to impose any price control on Indian wool. The position may be watched for some time and reviewed after three or four months. The processing charges to be charged by combers will however, be fixed by the Textile Commissioner, if necessary for commission combing.

Supply of Shoddy Yarn and Hosiery Yarn

21. The Textile Commissioner will have to make arrangements for adequate supplies of shoddy yarn and hosiery yarn to the manufacturers of admixture blankets in the decentralised sector and hosiery industry respectively. This requires detailed planning and is being attended to.

Quantity for which DGS&D can place Immediate Order

22. The quantity of raw materials immediately available for manufacture of defence requirements is likely to be equal to the production of the following quantities of the various varieties:

Cloth

(in lakh metres)

Serge Bottle dress	.	.	.	.	.	.	15.79
Shirting Angola (30")	.	.	.	.	.	.	38.48
Great Coat Cloth	.	.	.	.	.	.	3.23
Pile Fabric	.	.	.	.	.	.	.075
Barrack Blankets	.	.	.	.	.	.	13.58 Nos.

Hosiery

(in lakh)

Jerseys	.	.	.	.	.	.	.	5.40 Nos.
Socks	.	.	.	.	.	.	.	15.00 (pairs)
Vests	.	.	.	.	.	.	.	3.00 Nos.
Caps Comforters	.	.	.	.	.	.	.	4.00 Nos.
Gloves	.	.	.	.	.	.	.	0.50 pairs
Underpants	.	.	.	.	.	.	.	3.00 pairs
Caps Balaclava	.	.	.	.	.	.	.	1.50 Nos.

This is subject to the condition that licences for the period April-September, 1963, are permitted to be utilised immediately so that raw materials would become available within the next one or two months. These licences will be utilised mainly for the import of 48s and 56s cross-bred wool|wool tops.

23. The import of raw wool and wool tops should be completed between January, 1963 and December, 1963 and this could be phased in four quarters so that flow of raw materials is even and regular.

24. In order to meet the urgent defence requirements, DGS&D may place orders with such of the manufacturers as have agreed to make supplies without further assistance in the shape of raw materials and for the quantities specified by them in col. 3 of para 2 above. This again is subject to the condition that they are permitted to utilise the balance of their licence immediately. This should be approved immediately. Orders for further quantities will be placed as soon as the production pattern is finalised by DGS&D.

Import of Raw Wool|Wool Tops on a Priority Basis

25. Further production can only be planned on the basis of likely availability of wool|wool tops from abroad. It is necessary that an early decision should be taken in regard to the availability of foreign exchange for the import of raw materials as estimated by the Committee, either as gift or under any other arrangements that may be made for the same purpose. Continuity of production can be ensured only if the flow of raw materials could be appropriately regulated. It is essential that raw|wool tops should reach Indian Mills by the beginning of January, 1963, at the latest, as the normal time-lag between the issue of raw materials and the finished product is about 3 months. Even where the import licences are immediately issued, the actual import of raw materials to reach India may be between two and three months. Some raw materials can be sent by fast transport. Unless supply of the full quantity of raw materials is assured, it will not be possible to gear the industry to its maximum capacity and until then the industry will necessarily have to work at a much lower capacity.

Review of Production for Defence & Civilian Requirements

The civilian requirements for the current winter season are already available on the market. The next few months are a slack period for the woollen industry in so far as civilian requirements are concerned. If the resources of the entire industry are diverted for Defence Production for the next four to five months, so that a sizeable stock could be built up, it might be possible, after review some time in May or June, 1963, to release the capacity, or at least a part of it, for civilian production. This will ensure that by the beginning of the next winter season some quantities of civilian requirements will be made available. Some of the materials which the spinners and other mills have imported and which are not suitable for defence requirements, will necessarily have to be utilised for civilian requirements within a short time as otherwise they are likely to be damaged in storage. It is also necessary that there should be some civilian production so that the price line is held. During the last two or three years the prices of woollen fabrics have registered an increase largely because of the reduced allocation made for the import of raw materials; as for instance, the allocation was for about Rs. 10.5 crores in 1950-60 as against the net allocation of Rs. 7.0 crores in 1962-63.

Capacity required for Defence Requirements

27. The capacity likely to be utilised for meeting the defence requirements in the weaving sector is estimated to be 40 per cent of the optimum capacity.

28. The spinning capacity likely to be utilised for matching this weaving capacity is estimated to be 70 per cent of the optimum capacity in the worsted sector and 95 per cent in the woollen and shoddy sector.

29. It will therefore be seen that a certain amount of extra capacity in the worsted spinning sector is inevitable as some of the spindles cannot be used for spinning coarser varieties of yarn which are required for Defence items of clothing. Similarly, extra capacity of the weaving sector is inevitable as the limiting factor is the availability of spinning and preparatory capacity. Any further increase in the spinning capacity, although may seem justifiable in the present context, will not be desirable in the long run as the industry has never worked more than 1.5. shifts in the past. Even if it works two shifts, it should be able to meet the civilian and other requirements in normal times within its present capacity. Any additional capacity in the spinning and weaving sections will have to be idle in future.

Price

30. It was made clear during the discussions that in view of the declared policy of the Government to hold the price line, DGS&D will not be prepared to agree to any increase in prices unless the prices of raw materials used in the fabric would justify such an increase. As a case in point, it was suggested to the Committee that with a view to utilise the available 60s and 64s tops with one of the combers, and also to avoid the likely delay in getting imported tops of the required varieties, such tops could be utilised in the manufacture of battledress for which ordinarily only 56s tops are used. In this case, increase in price would be justified by the use of more costly raw materials, although the Committee thought that the use of such fine material for the manufacture of items like battledress would not be justified on technical and financial grounds. If on the other hand, the overriding consideration is immediate delivery, which is perhaps not important today, such a step may become necessary.

Schedule of Production and Delivery against DGS&D Orders

31. In bringing up these proposals, the Committee has taken note of the fact that although the requirements are for a period of two years, the actual production will have to be planned on the basis of 15 months after allowing for time likely to be taken for import of raw materials and processing. Adjustments can be made in the delivery schedules. This has been deliberately kept sufficiently flexible so that if any emergency does arise, it will be possible to step up production of particular varieties of cloth within a short period.

Summary of Recommendations

32. To sum up, the points of immediate consideration are:—

1. To meet the Defence requirements, import of raw materials and spare parts and accessories valued at Rs. 16.15 crores is essential. The raw materials may be imported as gift in kind or on some Government to Government basis, or against credits, or under any other arrangements that may be approved by Government. Imports should be completed between January, 1963 and December, 1963 and phased in four quarters. An immediate decision on this point is necessary.
2. To set up an adequate machinery if import and distribution of raw materials is to be undertaken by a Government agency. The issue of import licences to the manufacturing units would be the more desirable of the two alternatives.
3. To permit the immediate utilisation of balance of licences valued at about Rs. 2.5 crores instead of during the period April-September 1963.
4. Combing capacity should be increased on a priority basis.
5. To maintain production of carpet yarn and industrial fabrics at present levels and stepping up if necessary.
6. To maintain imports of raw wool at the present levels.
7. To allow free export of fabrics and hosiery articles as sufficient quantity of raw materials will become available under the export incentive schemes.
8. To ensure adequate supply of knitting yarn for use by women and other welfare organisations engaged in knitting of jerseys etc. for Jawans.
9. To evolve suitable pattern of production for gearing up the industry consistent with Defence requirements reported from time to time.
10. To permit DGS&D to place orders on an immediate basis for such quantities as have been offered by the various units after negotiating the prices. In fixing the prices, due regard may be had to the variations in the type of raw materials used as would justify a higher price.

11. The entire capacity of the industry should be switched over for production of defence requirements only, for the next few months, and a review made in May 1963 to ascertain whether any portion of the capacity could be released for meeting the civilian requirements for the winter season 1963-64. The requirements of the current season are already in the market.
12. As the entire pattern of production has to be planned on an immediate basis, and as this cannot be done without knowing the availability of raw materials, it is essential that a decision should be taken in regard to these points within the next two to three days. The industry has assured its full co-operation in this matter, and unless firm orders are placed on the industry with assurance regarding supply of raw materials, it will not be possible to build up the tempo of production. Further steps will be taken immediately after the decisions have been taken on the above points.

(R.G. ZALANI)
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Office of the Textile
Commissioner, Bombay.

(A.G.V. SUBRAMANIAN)
Under Secretary to
Govt. of India,
Min. of C.&I.

(V. SUBRAMANIAN)
Director of Supplies
DGS&D.

APPENDIX VII

[Vide para 3.16 (15)]

Note for the meeting of the Resources Committee fixed for 21-11-1962'

No. PII-16 (1) |62

GOVERNMENT OF INDIA

DEPARTMENT OF SUPPLIES

New Delhi, the 20th Nov. 62:

OFFICE MEMORANDUM

SUBJECT:—*Resources Committee*

The undersigned is directed to forward herewith a copy of the Note regarding Foreign Exchange Requirements for the import of wool tops, Raw wool, nylon and dyestuff. This will be considered at the meeting of the Resources Committee to be held in the room of Shri S. Bhoothalingam tomorrow at 4 P.M.

Sd/- B. D. KUMAR,

Deputy Secretary to the Government of India.

To,

All Members of the Resources Committee.

Note regarding Foreign Exchange Requirements for the import of wool tops, raw wool, nylon and dyestuff

*Forecast of requirements:—*The following forecast of requirement of woollen garments etc. has been received from the Defence Services, Central Reserve Police, Border Roads Organisation, Assam Rifles and N.C.C.:—

Cloth in lakh metres.

Serge Battle Dress 64"	•	•	•	•	•	34·87
Shirting Angora Drab 30"	•	•	•	•	•	76·16

Great Coat cloth 54"	•	•	•	•	•	•	39·69
Pile Fabric	•	•	•	•	•	•	5·00
Barrack Blankets	•	•	•	•	•	•	42·10 Lakhs Nos.

Hosiery in lakh pieces

Jerseys	•	•	•	•	•	•	17·15
Socks (in pairs)	•	•	•	•	•	•	85·14
Vests	•	•	•	•	•	•	17·00
Cap Comforters	•	•	•	•	•	•	10·00
Gloves (in pairs)	•	•	•	•	•	•	10·00
Under Pants	•	•	•	•	•	•	15·00
Cap Barrack Gloves	•	•	•	•	•	•	2·00

Initially the Defence Services stated that their forecast covered requirements for a period of two years. They have now advanced the delivery period and require 40 per cent to be supplied in the first six months, 30 per cent in the second six months and the remaining 30 per cent in the third six months.

2. *Raw materials*:—The requirements of raw materials have also been worked out for manufacturing these items, by the Working Group. They have come to the conclusion that wool tops, raw wool, nylon fibre, dyes and chemicals worth Rs. 17.40 crores will have to be imported to meet the above requirements.

3. *Capacity for manufacture*:—The existing capacity for combing of raw wool may have in due course to be increased to deal with large quantities of imported and indigenous wool required for the manufacture of the aforesaid items. The Ministry of Commerce and Industry will soon be working out details of (a) additional capacity to be licensed and (b) requirements of foreign exchange for financing import of machinery. Detailed implication of the assistance to be rendered for the expansion of this capacity will be known in a couple of months. The existing capacity will be sufficient for the present to feed the industry. The capacity likely to be utilised for meeting Defence and Civilian essential requirements for spinning and weaving is well within the installed capacity.

4. *Civilian requirements*:—Owing to the acute shortage of foreign exchange, the Ministry of Commerce and Industry had drastically cur-

tailed early this year the import of raw wool. The annual allocation which stood at about Rs. 10.50 crores in 1959-60, has been reduced to Rs. 7.00 crores in 1962-63. Of this amount of Rs. 7 crores, Rs. 5 crores have been allocated for import of wool tops and raw wool for the manufacture of woollen materials. The civilian requirements for the current winter season are already available in the market. Licences have been issued for the import of Rs. 2.5 crores worth of raw wool of finer counts than are necessary for the manufacture of woollen fabrics required by the Defence Services. The balance of licences valued at Rs. 2.5 crores would normally have been sanctioned for import during April to September 1963. The civilian requirements will have to be curtailed further. Most of the wool which the spinners and other woollen mills have imported, are not suitable for Defence requirements. It may be necessary later on to consider utilisation a part of this for making Serge Battle Dress which may be of finer quality and more costly owing to costly raw materials.

5. *Requirements of foreign exchanges*:—To meet the requirements of Defence Services and other priority civil indentors, import of raw materials valued at Rs. 17.40 crores is essential. In order to maintain the availability of woollen goods to the civilian market at 80 per cent of 1962-63 quota, allocation of Rs. 1.5 crores during April to September, 1963 may be necessary, in addition to Rs. 2.5 crores for which Licences have already been utilised. The total requirements, including civil requirements, of foreign exchange would work out to Rs. 18.90 crores. It is proposed by the Ministry of C & I to utilise the balance of licences sanctioned for 1962-63 valued at Rs. 2.5 crores, for the immediate import of wool tops and raw wool for Defence Services, so as to enable the spinners and woollen mills to take up manufacture of increased quantities for Defence Services. After taking into account this amount, the net foreign exchange needed for meeting overall requirements as known at present will work out to Rs. 16.40 crores. Wool tops may have to be imported from U.K.; raw wool from Australia and New Zealand; nylon fibre and tops from U.K., Switzerland and Japan. Dyestuffs are mostly imported from U.K. and West Germany.

Taking into account the current situation, it is considered that our aim should be to complete the import of raw wool and wool tops by September, 1963 in accordance with the following phased programme so as to enable the woollen industry to attempt completion of requirements of woollen cloth by end of December, 1963. The D.G.O.F. who will be responsible for stitching the garments, would have sufficient time to complete fabrication of these garments by March, 1964. It is there-

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fore, suggested that delivery of wool from Australia should be arranged as under:—

	<i>Expected date of arrival in India</i>
40% of requirements	January to March, 1963
30% of requirements	April to June, 1963
Balance 30% of requirements	July to September, 1963.

It is proposed to allow the spinners and woollen mills to import wool tops and raw wool and other raw materials on import licences to be issued on the basis of import Recommendation Certificates to be given by the D.G.S.&D. The requirements of raw wool to be indicated on the Import Recommendation Certificates will be worked out by the D.G.S.&D. in consultation with the woollen Controller. The Controller of Woollen Textile will take necessary steps to ensure that raw material of which import has been authorised, are utilised, for meeting the governmental requirements.

6. *General*:—It is suggested that the production of carpet yarn and industrial fabrics should be maintained at the present level and stepped up when necessary. The export of raw Indian wool which cannot be utilised for the manufacture of woollen cloth and hosiery yarn required by Government should be permitted at the present level and export of fabric and hosiery items may also be allowed at the present level in order to enable manufacturers to preserve the market. The above figure also include requirements of knitting yarn for use by women and other social organisations engaged in knitting jerseys etc. for Jawans, which may represent 1 per cent of the requirements and release of which is not likely to effect the prices.

7. *Spare parts*:—Most of the machinery of the woollen industry is old. As a matter of fact, a programme involving total expenditure of Rs. 10 crores, had been worked out by the Textile Commissioner to assist the industry to rehabilitate and modernise their equipment. Since the industry would be required to work in three shifts, it has been estimated that spare parts worth Rs. 1.25 crores may have to be imported during the next 12 months.

8. To sum up, the points for consideration are:—

- (1) To meet the aforesaid requirements, import of wool tops, raw wool etc. valued at Rs. 16.40 crores is inescapable.
- (2) In addition to the above amount, permission may be given for the immediate utilisation of the balance of Licences

valued at Rs. 2.5 crores already sanctioned, for import of raw wool during the period April to September, 1963, to enable the woollen industry to take up manufacture at an increased rate of Defence requirements.

- (3) To import spare parts and accessories valued at Rs. 1.25 crores for the woollen industry to enable them to utilise the installed capacity on three-shift basis.
- (4) To maintain export of raw wool of varieties which are not required for Defence requirements at the present level.
- (5) To allow export of fabrics and hosiery items at the present level in order to preserve foreign markets under the Export Incentive Scheme.
- (6) To switch over the entire capacity of the woollen industry for manufacture of Defence and essential requirements for the next few months, and to review in April, 1963 whether any portion of the capacity can be released for meeting civilian requirements during the next winter season 1963-64.
- (7) The Ministry of Commerce and Industry who will be responsible for the control of woollen textiles and wool, will evolve suitable machinery to ensure that capacity and raw materials are utilised as planned.

(This note has been prepared after discussion of the report of the Working Group concerned at the meeting of the sub-committee held this morning).

APPENDIX VIII

[Vide para 3.16 (19)]

Notes prepared by the Ministry of Commerce and Industry in connection with additional requirements of foreign exchange in 1962-63.

I. Note dated 4-1-63:

Ministry of Commerce and Industry

The maximum capacity for the production of the different varieties of yarn is as below:

Worsted yarn	39 million lbs (on 3-shift basis)
Woollen and Shoddy yarn	49 million lbs (on 3-shift basis)
Total	88 million lbs.

The capacity for worsted yarn on two shift basis will be adequate to meet the entire defence requirements, in addition to civilian needs. In the case of woollen and shoddy yarn, it may be necessary for the mills to work three shifts to meet the full Defence requirements as well as requirements for carpet and other ancillary industries. As 37 million lbs. will be more than adequate to meet the Defence requirements, about 12 million lbs. will be available for the carpet industry which is also essential to maintain the present level of exports. The mills which have been producing carpet yarn and supplying to the carpet industry, would be allowed to continue their operations without any restriction.

2. It was first anticipated that the capacity in regard to blankets and Great Coat Cloth would not be adequate. However, on further investigation, new sources have been located and according to our present assessment, the entire requirement could be met by the industry. Time is the only factor which may justify imports in view of the urgency. On this basis, we have already suggested the import of 4 lakh blankets and some quantities of Great Coat Cloth either in the form of madeup garments or in running length. It is, however, doubtful if this quantity will be available for delivery ex-stock or before March 1963. In regard to blankets, the intention is to mobilise the handloom industry so that powerlooms could be released for production of Great Coat Cloth. It is estimated that about 130 power looms would be available for pro-

duction of Great Coat Cloth in addition to the capacity which has already been covered, and this should produce about 1 million metres per year. So far as blankets are concerned, there seems to be an unlimited capacity. At present only blankets of certain specifications are accepted. It is for consideration whether subject to best and suitability 100 per cent shoddy blankets should not be accepted in addition to the specification of 42½ per cent virgin wool and 15 per cent nylon fibre. Particularly as shoddy wool is cheaper, and larger quantities can be imported for the same value.

3. Our original estimate of raw material which had to be imported was as indicated below:

	<i>Qty</i> (m. lbs.)	<i>Value</i> (Crores)
(1) Wool tops (mainly 48s and 56s cr ssbred and s. me quantity of 64s)	10.2	Rs. 6.12
(2) Raw Wool	19.1	Rs. 7.64
(3) Nylon Fibre/Tops	1.3	Rs. 0.52
(4) Dyes-Chemicals	—	Rs. 0.62
		<hr/> Rs. 14.90 <hr/>

4. As against this, although there has been some reduction in the Defence requirements during the last few weeks, it is proposed that we should continue to work on the basis of the original estimate as a measure of abundant precaution. It would be much easier to step up capacity at any time provided sufficient raw materials are available. Otherwise, the same difficulty which is being experienced this year, will have to be repeated. Considering the heavy purchases being made by Russia, East European countries and China, and the scarcity of these varieties of wool in the Australian and New Zealand markets, it would be better to err on the side of safety. A recent world study of production of raw wool has revealed that the off-take in the current year is a record and stocks with growers and trade have been substantially reduced. It would therefore be advisable to keep to the original levels.

5. The Birla Mission has made purchases of raw wool (for carding purposes) to the extent of 2.38 million lbs. and wool tops and combing wool to the extent of 5.4 million lbs. The shortfall in the raw materials is of the order of 4.8 million lbs. in regard to wool tops and combing wool and 15.9 million lbs. in regard to raw wool (for purposes of carding). The approximate value would be of the order of Rs. 9.2

crores, excluding the purchases made by the Birla Mission to the extent of Rs. 3.6 crores.

6. The import of raw wool and wool tops to the extent of Rs. 9.2 crore does not take into account the availability of wool tops of superior varieties which were imported against licences issued to the industry earlier. This does not also include the requirements of the civilians for the next year. Whatever licences were issued to the industry for the current year, are proposed to be utilised for Defence requirements, excepting small percentage of dyed tops which cannot be used. Unless the civilian requirements in the next season are met atleast partially there will be a cloth famine resulting in serious dislocation of the economy. As it is, the prices have gone up in anticipation that there may not be adequate supplies in the next season. Even if it is not possible for us to make available supplies of worsted fabrics, it is necessary that atleast coarser varieties are made available so that the poorer sections of the community are not unduly affected by this shortage. The Resources Committee had recently stated that steps should be taken to ensure that adequate supply of cloth is arranged and also the existing stocks do not go underground. There is evidence that woollen cloth is becoming scarce, and there are indications of steep price increase and it is likely to increase still further unless, steps are taken to make available for civilian consumption before the next winter season. Taking into account the licences which have been issued to the industry for normal civilian consumption, but which have been utilised for Defence requirements, the next season's requirements for civilian consumption would be of the order of Rs. 8 crores, which was the level of allocation for the year 1962-63.

7. A total quantity of about 0.26 million lbs. of 64s and about 0.20 million lbs. of 70s tops are available with the industry. Normally, these would not have been used for Defence purposes—firstly on account of technical reasons and secondly on account of higher costs. While in the present emergency, higher costs may not be the most important consideration, we have to give due regard to the technical factor. 64s and 70s tops yarn are very fine and cannot stand the same amount of wear and tear and strain as coarser tops of 48s and 56s varieties. These latter varieties have been selected for Defence requirements mainly because of their warmth as well as durability. While there may not be any practical difficulty in utilising finer tops for production of Serge Battledress, the fact remains that it may not be able to stand the same amount of strain, say, as a fabric made out of 56s tops would. As, however, these tops are available in the country and in view of the emergency, the Defence authorities have desired to use them on some types of fabrics which would not have the same amount of strain as in outer garments as far as some of their immediate needs are concerned. The best use

that could be made of this type of tops is for hosiery items, particularly vests, drawers and underpants which are used next to the skin and on which strain is very much less. A total quantity of 2.2 million lbs. of wool tops will be required for making vests, underpants and drawers required for Defence. It is, therefore, suggested that, if price is not an overriding consideration, about 0.46 million lbs. of 64s and 70s tops, which are now available, may be utilised for making hosiery yarn suitable for making these vests, drawers and underpants. These are certain additional advantages in this. Some of the mills do not have adequate quantities of 48s and 56s tops. They are depending upon further arrivals. Adequate quantities of Indian wool tops are also not available. Indian wool tops require the use of nylon. Here again, we are depending upon arrivals. If the mills are asked to use 64s and 70s tops for making hosiery yarn they will be only too glad to do it as from the point of machine activity, it is much easier, will obviate the need for nylon and will give work to the mills without waiting for further supplies. From the point of view of hosiery manufacturers also, this will be a welcome step as it will be easier for them to produce fabrics from imported tops of fine varieties. To the extent finer tops are used for hosiery it should be possible to release a corresponding quantity of 48s and 56s for producing fabrics for which finer tops will not be suitable, from the efficiency point of view. If this suggestion is acceptable, instructions will be issued to the mills straightway so that they could produce hosiery yarn and in turn from these varieties of tops and in turn it should be possible to step up delivery of hosiery fabrics in the next two to three months.

8. Consequent on the utilisation of 64s and 70s tops for hosiery fabrics, there may be small reduction in the quantity to be imported for Defence requirements. This may work out for a value of Rs. 27.6 lakhs. On the other hand, normally this quantity which is reserved for civilian use should be added to the estimate of Rs. 8 crores provided for civilian consumption for the next season. However, as this is a small quantity it is not necessary to increase the provision of Rs. 8 crores.

9. The total requirements of wool tops and raw wool both for Defence as well as Civilian requirements on the basis of original estimates, work out to Rs. 17.2 crores. In addition, we will require nylon and dyes and chemicals to the extent of nearly Rs. 1 crore making a total of Rs. 18.2 crores. Unless the Finance Ministry are in a position to make the usual annual allocation of Rs. 8 crores for the woollen industry, the entire requirements will have to be met either by credits or against barter. It should be possible to arrange through barter for import of raw wool and wool tops and other items against export of manganese ore or ferro-manganese. Although the cost of raw wool and

wool tops may slightly be loaded as a result of this barter arrangements, we should not really mind it as it would only be in rupee expenditure and no foreign exchange will be involved. If this proposal is approved, in principle, further details will be worked out and it may not be difficult to arrange for such deals. The woollen industry itself will be prepared to undertake this barter deal as this will ensure that the proper grades of wool are imported at competitive prices.

10. Certain additional points were raised in a discussion which the Secretary, Defence Ministry had with the officers of the Ministry of International Trade:

- (a) As Indian raw wool has got considerable export market, the export of raw wool should be encouraged further. The additional foreign exchange earned this way could be utilised for importing wool tops which are more suited to Defence needs.
- (b) There should be restriction on the utilisation of indigenous raw wool for the manufacture of carpets. Indigenous wool should be released only for manufacture of carpets intended for the export market. Manufacture of carpets for local markets should be banned. It was understood that during last war, such a ban was imposed.
- (c) The balance of Indian raw wool should then be utilised to meet Defence needs and certain other civilian requirements.

11. The foreign exchange earned by the export of raw wool goes into the general pool and is not earmarked for any specific purpose as for instance import of wool or wool tops in lieu. The Finance Ministry makes an allocation for the import of raw wool and wool tops on the basis of the overall availability of foreign exchange.

12. There are two very divergent views, in regard to the export of raw wool; one is that the entire production of raw wool of the country should be exported so that the country could earn additional foreign exchange. It is also interesting to note that 48s and 56s varieties of raw wool imported from New Zealand and Australia costs 8d to 9d per lb. less than the f.o.b. cost of India wool. Viewed from the point of foreign exchange alone, export of larger quantities of Indian wool will be justified. On the other hand, there is a very strongly held view that no export of wool should be allowed and that the entire quantity should be utilised within the country. This view probably stems from certain ideological conceptions. This does not however take into account the fact that a certain percentage of the Indian wool cannot be used within the country for want of adequate facilities. India produces some of

the best carpet wool and one of the distinguishing features of the wool is that it contains a larger percentage of dead hair. From the point of view of carpet wool, this is very advantageous in that it gives resilience to the pile which is a very important character of a good carpet. On the other hand, there are positive handicaps in using such wool for wearable fabrics. Wool with a high percentage of dead hair is very difficult to spin and weave as this dead hair will not easily blend or mix with other fibre. The policy of this Ministry has to keep to the middle of the road with a view to utilise to the maximum extent whatever variety of wool that could be consumed in the country in the worsted, woollen as well as carpet sector. It is only the wool which is surplus to our requirements and which cannot be put to other uses, is being exported. In arriving at this policy the main consideration that has weighed with the Ministry is that gradually superior varieties of wool should be grown. For this purpose the industry was encouraged to make experiments in combing Indian wool and fortunately these experiments have proved a success. There is an increase of demand for Indian wool tops. The defence are now accepting hosiery fabrics made out of 90 per cent of Indian wool and 10 per cent nylon and similarly in a number of other items. With a little more experience it should be possible to make 100 per cent Indian wool fabrics acceptable to the defence. We are allowing for export only such quantities as would ensure that the Indian industry gets its full requirements of raw wool.

13. In regard to the utilisation of indigenous raw wool for the manufacture of carpets, the suggestion is that indigenous wool should be released for the manufacture of carpets intended for the export market only, and that the manufacture of carpets for domestic markets should be banned. It has been stated that during the last war such a ban was imposed. No papers are available in this Ministry on this point. Enquiries made from a number of persons connected with the carpet trade as also from Mr. Constantinides, Managing Director of the Oriental Carpet Manufacturers, which is one of the principal producers of carpet yarn and of carpets also do not confirm the statement that the production of carpets for the domestic consumption was banned during the last war. As the carpet industry is a decentralised one it is also difficult to envisage how much a ban could really have operated in practice.

14. We had estimated earlier that about 15 million lbs. of greasy wool is used by the carpet druggets and rug industry. 15 million lbs. of greasy wool when scoured and cleaned is equal to about 9 million lbs. of wool suitable for spinning. According to certain figures available with us, the production of mill spun carpet yarn was about 2.3 million

lbs. in 1960, 2.9 million lbs. in 1961 and about 2.7 million lbs. in 1962. According to certain estimates made by the Handicrafts Board the total quantity of yarn both mill spun and hand spun that has been consumed by the carpet and druggets industry was of the order of 6.7 million lbs. We do not have correct statistics of the production of carpets as the industry is mainly based on handlooms and is scattered on a number of States. The approximate production in 1960 was of the order of 2 million sq. yds. and the export was of the order of about 1.85 million sq. yds. There was, therefore, very little domestic consumption of carpets. It was hardly about 7½ per cent of the total production and normally 95 per cent of the total production is exported. The production of carpets during 1960-61 is estimated approximately at 1.86 million yards against which about 1.75 million yards were exported. In addition, the estimated production in 1962 was 1.52 million yards and the approximate export is reported to be of the order of 1.48 million yards. This will go to show that only a very small quantity of carpets finds its way to the domestic market.

15. The entire production of carpets is in the decentralised sector and it will be very difficult to enforce any control on production or distribution unless we are prepared to take extreme steps of putting a control on production and distribution of raw wool itself. Quite a lot of yarn is spun by hand and if there can be any control it can only be in regard to mill spun yarn. Here again, it may not be possible to link up releases with exports. We are now insisting on carpets being subjected to some sort of quality marking. Unless, therefore, the carpets are really good, they will not be exported. A certain amount of rejection is inevitable and the total quantity rejected may be about equal to the consumption in the domestic market. On a balance of consideration there does not seem to be any advantage in restricting the production of carpets particularly as nearly 95 per cent of the total production is exported.

16. Another suggestion which has been made is that prices of Indian wool should be kept within reasonable limits by fixing statutory prices. At present we are statutorily fixing the prices of Indian wool tops and yarn spun from such tops. The price has been derived on the basis of the current prices for raw wool of the white variety. Prices for other varieties will be derived by making suitable adjustments. It is anticipated that fixation of prices of Indian wool tops would automatically control the prices of raw wool as combers who buy the wool would ensure that higher prices are not paid having regard to the price of wool tops. There is no doubt a possible risk that growers may hold on to their stocks and in that case there may be some difficulty in stocks flowing to the combers. However, as the growers are scattered all over the country and as their holding power is limited such a situation may not really arise. Wool cannot be stored for very long in primitive condi-

tions which are existing in the villages in Rajasthan and other wool growing areas. It has necessarily to be brought to the market as early as possible particularly as the clip starts in spring and this cannot be indefinitely stored during the summer months.

17. There are practical difficulties in enforcing price control of raw wool. There are a large number of varieties and an equally large number of shades and it would be almost impossible to fix the price of each of the different grades and shades. It will be equally impossible to control any sale transactions between the shepherds and intermediate buyers as this will happen in the villages. Even a statutory control on price will remain ineffective. Having regard to all these difficulties, controlling the price of raw wool by the indirect method of fixing the price of Indian wool tops would be the best way of achieving the results we have in mind.

18. To sum up; (1) it is proposed to import additional quantities of raw wool and wool tops, nylon tow and other chemicals to meet the defence and civilian requirements to the extent of about Rs. 18 crores through barter against exports of manganese ore and ferro-manganese. As far as possible these barter arrangements will be made by the industry itself. (2) The finer varieties of imported tops available with the spinners (64s and 70s) will be utilised for making hosiery yarn suitable for vests, under-pants and drawers and, if necessary also serge battle dress. This would mean a small increase in the cost of such fabrics and the quantity of tops that would be diverted for this purpose will be 0.45 million lbs. valued at about Rs. 27.6 lakhs. (3) The price of Indian wool will be kept within reasonable limits by mixing statutory price for Indian wool tops and yarn spun from such tops.

Ministry of Commerce and Industry

**NOTE FOR THE PRODUCTION COMMITTEE OF
SECRETARIES—WOOLLEN REQUIREMENTS**

The Resources Committee at its meeting held on the 21st November, 1962, discussed the requirements of woollen cloth and the import of raw materials in the context of the defence requirements. The estimated requirements of wool tops and raw wool etc. was Rs. 16.4 crores for both Defence and civilian needs (Rs. 14.9 crores for Defence and Rs. 1.5 crores for civil) for the period ending December, 1963. This was in addition to the balance of licences valued at Rs. 2.5 crores issued to the Woollen Industry for October, 1962–March, 1963 period.

2. The Committee agreed to the import of wool tops and raw wool, nylon and dye stuffs valued at Rs. 8.2 crores (half of the estimated requirements) on a priority basis. This included the licences of Rs. 2.5 crores, which were available against the normal commercial ceiling. The Committee authorised the issue of an import licence for the balance of Rs. 5.7 crores. A licence for Rs. 5.5 crores has already been issued jointly to the two Associations of the industry and purchases of raw materials are being effected against this licence.

3. The balance of the requirements for meeting defence needs are estimated at Rs. 9.2 crores (Rs. 14.9 crores–Rs. 5.7 crores). This does not take into account the provision required for meeting the civilian requirements for the winter season of 1963-64, for which supplies will have to be manufactured in the summer of 1963. The normal annual allocation for wool and wool tops provided by EAD is of the order of Rs. 8 crores. This Rs. 8 crores had been allotted by E.A.D. for the period October–September, 1963. As practically a substantial portion of the current year's ceiling has been utilised for defence needs, it is necessary that some provision should be made for civilian needs for the next winter season. At least Rs. 3.5 to 4 crores, even as an advance of the allotment for October 1963–September, 1964 will be required.

4. A note has been circulated to Production Committee suggesting that additional quantities of raw wool and wool tops etc. for Rs. 18

crores should be imported through barter against export of manganese ore etc. and that as far as possible these barter arrangements should be made by the Industry itself.

5. Subsequently this position was reviewed and it was decided that for the present, the barter arrangement should be confined only to meet the defence requirements valued at Rs. 9.2 crores being the balance out of total requirements of Rs. 14.9 crores. A note has been sent to the Ministry of Finance (EAD) for their concurrence in principle to these proposals. The E.A. Ministry's views on this proposal are not yet ready. However, Shri Sundara Rajan of EAD has given us to understand informally that:—

- (a) There was no chance om imports of wool under any of the AID programmes.
- (b) Free foreign exchange would not in any case be available beyond the normal Rs. 8 crores limit as was given in the last year; and
- (c) Possibilities of import of wool by barter may be examined by the C&I Ministry.

The suggestion regarding barter has already been put to the woollen industry and their reaction has been favourable. The Woollen Industry is at the moment considering ways and means of importing the essential spare parts required to step up defence production through barter arrangements. The total requirement of spare parts are estimated at Rs. 1.25 crores. The Resources Committee had accepted the justification for the import of spare parts of this extent. But as no free exchange was available attempts are being made to get these against barter, as credits cannot accommodate spare parts. The Industry is also working out proposals for import of raw wool etc. for meeting the balance of defence requirements against a barter.

6. Production of woollen clothing for defence has been programmed on the basis of the original estimates given by the Defence Ministry. In the various meetings with Minister of Supply and Minister of Defence Production we have been given to understand that Production should be sustained, at particular levels so that there is no short fall at any time. We are, therefore, going ahead on that basis even though the requirements are not actually covered by any formal indents. Production cannot be maintained at the required levels unless import of raw material is also ensured and it is necessary that our re-

quirements should be covered in the ensuing wool season beginning from March. Details of barter are likely to take sometime. Therefore, clearance of the Committee in principle for the proposal to import wool and wool tops against barter is urgently required.

7. The Production Committee discussed the requirements of wool at its meeting on the 4th January, 1963. The Committee desired that possibilities of additional imports should be explored as the total demand for wool could not be met from the country's own production. It also desired the Ministry of Commerce and Industry to examine whether suitable modification in the specifications of the fabrics for defence services could be made. The use of Indian wool for the manufacture of carpets should be diverted to meet defence requirements and substitutes for wool should be found for use of the civilian population. The Committee also desired that evaluation of capacity for combing should be made with a view to ensure that there will be sufficient capacity within the country.

8. In regard to the manufacture of carpets, it has already been pointed out to the Defence Ministry that the domestic consumption of carpets is limited to less than 10 per cent and therefore, it will not be wise to interfere in production of carpets which is mainly an export industry. As has been pointed out in the note circulated to the Production Committee, such quantities of Indian wool as can be used in the country are actually being used.

9. A note reviewing the capacity for the manufacture of woollen yarn has been prepared and is being placed for consideration of Production Committee at its meeting on Saturday the 2nd February, 1963. This note has suggested that an additional capacity of 15,000 to 20,000 of latest woollen type spindles should be allowed so that the entire requirements for woollen yarn, blankets and great coat cloth etc. will be met. A review of the combing capacity was made and with the concurrence of the Planning Commission and the Ministry of Finance proposals for increasing the capacity by 8 million lbs. have already been approved and licences are under issue. This would take the capacity to 31.5 million lbs. The additional capacity is intended mainly for combing Indian wool.

10. The question as to how the pressure on wool could be reduced by use of substitutes is being examined separately and proposals in this regard will be submitted to the Production Committee in due course.

11. The Agricultural Ministry, who are concerned with the production of wool have taken certain steps for increasing the yield and are

also arranging for proper grading and sorting of wool. The production of wool over the last few years has increased appreciably and current production is estimated at 72 mn. lbs. It is anticipated that the annual production level should reach 80 mn. lbs. at the end of the III Plan

12. The Production Committee's approval immediately as required for:

- (i) the principle of importing additional quantities of Raw Wool, Wool tops etc. to the extent of 9.2 crores to meet the defence requirements;
- (ii) the advance allocation of 3.5 to 4 crores as suggested at the end of paragraph 3 above;
- (iii) expansion of spindle capacity for producing Woollen yarn by 15 to 20 thousand spindles. This will involve foreign exchange expenditure to the extent of Rs. 30 lakhs, the balance being met indigenously vide paragraph 7 of the note dated 29th January, 1963.

The Production Committee may also consider whether with reference to paragraph 5 of this note, Department of Economic Affairs should not release Rs. 75 lakhs of foreign exchange for import of spare parts, as the need for this is urgent and so far we had been able to secure proposals for only Rs. 50 lakhs for import of spare parts by barter.

APPENDIX IX

[Vide para 3.16 (23)]

Report of the sub-committee appointed by the High Power Review Committee in its meeting held on thursday the 21st February 1963 at 09.30 hrs. in the office of the Ministry of Supply

The following members were appointed to this Sub-Committee:—

- (1) Brig. N. N. Chopra—DRD (G)—Convener.
- (2) Shri V. Subramanian—Director of Supplies.
- (3) Shri A. G. V. Subramanian—Under Secretary, Ministry of C&I.
- (4) Shri R. G. Zalani—Dy. Director, Office of Textile Commissioner, Bombay.

2. The Sub-committee was directed to review the position of raw materials required for the production of various woollen items for Defence.

3. The Committee has worked out the break-up of the raw materials required for the various indented quantities of woollen items and the same are given in Annexure I to this report.

4. It would be observed from Annexure I that the total requirements of the various types of raw materials are as under:

<i>Raw Material</i>	<i>Quantity (lakh lbs.)</i>
Wool tops 64s	18.10
Wool Tops 58s|60s	13.25
Wool Tops 56s	31.92
Carding Wool 56s	1.31
Wool Tops 48s	66.72
Carding Wool 48s	57.46
Low Grade Indian Wool 40s|44s or Shoddy	356.5
Nylon fibre|tops|tow	27.00
Neolan dyes	3.33
Union dyes	0.47

5. DGS&D has placed orders for the indented quantities on the various units of the industry in respect of hosiery items. The coverage for the present is less than the indented quantities as it has been decided that in respect of new units only 3 months requirements are to be covered and the balance order may be placed on them later after reviewing their performance.

6. As regards barrack blankets, out of total 44.53 lakh pieces the total coverage has been to the extent of 23 lakh blankets including 1.35 lakh blankets by way of imports. Arrangements for covering the balance quantity are being made.

7. The position regarding the supply of various raw materials indicated above is as under:—

- (a) *Wool Tops 64s.*—Against total requirements of 18.10 lakh lbs. the industry has offered approx. 10 lakh lbs. out of their own commercial licence and the balance quantity of 8.10 lakh lbs. has been arranged from the special import licence of Rs. 5.7 crores given to the All India Woollen Mills Association and Federation of Wool Manufacturers in India. The entire requirement of this item has, therefore, been met.
- (b) *Wool Tops 58s/60s.*—Against the requirements of 13.25 lakh lbs. the industry has offered out of commercial licence 1.95 lakh lbs. The balance qty. of 11.3 lakh lbs. is to be imported. No indigenous substitute of this raw material is available. It has been decided by the Ministry of Commerce and Industry that out of the special licence referred to above 4 lakh lbs. valued at Rs. 22 lakhs of this raw material may be immediately imported for delivery in June-July 1963. Further, 55,000 lbs. of this raw material has been provided as a gift by the Australian Government. The balance quantity of 6.75 lakh lbs. will have to be imported, valued at approximately Rs. 37.125 lakhs, for delivery during August-October 1963.
- (c) *Wool Tops 56s.*—Out of total requirements of 30.87 lakh lbs. 9.38 lakh lbs. will be available out of the commercial licence of the industry and 15 lakh lbs. would be available in the form of Indian wool tops in admixture with nylon. Special import licence arrangements have been made to import 36.67 lakh lbs. mostly in the form of dyedwool tops required for the production of Serge Battle Dress. Thus the availability of the raw materials in excess of the total de-

mand to the extent of about 29.43 lakh lbs. The excess imports of dyed tops were made on the basis of original forecast of 34.87 lakh metres of Serge BD. The actual indents however for this items were considerably lower at 20.63 lakh metres. The question of the utilisation of the excess imports was discussed by the Wool Controller with his advisers and it has been proposed that the excess raw material may be released to such units who have offered to produce this item "with assistance" on condition that either the raw material or the manufactured serge may be stored by the mills for supply against future indents.

- (d) *Carding Wool 56s.*—Total requirements are 1.31 lakh lbs. The entire qty. will have to be imported and the value is approx. Rs. 5.25 lakh.
- (e) *Wool Tops 48s.*—Against the total requirements of 66.72 lakh lbs. 11.5 lakh lbs. are available from the Mills' Commercial licence. In addition about 20 lakh lbs. raw Indian wool and nylon mixture tops are likely to be available from indigenous sources. A qty. of 17 lakh lbs. has been arranged to be imported under the special licence. This leaves a shortfall of 18.22 lakh lbs. which have to be met by imports. It has been decided by the Ministry of C.&I. that out of the un-used balance of special licence further import to the extent of 6 lakh lbs. valued at Rs. 28 crores may be made for delivery in June-July 1963. Further foreign exchange for 12.22 lakh lbs. valued at Rs. 55 lakh will have to be found. This quantity would be required in August-October 1963.
- (f) *Carding Wool 48s.*—Against the requirements of 57.46 lakh lbs. about 35.09 lakh lbs. are expected to be available out of the Mills' Commercial licence and Indian Wool and nylon mixture. A qty. of 32.75 lakh lbs. has been imported against the special licence. There is thus a surplus of availability of raw material to the extent of 10.38 lakh lbs. This wool is mainly required for cloth drab mixture. Recently it has been found that the production of this item out of an admixture of Indian wool and nylon lacks felting properties and does not take up waterproofing treatment well. The surplus imported raw material available is therefore proposed to be pledged for production of Cloth Drab Mixture from a blend of 50 per cent Indian wool and 50 per cent imported wool.

- (g) *Low Grade Indian Wool*.—This is mainly required for the production of blankets barrack. Against the requirements of 44.53 lakh blankets about 1.35 lakh pieces have been decided to be imported. Value for this import will be found from the Special licence. For the balance 42.1 lakh blankets approximately 331.5 lakh lbs. of low grade Indian wool is required. The availability of raw material from indigenous sources is estimated to be at 160 lakh lbs. In addition the following quantities of imported shoddy raw materials are also available for the production of blankets in admixture with Indian wool and nylon:—

(i) out commercial licence of the industry 20 lakhs lbs.

(ii) out of special licence 5 lakh lbs.

Thus the balance qty. of this raw material required is 146.44 lakh lbs. In view of the inadequacy of the raw material available for the balance quantity of blankets, efforts are being made to increase the production of shoddy-mixture blankets. The installed capacity of the shoddy industry at present is adequate to produce yarn for about 18 lakh blankets per annum on 3 shift basis. This would require import of further 60 lakh lbs. of shoddy wool and about 22 lakh lbs. of nylon for purposes of mixing with Indian wool. The value for shoddy would be approximately Rs. 18 lakhs and for nylon about Rs. 77 lakhs.

- (h) *nylon fibre/tops/tow*.—Out of the total requirements indicated above about 4 lakh lbs. of long staple nylon will be imported under the commercial quota of the industry leaving a balance of 9 lakh lbs. valued at approx. Rs. 36 lakhs to be imported. In addition 22 lakh lbs. of short staple nylon valued at Rs. 27 lakhs would be required for the production of shoddy mixture barrack blankets. It is understood that arrangements are being made by the STC to import this item under barter arrangements. This should be expedited. Meanwhile it has been decided by the Ministry of Commerce and Industry to import 1.5 lakh lbs. of nylon tops and 1 lakh lbs. of short staple nylon fibre under special licence.

- (j) *Dyes*.—The total value of dye stuff requirements as indicated above is estimated at Rs. 52.15 lakhs. Against special licence

Rs. 25 lakhs was reserved for import of dyes for immediate requirements. Min. of C.&I. has already authorised imports to the extent of Rs. 22 lakhs. Out of the special licence dyes valued at Rs. 12 lakhs are expected in March-April 1963, and the balance in May-June 1963. Balance of Rs. 3 lakhs under the special licence is reserved for import of intermediaries for the manufacture of dyes by indigenous manufacturers. Certain quantities of dyes available ex-stock with trade may also be diverted for immediate requirements. It would be necessary to import further dyes to the extent of additional Rs. 25 lakhs.

8. Annexure II to this report indicates the flow of raw materials wool tops under the special licence. It would also be seen from this that some quantities have already arrived and some are expected to arrive by February 1963. Entire imports against purchases made so far will be completed by July 1963. Imports against the balance quantity will more or less be completed during August-October 1963.

9. As regards the imports to be made under the Mills' own commercial licence the same has been planned by the Mills in accordance with delivery schedule of the orders placed on them. Such of the Mills who do not have any orders but have to supply yarn for hosiery and small-scale woollen industry against Defence requirements has placed orders for the requisite type of raw materials against commercial licence. However they have experienced acute shortage of these raw materials resulting in the over-seas market. Attempts are being made to import raw materials as quickly as possible. Meanwhile whatever raw material is available is being diverted for Defence production.

[Vide Para 3:16 (25)]

As desired by JS(P) I have scrutinised the requirements of wool tops, and raw wool for woollen materials, for which foreign exchange allotment has been obtained in two instalments of Rs. 8.2 crores (including Rs. 2.5 crores for which licences had been granted to industries earlier) and Rs. 5.7 crores (sanctioned by the Production Committee in February, 1963) I have shown the figures mentioned below to Shri V. Subramaniam.

2. The Working Group in the report submitted in November, 1962, had worked out as under the requirements of raw materials for manufacturing woollen materials of which the forecast of requirements had been furnished by the Ministry of Defence.

Wool tops	17.8 million lbs.
Carded Indian wool	39.1 million lbs.

After taking in to account the availability of imported wool against the civil import quota as well as the Indian wool, the Working Group recommended import of the following quantities:

(1) Wool tops (mainly for 48s, 56s cross-bred and some quantity of 64s)	17.8m. lbs. (Imported wool)
	Minus 3.6 m. lbs. (Indian wool)
	Minus 4.0 m. lbs. (Imported wool)
	<hr/>
	10.2 " "
	<hr/>
(2) Carded Indian wool (required for Cloth Drab Mixture and blankets)	39.1 million lbs.
	8.0 ,, (Shoddy yarn imported,
	Minus 12.0 million lbs. (Indian wool)
	<hr/>
	19.1 million lbs.

3. Wool tops. (48s, 56s and 64s).

Against 10.2 million lbs. required, the Federation have already imported, as would appear from the statement at Annexure II (Slip 'F'), 6.94 million lbs. The balance of 3.26 million lbs. is still to be imported.

The Committee have recommended in Annexure II import of 3.98 million lbs. There is thus no discrepancy in the requirements originally calculated by the Working Group and the imports authorised, except that we have in stock wool tops sufficient for manufacture of 1.7 million metres of Serge Battle Dress, for which demands are to be obtained from the Defence Services. This would enable us to maintain continuity of production.

4. Carded Indian wool. Quantity recommended for import	19.10 million lbs. Minus 5.3" (on account of reduction in the demand for Great Coats requirements of Cloth Drab Mixture were assessed originally at 3.97 million metres. This has now been reduced to 1.9m. metres)
<i>Balance requirements</i>	
	Minus 1.9 million lbs. (on account of import of 135,000 blankets from U.K.)
<i>Balance requirements</i>	12.8 million lbs.

The above quantity of wool is required for manufacture of blankets. It is proposed that blankets with 45 per cent Indian wool, 40 per cent shoddy and 15 per cent nylon fibre should be manufactured. On this basis it is proposed to import 6.4 million lbs. of shoddy wool. 7.2 million lbs. of Indian wool will be required for matching. After accounting for the import of the shoddy to the extent of 6.4 million lbs., the balance of 6.4 million lbs. (12.8 minus 6.4 million lbs.) represents a portion of wool which was intended initially to be imported and for which foreign exchange to the extent of Rs. 1.82 crores would remain unutilised. The above figures are based on the presumption that Indian wool to the following extent would be available for use for blankets and other materials required upto Defence specification:

- (i) 3.5 million lbs. for hosiery and Serge Service Dress
- (ii) 12.0 million lbs. for blankets.

The above figures are based on the estimates of availability as assessed by the Working Group in addition, the Sub-committee has presumed

ed that another 7.2 million lbs. of Indian wool would be available for blankets. This would add upto 22.7 million lbs.

JS (P)

Sd/- B. D. KUMAR

14-3-63

This is correct. What I would like to know is if 'A' above can be surrendered.

DS (P)

Sd/- ILLEGIBLE

15-3-63

APPENDIX XI

(Vide Para No. 3.47)

*Cables sent to the Wool Advisers**No. 17 (15) /Tex (D) /62 dated 5-12-1962*

CABLE

URGENT

STATE

BIRLA|GROVER

HOTEL CHEVROL

MELBOURNE

FROM SUBRAHMANYAM PLEASE CONTACT TRADE COMMISSIONER SYDNEY|HIGH COMMISSIONER MELBOURNE AND KEEP THEM INFORMED REGARDING PURCHASE CONTRACTS AND OTHER DEVELOPMENTS AND POSSIBLY ASSOCIATE THEM WITH NEGOTIATIONS STOP DELEGATION MAY RETURN INDIA BEFORE PROCEEDING UNITED KINGDOM UNLESS OTHERWISE ADVISED STOP

COMIND

No. Tex (D) |67 (75) |62 dated the 6th December, 1962

CABLE

URGENT

STATE

BIRLA|GROVER

HOTEL CHEVROL

MELBOURNE

NO OBJECTION YOUR PROCEEDING TO UK (.) YOU WILL BE TOUCHING AN INDIAN AIRPORT (.) PLEASE INDICATE TIME AIRPORT AND FLIGHT NUMBER SO THAT UNDERSIGNED CAN MEET YOU (.) YOU CAN LOCATE SUPPLIES IN U. K. (.) TERMS AND CONDITIONS OF CONTRACT AND PAYMENTS TO BE FINALISED WITH GOVERNMENT APPROVAL ON YOUR RETURN TO INDIA (.) ASSOCIATE OUR HIGH COMMISSIONER IN UK WITH ALL NEGOTIATIONS (.)

SUBRAHMANYAM

COMIND

CABLE
BIRLA|GROVER
HOTEL CHEVRON
MELBOURNE

URGENT

Dt. 7-12-62.

RECABLE SEVENTH (.) DEALS ALREADY CONCLUDED.
SHOULD STAND (.) PLEASE FORWARD BRIEF DETAILS
THEREOF TO MASSAUND HICOMIND CANBERRA (.) LATTER
WILL TAKE UP WITH AUSTRALIAN GOVERNMENT QUES-
TION OF INCLUDING THIS WOOL PURCHASE IN GOVERN-
MENT TO GOVERNMENT FINANCING ARRANGEMENTS (.)
ESSENTIAL YOU SHOULD PROCEED FROM NEWZEALAND TO
UK THROUGH INDIA AND GET INSTRUCTIONS FROM US
AFRESH (.)

SUBRAHMANIAM
COMIND

COPY

OT CN 452|KC IIO MELBOURNE

82|80 7 1137

URGENT AGV SUBRAHMANIAM COMIND NEW DELHI
RE CABLE 6TH HAVE ALREADY NEGOTIATING DEALS FOR
REQUIREMENT ON PROMPT PAYMENT BASIS STOP SUP-
PLIES VERY LIMITED MARKET RISING DUE HEAVY BUYING
CHINA RUSSIA EASTERN EUROPE STOP SUPPLIES CAN DI-
SPOSE OF ENTIRE STOCKS ABOVE COUNTRIES STOP OUR
MISSION WILL FALL UNLESS WE SECURE CONTRACTING ON
AGV P2|30-PROMPT PAYMENT BASIS STOP ALREADY CONT-
ACTED HIGH COMMISSIONER CANBERRA STOP GOING UK
EA STWARDS VIA NEW ZEALAND AS ORIGINALLY PLANNED
NOT TOUCHING INDIA STOP CABLE CLEAR ADVICE ABOUT
PURCHASES URGENT BIRLA|GROVER.

CABLE

STATE

BIRLA HOTEL ROYALOAK
WELLINGTON NEW ZEALAND

REYCABLE EIGHTH STOP SORRY COULD NOT CONTACT
ON TELEPHONE STOP YOU MAY CONCLUDE DEALS FOR RAW
WOOL MAXIMUM QUANTITIES AVAILABLE OF REQUIRED
SPECIFICATIONS STOP PLEASE GIVE BRIEF DETAILS AHUJA
HIGHCOMIND WHO WILL TAKE UP WITH NEW ZEALAND
GOVERNMENT POSSIBILITY OF MEETING EXPENDITURE
FROM PROMISED CREDIT FACILITIES BALANCE WILL BE
CASH PAYMENT STOP FURNISH DETAILS CONTRACTS CON-
CLUDED STOP WILL MEET YOU THURSDAY NIGHT AIRPORT
No. 17|75|TEX (D) |62 dt. 10-12-62.

SUBRAHMANIAM.
COMIND

APPENDIX XII

(Vide Para 3.48)

SECRET

HIGH COMMISSION OF INDIA IN NEW ZEALAND WELLINGTON

No. 6[S] 62-Pt. II.

December 18, 1962.

My dear Coelho,

Please refer to correspondence on the Wool Mission's visit to New Zealand resting with Subramaniam's telegram No. 08354 of December 11.

2. That telegram and then clair cable sent to Shri R. K. Birla direct came just in time for the mission to complete their business and leave for Broadford on the evening of December 11. They were in great hurry as they had a long list of requirements from the UK and the wool sales there were going to close down for christmas on December 20.

3. A list of the deals concluded by the Mission in New Zealand, including details of the expected arrival of consignments in Bombay, is enclosed. You will notice that they bought 3,200 bales of wool on a c.i.f. basis with a total value amounting to about Rs. 30 lakhs. They were stiff bargainers, as one would expect from a group of hard-headed businessmen, and left highly satisfied with the prices at which they were able to secure wool on a rising market.

4. I am afraid the New Zealand Government have been rather dilatory in reaching a decision on the question of credit. The attitude seems to be that since the wool has been purchased on the customary basis of cash against documents and that since the bulk of the documents are unlikely to be presented for some weeks, they can afford to take their time. There is also a tendency to invoke their overseas exchange difficulties for delaying matters. I am trying to prod them into a decision before Christmas and shall keep you informed about progress.

With kind regards,

Yours sincerely,

Sd/-

(V. K. AHUJA)

Shri V. H. Coelho,
Joint Secretary,
Ministry of External Affairs,
NEW DELHI.

ANNEXURE TO APPENDIX XII

Contracts finalised as on 11-12-1963

1. Kakariki Woods Ltd. Wellington Cable
'Rikiwool' (Contract Made)

Type 305	@ 47d.	1 lb.	100 B/S 100 B/S 100 B/S	Arrival in Bombay Feb. 1963 Mar. " May "
Type 304	@ 50d.	1 lb.	100 B/S 100 B/S 100 B/S	Feb. " Mar. " May "

Type 304A	@ 52d.	1 lb.	100 B/S 100 B/S 100 B/S	Feb. " Mar. " May "
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TOTAL:— . 900 B/S

2. Leo Tatters Field Ltd., Wellington Cable
'Tatwool' (Contract made)

Type F.02/0967	@ 55d.	1 lb.	50 B/S 100 B/S 100 B/S	Jan. Shipment Feb. " Mar. "
Type F.03/- 0972	@ 52½d.	1 lb.	50 B/S 100 B/S 100 S/B	Jan. " Feb. " Mar. "
TOTAL			500 B/S	

3. Henry B. Smith Ltd. P.O. Box 2363 Wellington (Contract made)	Type B317	1 @ 54½d.	1 lb.	200 B/S 100 B/S	Jan. Feb.	" "
	Type B 319	1 @ 52½d.	1 lb.	200 B/S 100 B/S	Jan. Feb.	" "
	TOTAL:—			600 B/S		
4. Wadsworth Heap Ltd. Wellington (Agent Nettlebooth) (Contract Made)	Type illegible	1 @ 41d.	1 lb.	60/BS	Feb.	Shipment
				70 B/S 70 B/S	Mar. Apr.	" "
	TOTAL			200 B/S		
	Type T65	1 @ 55d.	1 lb.	100 B/S	Mar.	"
5. Dewavrin Representatives, Wellington (Mr. Jroton) (Contract made)	TOTAL			300 B/S		
	Type 569/70	@ 56½d.	1 lb.	300 B/S	Feb.	"
	Type 1953 ^t	@ 52½d.	1 b.	100 B/S	Mar.	"
	TOTAL			400 B/S		
6. Hans Joachim Boker Prevost & Co. (NZ) Ltd., Wellington (Contract made)	Type No. 1013	@ 54d.	1 lb.	200 B/S	Feb.	"
	Type No. 607/ 8ES	@ 55½d.	1 lb.	100 B/S	Feb.	"
	TOTAL			300 B/S		

@53d.	1 lb.	200 B/S	Jan/Feb or earlier
		<u>3200B/S</u>	
		Total purchase	
		<u>About Rs. 28 lacs.</u>	

7. E. Wichtenstein & Co. Ltd., Janson House,
12 Courthouse Lane, Auckland.

APPENDIX XIII

(Vide para 3.49).

Report furnished by the Wool Advisers

CONFIDENTIAL

BOMBAY

December 22, 1962

The Wool Controller,
Ministry of Commerce and Industry,
Government of India,

BOMBAY

Dear Sir,

We, the following persons:—

Mr. R. K. Birla (Leader)

Mr. B. M. Grover

Mr. G. K. Singhanian, and

Mr. V. Calloway

along with Mr. Eric D'Souza, Executive Secretary of the purchases on behalf of the Federation of Woollen Manufacturers in India and All India Woollen Mills Association Ltd., had left India on the 4th December, 1962, morning for Sydney from Delhi.

In Australia, we visited Sydney and Melbourne, where firm orders were placed for wool and wool tops with the various parties. The statement marked 'A' is for the tops and wools purchased in Australia, giving all the detailed informations, and is enclosed herewith. The statement marked 'B' is with regard to wools purchased in New Zealand and statement marked 'C' is for the wools and tops purchase in Bradford. Kindly note that the said statements enclosed herewith contain all the detailed informations. We have kept in touch Mr. Masand, High Commissioner for India in Canberra (Australia) and Mr. Ahuja, Acting High Commissioner for India in Wellington (New Zealand) about the respective purchases made in these two countries. We have also acquainted Mr. Sengupta, I. C. S., Minister of Economic Affairs in the Office of the Indian High Commissioner in London, of our business deals in Bradford.

Mr. Birla had got an advice from Shri A. G. V. Subramaniam from Delhi to keep these Govt. officials in touch about our business activities and so all these three gentlemen were kept fully informed. We had received a telegram from Mr. Subramaniam that long-term credit arrangements were being negotiated by the Government of India through our High Commissioners, with the Governments of Australia, New Zealand and U. K. and we were asked to be fully informed in this connection. The Acting High Commissioner of India in New Zealand gave us a hint that the matter for the long-term payment was being discussed by the New Zealand Cabinet and the result was expected to be out very soon. As the Office of the Indian High Commissioner in Australia is at Canberra, Mr. Birla had to go there specially to know from Mr. Masand, Indian High Commissioner in Australia, about the credit negotiations. Mr. Masand reported to Mr. Birla that the talks in this connection have already been started but it would take about a week or so before the result is known. We hope you must have already received the advice from these two Indian High Commissioners in this connection.

Mr. Birla was asked to proceed to U. K. via Delhi, in order to have fresh instructions from Delhi, and so he left Sydney for U. K. on the 13th instant via Delhi, so that Mr. Subramaniam could meet him at the air-port. The other three members and the Executive Secretary proceeded straight to U.K. from Sydney via U.S.A. as was originally planned. At the time Mr. Birla was leaving for U. K. via Delhi, he got confidential information from the Melbourne office of the International Wool Secretariat that the Australian Govt. has already discussed the question of long-term payment for purchases of wool and wooltops by us from Australia. This information was given to Mr. Birla because he had the opportunity of meeting Sir Wm. Gunn, Chairman of International Wool Secretariat, at Sydney, prior to his departure for U.K. and he has made a personal appeal to Sir Wm. Gunn to advocate our case very strongly to his Government. Sir. Wm. Gunn being a very important personality in the wool business assured Mr. Birla that he would do his utmost to assist India in procuring the wool and wooltops on long-term payment basis and so he wanted to give this information to Mr. Birla and the same was given to him at the air-port on the day of his departure as stated above.

Mr. Subramaniam had given a letter in a closed cover to be handed over to Mr. Sengupta at London. Besides, he told Mr. Birla that Mr. Sengupta of the Indian High Commissioners office in London has been asked by the Ministry to negotiate long-term credit facilities for purchase of wool and wooltops in U.K. and so we should keep in touch with him. The letter was handed over by Mr. Birla to Mr. Sengupta on his arrival at London and Mr. Grover and Mr. Singhanian were also present. Mr. Sengupta clearly stated that there was no credit available

for this purpose nor any amount could be transferred to this account from any existing credit. Regarding the future arrangements for credit, he said that it was the first time that he knew of something to be done in this connection. However, from the trend of his talks it appeared that the chances of getting long-term credit facilities from U.K. for purchases of wools and wooltops were not very bright.

The types of wools and wooltops purchased in all the said three countries were examined jointly by all the four of us and the prices at which the orders were placed were also negotiated after a hard and great deal of bargaining. This was also done jointly by all the four of us.

As per our policy we did not want to give any publicity whatsoever regarding our mission but as the information about the licences issued and the purchases to be made was already known in India to quite a number of people, the same information was available in these three countries before we arrived there and so naturally they knew that this mission had come to purchase the emergency defence requirements. We had however made it a point and were able to succeed in clarifying the position in the minds of the suppliers and the people of these countries that our present demand was not very large and that we had not come to purchase simply anything available and at any price. We had also made it clear that this is the mission appointed by the Woollen Industry and is making purchases on behalf of the Industry and not on behalf of the Government of India. However, when we explained to the people whom we met, including "wool-men" of these countries, they were quite co-operative and sympathetic to the cause for which these raw materials were being purchased.

Before we arrived at Sydney the market was quite steady on account of continuous purchases by East European countries, China, and Japan. Though we were late by about 15 days still we would say that we were able to cover most of our requirements at very reasonable prices prevailing at that time. It may please be noted that we have bargained even for 1½d in order to get the maximum quantity against the value of the licence. However, from the trend of the prices made known to us today, we feel that we have made the purchases at an opportune time and while coming to the comparison of the prices at which the orders have been placed by us to that what are quoted to-day, we feel that there must have been a saving of about 6 per cent to 10 per cent, which you can very well appreciate, is a substantial saving. It may also please be noted that even now we have paid higher prices than what we had thought to pay at the time when the prices of the finished products was finalised in Delhi, because the market has been steady for the last one and a half month on account of other countries being very keen and quick buyers.

As we have explained to you today that 48s combing wool is being quoted at between 68 to 71 d per lb. c.i.f. Indian port and 48s tops prices are quoted between 75 to 78d per lb. c.i.f. Indian port, it is a question to be considered very seriously whether we should buy combing wool or tops. If we buy combing wool, the tops made out of the same is going to be very much dearer than if the tops are purchased. It does happen in the business and today the position is that tops are comparatively much cheaper than the combing wool of which the tops are made. We have however purchased about 4 lacs lbs. of 48s white tops is to be used by spinning units for making hosiery yarn against defence requirements. Besides, we have purchased 3.5 lacs lbs. of 48s combing wool to be combed in India. This is also meant for the same purpose of being spun for making hosiery yarn against defence orders.

Though it is beyond the scope of this Mission but it is necessary for us to state that in Australia and New Zealand the Association and the merchants who have been importing Indian wools for making carpets, were very much disappointed of our not being able to meet their demands pertaining to Indian wools. As a matter of fact, Mr. G. L. Puri, Indian Trade Commissioner in Australia, with whom Mr. R. K. Birla had a full discussion, was reported to have very strongly suggested to the Government of India that this policy was suicidal and very serious and immediate consideration must be given to see that enough quantity of Indian wool is exported without any restriction. It was also brought to our notice that export of Indian wool would fetch more foreign exchange over the import of New Zealand wool which actually is such better for making fabrics than if the cloth is made out of Indian wool with mixture of nylon tops. In New Zealand wool we shall not have to mix any nylon to increase strength, as the wool itself is capable enough to meet out full defence specifications. To our great surprise, the Governments of Australia and New Zealand have now started making experiments with their own. Crossbred wool for creating so-called "dead fibre" which is a natural phenomena and characteristic of the Indian wool and for this very reason our Indian wool is considered to be the best wool for making carpets. This "dead-fibre" in the Indian wool is a nuisance to the spinners in India because they cannot take it out and it gives a bad spin and bad weave, while it is necessary for the making of carpets. Therefore, it is suggested that maximum export of Indian wool should be allowed to earn foreign exchange and in turn New Zealand wool should be imported.

We have not purchased any dyes and chemicals nor nylon tow or nylon tops because the first item could be very well negotiated in India, as all the four important dyes manufactures are fully represented in India, having their offices in Bombay, and so the orders for the dyes will be placed to anyone who gives the best terms. This, as per our discussion,

will be decided by you on Monday, the 24th instant when we would be present there to give you our advice in the matter. The total value of the import licence for import of dyestuffs is Rs. 25 lacs. As regards the purchase of nylon tow and nylon tops, we got a telegram from Mr. Subramaniam informing us not to purchase anything because he was making arrangements in India for purchase of these items. We have no information as to what arrangement he has made and therefore, the matter has to be left to you. But it may please be noted that availability of nylon, and nylon tops is very essential to start producing defence requirements, as without these nothing can be done. So the order for the second item i.e. Nylon tops should be placed without any further delay. No experiment in this connection should be allowed which may turn out to be serious in case the tops made in India are found unsuitable and unsatisfactory. We think it our duty to draw your attention that making tops from nylon tow is a difficult operation and requires a special technique and therefore, the conversion of nylon tow into tops in India should be done only after successful experiments have been done.

We have reserved about Rs. 40 lacs for purchasing nylon tow and nylon tops, from the licence of Rs. 5.25 crores. We have also reserved a sum of about Rs. 50 lacs for the special type of tops, against orders of Angola shirting, which Binny mills wants to purchase directly from only one supplier who is reported to have processed this special type of tops for Binny only. We have also reserved about Rs. 5 lacs for purchasing Merino tops required for Bharathia, based on the orders placed now. We have further reserved Rs. 10 lac for marine wool meant for flannel and silver grey and cloth baret. Besides a sum of about Rs. 30 lacs has been reserved for either purchasing—48s tops or 48s combing wool for hosiery orders.

Therefore, in total, we have reserved a sum of Rs. 135 crores for the above mentioned items orders for which will be finalised in India. We have purchased goods worth about Rs. 365 crores by now. We are however to purchase 1 lac pounds more of 56s dyed tops valuing approximately Rs. 6 lacs. Therefore, the total purchases, including the ones for which the orders are to be placed in India, will be as follows:—

Orders already placed	3.65 Crores
Orders to be placed for 56s dyed tops	0.06 Crores
Orders to be placed for various items	1.35 Crores
<hr/>	
Total orders already placed against the import licence of Rs. 5.25 crores	5.06 Crores

Yours faithfully,
Sd/- R. K. Birla
Sd/- B. M. Grover
Sd/- G. K. Singhania

Encl:

P. S. Mr. Calloway being out of Bombay has not signed the Report. But we know that he is in full agreement with our view-point as enumerated in this Report.

CC: Shri Manubhai Shah, New Delhi Along with the encls.
 Shri Jaisukhlal Hathi, New Delhi Along with the encls.
 Shri D. S. Joshi, New Delhi Along with the encls.
 Shri N. E. S. Raghavachari, D.G.S.&D. New Delhi —do—
 Shri R. Doraiswamy, I.A.S. —do—
 Textile Commissioner, Bombay.
 Shri A. G. V. Subramaniam, New Delhi.

STATEMENT-A-(Appendix XIII)

THE FEDERATION OF WOOLEN MANUFACTURERS IN INDIA—Chairman: Mr. R.K. Birla.
 THE ALL INDIA WOOLEN MILLS ASSOCIATION LTD. —Chairman: Mr. B.M. Grover.
Statement of Firm Contracts for Raw wool and wool tops completed in Malbour 12, Australia.

Imported Licence No. A 529983/62/AU-NS/CCI J.T. dated 30-11-1962

Sl. No.	Name and address of the suppliers	Description	Type No.	Quantity Booked.	Price in Pence per Lb. C.I.F.	Approximate value £	Approximate value Rupees.
1	2	3	4	5	6	7	8
A/1	Messrs. Henry B. Smith Ltd., 559-565 Spencer Street, G.P.O. Box 4508 MEL- BOURNE O.I.	48s Carding Wools	HBS 1140	105,000	53d. less 3%	22,492	
			HBS 1142	100,000	54d. less 3%	21,825	
			HBS 1266	75,000	58d. less 3%	17,563	61,800 824,800
				280,000			
A/2	Messrs. James Seymour & Co. Nelson Place, WILLIN- STOWN W. 16, Victoria.	48 Tops (White)	88	250,000	76d.	79,167	
		56s Tops (White & Dyed)	66	75,000	85d.	26,562	
		56s. Tops (-do-)	66	75,000	103d.	32,188	137,917 1,838,500
				400,000			

A/3	Messrs. Pacific Wools (Aust.) Dynon Road, Footscray, Victoria.	48s Carding Wools	LotA-7206	50,000	50d.	10,417
			" 7208	20,000	51d.	4,250
			" 7010	50,000	43½d.	9,115
			LotB-7109	20,000	51d.	4,250
			" 7110	50,000	51d.	10,625
			LotC-B598 KK	250,000	54d.	56,250
				440,000		
						94,907 1,265,200
A/4	Messrs. Nettl, Booth Pty. Ltd., 44, Bridge Street, SYDNEY N.S.W.	48s Carding Wools	D 1046	37,500	46d.	7,188
			D 1068	37,500	53½d.	8,350
			D 1676	37,500	54½d.	8,516
			S.D.	37,500	39d.	6,093
			D 1222	82,500	54½d.	18,734
			N 650	37,500	55d.	8,594
				375,000	76d.	118,750
		56s Combing Wool		645,000		
						176,239 2,349,300
A/5	Messrs. Port Phillip Mills Pvt. Ltd., McIreland Street, Foot- scray W.II.	56s Top (White & dyed)	668	90,000	81d.	30,375
			668	90,000	99d.	37,125
				180,000		
						67,500 899,800
A/6	Messrs. John Sanderson Wool Pvt. Ltd. 505 Lt. Collins Street, MELBOURNE. 4	48s Combing Wool	NZ48T2	75,000	66d.	20,625
			NZ46/48T2	75,000	65d.	20,312
		48s Carding Wools	MW1	150,000	52d.	32,500

2	3	4	5	6	7	8
	56s Combing Wools	MW3	6,250	72½d.	1,888	
	"	MW4	15,000	75d.	4,687	
	"	MW5	44,250	75d.	13,828	
	46/48s Combing Wools	46/48T2	150,000	65½d.	40,937	
			<u>515,500</u>			<u>134,777</u>
						<u>1,796,600</u>
A/7	Messrs. Michael Sellios Pty. Ltd., 522 Lt. Collins Street, MELBOURNE.	48s Carding Wools	4634			
	"	4635	50,000	59d.	12,292	
	"	4637	50,000	59d.	12,292	
	"	4632	25,000	56½d.	5,885	
	"	MS154	75,000	57d.	17,812	
	"	4522	75,000	52½d.	16,406	
	"	56s Super	100,000	54½d.	22,708	
	56s Combing Wool	Casing	50,000	76½d.	15,937	
	"	56s Good to Super				
	"	casing	100,000	75½d.	31,458	
	"	4461	100,000	75½d.	31,458	
	"	4529	50,000	71d.	14,789	
			<u>675,000</u>			<u>181,037</u>
						<u>2,413,100</u>
A/8	Messrs. Henry Sanderson & Co. Ltd., 4th Floor, Cecil	48s Combing Wool	B35A	66½d.	69,010	

Building Sherwood Court, Perth W.A.	48s Carding Wool	H201	125,000	50½d.	26,302	
	48s Carding Wool.	H880	25,000	55d.	5,729	
	56s Combing Wools	HG5PA	25,000	74d.	7,708	
			<u>425,000</u>			<u>108,749 1,449,600</u>
Messrs. Robt. Jowitt & Sons Ltd., 181-3 King Street, MELBOURNE.	56s Combing Wools		100,000	76d.	31,667	
			100,000	75d.	31,250	
			<u>200,000</u>			<u>62,917 838,700</u>
Messrs. Vanlaine Pty. Ltd., 127-129 William Street, MELBOURNE.	48s Carding Wools	635	100,000	55½d.	23,229	
	48s Combing Wools	M163	300,000	75d.	93,750	
	48s Combing Wools	M164	100,000	73d.	30,417	
			<u>500,000</u>			<u>1,47,396 1,964,800</u>
Messrs. James W. McGregor & Sons, (Melbourne) Pty. Ltd. 518-520 Collins St- reet, MELBOURNE.	48s Combing Wools	M6	100,000	64d.	26,667	
	48s Carding Wools	K14	100,000	56d.	24,167	
	48s Carding	K54	100,000	55d.	22,917	

1	2	3	4	5	6	7	8
		Wools					
		48s Carding Wools	W14	75,000	56½d.	17,656	
		56s Combing Wools	N3	150,000	75d.	46,875	
		56s Combing Wools	N4	150,000	73d.	45,625	
				<u>675,000</u>			183,907 2,451,400
A/12	Messrs. A. Dewavrin Futures P/L, P.O. Box No. 59, George Street, SYDNEY N.S.W.	56s Combing Wools	Good Topmaking Fleece 3% burrs) Avg. Top- making Pieces & ballies	50,000	73½d.	15,313	
				50,000	70d.	14,583	
				<u>100,000</u>			29,896 398,500
A/13	Messrs. W.F. Hamilton & Co. Pty. Ltd., Wool Exchange, 122 King Street, MEL- BOURNE.	48s Carding Wools	H77 H76 H1194 H838	23,000 130,000 80,000 100,000	53d. 53d. 55½d. 54½d.	5,521 28,708 18,500 22,708	75,437 1,005,600
				<u>335,000</u>			

A/14 Messrs. G.H. Michael.

48s Carding Wools	B211	80,000	52d.	17,300
48s Tops (White)	CTC	60,000	75 $\frac{1}{2}$ d.	18,875
56s Tops (White & Dyed)	CTM	60,000	82d.	20,500
		<u>200,000</u>		<u>56,675</u>
				775,400
	TOTAL	<u>3,110,000</u>		<u>846,014</u>
				11,277,100
	GRAND TOTAL	5,570,500		1,519,234
				20,251,300

STATEMENT "B" (APPENDIX XIII)

THE FEDERATION OF WOOLLEN MANUFACTURERS IN INDIA—Chairman : Mr. R. K. Birla
THE ALL INDIA WOOLLEN MILLS ASSOCIATION LIMITED—Chairman : Mr. B. M. Grover

Statement of firm Contracts for raw wool completed in New Zealand
Import Licence No. A 529983/62/AU-NS/CCI JT dated 30-11-1962

Sl. No.	Name and address of supplier	Description	Type No.	Quantity Booked	Price in pence per lb. C.I.F.	Approximate value in str. £.	Approximate value Rupees
NZ/1	Messrs. Kakajiki Wools Ltd., P.O. Box 848, WELLINGTON N.Z.	48s Carding Wools	304A	72,000	52d.	15,600	44,700
			304	72,000	50d.	15,000	
			305	72,000	47d.	14,100	
				216,000			
NZ/2	Messrs. Leo Tatiersfield Ltd., P.O. Box 2490, WELLINGTON N.Z.	46/50s Blend Carding Wools	0967	65,000	55d.	14,896	29,115
			0967	65,000	52½d.	14,129	
				130,000			
NZ/3	Messrs. Henry B. Smith Ltd., 159 The Terrace, P.O. Box 2363, WELLINGTON N.Z.	48s Carding Wools	D319	81,000	52½d.	17,719	36,112
			D317	81,000	54½d.	18,393	
				162,000			
							595,900
							388,100
							481,400

NZ/4	Messrs. Wadworth Heap Ltd., P.O. Box 420, CHRIST CHURCH N.Z.	48s Carding Wool.	6440 165	50,000 25,000 75,000	41d. 55d.	8,542 5,729 14,271	190.00
	M/s. Nettle Booth Pvt. Ltd., & 44, Bridge Street, SYDNEY.						
NZ/5	Messrs. Dewavrin Represen- tatives G.P. P.O. Box, 1052, WELLINGTON N.Z.	48s Carding Wools	1953 569/70	26,000 78,000 104,000	52½d. 56½d.	5,688 18,362 24,050	320,600
NZ/6	Messrs Provot & Co. (N.Z.) Ltd., 169, Wellington Terr- ace, Wellington N.Z.	48s Carding Wools	10/3 607/8	56,000 28,000 84,000	54d. 55½d.	12,600 6,475 19,075	254,200
NZ/7	M/s E. Wictringin & Co. Ltd. Jonson House, 12 Court House Lane, AUCKLAND N.Z.	48s Carding Wools	15	52000 Grand Total 823000	53d.	11,438 11,483 178,806	153,100 2,383,600

STATEMENT "C" (APPENDIX IX—XIII)

'THE FEDERATION OF WOOLLEN MANUFACTURERS IN INDIA .. Chairman : Mr. R.K. Birla
'THE ALL INDIA WOOLLEN MILLS ASSOCIATION LIMITED .. Chairman : Mr. B.M. Grover

Statement of Firm Contracts for Wool tops completed in Bradford U.K.

Import Licence No. A529983/62/AU-NS/CCI Jt. Dated 30-11-1962

Sl. No.	Name and address of Supplier	Description	Type No.	Quantity booked	Price in Approximate pence per lb C.I.F.	Approximate Value Rupees
I	.	3	4	5	6	7
B/1	Messrs. Sir James Hill & Sons Ltd., Woolston Warehouses, Bradford-1.	48s tops (white)	002	120,000 120,000	77½d. 38,749	38,749 516,500
B/2	Messrs. A. Dewayrin Ltd. ADL House, 14 Mill Street, Bradford-1.	48s tops (white)	3048	50,000 50,000	78d. 16,250	16,250 216,600
B/3	Messrs. Robt. Jowitt & Sons Ltd., P.O. Box No. 212, 153 Sunbridge Road, Bradford-1.	56s tops (dyed)	18140 18142	50,000 200,000 250,000	81·75d. 14·35d. Dyeing & Regilling	100,106 1,334,400

B/4	Messrs. Hirsch Sons & Rhodes Limited, P.O. Box 57, 8 Broad Street, Manor Row, Bradford-I.	48s combing wool 56s tops (white) 56s tops (dyed)	9114	150,000	65½d.	}	40,781
			79334	35,000	82½d.		11,344
			79334	165,000	82½d.		66,343
				Dying & regilling		}	
			79473	90,000	14d.		
					83d.		
					(14d.		
			79475	15,000	82d.		
					14d.		
				455,000			160,843
B/5	Messrs. N. Hydemann & Co., Ltd., P.O. Box. 139, Commercial Bldg., Commercial Street, Bradford-I.	48s tops (white) 56s tops (dyed)	Dying & regilling				2,144,000
			22365	1,00,000	78d.	}	
					14d.		
			42337	100,000	85d.		32,500
			42338	200,000	85d.	}	
					14½d.		
					84½d.		124,062
			50806	50,000	14½d.		
							20,625
				450,000			177,187
B/6	Messrs. Sir Jacob Behrens & Sons Ltd., Bradford-I.	48s tops (white) 56s tops (dyed)	JB1	50,000	77½d.	}	16,198
			JB5	40,000	84d.		
					14d.		16,333

Statement "C"—*cont'd.*

1	2	3	4	5	6	7	8
B/7	M/s. G.R. Herron & Sons Ltd. Central Mills, Raymond St., West Bowling, Bradford.	48s tops (white) 56s tops (dyed)	JB6 JB6 JB8	20,000 55,000 40,000	84d. 14d. 84½d. 14d. 81d. 14d.	8,167 22,573 16,667	79,938 1,065,600
				205,000	77d.	35,291	
			8019	110,000	86d.	41,667	
			8056	120,000	14d.	49,500	
			8056	120,000	85d.	12,375	
			8342	30,000	14d.	12,250	
			8342	30,000	85d.		
			8054	53,000	14d.	21,421	
			8424	100,000	83d.	40,417	
			8356	17,000	14d.	6,800	
				560,000	82d.		
					14d.		
				219,721			2,929,900
B/8	M/s. Arthur Hentzen (Export) Ltd., P.O. Box 341, la Plata House, 147, Sunbride Road, Bradford-I.	56s tops (dyed)	3911 3919	20,000 84½ d. 125,000 14d.		59,509	59,509 793,300
				145,000			

I	2	3	4	5	6	7	8
B/9	M/s. J.W. Allen Ltd., Aireworth Mills, Aireworth Road, Keighley, Yorks.	56 s tops (dyed)	34 35 34 35	36,000 53,000 75,000 75,000	83d. 14d. 84d. 14d. 84d. 14d. 85d. 14d.	14,550 21,641 30,625 31,094	
				239,000			97,910 1,305,100
B/10	M/s. J. Whittingham & Sons Ltd., Bradford.	56s. tops (dyed)	9925 9925	75,000 25,000	81d. 13d. 81d. 13d.	29,843 9,948	
				100,000			39,791 530,400
B/11	M/s. Inman Spencer & Co., Ltd., Singleton Street, Bradford-2.	56s tops (dyed)	1905	40,000 40,000	83d. 14d.	16,167	215,500
B/12	M/s. B. Parkinson & Co., Ltd., Parkinson's Building, 268 Thornton Road, Bradford.	56 tops (dyed)	3488	75,000	80d. 14d.	29,531	393,600
		GRAND TOTAL		2,689,000		10,35,702	13,806,80

APPENDIX XIV

(Vide para 3.56)

Note furnished by the C.B.I.

The complaint on the basis of which enquiries were initially taken up by the Central Bureau of Investigation had also contained the allegation that members of the Wool Advisory Committee who went abroad for purchase of wool to be imported for meeting urgent Defence orders, had paid high prices.lected.

The enquiries which were conducted by the Central Bureau of Investigation in regard to this allegation consisted of the following:

(1) The relevant record of the Office of Textile Commissioner, Ministry of Commerce, Office of the Joint Chief Controller of Imports and Exports and of the Customs Department was checked to see if any evidence having a bearing on this allegation could be collected.

(2) Efforts were made to ascertain as far as was possible, the then current wool prices. For this purpose the following publications were consulted:

- (i) Weekly charts pertaining to the International wool market at Bradford.
- (ii) "Wool notes" of the International Wool Secretariat.
- (iii) "Indian Textile Bulletin" published by the Textile Commissioner.
- (iv) "India and Pakistan—Wool, Hosiery and Fabrics" published by John Worell Limited Oldham, England.
- (v) Trade Bulletins of Australian, Newzealand and Bradford wool industry as were available in the Textile Commissioner's Office, and with All India Woollen Mill Federation and some of the industrial houses like Anjaria and Hazrat and Company.

(3) An attempt was made to compare the prices of the imported wool with the prices of similar quality of wool imported by certain mills on the basis of import licences issued to them. In

this connection 19 bills of entry relating to imports during March, 1963, and October, 1963, for import of wool from U.K., Australia, Italy and Japan were traced. From a scrutiny of these bills of entry it was found that they did not contain full description of the goods imported and therefore, did not furnish foolproof data for comparison but still a comparison was made on the basis of the prices of these wool tops which seemed to be of similar specifications to those imported through the Wool advisers. The comparison gave the following results:—

1. In the month of February, 1963, Raymont Woollen Mills Ltd., Bombay imported 49510.7 Kgs. wool tops 56s dyed for £ 44517-19-0. The rate was worked out per Kg. and it comes to 215.8 d.

The Federation in the month of March, 1963, imported 8994 Kgs. dyed Khaki wool tops 56s for £ 7904-14-1. The rate per Kg. works out to 210.9 d.

2. In the month of March, 1963, M/s. Gagajchand Ratanchand Woollen Mills of Bombay imported 2990 Kgs. of 48s white oil combed wool tops for £ 1857-4-8. The rate per Kg. works out to 172.8 d.

In the same month the Federation imported 4635.20 Kgs. of super oil combed wool tops 48s for £ 3244. The rate per Kg. works out to 168 d.

3. In the month of June, 1962, M/s. Mahavir Woollen Mills of Ludhiana imported 4536 Kgs. of super oil combed wool tops 48s for £ 3127-17-1. The rate per Kg. works out to 165.7 d.

In the month of March, 1963, Federation imported 4635.20 Kgs. of super oil combed wool tops 48s for £ 3244. The rate per Kg. works out to 168 d.

4. M/s. Ahmed Woollen Mills, Ambernath during September, 1963, imported Xbred sheep wool tops 56s super warp oil combed wool tops weighing 9135 Kgs. for £ 7822-17-0. The rate per Kg. works out to 207.3d.

The Federation imported Xbred sheep wool tops (quality and count not given) weighing 36545 Kgs. for £ 37125-1-6. The rate per Kg. works out to 244.8 d.

5. In the month of January, 1963, M/s. Shri Denesh Mills Ltd., Baroda imported from U.K. 4497 Kgs. of scoures wool for £ 3589-1-6. The rate per Kg. works out to 191.5 d.

266 (a11) LS—20.

In the month of May, 1963, the Federation imported from Australia scoured wool weighing 4591.26 Kgs. for £3348. The rate per Kg. works out to 175 d. It may however, be mentioned that in this case the countries of origin are different.

6. In the month of March, 1963, the Federation imported 29817 lbs. of 56s tops oil combed shade Khaki for £11604-19-7. The rate per lb. works out to 93·4 d.

A pamphlet showing the rates for August, 1963, was available and it is seen that the rate of 56s super is 98d. and 56s B is 96 d.

It may be mentioned in this connection that detailed enquiries in the question of prices paid for the wool abroad could not be made because it was found that comparison is possible between prices of the wool of the same quality only if country of origin is the same, and then for proving that the price paid was higher it would have to be established that the prevalent prices in the country from which the wool was obtained for example, Australia, was at the relevant time lower than the price for which a particular quality of wool was purchased. As evidence on the point could only be collected in the country from which purchases were made, these enquiries could not be pursued, specially as the experience of the Central Bureau of Investigation is that the firms and other agencies in foreign countries do not cooperate even in giving information of this nature against the firms belonging to their country let alone give evidence in court. For this reason no enquiries were also made in any foreign country. It may further be added that the enquiry by the Central Bureau of Investigation was taken up some three years after the importation of wool and even samples of the imported wool were not available except a few with mills like the B.I.C. but even these were in a deteriorated condition.

Since, to the extent it could be determined from the investigation done here, it could not be established that the prices at which wool was imported by the Federation in 1963 was higher than the market rate, it was not considered worthwhile to pursue this allegation further.

APPENDIX XV

(Vide para 3.60)

Note furnished by D.G.s. and D.

Prior to the Chinese aggression in October, 1962, the purchases of woollen articles normally used to be on the basis of "without assistance". The requirements prior to the Chinese aggression used to be small which were catered to by the Trade within their own commercial quota.

2. A statement at Annexure I is placed below which gives the prices for some of the hosiery items that were purchased prior to the Chinese aggression.

3. Statement at Annexure II and Annexure III gives complete details (extracts taken from the files itself) showing the procedure adopted in negotiating prices for hosiery as well as woollen fabrics. Annexure III gives the comparison of the prices paid as well as the prices which were available prior to Chinese aggression. The last purchase prices were kept in view when the prices were negotiated for woollen fabrics.

4. For hosiery, the prices were based on the ceilings fixed by the Ministry of Commerce which were in force at the time of negotiations with the hosiery units. Annexures II and III give complete details of the negotiations.

ANNEXURE I

(to Appendix XV)

Statement showing the prices paid for the various items on without Assistance basis

Jerseys	Socks	Under Pants Woollen	Caps Balaclava snow	Vests winter white	Gloves knitted blue grey (H/D)
Size: 1 18.55 2 19.77 3 20.91	Size: 9 1/2 - 3.71 10 - 3.97 10 1/2 - 4.18 11 - 4.39 1 1/2 - 4.70 11 1/2 - 4.91	Size: 1 17.26 (As amended) Vide A/T No. SRV-1/26752M/ Sur/III/1994 dt. 7-5-62 placed with M/s. Mi- nerva Hosiery Mills (P) Ltd., Ludhiana. Specn. No. IND/ TC/1509(a). 2/16s worsted yarn of 56s quality all Wool.	Size: Small— Rs. 6.12 (as amended) Specn. No. IND/ TC/1501(b).	Size : 1 7.54 2 7.98 3 8.42 4 8.81 Placed with M/s. Variety Hosiery, Mills, Ludhiana, vide A/T No. STV-1/R-31053-M /III(8)/6938 dt. 13-3-62.	Size 0 3.19 1 3.49 Vide A/T No STV-1/25251-K/ III(B)/7947 dt. 20-9-62 placed with M/s. Vii Hosiery Factory, Ludhiana.
Vide A.T No. 7434 dt. 16-7-62 placed with M/s. K. K. Dhanda & Co. Ludhiana. Specn. No. IND/TC/ 1521 in all respects except that the Jerseys may be made from a mixture of Indian Wool of the Specified quality and the Nylon, made from 12% Nylon,	Vide A/T No. 7434 dated 16-7-62 placed with M/s. K.K. Dhanda & Co., Ludhiana. Specn. No. IND/ TC/1617(a) in all respects ex- cept that Socks may be made from a mixture				
					Specn. No. IND/ TC/1631(d) made from Hank dyed yarn. Knitted yarn 22s (Shrink resistant) worsted yarn plaited with 18s Cotton yarn.
					Size : 2 3.80 3 4.10 4 4.40

of Indian wool of
the specified qua-
lity & Nylon,
made from 12 %
Nylon.

Qty. of wool
not lower than
58s recognised
trade quality.

Vide A/T No.
STV-1/26472/-M/
III/6892 dt.
14-3-62 placed
with M/s. Ludhia-
na Wool Syndi-
cate, # Ludhiana.
Specn. No. IND/
TC/11.19(a) from
Hank dyed yarn.

ANNEXURE II

(to Appendix XV)

Pricing proposals on all woollen fabrics as well as hosiery goods to be manufactured by the large-scale units have already been approved by the Minister of Supplies and submitted to F.A. and the Minister for Finance for approval. We had then not discussed with the small-scale sector regarding prices that should govern the supply of all hosiery items for the calendar year 1963.

Discussions were held with some members of the Small-scale units as well as the President of the Hosiery Federation on 1st December, 1962, by D.G. when A.F.A. Shri A.C.A. Rao was present.

Initiating the discussions, D.G. pointed out that since the volume of work is likely to be of a larger magnitude, the prices applicable for all the items should be lower than the rates hitherto allowed. The members of the industry pointed out that for hosiery goods made out of imported wool, they will abide by the rates fixed by the Textile Commissioner for the various items based on the cost of imported wool tops. D.G. pointed out that these were ceilings fixed by the Textile Commissioner, and for bulk orders Government expect from the industry lower rates than these ceilings.

After detailed discussions on each of the items, rates as indicated in the following table were agreed upon. The ceiling rates applicable, according to the formulate laid down by the Textile Commissioner, for the various items are indicated alongside. The table would also indicate the prices we have fixed with the large-scale units.

Item	Tex. Comm- r's cei- ling	Price now fixed (import- ed wool)		Price for large scale units	
				Imported wool	Indigenous wool
1	2	3		4	5
		Rs.	Rs.	Rs.	Rs.
1. Jerseys	34"	16.10	15.80	14.75	16.75
	36"	16.91	16.61	15.35	17.35
	38"	17.81	17.46	16.40	18.40
	40"	18.62	18.29	17.00	19.00

1		2	3	4	5
2. Socks	9	2.63	2.61	..	..
	9½	2.85	2.83	..	..
	10	3.16	2.14	3.11	3.46
	10½	3.42	3.40	3.32	3.67
	11	3.72	3.63	3.63	3.98
	11½	4.04	3.88	..	..
	12	4.34	4.03	..	..
3. Under Pants	0	No	14.70	12.30	..
	1	ceiling	16.75	12.75	..
	2	for	18.80	14.65	..
	3	this	20.85	15.30	..
		item			Price less than LPP by 50 nP.
4. Drawers	1	Do.	7.16	..	..
	2		7.60	..	..
	3		8.00	..	..
	4		8.43	..	..
					These are plaited w'th Cotton.
					New item but based on Vest winter.
					Same as LPP
5. Vests Winter	1	Do.	7.54	8.30	..
	2		7.98	8.60	..
	3		8.42	9.80	..
	4		8.87	10.00	..
	5		9.33	..	..
	6		9.79	..	..
					Same as LPP
6. Caps Comforters Khaki		3.20	3.20	2.75	..
7. Comforters Khaki		5.98	5.98		
8. Caps Balacava Snow: Large (60's Medium tops) Small		7.62	7.62	..	..
		6.19	6.19	..	..
		5.72	5.72	..	..
9. Gloves	0	3.04	3.04	..	..
	1	3.28	3.28	..	..
	2	3.52	3.52	..	..
	3	3.89	3.89	..	..
	4	4.13	4.13	..	..
10. Hosetops Khaki	1	3.51	3.51	..	..
	2	3.68	3.68	..	..
	3	3.95	3.95	..	..
	4	4.12	4.12	..	..

1	2	3	4	5
11. Mufflers wn. Navy Blue	7.26	7.26		..
12. Stockings wn Navy Blue	10"	4.56	4.56	..
	10½"	4.83	4.83	..
	11"	5.26	5.26	..
	11½"	5.53	5.53	..
	12"	5.80	5.80	..
Putties				Small Scale units are not interested in this item.

During these discussions, no agreement could be reached regarding the prices of articles made of Indian wool and nylon as the small-scale units were uncertain about the availability of suitable Indian wool in sufficient quantities as also the prices at which the spinners will be selling then such yarn. They wanted some time to reconsider this position and assured us to let us know their price schedule in due course.

The prices agreed upon in the above meeting, as detailed above, may now be approved. These prices will apply to the articles irrespective of the shade required. The usual shades indented for are Olive Green, Khaki, Blue Grey and Navy Blue.

The total value of the indents available with us for various items of hosiery amounts to Rs. 8.60 crores, as per statement attached.

Sd. V. Subramanian

10-12-62.

11-12-62.

DDG (S)

DG

Finance

Minister for Supply

Sd. J. S. Mathur

11-12-62

[File withdrawn from DG for incorporating pricing proposals for jerseys and socks made out of admixture of indigenous wool and nylon, from the small scale sector].

The Hosiery Industry Federation, Ludhiana, have since submitted their prices for Jerseys and Socks manufactured out of admixture

of 90 per cent indigenous wool and 10 per cent nylon. The prices quoted are detailed below. The last purchase prices for similar quality from the small scale sector are also indicated alongside.

								Price now offered	L.P.P.
								Rs.	Rs.
Jerseys	1	.	.	.	.	.	.	18.55	18.85
	2	.	.	.	.	.	.	19.77	19.77
	3	.	.	.	.	.	.	20.69	20.69
	4	.	.	.	.	.	.	21.61	21.89
Socks	9½"	.	.	.	.	.	.	3.71	3.71
	10"	.	.	.	.	.	.	3.97	3.97
	10½"	.	.	.	.	.	.	4.18	4.18
	11"	.	.	.	.	.	.	4.39	4.39
	11½"	.	.	.	.	.	.	4.70	4.70
	12"	.	.	.	.	.	.	4.91	4.91

Considering the restricted availability of indigenous yarn, the price can be considered as reasonable. This price may also be approved along with the prices for imported material as detailed at p. 2 ante.

Total value of the indents available with us for the various hosiery items amounts to Rs. 8.60 crores, as per statement attached.

Sd. V. Subramaian
18-12-62

DDG (S)
DG
DFA
Depot & Supply

Sd. J. S. Mathur
18-12-62

Prices for Jersey with indigenous wool are slightly less than the Last Purchase price & those for Socks are the same as IPP.

For hosiery items with imported wool the prices are below the ceilings of the textile commn. The Small scale units have to depend on spinners for yarn unlike the large scale units and their prices are necessary higher. The difference is somewhat high in the case of underpants. In the case of Vests Winter the rates ar lower.

Sd. K. V. P. Rangarao
19-12-62

DFA/Min. for Supply

DFA wanted to know the estimated rates as also L.P.P. against the various items. The figure of Rs. 8.60 crores, as mentioned in the Directorate's Note, is the total estimated value of all the indents for hosiery items received by us so far. However, individual estimated rates item-wise are given below:

Jerseys	21.19	(Flat rates for all sizes)
Socks	4.91	-do-
Drawers	12.00	-do-
Vests Winter	8.45	-do-
Caps Comforter Kh.	2.56	-do-
Comforters Kh.	6.60	-do-
Caps Balaclava	8.20	-do-
Gloves	4.35	-do-
Hosetops	2.62	-do-
Putties	4.12	-do-

Rates for Underpants, Mufflers and Stockings have also been settled as indents for these items are likely to come later. For Putties, no rates could be settled as none of the units were interested in undertaking manufacture of this item.

As for L.P.P., the maximum price allowed was the ceiling price fixed by the Textile Commissioner for stores manufactured out of imported wool, and for Jerseys and Socks manufactured out of indigenous wool and nylon the L.P.P. has already been indicated.

Sd. V. Subramanian

20-12-62

DFA

In their note dated 28-11-62, dealing with the purchase of Woolen and Hosiery items, the STV Directorate had mentioned that prices for hosiery items applicable to small scale units would be finalised and put up separately for approval. This has now been done vide the foregoing note. It will be noticed from p. 2 ante that the prices fixed for small scale units based on imported wool are either the same or lower than the ceiling prices fixed by the Textile Commissioner. In a few cases like Under Pants, Drawers and Vests Winter, no ceiling prices have been fixed by the Textile Commissioner.

2. It will be noticed that the prices proposed for the small scale units are in all cases higher than the prices fixed for the large scale units except in the case of Vests Winter where the proposed rates are lower* by 7 to 16% than the rates fixed for large scale units. In the case of Jerseys, these prices are higher by about 7 to 8%, in the case of Socks 1 to 2.4%, Caps Comforters about 16%. In the case of Under Pants, these are higher from 19 to 36%. Normally, we allow upto 15% price preference for small scale units but as these are urgent operational demands and we have to take every available capacity, we may agree to the rates proposed on p. 2 and 4 ante.

(*These are lower because the large scale units will make out of 100% wool whereas the Small scale units will use partly wool & small percentage of cotton.)

3. It may also be pointed out that the rates now settled with the small scale units are generally lower than the estimated rates c.f.p. given by the indenter except in the case of Vests Winter (some sizes only), Caps Comforters and Hosetops where the estimated rates @ are lower than the rates settled with the small scale units.

@	Est. rates	Rate proposed
Vests	8.45	8.87 to 9.77
Caps Comf.	2.56	3.20
Hosetops	2.62	3.51 to 4.12

4. As the total value of the coverage will exceed Rs. 1 crore (the exact figure cannot be indicated at this stage but it will be about Rs. 8 crores†), FA and FM may kindly see for approval after the Minister for Supply has seen.

(†For full one year, of which coverage on small units will be about Rs. 6 crores and balance on large units.)

Ministry for Supply

F.A.

Sd./- F. C. DHAN,
 Dy. Fin. Adv.
 20/21-12-1962.

Sd./-
 22-12-1962.

I am not quite clear as to what is meant by "Considering the restricted availability of indigenous yarn, the price can be consider-

ed as reasonable." at 'A' on page 4. For these orders, are we going to give yarn at fixed price or are the manufacturers to procure yarn themselves? Are these prices fixed for a particular period? If so for what period? Are we going to revise these rates when we will be supplying yarn from the new quota.

The difference in price between the large scale and small scale industries is nearly Rs. 2. Is it because on account of extra excise duty they have to pay or because of 15 per cent price preference that can be given to them.

Sd./- J. L. HATHI,
23-12-1962.

D.G.S. & D.

This was discussed with the Minister for Supply this morning when the Minister for International Trade was also present. At present there is no price control on the yarn made out of indigenous wool and, therefore, no ceilings have been fixed by the Textile Commissioner for articles made out of indigenous wool. The Minister for International Trade felt that the time had come when prices for yarn from indigenous wool should also be controlled by the Textile Commissioner. Once this is done the T.C. will also fix up ceilings for finished hosiery articles made from such yarn. It is not possible at this stage to say what these ceilings would be. It was, therefore, decided that for the present we place orders only for requirements upto March' 1963, for hosiery articles made out of indigenous yarn at the prices now agreed upon with the Small Scale Industry. The prices would then be reviewed in the light of ceilings fixed by the Textiles Commissioner.

2. As regards hosiery articles made out of imported wool, though the prices are within the ceilings fixed by the Textiles Commissioner, it was considered that we should review these prices every three months. This would enable us to take note of any variations on account of fluctuation in the prices of wool in the international market.

3. The next question raised by the Minister for Supply is the question of differences in price between large scale and small scale Industries. This difference is not on account of any price preference. Small Scale Industry has to produce yarn from spinners and, therefore, the cost of yarn to them would include also the spinners' profit. In the case of large scale units, who spin their own

yarn for conversion into hosiery, the question of profit at the spinning stage does not arise. In addition, the small scale hosiery unit has to pay the freight on the movement of yarn from the spinning unit to the hosiery unit. This question does not obviously arise in the case of composite mills where the spinning and hosiery are located under the same roof. There is bound to be a certain amount of waste of yarn in the process of conversion into hosiery, which is upto 15 per cent. The large scale units would be in a position to recover this wastage and convert it into yarn whereas the small scale units do not have this facility. In view of all these factors, the price of the product from the small scale industry is bound to be higher than that from the large scale industry. The question may be asked why in such a case should we purchase from the small scale industry and why should we not restrict our purchases entirely to the large scale industry. The capacity of the large scale industry is only about 10 per cent of our total requirements. Therefore, we have to procure 90 per cent of our requirements from the small scale units.

Sd./- N. E. S. RAGHAVACHARI,

24-12-1962.

Minister for Supply.

D.G.S.&D. u.o. No. DG/9548-62 dated 24th December, 1962.

We should place order only for our requirements upto March, 1963. The prices for the further requirements can be fixed after the prices for year has been fixed by the Textile Commissioner.

Sd./- J. L. HATHI.

24-12-1962.

MINISTRY OF FINANCE (SUPPLY WING)

This deals with the purchase of Hosiery items from small scale units. Proposals for purchase of hosiery items from large scale units were approved by F.A. and F.M. *vide* copy of notes at slip 'B' below.

2. F.A. may kindly see my note on pages 5 to 7 *ante* and subsequent noting. The Minister of Supply has now approved the proposals to place orders for hosiery items on small scale units at the rates indicated on page 2 and 4 *ante* for 3 months in the first in-

stance. Future orders will be placed after reviewing the prices on a quarterly basis. It will be seen from para 2 of my note on page 6 *ante* that the prices which are proposed to be paid to the small scale units are higher than the prices fixed for large scale units. D.G. has explained the reasons why it is necessary to pay higher prices to small scale units *vide* para 3 of his note on page 8 *ante*. The reasons are that the small scale units have to obtain yarn from spinners and, therefore, the cost of yarn to them would also include the spinners' profit. In the case of large scale units, who spin their own yarn for conversion into hosiery, the question of profit at the spinning stage does not arise. In addition, the small scale units have to pay freight on the movement of yarn from the spinning unit to the hosiery unit. This does not arise in the case of composite mills where spinning and hosiery are located under the same roof. Another reason is that there is a certain amount of waste of yarn in the process of conversion into hosiery. The large scale units recover this wastage and convert it into yarn again, whereas the small scale units do not have this facility. Due to these factors, the prices of small scale units are higher than the large scale units. It is difficult for us to indicate to what extent each of these factors will affect prices without the actual cost examination. It may, perhaps, be worthwhile to undertake this cost examination in the case of one or two items with a view to see whether the small scale units are not charging undue profits. As will be seen from my note on page 6 *ante*, there are two items where the price differential is very high, namely, 16 per cent in the case of Caps Comforters and 19 to 36 per cent in the case of Under Pants. While we may provisionally agree to the rates proposed by D.G. for these two items, it may be desirable to ask our Cost Accounts Officer to go into the costing of these two items and fix the final prices after we know the result of the cost examination. As to other items such as Jerseys and Socks, the difference in prices is not very large and we may agree to the rates as proposed. We may also agree to the rates proposed for Drawers of different sizes, Comforters Khaki, Caps Balaclava, Gloves, Hosetops Khaki, Mufflers Navy Blue and Stockings mentioned on page 2 *ante*. For these items no prices have been fixed for large scale units and, therefore, no comparison is possible. The prices for these items are, however, the same as the ceiling fixed by the Textile Commissioner.

3. It may incidentally be pointed out that it is precisely for the reasons explained in para 3 of D.G.'s note on page 8 *ante* that we give some price preference to small scale units (not exceeding 15 per cent) as the cost of production of such units is generally higher

than the cost of production of large scale units for some reasons or the other such as excise duty, freight, wastage etc.

4. As the total value of the coverage will exceed Rupees One Crore, F.A. and F.M. may kindly see for approval.

Sd./- F. C. DHAUN,

28-12-1962.

The placement of order to cover three months requirement, estimated to cost Rs. 1.5 crores may be approved.

The question of future price structure has been raised by the Minister of Supply, as mentioned in the noting at pp. 7-9/n. As these are repetitive items, it would be useful to have all aspects of this problem thrashed out. We would suggest that this might be done well before the expiry of the three months period and an inter-departmental discussion arranged for this purpose.

F.M. may kindly approve.

Sd/- Illegible.

F.M.

29-12-62.

Sd./- Morarji Desai,

29-12-62.

Annexure III (to Appendix XV)

EXTRACTS TAKEN FROM FILE NO. DS(STV)/FABRIC/62.

In view of the large requirements of woollen clothing items on account of the present emergency, ways and means had to be found to determine the procedure of procurement. After initial discussions with the composite mills in the woollen industry, it was found that these large requirements of various woollen items could be procured only if we were allowed to import substantial quantities of wool tops and raw wool immediately during the ensuing months. This was particularly necessary as the quantum of licence issued to the woollen industry was gradually reduced from year to year and the present allocation of Rs. 5 crores in all for the year was very meagre.

The position was brought to the notice of the Ministry of Commerce and Industry, the controlling authority. The Minister for International Trade called for an immediate meeting of the members of the woollen industry and as a result of these deliberation, Shri I. B. Dutt of the Textile Commissioner's Office, was appointed as the Wool Controller, and four members from the industry constituted the Advisory Body. The wool Controller, assisted by the Advisers, had a series of discussions with all the members of the woollen industry including the combbers. After ascertaining the detailed views of the industry, the Working Group submitted their report to the Resources Committee. The approval of the Resources Committee to the import of the immediate requirements to the tune of Rs. 8 crores of wool tops and raw wool, has been conveyed to the Ministry of C&I who are arranging to issue necessary licences to a central body who has been nominated by the Ministry of C&I for import of the overall requirements. Out of Rs. 8 crores Rs. 2 crores will be adjusted against licences already issued to the woollen industry for use during the six months April—September, 1963, while fresh licences to the tune of Rs. 5.5 crores will be issued.

Further discussions were held on 24th and 25th Nov., 1962, with the members of the woollen industry by DGS&D to decide upon the type of material each unit will supply as also prices therefor. It was:

the intention to stabilise these prices for a period of one year. During these discussions, the units have given us firm figures of their total monthly capacity that will be available to Government as also quantities of the different items that they could manufacture from the existing allotment of foreign exchange as well as quantities that could further be supplied with assistance. A statement giving the details is attached. All these quantities are to be delivered between Jan. and Dec., 63, and a small quantity in December 62 also. The prices for the different materials that would be supplied during this period were also decided upon in consultation with the Ministry of Finance. These prices are exclusive of excise duty. The following are the details:

<i>Item</i>	<i>Made from Imported Wool per metre</i>	<i>Made from Indigenous wool and Nylon per metre</i>	<i>LPP</i>	
			<i>Imported</i>	<i>Indigenous</i>
I	2	3	4	5
Serge Battle dress	Rs. 23.00	Rs. 25.50 Rs. 25.00 in case of woollen weft.	Rs. 18.25 (per yd).	Rs. 25.00
Cloth Dram Mixt.	Rs. 23.25	Rs. 23.25	..	Rs. 22.00
Blankets Barrack	..	Rs. 29.00 Rs. 28.50 for Blankets made of 40% shoddy, 45% Indian wool and 15% Nylon	..	Rs. 27.00
Shirting Angola.	Rs. 5.10 for wool & cotton material on the woollen principle (30" width Rs. 10.20 for same as above but 60" width. Rs. 10 for wool	..	Rs. 5.10	..

1	2	3	4	5
Brestnea Blue Grey	Rs. 29.75	..	Rs. 26.00	..
Cloth Wn. Superfine	Rs. 20.20	..	Rs. 20.20	..
Cloth Flannel Silver Grey	Rs. 13.50 in the case of BIC units Rs. 14.50 in the case of O.C.M.	..	Rs. 14.50	..
Cloth Wn. Cell. Heavily raised	..	Rs. 15.40	..	Rs. 15.40
Cloth Wn. Brown	..	Rs. 17.50		Rs. 17.50
Cloth Blanket	..	Rs. 14.00	..	Rs. 13.25
Serge Blue Q. I.	Rs. 22.60		..	..
Serge Blue Q. II	Rs. 27.50	..	..	Rs. 17.50
Serge Blue Q. III	Rs. 17.50	(50% imported wool & 50% Indian wool)	..	
Serge Blue Grey	Rs. 20.60		Rs. 20.60	..
Bunting	..	Rs. 12.15		Rs. 12.15
Cloth Collar White	Rs. 30.00	..	Rs. 30.00	
Cloth All Wool Melton Finish.	Rs. 33.00		Rs. 33.00	

Note: While for majority of the items the prices fixed were near about the last purchase price, in some cases upward revisions was necessary in view of the conversion of prices from yard to metre, statutory increase in excise duty, increase in international wool prices and increase in the cost of living index.

In fixing the price for Blankets and Blanketing Cloth, the current trend of wool prices was kept in view in standardising the rate of Rs. 29.00 for Barrack Blankets and Rs. 28.50 for Shoddy Admixture Blankets.

Hosiery.

The following prices have been accepted by B.I.C. Units and Raymonds:

Item	Size	Imported	Indian wool and Nylon	L.P.P.	
				Imported	Indigenous
SO—10"	. . . .	3.11	3.46	3.25	3.97
CK—10½"	. . . .	3.32	3.67	3.43	4.18
S. 11"	. . . .	3.63	3.98	3.66	4.39
(Other sizes proportionate to weight)					
Jerseys	34"	14.75	16.75	16.10	18.55
	36"	15.35	17.35	16.93	19.77
	38"	16.40	18.40	17.76	20.91
	40"	17.00	19.00	18.59	..
sts	1	8.30		..	
Woollen.	2	8.60	..	..	..
	3	9.80	..	..	..
	4	10.00	..	..	..
Underpants	0	12.30	..	15.20	
Woollen	1	12.75		17.25	
	2	14.65		19.30	
	3	15.30		21.35	
Caps Comforter.		2.75	..	3.00	..

5. Messrs Panipat Wollen & General Mills, Kharar, feel that the prices fixed for the large scale sector are too low. Since they are a part of the large scale sector, we cannot possibly allow them rates higher than those for big units. In such a case we may decide not to place any orders with them for hosiery items.

The Ludhiana units, who are the main sources of supply for hosiery items, have always enjoyed higher prices as compared to the large scale sector in view of the fact that they obtain their yarn from the spinners whose charges will have to be added to the price of yarn; while the composite mills engaged in the supply of hosiery items have their own arrangements for combing and spinning. As such, a separate set of rates will have to be decided for Ludhiana units keeping in view the last price paid for qualities made out of both imported as well as indigenous and nylon admixture. Discussions with these units will be finalised on 1st December, 1962.

7. In the meantime, we will have to proceed with the placement of orders at the agreed rates with all the units who have offered

specific quantities of different varieties to the extent of indents available, with a reservation to place further orders during the next few months for supplies required by December, 1963. Most of the composite units have assured us that they have revised their pattern of production to maintain supplies of such qualities of fabrics as are required by Defence, out of stocks of raw material available with them. This will, to some extent, cover our immediate requirements in the next two months.

8. The Ministry of Supply may kindly approve of the above rates for the various items which will be applicable for all supplies made from now on till December, 1963, against fresh orders to be placed with the firms listed in the statements referred to earlier in this note, as well as new comers like Amritsar Power Loom Manufacturers Association.

O. The total value of coverage on the basis of indents on hand will be

For	fabrics	.	.	.	.	.	.	Rs. 14.63 crores.
	Blankets	.	.	.	.	.	.	Rs. 11.34 crores.
	Hosiery	.	.	.	.	.	.	Rs. 8.60 cores. *
TOTAL								Rs. 34.54 crores.

*Price for hosiery applicable to the small scale units at Ludhiana will be finalised at the meeting with the industry on 1-12-62 and separate proposals will be put up for coverage on them.

Sd/-

(V. SUBRAMANIAN),

28-11-62.

DDG (S) Sd/- J. S. Mathur,
 DG 29-11-62.
 DFA

Ministry of Supply.

To meet the large demand of the Defences Services for Woollen garments, we held negotiations with the representatives of the large scale industry. The prices finally agreed to are given in the note above. It will be observed that by and large the industry has agreed to supply material at the prices at which they are making current

supplies. They were, however, insistant on increases in respect of the following items:

- (i) Serge Battle Dress.
- (ii) Cloth Drab Mixture.
- (iii) Blankets Barrack.
- (iv) Bareathea Blue Grey.

In the case of Serge Battle Dress and Baratheia Blue Grey, the prices for materials from imported wool show a considerable increase but this is due to conversion of prices of yard to metre, statutory increase in excise duty on yard and increases in international wool prices.

In the case of Cloth Drab Mixture and Blankets Barrack, there has been an increase in the material made from indigenous wool, which is due to the current trend of wool prices in India. In regard to Blankets Barrack, the Industry felt that a price of Rs. 32|- was reasonable in view of the current prices of wool but after considerable persuasion, they agreed to accept Rs. 29 as against the current price of Rs. 27|-.

There is also a similar increase of 50 nP per metre for Serge from Indian Wool.

The prices agreed to for the hosiery items is very reasonable considering the previous prices.

The prices for hosiery fixed for large scale units will not apply to the small scale units as the cost of the latter is bound to be higher as they are dependent for yarn supply on spinners. We have had discussions with the representatives of the small scale units and a separate note is being put up. The above rates may be approved.

Sd|-

(N. E. S. RAGHAVACHARI),

5-12-1962.

D.F.A.

Minister for Supply.

I was associated in the discussions with the Woollen Industry when the question of prices was discussed and this is the best we could achieve. We may, therefore, agree to the rates for various items mentioned in the foregoing note.

As the value of the coverage will amount to about Rs. 34.54 crores, F.A. may also kindly see after the Minister for Supply has seen and approved.

Sd/- F. C. DHAUN,
5/12/62.
Dy. Fin. Adviser.

Dir. (STV).

Minister for Supply Sd/- (J. L. HATHI),

F. A. may now see.

Sd/-
(N. E. S. Raghavachari),
10/12/1962.

F.A.

DGS&D U.O. No. DG/8915/62, dt. 11/12/62.

Discussed with D.F.A. (Supply)—Shri Dhaun. On an enquiry by me as to what was the basic reason that the prices for certain articles were significantly higher than the last purchase price, he has clarified that the price of imported wool has gone up generally by about 10 per cent to 12 per cent during the last two months. Likewise there has been increase in the price of indigenous wool. The prices proposed to be accepted are stated to be the best which are obtainable as a result of negotiations. On the question of total commitment involved I had asked for a comparison between the indentors' estimate and the prices proposed to be paid on the basis of negotiations. Originally a commitment of Rs. 62.54 crores was envisaged. After checking the indents it now transpires that the total value of the orders will be only Rs. 34.54 crores against the indentors' estimate of Rs. 35.63 crores. Necessary corrections have been made in the noting at pp. 5-6/n. I would suggest that the commitments to be actually made should be re-scrutinised with reference to the actual indents.

In view of the value of the total commitment, F.M.'s approval is solicited.

Sd/-
(K. L. GHEI),
December 13, 1962.

F.M.

Sd/-
(Morarji Desai),
14/12.

APPENDIX XVI

(Vide para No. 3.65)

Extracts from file No. 4|2|65-66|Wool|IV Office of the Textile Commissioner, Bombay.

The sample sent by R.O. may be sent to the laboratory for a test. The test report apart from other things, should also indicate the count of yarn used as, in the report, the R.O. has found out the requirements of yarn subject to the condition that the count of yarn used is the correct one.

If the count of yarn is alright and if the sample is acceptable, it would appear that the actual requirements of yarn are lower than 12 ozs. estimated by the Hosiery Industry Federation. We should, therefore, after the report of the test sample, take up with the Hosiery Industry Federation and seek a full justification of their estimates of 12 ozs. of yarn per underpant.

If this is not justified, then we should ask the Hosiery Industry Federation and the various allottees to account for the excess yarn already released to them. If the yarn has been utilised for purposes other than for defence, we should ask them to return the same so that it could be utilised for the present Government orders or if the yarn is not available with them, their quota of yarn against actual users raw materials should be adjusted under the distribution scheme.

Sd/- R. G. Zalani,
Director,
20-5-1966.

Sd/- B. V. Vora,
21-5-1966.

APPENDIX XVII

(Vide para No. 3.75)

EXPRESS

Copy of Letter No. S|5535|TC-12 dated 29 Jan. 63 from CIT & C
Addressed to DRD (G)|TD-8

For attention Shri PS NADKARNI

SUBJECT:—WOOL TOPS.

Reference DPO letter No. 93896|TD-8(a), dated 28 Jan. 63.

There will be no objection in permitting the use of 56s, 64s & 70s quality wool tops for the manufacture of Vest Winter, Underpants & Drawers Short. In this connection it should however, be noted that the counts of yarn required for the manufacture of all these three items is single 22s and entire quantity should, therefore, be spun in 22s count and there is no need to spun 25 per cent of wool tops to 2|16s counts as mentioned in para 3 of Shri Zalani's D.O. letter.

2. The 2|16s worsted count was required when the underpants were made from 100 per cent wool. Now that we have introduced into Service underpants interplaited with cotton yarn, the need for 2|16s count does not exist.

3. It is agreed that the demands for Caps Balaclava is very small and the quality of wool specified is 56s but since superior quality wools are available and they are required to be utilised in the best possible way, we would suggest that the total quantity of Caps Balaclava required, be produced from 70s quality wool and not from 56s quality which can better be utilised for the manufacture of Vest Winter and Underpants Woollen. The counts of yarn required for Caps Balaclava Snow is 2|10s worsted. The balance quantity of 70s tops could then be utilised for the other three stores mentioned above.

4. The above stores made from superior quality wool would definitely be better than the present ones and we do not consider it necessary to have the samples prepared for our approval. We could straightaway agree to this proposal, even without examining the samples as suggested by Shri Zalani.

Sd/- DSS

for Chief Inspector

(B. D. NAITHANI)

APPENDIX XVIII
(*Vide para No. 3.78*)

B. D. Kumar
Deputy Secretary

D.O. No. PII|16(7)|62-IV
Government of India,
Department of Supply,
New Delhi-1 dated 28th October, 1963.

My dear Subrahmanyam,

In continuation of my letter of even No. dated 23-10-1963 wherein I stated that the Department of Supply have no objection to the release of certain quantities of wool imported for manufacture of Serge Battle Dress and Cloth Brown. In this connection, I send herewith a copy of the record note of the discussions held on 17th October, 1963, in the room of Shri S. Bhoothalingam. I, however, gave the gist of these discussions verbally on the 17th instt., and in my note of the same date of which I handed over to you a copy on the 18th.

I shall be grateful if you will kindly initiate action to investigate the possibility of export of woollen material as well as wool tops and let us know the results of the investigation at an early date.

With kind regards.

Yours sincerely,
Sd/- B. D. Kumar.

Shri A. G. V. Subrahmanyam,
Under Secretary,
Ministry of International Trade,
New Delhi.

APPENDIX XIX

(Vide para No. 3.115)

Surplus stock of 56s Wool/Wool Tops allocated to following Mills for civilian consumption out of Imports under special Ad hoc Licence 1962-63.

	Lbs.
	Tops.
1. Gokalchand Rattanchand	27,561
2. Mahavir Woollen Mills	11,370
3. Padam Das & Co.	13,797
4. Star Woollen Mills	23,711
5. G.M. Worsted Spg.	11,183
6. Bengal National Textiles	8,970
7. Oswal Woollen Mills	38,135
8. Oswal Cotton Spg. & Wvg. Mills	45,765
9. Dhruva Woollen Mills	7,954
10. Supreme Woollen Mills	18,166
11. Nagpal Woollen Mills	6,593
12. Bombay Woollen Mills	7,203
13. International Woollen Mills	11,928
14. Pearl Woollen Mills	10,164
15. Central Woollen Mills	10,340
16. India Woollen Textile	5,934
17. Model Woollen Mills	1,00,123
18. Bombay Fine Worsted Spg.	17,927
19. Bharat Woollen Mills Ltd.	18,328
20. Ahmed Woollen Mills	14,753
21. Lal Woollen & Silk Mills	6,822
22. Raymond Woollen Mills	36,099
23. Shree Digvijaya Woollen Mills	11,911
24. Kapur Spg., Mills	1,360
25. S. P. Worsted	2,539
26. Punjab Woollen Textile	7,875
27. Panipat Woollen & Gen. Mills	1,652
28. Oriental Carpet Mfrs.	15,382
29. Amritsar Rayon & Silk Mills	270

APPENDIX XX

(Vide para No. 3.128)

DELHI SPECIAL POLICE ESTABLISHMENT BOMBAY Branch PRELIMINARY ENQUIRY

REGISTRATION REPORT

P.E. No. 86/65

Dated and Time of Report 10-9-1965.

Place of occurrence with State **Bombay, Maharashtra State**

Date & Time of Occurrence **1962-63**

**Name of complainant or informant Source Information.
with address**

Suspected Offence **Giving pecuniary advantage to
Mills**

Name and address of the accused. (1) **Some officials of the office
of the Textile Commission-
er, Bombay and D.G.S.&D.
New Delhi.**

(2)

(3)

Action taken *Taken for enquiry*

**Investigating Officer L. V. Kelkar, Dy. Supdt. of Police S.P.E.
Bombay**

INFORMATION

**Information is received regarding the abuse of official position
by the officials of the Textile Commissioner, Bombay and of the**

DGS&D, New Delhi, in the matter of release of foreign exchange of Rs. 8 crores for the import of raw material such as wool, dyes required for the production of Defence clothing during the emergency of 1962-1963, and thereby giving pecuniary advantage to the mills of their choice. The following are the allegations:

1. A foreign exchange of Rs. 8 crores for the import of raw material for the production of Defence clothing during the emergency was released when in fact most of the goods could be produced out of Indian wool as is being done now.
2. The Wool Adviser and certain Mill Owners went abroad for the purchase of the goods and paid fabulous prices for the same.
3. Certain goods imported by them could not be used for Defence purposes and had to be released to the industries for Civil use causing a big loss of foreign exchange spent on these materials.
4. Certain quantities of "56's and 48's quality wool tops and raw wool imported was distributed to only few units and the goods produced out of these tops have been allowed to be sold in the open market.
5. Imports of raw material have been allowed on new Woollen bundles to one concern in Amritsar when it was against the rules framed by the Government.

Sd/- L. V. Kelkar,
Deputy Supdt. of Police,
CBI SPE BOMBAY.

APPENDIX XXI

(Vide para No. 3.170)

CONFIDENTIAL

D.O. No. 1|7|65-Wool|Vol.I.IV

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

J. INNOCENT

DEPUTY TEXTILE COMMISSIONER

Post Bag No. 10004

Bombay-1, 10th June 1966.

My dear Subramaniam,

Please refer to your D.O. No. 20 (57) |TEX (E) |65 dated 20th April, 1966 regarding allocation of raw materials worth Rs. 10 lakhs for production of hair belting yarn. I am enclosing herewith copies of our relevant notings on the subject, which are self-explanatory, for perusal. I would, therefore, request you to obtain Ministry's clearance for the proposal formulated in the discussions which the Addl. Textile Commissioner had with the Joint Textile Commissioner, Industrial Adviser and the undersigned and approved by the Textile Commissioner. An early decision from the Ministry is required as the writ petition is likely to come up for hearing in mid-July when the High Court re-opens after summer vacation at Chandigarh.

With kind regards,

Yours sincerely,

Sd. J. Innocent.

Encls: Five.

Shri A. G. V. Subramaniam,

Under Secretary,

Ministry of Commerce, Udyog Bhavan,

New Delhi.

**Extracts of noting from File No. 1|7|66-Wool|Vol.IV of the Textile
Commissioner, Bombay**

"It would be observed from the above notings of T.I. (K) that only Flyer Worsted Spindles are suitable for spinning Devon wool tops imported by the Federation. We had allotted the entire ceiling for hair belting for Oct. 64/Sept. 65 period to M/s. Jayashree Textile & Industries and M/s. Kabir Woollen Mills. Now eight other mills have applied for allotment of hair belting tops. The details of Flyer Worsted Spindles installed by the mills were called for from the Economic Branch and the same have been placed below at F/A. It would be observed from the list that only following mills are eligible for allocation of hairbelting tops, if the above basis is approved:—

Name of the Mills	No. of Flyer spindles
1. M/s. Jayashree Textiles & Industries	412
2. M/s. Model Woollen Mills	832
3. M/s. Bombay Woollen Mills	488
4. M/s. Shri Dinesh Mills	800
5. M/s. Prabhat Woollen Mills	540
6. M/s. International Woollen Mills	360

In this connection D.O. No. 20(57)|Tex(E)|65 dated 20th April, 1966 from US (AGVS) at F|B may kindly be seen. The allotment of hair belting tops is to be made subject to (i) the mills' technical copacity to produce hair belting yarn, (ii) the mills' obtaining certificate of acceptance of quality of yarn from Indigenous Belting Industries Association, Calcutta and (iii) The tops are to be allotted in proportion to the mills' capacity for production of such yarn.

We have already written to the Ministry vide letter dated 11th May, 1966 at F|C whether the quota may be denied to M|S Kabir Woollen in view of report about the bad quality of yarn as also in the light of pending court cases. We have so far not received any reply. In view of this, and the fact that they do not possess flyer spindles, it is for consideration whether M/S Kabir Woollen Mills

are also to be considered for allocation of these tops and if so, on what basis.

For orders please.

A.D. (D) may please see in the first instance.

RY. TX. C.

Sd. L.A. Sahasrabudhe.

J. TX. C.

28-5-66

As per above only a total of 3432 spindles are technically suited for the manufacture of Hair Belting Tops (Devon tops) imported by the Federation. As per Ministry's letter we may distribute the available raw material pro-rata on per spindle basis. However, the Ministry desires that we should first direct the concerned spinning mills to obtain a certificate from the Calcutta Asscn. regarding the suitability of belting yarn produced by them. Such a certificate can be possible only after the mills have raw material for production of sample yarn. This means that we may have to give some raw material say 50 lbs. to each unit for submission to Calcutta Asscn. for certification of the quality.

Further out of the above named units M|s. Jayshree are registered exclusively for the manufacture of belting yarn for their 240 spindles. For these spindles they do not get any A.U. quota (except for belting yarn) while the spindles of the other mills mentioned above are getting regular A.U. quota also. Obviously necessary adjustment in this context would be necessary.

Submitted please.

Dy.Tx.C.(I)

D. N. Dixit,

J.Tx.C.

30-5.

The following points need clarification:

1. In the past raw materials for Hair Belting Yarn have been allotted to M|s Kabir Woollen Mills. The basis on which this allotment was made should please be clarified. In particular it should be clarified how raw materials were given to them when the present noting suggests that they did not have the requisite number of spindles.

2. In the past raw materials were being given to M|s Jayashree Textiles & Industries and Kabir Woollen Mills when a number of other units also had the capacity to utilise the raw materials. The circumstances under which the raw materials could not be given to them may please be clarified.

3. It is pointed out that M/s. Jayashree Textile & Industries have their spindles registered exclusively for producing hair belting yarn. It should please be confirmed that they are not utilising their spindles for any other purpose.

4. Please also confirm that for the other units including M/s. Kabir Woollen Mills and new applicants the allocation of other raw materials was being made without taking into account the number of Flyer Worsted Spindles installed by them.

5. The Ministry has now suggested the concerned Mills obtaining a certificate of acceptance of the quality of yarn from the Indigenous Belting Industries Association. I would like to know since when this procedure is in vogue. Rather than leaving the pronouncement on quality to an association of belting manufacturers, can we not consider some other independent body which can better decide this issue? In any case is it not possible for our staff to test the yarn produced and give necessary verdict?

Sd/- Dy.Tx.C.(I)

31-5-66.

AD(DND)

The clarifications are as under:

(1) M/s Jayashree, Calcutta were the only unit getting raw material quota for the manufacture of hair belting yarn upto the year 1963-64 except for some small value allocations to other units for experimental purposes during the years 1960-61 and 1961-62. We were keen to break this monopoly and there were requests from Calcutta Asscn. for having more than one source of supply. Consequently we were trying to explore the possibility of alternate supplies. In the year 1964-65 we allocated to M/s. Kabir about Rs. 5.16 lakh worth of raw material for the manufacture of hair belting yarn. The basis for allocations to Kabir appears to have been their persistent demand in the background of our keenness to have another source of supply beside Jayshree. Hair Belting yarn is manufactured on worsted system. Kabirs have 1820 worsted spindles. What appears to have been suggested in the Tech. Inv.'s report is that Flyer spindles are technically better suited for the manufacture for belting yarn.

(2) When the raw material ceiling for wool was available in good amount the worsted units in general were not keen for the prodn. of belting yarn. They then concentrated on general worsted spng. It appears that the decision to allocate raw materials only to Jayshree and Kabir (during 1964-65) was taken perhaps because

only these two units might have been particularly keen for manufacturing belting yarn. As stated at (1) above Jayshree were already getting belting top quota since beginning and Kabirs were included later.

(3) Jayshree have 1036 worsted spindles. Out of which we do not allocate general A.U. raw material quota for 240 spindles which evidently are supposed to be worked on belting tops. There is however nothing to debar Jayshree from working their 1036 spindles (including 240—above) for the prodn. of any type of worsted yarn.

(4) It is confirmed that in the past the factor whether the allottee had Flyer spindles or not has not been taken into consideration while allocating belting tops. This time this factor is being taken into consideration perhaps because of the Ministry's letter (F|B) in response to our letter (F./X.).

(5) The onus to decide suitability or otherwise of the yarn has so far rested with the Calcutta Asscn. perhaps from the beginning. Initially we did not demand such certificate regarding quality from Jayshree. We sought the opinion of the Asscn. perhaps only during 1964-65. This was perhaps because the constituents of the Asscn. were the users and their satisfaction was apparently considered as the adequate standard of suitability of the yarn supplied. This procedure assumed importance only when more than one belting yarn manfs. came into the commercial field. Our staff would not be able to adjudge the quality of the yarn as we do not have necessary testing equipment. I am not sure as to whether the Defence Laboratory, Kanpur, would be in a position to take up this work on a regular footing. Further, Alipur Test House at Calcutta could perhaps be another place for testing. Nevertheless, it would be a matter for consideration as to how the Calcutta Asscn. would react to their losing a say regarding quality of yarn which they have rightly or wrongly enjoyed so far. However, Mty. in their letter (F|B) have desired the mills to obtain a quality certificate from the Calcutta Asscn.

Submitted for consideration.

Sd. D. N. Dixit,
1-6-66,

Sd. L. A. Sahasrabudhe.

A.D.(S) may pl. see for facts before the file goes to Dy.Tx.C.(I)

Dy.Tx.C. directed that the papers connected with the delivery position of hair belting yarn by M|s Kabir Woollen may be flagged.

Accordingly papers at pages 365|366 and 394|395 of correspondence and notings on pages 54 to 60|N of the linked file No. 1|7|Vol.III may pl. be seen.

Sd. L. A. Sahasrabudhe.
2-6-66.

We may discuss.

Sd/- Dy.Tx.C.(I)
3-6-66.

J. Tx. C.

The Joint Textile Commissioner, Industrial Adviser and the undersigned discussed the question of allocation of raw materials worth Rs. 10 lakhs for the production of hair belting yarn between the various units with the A.Tx.C. The following decisions were accordingly arrived at:

(1) According to the T.(I)'s noting (p. 16|N), flyer type of spindles are suitable for the manufacture of hair belting yarn from wool tops which have long fibre length; it may be possible to spin the same on ring spindles but the fibre is likely to get entangled in the rings of the ring frame. I.A., however, pointed out that according to the Tariff Commission's report, for the manufacture of hair belting yarn the units should have necessary conditioning equipment. He, therefore, felt that what constitutes technical capacity needed further investigation.

(2) As regards new claimants it was decided that they should be given small quantities only for trial production after their technical capacity has been found suitable for the purpose. In the past raw material worth about Rs. 10,000 were being given to units for trial production. We may, therefore, reserve only Rs. 1 lakh for the purpose of allotment to new claimants for trial production. It was also decided that raw material allocation for trial production should be given on the clear understanding that there is no commitment on the part of the Textile Commissioner for bulk allocation in future if the new claimants succeed in the production of the desired quality of yarn.

(3) The question of the technical capacity of the present bulk users, namely, M|s Jayshree Textile and M|s Kabir Woollen Mills was also considered. We have given bulk allocation of raw material worth about Rs. 5 lakhs to M|s Kabir Woollen Mills in the year 1964-65. In the light of the writ petition it would appear awkward if we now take the stand that M|s Kabir Woollen Mills do not have the required technical capacity only on the basis of the position that they do not have flyer spindles. Besides, what constitutes technical capacity has still to be gone into and decided. This, however, will take time. In view of the Federation's representa-

tion that their finances are locked up and that the raw material is likely to deteriorate if not distributed before the monsoon and also in view of the reply given by the undersigned to the query by the Hon'ble Judge during the hearing of the writ petition that we will be deciding the issue in a month's time, it was decided that we may allocate Rs. 9 lakhs worth of raw materials in equal shares between M/s Jayshree Textiles and M/s Kabir Woollen Mills subject to any subsequent adjustment to avoid the same spindle getting double quota, i.e., hair belting top and ordinary A.U. quota. Also if any balance out of the Rs. 1 lakh reserved for trial production by other units is left out, the same will be divided equally between M/s Jayshree Textiles and M/s Kabir Woollen Mills.

(4) As regards the direction that the allocation should be subject to the mills obtaining a certificate from the Indigenous Belting Industries Association, Calcutta, regarding quality of hair belting yarn produced by them, *vide* U.S. (AGVS) D.O. at F/B (p. 76/C), A.Tx.C. felt that it was not a sound arrangement that quality of the yarn produced should be judged by this Association. He felt that current allocation may be made without insisting on quality certificate but we should stipulate that whoever receives allocation from the Rs. 10 lakhs whether for trial production or bulk production should prior to the allocation agree to get the yarn produced tested for its quality and suitability in a government laboratory. A.Tx.C. directed that we may decide upon the laboratory where the testing can be undertaken in consultation with D.G.S.&D. Defence authorities. A.Tx.C. also desired that IA. may finalise the specifications for testing. Samples should of course be drawn by our staff from actual production by the random method for testing.

(5) We may communicate our proposals on the above lines to the Ministry for clearance.

I.A.

J.Tx.C.

A.Tx.C.

Tx.C.

Sd/- Dy.Tx.C.(I),
4-6-66.

Sd/- I. B. Dutt
4-6-66.

Sd/- B. V. Vora,
4-6-66.

Sd/- P. J. Fernandes,
4-6-66.

Sd/- R. Doraiswamy,
7-6-66.

Copies of Notes in the Ministry of Commerce

Serial No. (20)

Please examine them on earlier papers.

Sd./- A. G. V. Subrahmaniam
15-6-1966

In our communication at page 34/c, the Txc. was directed to distribute the raw materials for Rs. 10 lakhs for production of hair belting yarn to such units subject to the condition that they have the technical capacity for the manufacture of hair belting yarn and obtain a certificate from the Indigenous Belting Industries Association Calcutta regarding the quality produced by them. This case was examine in meeting between Jt. Txc., Dy. Txc. and the Industrial Adviser and they were of the view that the present arrangement will not prove effective. It has been suggested that the current allocation may be made without insisting on quality certificate subject to the condition that whoever receives allocation out of Rs. 10 lakhs whether for trial production or bulk production, should prior to allocation agree to get the yarn produced tested for its quality and suitability in a Govt. laboratory where the testing can be undertaken in consultation with DGS&D/Defence authorities. The Textile Commissioner has asked early clearance on the above suggestion.

It'd.

20-6

This relates to the allocation of raw wool quota for manufacture of hair belting yarn, for which Rs. 10 lakhs have been earmarked. The Indian Woollen Mills Federation has already imported the wool and are now awaiting release orders. In the note at pp. 7-8/ante, it had been decided that this may be allotted to the various mills subject to their technical capacity for manufacture of hair belting yarn. This was to be subject to their obtaining a certificate from the Indigenous Belting Industries Association regarding the quality of hair belting yarn produced by them. We had also decided that the tops may be allocated to the units which are found to be technically fit in proportion to their capacity for production of such yarn.

2. The question of allocation of raw material among the various claimants has been considered by the Tx. C in the light of our deci-

sion referred to above. According to the Tx. C., it has not possible yet to define exactly what constitutes technical capacity for purposes of determining which of the units should receive allocations. There are a large number of claimants for allocations. Among them are M/s Jayashree Textiles who have been getting allocations in the past. In 1964-65, M/s Kabir Woollen Mills were also allotted a quota of Rs. 5 lakhs and odd for hair belting yarn. Whereas Jayashree Textiles have been manufacturing such yarn in the past and their quality of production has been satisfactory, the Indigenous Belting Manufacturers Association have stated that 'some supplies from Kabir Woollen Mills are not conforming to approved samples'. Tx. C. is, however, of the view that having made a bulk allocation to this mill in 1964-65, it would now be awkward to deny them a quotation considerations of technical capacity—a term which is yet to be properly defined after investigations. This is particularly so in view of the pending writ petition filed by Kabir Woollen Mills, on which a settlement out-of-court has been found to be desirable. The following recommendations have been made by the Tx. C.:

- (1) What constitutes technical capacity of a unit for manufacturing hair belting yarn should be further investigated;
- (2) Out of the total provision of Rs. 10 lakhs, a sum of Rs. 9 lakhs may be apportioned equally between M/s Jayashree Textiles and M/s Kabir Woollen Mills;
- (3) The balance Rs. 1 lakh may be reserved for distribution among other claimants clamouring for a quota. These claimants will be given small quantities for trial production after their technical capacity has been found suitable for the purpose. Allocations will be on the clear understanding that there will be no commitment on the part of Govt. to make bulk allocations in future even if the new claimants succeed in producing yarn of desired quality.
- (4) All allottees should, prior to the allocation, agree to get the yarn produced by them tested in a Govt. laboratory.

2. We may agree with Tx. C.'s recommendations fully. The one departure from our earlier decision, *vide* p. 7-8/n relates to certification of quality of yarn by the Indigenous Belting Manufacturers Association. Tx. C. feels that this is not a sound arrangement. We need have no objection to this being substituted by a laboratory test, the exact laboratory being decided in consultation with DGS&D/Defence authorities. Since the belting industry is under the DGTD,

we may suggest that they may also be associated in drawing up the required specifications for hair belting yarn and for testing.

US (AGV)

Sd/- A. G. V. Subramaniam,
25-6-1966

JS (AVV)

The not from p. 11 ante may please be seen. We may accept Texc's proposals. C.M. may please see for approval.

Sd/- A. V. Venkateswaran,
29-6-1966.

C.M.

Sd/- Manubai Shah.
29-6-66

U.S. (AGV'S)

Please issue letter below.

Sd/- A. G. V. Subrahmaniam,
30-6-1966.

Issue Sl. No. (21) p. 43/C
(Extract from File No. 20(57) Tex(E)/65).

APPENDIX XXII

(Vide para No. 3.177)

Copies of Notes in Textile Commission's office

The U.O. of Assistant Legal Adviser, Bombay, dated 3/3/67 and US (AGVS)'s D.O. dated 28-2-1967 placed below be kindly seen. Originally a ceiling of Rs. 15 lakhs was kept in reserve for allocation for Hair Belting Yarn production during the Licensing Yarn 1966-67. Subsequently a ceiling of Rs. 25 lakhs has been pooled for Hair Belting, Belt and Machine Cloth. We can take it that total allocations to hair belting would not be below Rs. 15 lakhs for the current year. While regarding 1965-66 raw material imported by the Federation, CLB may be asked to move the Court, in the meantime, we may allocate a portion of Rs. 5 lakhs for hair belting yarn manufacture.

In the previous year out of above Rs. 10 lakhs worth of raw material M/s. Jayshree Textiles and M/s. Kabir Woollen Mills were allocated Rs. 4.50 lakhs (each) worth of raw materials with Ministry's approval. In case it is approved to allocate Rs. 7.5 lakhs straightway perhaps the same can be equally given to the two units. We can distribute the rest after getting Courts decision because that would indicate as to how far the claims of others would appear justified.

Submitted for approval please.

Sd/- D. N. Dikshit,
Deputy Director,
4/3/67.

I agree. In view of the legal opinion, we may release the allocation of raw wool for hair-belting yarn. For the present we may release 50 per cent of the allocation of 15 lacs as proposed above by DD(D) and inform the Ministry accordingly with reference to their recent letter.

Sd/- B. V. Vora,
Joint Textile Commissioner
4/3/67.

Dy. Tx. C. (I) should also see.

Sd/- R. Doraiswamy,
Textile Commissioner.
4/3/67.

We may also make it clear that the allocations are tentative and final allocations of the year 1966-67 will be decided later.

Sd/- J. Innocent,
Deputy Textile Commissioner,
4/3/67.

Sd/- B. V. Vora,
Joint Textile Commissioner.

Sd/- D. N. Dikshit,
Deputy Director (Wool)
4/3/67.

APPENDIX XXIII

(Vide para No. 3.180)

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

Revolving Pool of Raw Wool for Export Purposes Detailed Scheme of Operations

1. The State Trading Corporation should, in consultation with the textile Commissioner and exporting interests, decide on the types and qualities of wool that should be imported during each quarter and also the quantity under each of these specifications. This should be done well in advance of the beginning of the quarter. For instance, in respect of wool which is expected in October, the specifications should be decided upon by the end of July at the latest.

2. The specifications and the quantity in respect of each of these varieties should be intimated to Mr. H. F. Judge, Second Secretary in the Australian High Commission in Delhi. Mr. Judge will transmit this to his Government who will make arrangements for purchase of the wool and consign it to the State Trading Corporation. The shipping documents will all be drawn in favour of the State Trading Corporation.

3. After clearance of the consignments, the State Trading Corporation will credit to a special account in the Special Development Fund of the Government of India an amount of Indian rupees, equivalent to the c.i.f. value of the consignment as and when each consignment is collected. Intimation of this should be sent to the Ministry of Finance (Economic Affairs Deptt.) Ministry of Commerce and the Australian High Commission in New Delhi.

4. The State Trading Corporation will arrange for the storage of the wool under proper conditions. They will also take into account the consumption pattern so that a part of the wool could be stocked in Calcutta, Bombay and Punjab near the coming units as well as the consuming units. The actual stocks to be held in each of the cities may be determined from time to time in the light of the experience gained. It may also be advantageous to the State Trading Cor-

poration to have a portion of the raw wool combed into tops and kept ready in stock so that it could be used straightway and thus save time in manufacture.

5. The State Trading Corporation will fix the price every week based upon International CIF prices plus clearing charges and other costs of warehousing, insurance etc., and this will be announced to the manufacturers at the beginning of each week. This would ensure that manufacturers-exporters know exactly the amount payable by them at the time of purchasing the raw wool from the pool. It will also help them to make calculations in regard to the price at which they can sell the finished products having due regard to the raw wool prices. Over a period, the average price should work out without any loss to the revolving pool.

6. The State Trading Corporation's overhead charges, storage and warehousing charges etc., should be kept down to the minimum.

7. Manufacturer-exporters who wish to take advantage of the revolving pool should apply to the Textile Commissioner for the release of wool. Each application should be backed for an Irrevocable Letter of Credit, confirmed contracts, specifications of goods, quantity and types of wool required for manufacture of the goods covered by the contract and also an undertaking that the wool, if released will be used only for fulfilling the export order and no part of it will be diverted for domestic consumption.

8. The Textile Commissioner, after scrutinising the documents, will forward them to the State Trading Corporation within three working days with an endorsement for issue of a specified quantity of wool with specifications in regard to quality. If the Textile Commissioner is not satisfied in any particular case on verification of documents that it will be risky to release raw wool from the pool or if he wants additional information he should write to the manufacturer-exporter within three days.

9. At the time of making the application every manufacturer-exporter should give an undertaking in writing that he will surrender his export promotion entitlements in favour of the State Trading Corporation. He will also undertake that in case of any default the quantity of raw wool issued from the pool could be adjusted against his future entitlements or his 'actual user' quota.

10. In the case of manufacturer-exporters who are not themselves spinners or composite mills, application for release of wool from the pool should be backed by a written undertaking from either a spin-

ner or a composite mill who will stand as surety and will undertake that in case of default an equal quantity of wool may be adjusted against their own future entitlements or 'actual user' quota or the value may be adjusted against their AU Licences, if any. This will ensure that hosiery manufacturers and small scale weaving units which do not have any actual user quota themselves can also take advantage of the revolving pool scheme. At the same time, this will safeguard the interests of the pool in regard to recoupment.

11. The Textile Commissioner while recommending the release of wool will satisfy himself that the quantity authorised to be released is not in excess of the actual requirements for fulfilling the export orders. The quantity of wool to be released will either be actual requirements to fulfill the export order or for a value equal to 65% of the likely f.o.b. realisation on the contract whichever is less. In the case of contracts for export to countries with which there are rupee payment arrangements, the release will not exceed 40% of the likely f.o.b. realisation. This is subject to revision if there is any change in regard to revalidation.

12. The State Trading Corporation will collect from each manufacturer-exporter the value of the raw wool at the price fixed for the week. The value should be applicable with reference to the date on which the application is received in the State Trading Corporation's Office.

13. At the time of release, every manufacturer-exporter who draws wool from the pool should surrender his entitlement licences for a value equal to the price paid for the raw wool.

14. The Textile Commissioner should be informed immediately after the release has been made so that he could enter each such transactions in a register and watch recovery at the time of issue of entitlement licences. This will also enable the Textile Commissioner to watch receipt of payment against exports in these cases. Every manufacturer-exporter who has been released wool from the revolving pool will indicate in his application for issue of entitlement licences, the quantity of wool which has been released to him and the price paid therefor. He will also indicate whether after meeting his liability to the State Trading Corporation he would like to utilise the balance of his entitlement for any further release from revolving pool or whether he would like the balance to be issued to him separately for making his own arrangements for the import of either raw wool or machinery etc.

15. If the party wants the entire entitlement licence to be utilised for wool, the Textile Commissioner will issue an Essentiality Certi-

ificate in favour of the State Trading Corporation for the full value due and inform the State Trading Corporation of the amount for which balance of wool could be released to the manufacturer-exporter out of this entitlement. If the manufacturer-exporter wants to use a part of the entitlement himself, two essentiality certificates may be issued—one in favour of the State Trading Corporation for the value of the wool released to the manufacturer-exporter from the pool and another essentiality certificate in favour of the manufacturer-exporter for the balance out of the total entitlements. In other words, it is open to the manufacturer-exporter to encash his entitlements by getting wool from the pool or use a part of it himself. In case of the exports to the East European countries, the encashment limit will be restricted to 40% of the f.o.b. realisation.

16. As it will be difficult for an exporter to replace on equal quantity of the quality and grade of wool, it is not necessary to insist on this condition. However, immediately a release is made to a manufacturer-exporter and money is collected from him, the State Trading Corporation might usefully place an order for the same quantity on suppliers at the same price. In other words, they would cover their forward requirements as in hedge transactions. This, however, does not preclude the State Trading Corporation from buying other types of wool, if found necessary.

17. The State Trading Corporation will maintain a ledger account for each manufacturer-exporter who has been given release of raw wool to ensure that adjustments are watched properly.

18. According to the Schedule given to the Australian Govt. the first eleven consignments spread over eleven quarters will be without payment of foreign exchange. From the sixth quarter onwards, a part of the wool to be obtained for the raw wool pool will be on payment of foreign exchange. If the total requirements during the sixth quarter are of the order of 700,000 lbs. payment in foreign exchange will have to be made in respect of 300,000 lbs; the balance of 400,000 lbs. will be without payment of foreign exchange under the arrangements with the Australians.

19. Once the quantity of four million lbs. is reached the raw wool pool will be operated completely on payment of foreign exchange for import of wool.

20. Reports on the working of the scheme will be furnished to the Australian High Commission every six months.

APPENDIX XXIV

(Vide para No. 4.29)

COMMONWEALTH
SYNTHETICS

INDUSTRIAL AREA-A,
LUDHIANA.

The 13th May, 1967.

Shri A. G. V. Subrahmaniam,
Under Secretary to the Government of India,
Ministry of Commerce,
Udyog Bhavan,
New Delhi.

SUBJECT:—*Import of Nylon tow under barter against export of Manganese Ore.*

Dear Sir,

We hereby acknowledge the receipt of your letter dated 12th April 1967 on the above noted subject and in reply we have to submit that the information called by your goodself is given below:—

1. Quantity of Tow imported: 3,20,675.092 Kg.
2. Value of the Tow including Rs. 16,69,246.96 S.T.C's Commissions Rs. 59,41,923.80 paise.
3. Quantity of Nylon Tops manufactured out of the above tow 3,05,791.09.
4. The details of the deliveries made by us to different woollen mills are as per separate sheets enclosed herewith against permits issued from the office of the Textile Commissioner and other list of deliveries made after lifting the control on Nylon Tops by the office of the Textile Commissioner, Bombay.

On going through the delivery sheets, you will observe that the entire quantity has been delivered by us to different woollen Mills and major quantity at the rate of Rs. 17.94 per Kg. This resulted us a heavy loss in this transaction while the S.T.C. earned a handsome profit of Rs. 16,69,246.94 without any investment by them. Besides the S.T.C. earned more funds from other converters.

We have delivered the entire quantity of tops manufactured by us out of the tow allotted under the barter system through S.T.C. in 1963 and 1964.

Hoping that the above information asked by your goodself in your letter of 12th April, 1967 will be of your entire satisfaction.

Thanking you in the meanwhile,

Yours faithfully,

for Commonwealth Synthetics,

Sd./-Director.

Encl: as above (sheets).

Annexure to Appendix XXIV

STATEMENT OF DELIVERIES OF THE TOPS MADE BY COMMONWEALTH SYNTHETICS

Sl. No.	Name of Party	Quantity	Rate
1	2	3	4
		Kg.	Rs.
1	M's. Premier Woollen Mills, Delhi	4,592·100	18·06
		12,999·798	20·52
		32,360·200	21·90
2	„ Prabhat Woollen Mills, LDH	2,000·000	17·94
		802·000	21·92
		762·035	26·46
		6,805·800	9·74
		811·400	10·56
3	„ Bengal National Textile Mills Ltd., Calcutta.	6,641·600	17·94
		1,493·479	15·00
4	„ Jayshree Textiles, Calcutta	2,305·400	17·94
5	„ International Woollen Mills, Ludhiana.	1,600·000	17·94
		3,668·440	21·90
		907·184	26·46
		209·000	22·00
		3,926·400	9·94
		378·600	8·34
		341·950	23·15
6	„ Dinesh Woollen Mills, Baroda	0,008·000	17·94
7	„ Bombay Fine & Woollen Mills, Bombay.	1,993·000	17·94
8	„ O.C.M., Amritsar	43·300	17·94
9	„ B.I.C., Kanpur	16,344·370	17·94
10	„ Swadeshi Mfg. Syndicates, LDH.	900·00	17·94
11	„ Panipat Woollen Gen. Mills Co., Kanpur.	2,516·500	17·94
12	„ Padam Das Co., Ludhiana	1,800·000	17·94
		73·000	11·00
13	„ Indian Woollen Mills	3,196·000	17·94
14	„ Bombay Woollen Mills, Bombay	6,800·000	17·94
15	„ New Era Hindustan Woollen Mills, Ludhiana.	8,898·370	17·94
		16,759·200	20·92
		334·100	21·00
		45·000	10·00

1	2	3	4
		Kg.	Rs.
16	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	18,923.588	17.94
		12,812.830	20.52
17	„ Raghubar Singh Felt Mills	1,024.000	21.90
		45.359	18.00
		62.300	13.19
		520.400	13.19
18	„ Bharat Woollen Mills, Calcutta	23,401.150	9.94
		19,466.600	10.56
		11,345.000	11.00
		1,250.000	21.10
19	„ Virka Hosiery Serico	2,267.960	9.00
20	„ Oswal Woollen Mills Ltd.	3,084.500	22.05
21	„ Kabir Woollen Mills, LDH.	162.840	14.00
22	„ Oswal Hosiery Factory	567.500	29.76
	Given to M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., for manufacturing yarn since there was no buyer of tops in the market and goods were under heavy Bank Interest	68,507.934	

for Commonwealth Synthetics.

Annexure to Appendix XXIV—contd.

Goods Delivered (Nylon Tops) against Permits from the Textile Commissioner's Office, Bombay

Date 1	Bill No. 2	Party's Name 3	Amount 4	Quantity 5	Permit No. 6
14-10-63	4	M/s. Premier Woollen Mills, New Delhi @18.06	84,838.36	4592—100	DSW/6311L8717 3-9-63
17-10-63	8	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	8,020.98	447—100	DSW/ALC/63/103
19-10-63	9	Do.	24,943.76	1390—400	DSW/ALC/63/10219
23-10-63	10	Do.	1,21,885.96	6641—600	DSW/ALC/63/10152
23-10-63	11	M/s. Jai Shree Textile, Calcutta	42,307.86	2305—400	DSW/ALC/63/10292
26-10-63	13	M/s. Prabhat Woollen Mills, Ludhiana.	35880.00	2000—000	DSW/ALC/63/10375
28-10-63	14	M/s. Sri Dinesh Mills, Baroda	89.70	5—000	DSW/ALC/63/10384
29-10-63	15	M/s. International Woollen Mills, LDH	28,704.00	1600—000	DSW/ALC/63/10291
29-10-63	16	M/s. Bombay Fine	36,574.86	1993—000	DSW/ALC/63/10149
29-10-63	17	M/s. Oriental Carpet Mfg., Amritsar	780.00	43300	DSW/ALC/63/10371
5-4-63	22	M/s. B.I.C., Kanpur	12,99,751.26	16344—570	DSW/ALC/63/20164
12-11-63	24	M/s. New Era Hindusthan Woollen Mills, Ludhiana	28,481.04	1587—572	DSW/ALC/63/10309

1	2	3	4	5	6
12-11-63	25	M/s. New Era Hindustan Woollen Mills,	1,489.14	83—007	Do.
13-11-63	27	Ludhiana	18,316.98	463—600	Do.
13-11-63	28	Do.	1,820.91	101—500	Do.
14-11-63	29	Do.	8,395.92	468—000	Do.
16-11-63	30	Do.	18,747.55	487—600	Do.
18-11-63	34	Do.	20,067.68	1118—600	Do.
19-11-63	35	M/s. Swadeshi Mfg. Syndicate, Ludhiana	16,146.000	900—00	DSW/LAC/63/10379
20-11-63	36	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	57,056.16	3180—388	DSW/ALC/63/10219
20-11-63	37	M/s. New Era Hindustan Woollen Mills, Ludhiana	10,331.66	575—900	DSW/ALC/63/10309
20-11-63	38	Do.	14,533.20	810—100	Do.
20-11-63	39	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	6,910.50	385—200	DSW—ALC/63/10219
21-11-63	40	Do.	10,261.68	572—000	10219
26-11-63	41	M/s. Panipat Woollen and General Mills, Kharer	45,235.56	2516—500	DSW/ALC/63/10379

26-11-63	42	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd.		33,547·80	1870—000	DSW/ALC/63/10219
28-11-63	43	Do.	.	13,993·20	780—000	Do.
29-11-63	44	Do.	.	9,149·40	510—000	Do.
30-11-63	45	M/s. Padam Dass & Co.	.	32,493·88	800—000	DSW/ALC/63/10373
2-12-63	46	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	.	10,577·40	589—600	DSW/ALC/63/10219
3-12-63	47	Do.	.	11,417·20	636—400	Do.
4-12-63	48	Do.	.	5,025·00	280—100	Do.
5-12-63	49	Do.	.	5,127·25	285—800	Do.
6-12-63	50	M/s. Indian Woollen Mills (P)	.	57,520·04	3196—000	
16-12-63	56	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	.	45,045·54	2510—900	
16-12-63	57	Bombay Woollen Mills	.	1,21,992·00	6800—000	
16-12-63	58	New Era Hindustan Woollen Mills LDH	.	23,389·94	1301—000	
17-12-63	59	M/s. Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	.	5,548·85	309—300	
18-12-63	61	Do.	.	5,722·86		
9-12-63	62	Do.	.	7,622·70	424—900	

1	2	3	4	5	6
19-12-63	63	New Era Hindustan Woollen Mills LDH	11,167.65	622—500	
19-12-63	64	Commonwealth Spinning & Knitting Mills (P) Ltd., Ludhiana	3,544.94	197—600	
20-12-63	66	Do.	2,493.66	139—000	
23-12-63	67	Do.	14,169.01	789—800	
23-12-63	68	Do.	7,110.03	394—300	
24-12-63	69	Do.	4,908.39	273—600	
25-12-63	71	Do.	4,230.25	235—800	
26-12-63	73	Do.	6,340.00	353—400	
				<u>75,231.437</u>	Kgs.

Note—Out of 3,01,765—837 Kg. Nylon tops we have delivered 75,231—437 Kg. against permits upto December, 63 after that distribution control was lifted by the office of the Textile Commissioner Bombay.

for Commonwealth Synthetics,

Director

APPENDIX XXV

(Vide para No.4-291).

Arthur Import Export Co.,

L.A. Desa,
Resident Representatives,
124, South Avenue,
New Delhi.
21st July, 1967.

The Under Secretary,
Government of India,
Ministry of Commerce,
New Delhi.

SUBJECT : *(Import of Nylon Tow against export of Manganese Ore undertaken by S.T.C. in the year 1962-63.*

Dear Sir,

We have come across news items alleging that we have made huge profit on this deal. The true fact is that out of a business of Rs. 25 lakhs the S.T.C has made a net profit of Rs. 16 lakhs and the allegation that we made huge profits is absolutely baseless. It is because that S.T.C. made huge profits, we were compelled to sell the goods at much higher rates than what we would have done normally. The vouchers certified by the Chartered Accountants will go to prove that we did not make huge profits as alleged in the newspaper report. We are distressed to read such reports as this only puts a scar on our honest desire to help the Government in foreign exchange difficulties. In support of what we say we are enclosing herewith a statement indicating the expenses that we had incurred, the profits that we had made, etc. which is certified by the Chartered Accountant. We earnestly hope the misunderstanding created will now be set right.

Thanking you.

Yours faithfully,
for Arthur Import Export Co.
Sd/- L.A. Desa.

ANNEXURE TO APPENDIX XXV

Expenses

Import Clearing charges only @ Rs. 3/- per carton × 6694	20,082
Overhead clearing charges of clearing agents @ Rs. 1/- per carton × 6694	6,694
Storage charges average @ 35 paise per week on average of 3000 cartons for 8 years	1,63,800
Insurance charges on average Rs. 30 lacs for 3 years @ 3/40%	30,600
Bank commission on import and interest @ 0.7%	29,184
Storage charges average @ 35 paise per week on average 2000 cartons of tops and bales of knitting yarn for 3 years	1,09,200
Lorry charges of Tow despatched to mills @ Rs. 1/- per carton	6,694
Forwarding charges on tops, knitting yarn to godowns or out-station @ Rs. 3/50 per carton	23,450
Bank interest on Rs. 20 lacs average for 3 years @ 10%	3,60,000
Bank's commission on bills @ 1/8%	9,750
Conversion charges from Tow to top @ 1/65 per kg on 315715 kgs. and Rs. 2/- per kg. on 4600 kgs.	5,20,930
	9,200
Conversion charges from top to knitting yarn @ Rs. 3/50 per kg.	2,98,445
Excise duty on knitting yarn @ Rs. 4/- per kg.	3,41,080
Packing materials @ 10 paise per kg.	32,031
1 % commission on sales	79,682
	<u>20,40,822</u>
Amount remitted to Japan	24,89,465
Amount given to S.T.C.	16,79,112
Customs duty paid	13,69,040
	<u>75,78,439</u>
By Sales	Rs. 76,54,225
To expenses	Rs. 75,78,439

FOR ARTHUR IMPORT AND
EXPORT CO.

Profit Rs. 75,786

Sd/-
Profit—Rs. 75,786 Partner.

NYLON TOP SALES

	Kgs.	Value Rs.
As per statement attached	2,15,957.279	52,08,604.49
3% waste from Tow to top (much wastage due to long storage of tow)	<u>9,609.450</u>	
	2,25,566.729	
Sale of Nylon Knitting Yarn @ Rs. 30.12 per kg. (average price)	71,759.500	21,61,396.00
Stock of Nylon knitting yarn @ Rs. 22/05 per kg.	12,890.000	2,84,224.50
Samples of knitting yarn sent	<u>620.500</u>	
	3,10,836.729	76,54,224.99
10% wastage from top to knitting yarn	<u>9,478.271</u>	
	3,20,315.000	<u>76,54,224.99</u>

For Arthur Import Export Co.
Sd/- ARTHUR
Partner.

ANNEXURE TO APPENDIX XXV—(Contd.)

ARTHUR IMPORT EXPORT COMPANY (IMPORT OF NYLON TOW.)

Serial No.	Shipment Date	Cts. F	Weight lbs.	Amount to Japan.	Amount to STC	Duty	Total Amount
1.	3-6-1963	451	50,000	1,74,731·71	1,16,666·67	78,619·74	8,70,018·12
2.	3-7-1963	456	47,917	1,67,452·38	1,11,806·34	75,201·72	3,54,460·44
3	3-7-1963	502	50,000	1,74,731·71	1,16,666·67	78,470·07	3,69,863·45
4.	10-10-1963	271	30,900	1,04,839·02	70,000·00	47,088·31	2,21,927·33
5.	3-11-1963	288	32,000	1,11,828·29	74,666·67	50,220·98	2,36,715·84
6.	14-11-1963	162	18,000	62,903·41	42,000·00	28,263·01	1,33,156·42
7.	29-11-1963	422	47,000	1,74,247·81	1,09,666·67	73,762·18	3,47,676·66
8.	30-12-1963	400	44,500	1,55,511·25	1,03,833·33	69,868·09	3,29,212·67
9.	30-1-1963	494	55,000	2,22,957·66	1,48,733·33	1,38,728·17	5,10,419·16
		79	68,800				
10.	15-2-1964	79	8,800	67,446·41	45,033·33	41,962·10	1,54,411·84
		95	10,600				
11.	28-2-1964	180	20,000	69,892·68	46,66·67	48,484·09	1,60,613·44
12.	12-3-1964	90	10,000	34,946·34	23,333·33	21,743·89	80,023·55
13.	30-3-1964	200	20,000	69,892·68	46,666·67	43,483·55	1,60,612·90
14.	30-4-1964	371	40,000	1,39,785·37	93,333·33	86,976·95	3,20,095·65
15.	17-5-1964	101	10,000	34,946·34	23,333·33	21,731·24	80,010·91
16.	31-5-1964	503	50,000	1,74,731·71	1,16,666·37	1,08,721·68	4,00,119·71
17.	2-7-1964	471	50,000	1,74,781·71	1,16,666·37	1,08,719·98	4,00,118·06
18.	3-8-1964	123	13,714·5	47,925·40	31,999·38	29,999·57	1,09,924·30
19.	3-2-1965	956	95,575·5	3,33,994·37	2,41,373·46	2,23,004·83	7,98,371·66
		6694	7,11,805 3,20,315 Kgs.	24,89,465·25	16,79,111·87	13,69,040·00	55,37,648·52

For Arthur Import & Export Co.
Sd/-
Partner.

ANNEXURE TO APPENDIX XXV—contd.
ARTHUR IMPORT EXPORT CO., BOMBAY
(Sale Statement of Nylon Tops)

Bill No.	Date	Wt. in kgs.	Rate per kg.	Nett sale Price	Amount total
Sold to M/s. Bengal National Textiles Mills, Calcutta.					
8	22-3-65	4570·650	26·07	1,19,596·90	1,19,596·90
Sold to M/s. Dinesh Woollen Mills, Baroda.					
191	2-9-65	4·500	25·35	114·08	114·08
Sold to M/s. Fine Spinners, Amritsar.					
57	15-2-66	2333·260	28·37	66,194·59	66,194·59
Sold to M/s. Gokalchand Rattanchand, Bombay.					
8	13-1-66	2324·570	28·65	66,598·93	66,598·93
Sold to M/s. Ahmed Woollen Mills, Bombay.					
2598	19-8-64	25·085	27·56	691·34	691·34
Sold to M/s. Bombay Fine Worsted Mfg. Co., Thana.					
141	5-10-64	75·932	27·56	2,092·68	2,092·68
Sold to M/s. Bombay Woollen Mills Pvt. Ltd., Bombay.					
164	28-4-64	2272·567	25·33	57,564·12	
1596	15-5-64	4520·910	25·33	1,14,514·65	
1865	22-6-64	2430·242	25·33	61,558·03	
2043	8-7-64	671·990	25·33	17,021·50	
2044	8-7-64	1306·617	25·33	33,096·60	
2250	25-7-64	1601·607	25·33	40,569·70	
2251	25-7-64	743·751	25·33	18,839·21	
133A	11-8-64	2588·356	26·46	68,487·90	
2379	4-8-64	2431·300	25·33	61,584·83	
2606	20-8-64	2091·355	25·33	52,974·02	
2809	5-9-64	1341·672	25·33	33,984·55	
2879	12-9-64	1064·858	25·33	26,972·85	
2880	12-9-64	646·021	26·46	17,098·71	
157	28-10-64	2000·000	26·46	52,920·00	
163	3-11-64	1568·095	26·46	41,491·80	
175	30-11-64	426·364	26·46	11,281·60	
I	6-1-65	770·577	26·46	20,389·47	
168	14-11-64	843·563	26·46	22,320·67	
13	24-4-65	2761·350	26·46	75,065·32	
48	15-5-65	2118·670	26·17	55,445·59	
54	21-5-65	2192·450	26·17	57,376·41	

For Arthur
Import Ex-
port Co.
sd/-
Partner.

Bill No.	Date	Wt. in kgs.	Rate per kg.	Nett Sale price	Amount total
122	14-8-65	1046.550	26.17	27,388.21	
223	29-9-65	1029.100	26.17	26,931.54	
248	19-10-65	1048.640	26.17	27,442.90	
31	5-2-66	593.674	28.10	16,682.23	
	5-2-66	985.370	28.10	27,688.89	
39	7-2-66	730.990	28.10	20,540.81	
86	8-3-66	1000.230	28.66	28,666.59	
251	20-10-65	1042.340	26.17	27,278.03	
253	23-10-65	1060.270	26.17	27,747.26	
259	30-10-65	1069.850	26.17	27,997.97	
256	27-10-65	1020.970	26.17	26,718.78	
264	2-11-65	990.810	26.17	25,929.49	
266	6-11-65	1004.140	26.17	26,278.34	
		49015.249		12,77,843.57	12,77,843.57

Sold to M/s. Oriental Carpet Mfrs. (P) Ltd., Amritsar.

1809	10-6-64	2037.600	25.62	52,203.31	52,203.31
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Sold to M/s. Kay Kay Woollen Mills, Bombay.

1830	12-6-64	492.510	25.35	12,485.13	
2719	31-8-64	208.345	27.56	5,741.98	
		700.855		18,227.11	18,227.11

Sold to M/s. Premier Woollen Mills, Delhi.

361	21-12-65	10.000	25.86	258.60	
3	3-1-66	60.990	26.45	1,613.80	
1	—	25.950	24.25	629.29	
16A	28-1-66	44.320	27.56	1,221.46	
16	29-1-66	906.440	25.36	22,987.32	
17	29-1-66	433.600	25.36	10,996.10	
18	29-1-66	950.845	25.36	24,113.43	
9	19-1-66	921.170	25.36	23,351.66	
40	7-2-66	876.980	25.35	22,231.44	
10	21-1-66	3152.510	27.56	86,883.18	
69	28-2-66	1328.920	27.56	36,625.04	
72	2-3-66	608.000	28.11	17,090.88	

Bill No.	Date	Wt. in kgs.	Rate per kg.	Nett sale price	Amount Total
81	5-3-66	729.000	28.11	20,492.19	
94	1-4-66	927.870	28.11	26,082.43	
95	4-4-66	623.450	28.11	17,525.18	
96	5-4-66	464.980	28.11	13,070.59	
98	6-4-66	698.080	28.11	19,623.03	
99	9-4-66	470.370	28.11	13,222.10	
101	13-4-66	1091.880	28.11	30,692.75	
102	15-4-66	604.130	28.11	16,982.09	
103	26-4-66	111.760	28.11	31,251.57	
104	27-4-66	187.680	28.11	5,275.68	
106	10-5-66	901.170	28.11	25,331.89	
107	13-5-66	657.500	28.11	18,482.33	
108	26-5-66	324.920	28.11	9,133.50	
		18,112.515		4,95,167.53	4,95,167.53

Sold to M/s. Kabir Woollen Mills, Ludhiana.

1	22-11-68	10128.496	26.45	2,67,898.82	
1839	12-6-64	9,439.370	22.42	2,11,630.68	
		19,567.866		4,79,529.50	4,79,529.50

For Arthur Import Export Co.

Sd/-
Partner.

Sold to M/s. Central Woollen Mills, Ludhiana.

2	18-12-63	793.515	26.45	20,988.47	
3	8-1-64	1493.833	26.45	39,501.88	
4	28-1-64	957.924	26.45	25,337.09	
5	5-1-64	551.163	26.45	14,578.26	
6	5-1-64	1486.431	26.45	39,316.10	
2404	15-7-64	42.880	24.25	1,039.84	
		5325.746		1,40,761.64	1,40,761.64

Bill No.	Date	Wt. in Kgs.	Rate per kg.	Nett sale price	Amount Total
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Sold to M/s. Bharat Woollen Mills, Calcutta.

31-3-64					
7-4-64	50,590	24.20	1,224.28	1,224.28	

Sold to M/s. M.H. Spinners, Maharajamal Hansraj, Amritsar.

5	23-4-64	36.000	24.22	871.92	
2245	25-7-64	511.165	22.05	11,271.18	
2748	31-8-64	2273.288	22.05	50,126.00	
2824	7-9-64	547.440	22.05	12,071.05	
2903	16-9-64	546.114	22.05	12,041.81	
130	23-9-64	1571.054	22.05	34,641.74	
136	26-9-64	1789.998	22.05	39,469.46	
4009	29-9-64	2274.227	22.05	50,146.70	
2073	10-7-64	262.323	22.05	5,784.22	
		9811.609		2,16,424.08	2,16,424.08

Sold to M/s Silk and Woollen Mills, Ludhiana.

1650	2-5-64	2136.351	25.33	54,113.77	
1655	6-5-64	99.501	25.33	2,520.33	
1657	21-5-64	4408.504	24.25	1,06,909.00	
2154	17-7-64	250.000	24.25	59,412.50	
2244	25-7-64	543.550	24.25	13,181.08	
2730	31-8-64	694.934	24.25	16,852.36	
131	24-9-64	1075.767	24.25	26,087.34	
137	26-9-64	1661.260	24.25	40,285.56	
134	9-8-65	924.750	24.25	22,425.18	
1963	26-6-64	551.720	15.69	8,656.48	
		14546.337		3,50,443.60	3,50,443.60

Sold to M/s. Bisakhi Shah Daulat Ram Jain, Delhi.

2072	10-7-64	268.108	22.05	5,911.78	
2073	10-7-64	262.325	22.95	5,784.22	
2771	2-9-64	1192.558	22.05	26,295.90	
2776	3-9-64	1294.303	22.05	28,539.38	
2909	15-9-64	456.259	22.05	10,060.51	
2906	15-9-64	1286.087	22.05	28,358.21	
138	29-9-64	807.082	22.05	17,796.16	
		5566.720		1,22,746.16	1,22,746.16

For Arthur Import Export Co.

Sd/-
Partner

Bill No.	Date	Wt. in kgs.	Rate per kg.	Nett sale price	Amount Total
Sold to M/s. Krishwol Yarn Agency, Ludhiana.					
195	3-9-65	765.430	24.25	18,561.67	
286	11-11-65	210.065	24.00	5,041.56	
284	11-11-65	214.654	24.00	5,151.70	
289	11-11-65	297.060	24.00	7,129.44	
283	11-11-65	250.060	24.00	6,001.44	
292	11-11-65	255.502	24.00	6,132.05	
288	11-11-65	267.300	24.00	6,415.20	
287	11-11-65	274.140	24.00	6,579.36	
285	11-11-65	213.690	24.00	5,128.56	
290	11-11-65	271.830	24.00	6,523.92	
291	11-11-65	258.760	24.00	6,210.24	
293	11-11-65	229.600	24.00	5,510.40	
329	20-11-65	189.650	24.00	4,551.60	
330	20-11-65	135.980	24.00	3,263.52	
328A	20-11-65	145.040	24.00	3,480.96	
331	25-11-65	222.600	24.00	5,342.40	
332	25-11-65	246.180	24.00	5,908.32	
340	2-12-65	225.070	24.00	5,401.68	
341	2-12-65	146.000	24.00	3,504.00	
362	21-12-65	227.400	26.46	6,017.00	
363	21-12-65	228.190	26.46	6,037.91	
4	3-1-66	287.830	23.15	6,663.26	
5	3-1-66	266.020	23.15	6,158.36	
6	3-1-66	261.290	23.15	6,048.86	
7	10-1-66	160.870	23.15	3,724.14	
52	11-2-66	907.710	23.15	21,013.49	
36	5-2-66	211.550	23.15	4,897.38	
35	5-2-66	224.040	23.15	5,186.53	
34	5-2-66	217.150	23.15	5,027.02	
33	5-2-66	214.560	23.15	4,967.06	
32	5-2-66	224.280	23.15	5,192.08	
58	21-2-66	257.410	23.15	5,727.54	
59	21-2-66	259.830	23.15	6,015.06	
120	6-7-66	112.420	27.56	3,098.30	
121	6-7-66	106.000	27.56	2,921.36	
122	6-7-66	112.090	27.56	3,089.20	
123	6-7-66	105.540	27.56	2,908.68	
124	6-7-66	158.800	27.56	4,376.53	
126	11-7-66	942.370	27.56	25,971.72	
10303.961			2,50,879.50		
			2,50,879.50		

Bill No.	Date	Wt. in Kgs.	Rate per Kg.	Nett sale price	Amount Total
Sold to M/s. Ajmera Bros., Bombay.					
44	7-2-66	1286·970	28·65	36,871·69	
30	2-2-66	1013·985	28·65	29,050·67	
		2300·955		65,922·36	65,922·36

Sold to Ms/. Aminsons Sales Corporation, Delhi.

1678	25-5-64	2385·184	22·05	52,593·31	52,593·31
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Sold to M/s. Essess Sale Corporation, Ludhiana.

2153	17-7-64	3021·000	24·25	73,259·25	73,259·25
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For Arthur Import Export Co.

Sd/-
Partner

Sold to M/s Krishna Trading Corpn., Bombay.

2611	18-8-64	3423·270	21·50	73,600·30	
2612	19-8-64	1372·570	21·50	29,510·25	
122	4-9-64	11521·250	21·50	2,47,706·87	
126	16-9-64	4681·070	19·50	91,280·86	
129	18-9-64	3536·660	21·50	76,038·19	
130	18-9-64	3761·225	21·50	80,866·38	
4	16-2-65	5564·000	21·60	1,16,844·00	
6	12-3-65	3758·000	21·00	78,918·00	
10	23-3-65	3501·000	21·00	73,521·00	
48A	18-5-65	3134·060	23·75	74,433·92	
246A	12-10-65	2122·000	20·50	43,501·00	
		46375·105		9,86,220·77	9,86,220·77

Bill No.	Date	Wt. in Kgs.	Rate per Kg.	Nett sale price	Amount Total
Sold to Central Cotton Company, Bombay					
5	3-3-65	3552.000	21.00	74,592.00	
7	15-3-65	3593.000	21.00	75,453.00	
9	22-3-65	3829.000	21.00	80,409.00	
11	26-3-65	3248.000	21.00	68,208.00	
12	29-3-65	1713.000	21.00	35,973.00	
81A	5-3-66	1566.990	22.50	35,235.00	
		17501.990		3,69,870.00	3,69,870.00
Grand Total :		2,15,957.279 Kgs.		Rs. 52,08,604.49	

for Arthur Import Export Co.

Sd/- Manager.

We have verified the above sale statement of Messrs. Arthur Import Export Co. Bombay of Nylon Tops with the relevant sale invoices and we certify that the same is correct according to the said invoices as produced to us.

Sd./-

6-4-1967.

J. C. Jasuja & Co.

Chartered Accountants

Advani Chambers, 4th Floor,
Sir Fherozshah Mehta Road,
Bombay-1.

For Arthur Import Export Co.

Sd./-

Partner.

ARTHUR IMPORT EXPORT CO., BOMBAY;

SALE STATEMENT OF NYLON KNITTING YARNS.

Bill No.	Date	No. of Bales (each bale of 50 kgs.)	Wt. in Kgs.	Rate per Kg. Rs.	Amount Rs.
167	13-11-64	20	1000	24.25	24,250.00
169	16-11-64	20	1000	24.25	24,250.00
170	18-11-64	28	1400	24.25	31,950.00
171	19-11-64	15	750	24.25	18,87.20
172	21-11-64	15	750	24.25	18,187.50
172A	23-11-64	2	100	24.25	2,415.00
173	26-11-64	16	800	24.25	19,400.00
174	26-11-64	10	500	24.25	11,125.00
175A	3-12-64	6	300	24.25	7,275.00
176	3-12-64	10	500	24.25	12,125.00
177	3-12-64	10	500	24.25	12,125.00
178	3-12-64	10	500	24.25	12,125.00
179	3-12-64	10	500	24.25	12,125.00
180	3-12-64	10	500	24.25	12,125.00
181	7-12-64	6	300	24.25	7,275.00
14	26-4-65	6	300	22.05	6,615.00
15	26-4-65	10	500	22.05	11,025.00
16	30-4-65	4	200	33.08	6,616.00
17	30-4-65	10	500	33.08	16,540.00
18	4-5-65	10	500	33.08	16,540.00
19	4-5-65	10	500	33.08	16,540.00
20	6-5-65	5	260	33.08	8,270.00
21	8-5-65	5	250	33.08	8,270.00
22	8-5-65	1	50	33.08	1,654.00
23	8-5-65	1	50	33.08	1,654.00
24	8-5-65	1	50	33.08	1,654.00
25	8-5-65	1	50	33.08	1,654.00
26	8-5-65	1	50	33.08	1,654.00
27	8-5-65	1	50	33.08	1,654.00
28	8-5-65	1	50	33.08	1,654.00
29	8-5-65	1	50	33.08	1,654.00

Bill No.	Date	No. of Bales (each bale of 50 kgs.)	Wt. in Kgs.	Rate per Kg. Rs.	Amount Rs.
30	8-5-65	1	50	33·08	1,654·00
31	8-5-65	1	50	33·08	1,654·00
32	8-5-65	1	50	33·08	1,654·00
33	8-5-65	4	200	33·08	6,616·00
34	8-5-65	10	500	33·08	16,540·00
35	8-5-65	10	500	33·08	16,540·00
36	8-5-65	10	500	33·08	16,540·00
37	8-5-65	10	500	33·08	16,540·00
38	8-5-65	8	400	33·08	13,232·00
39	8-5-65	5	250	33·08	8,270·00
40	8-5-65	6	300	33·08	9,924·00
41	13-5-65	5	250	33·08	8,270·00
42	13-5-65	5	250	35·27	8,817·50
43	13-5-65	5	250	33·08	8,270·00
44	13-5-65	5	250	33·08	8,270·00
45	13-5-65	5	250	33·08	8,270·00
46	13-5-65	4	200	33·08	6,616·00
47	13-5-65	1	50	33·08	1,654·00
50	20-5-65	5	250	33·08	8,270·00
52	20-5-65	5	250	33·08	8,270·00
53	20-5-65	5	250	33·08	8,270·00
54	24-5-65	5	250	33·08	8,270·00
55	24-5-65	10	500	22·05	11,025·00
56	24-5-65	5	250	33·08	8,270·00
58	24-5-65	2	100	33·08	3,308·00
59	24-5-65	4	200	33·08	6,616·00
60	24-5-65	5	250	33·08	8,270·00
64	31-5-65	7	350	22·05	7,717·50
66	31-5-65	5	250	22·05	5,512·50
67	31-5-65	5	250	22·05	5,512·50
69	3-6-65	5	250	35·27	8,817·50
70	3-6-65	5	250	22·05	5,512·50
71	5-6-65	5	250	33·08	8,270·00
72	5-6-65	1	50	39·68	1,984·00
73	7-6-65	5	250	35·27	8,817·50
74	8-6-65	2	100	40·79	4,079·00

Bill No.	Date	No. of Bales (each bale of 50 Kgs.)	Wt. in Kgs.	Rate per Kg. Rs.	Amount Rs.
75	8-6-65	4	200	33.08	6,616.00
76	11-6-65	3	150	22.05	3,307.50
77	11-6-65	5	250	35.27	8,187.50
78	11-6-65	4	200	33.27	6,654.00
79	11-6-65	4	200	33.27	6,654.00
80	11-6-65	4	200	33.27	6,654.00
81	11-6-65	5	250	33.27	8,317.50
82	11-6-65	5	250	33.27	8,317.50
83	11-6-65	5	250	22.05	5,512.50
84	11-6-65	5	250	22.05	5,512.50
85	17-6-65	5	250	22.05	5,512.50
86	17-6-65	5	250	22.05	5,512.50
87	17-6-65	5	250	33.27	8,317.50
88	17-6-65	5	250	33.27	8,317.50
89	17-6-65	5	250	33.27	8,317.50
90	17-6-65	6	300	33.27	9,981.00
91	17-6-65	5	250	33.27	8,317.50
92	17-6-65	2	100	33.27	3,327.00
93	17-6-65	2	100	33.27	3,327.00
94	21-6-65	10	500	33.27	16,635.00
95	21-6-65	5	250	33.27	8,317.50
96	30-6-65	5	250	33.27	8,317.50
97	30-6-65	5	250	33.27	8,317.50
98	1-7-65	5	250	33.27	8,317.50
99	1-7-65	3	150	33.27	4,990.50
100	2-7-65	5	250	33.27	8,317.50
101	5-7-65	5	250	33.27	8,317.50
102	5-7-65	1	50	33.27	1,663.50
103	5-7-65	5	250	33.27	8,317.50
104	5-7-65	4	200	33.27	6,654.00
105	6-7-65	4	200	34.38	6,876.00
106	6-7-65	3	150	34.38	5,157.00
107	7-7-65	4	200	33.27	6,654.00
108	7-7-65	4	200	34.38	6,876.00
109	8-7-65	3	150	34.38	5,157.00
110	10-7-65	1	50	33.27	1,663.50
111	14-7-65	5	250	34.38	8,595.00

Bill No.	Date	No. of Bales (each bale of 50 Kgs.)	Wt. in Kgs.	Rate per Kg. Rs.	Amount Rs.
113	15-7-65	2	100	34.38	3,478.00
114	19-7-65	10	500	34.38	17,190.00
115	19-7-65	5	250	34.38	8,595.00
117	21-7-65	10	500	34.38	17,190.00
118	22-7-65	6	300	33.27	9,981.00
119	22-7-65	5	250	34.38	8,595.00
124	26-7-65	2	100	34.38	3,438.00
125	26-7-65	5	250	34.38	8,595.00
128	31-7-65	10	500	34.38	17,190.00
129	2-8-65	10	500	34.38	17,190.00
130	5-8-65	3	150	34.38	5,157.00
131	7-8-65	5	250	34.38	8,595.00
136	16-8-65	5	250	34.38	8,595.00
137	16-8-65	4	200	33.27	6,654.00
138	17-8-65	5	250	33.27	8,317.50
139	17-8-65	5	250	33.27	8,317.50
140	17-8-65	5	250	34.38	8,595.00
141	17-8-65	5	250	33.27	8,317.50
142	17-8-65	5	250	33.27	8,317.50
143	17-8-65	5	250	34.38	8,595.00
144	19-8-65	5	250	34.38	8,595.00
145	17-8-65	5	250	34.38	8,595.00
146	17-8-65	5	250	33.27	8,317.50
147	17-8-65	5	250	33.27	8,317.50
148	17-8-65	10	500	33.27	6,654.00
149	19-8-65	10	500	34.38	17,190.00
151	19-8-65	9	450	34.38	15,500.00
152	17-8-65	4	200	33.27	6,654.00
153	19-8-65	3	150	33.27	4,990.50
154	19-8-65	3	150	33.27	4,990.50
155	19-8-65	4	200	33.27	6,654.00
156	19-8-65	4	200	33.27	6,654.00
165	23-8-65	1	50	36.38	1,819.00
167	19-8-65	4	200	33.27	6,654.00
168	19-8-65	4	200	34.38	6,876.00
173	28-8-65	2	100	34.68	3,438.00
178	28-8-65	2	100	41.89	4,189.00

Bill No.	Date	No. of Bales (each bale of 50 Kgs.)	Wt. in Kgs.	Rate per Kg. Rs.	Amount Rs.
179	28-8-65	5	250	26.50	6,625.00
180	31-8-65	6	300	26.50	7,950.00
183	31-8-65	5	250	34.38	8,595.00
185	1-9-65	10	500	34.38	17,190.00
186	1-9-65	10	500	34.38	17,190.00
187	1-9-65	4	200	34.38	6,876.00
188	1-9-65	9	450	34.38	15,471.00
189	1-9-65	3	150	33.27	4,990.50
192	2-9-65	5	250	26.50	6,625.00
193	2-9-65	5	250	26.50	6,625.00
194	2-9-65	7	350	26.50	9,275.00
195	3-9-65	1	50	38.27	1,663.50
196	3-9-65	3	150	35.27	5,290.00
207	6-9-65	3	150	34.38	5,157.00
208	6-9-65	3	150	34.38	5,157.00
210	9-9-65	5	250	33.27	8,317.50
211	9-9-65	5	250	34.38	8,595.00
212	9-9-65	3	150	34.38	5,157.00
213	9-9-65	5	250	34.38	8,595.00
214	9-9-65	23	1150	26.50	30,475.00
224	27-9-65	10	500	33.07	16,535.00
225	27-9-65	9	450	33.07	14,881.50
235	8-10-65	4	200	33.07	6,000.00
236	8-10-65	4	200	33.07	6,000.00
237	8-10-65	4	200	33.07	6,000.00
238	8-10-65	4	200	33.07	6,000.00
242	8-10-65	4	200	30.00	6,000.00
257	22-10-65	2	100	34.38	3,438.00
263	23-10-65	4	200	30.00	6,000.00
264	23-10-65	4	200	30.00	6,000.00
265	23-10-65	4	200	30.00	6,000.00
266	23-10-65	4	200	30.00	6,000.00
267	23-10-65	4	200	30.00	6,000.00
268	23-10-65	5	250	30.00	7,500.00
269	23-10-65	5	250	30.00	7,500.00
273	8-11-65	3	150	26.50	3,975.00
274	8-11-65	3	150	26.50	3,975.00

Bill No.	Date	No. of Bales (each bale of 50 Kgs.)	Wt. in Kgs.	Rate per Kg. Rs.	Amount Rs.
276	8-11-65	3	150	26.50	3,975.00
278	8-11-65	3	150	26.50	3,975.00
275	8-11-65	3	150	26.50	3,975.00
277	8-11-65	3	150	26.50	3,975.00
286	15-11-65	3	150	30.00	4,500.00
297	15-11-65	3	150	30.00	4,500.00
298	15-11-65	3	150	30.00	4,500.00
299	15-11-65	3	150	30.00	4,500.00
307	15-11-65	3	150	26.50	3,975.00
308	15-11-65	3	150	26.50	3,975.00
309	15-11-65	3	150	26.50	3,975.00
310	15-11-65	3	150	26.50	3,975.00
311	15-11-65	3	150	26.50	3,975.00
312	15-11-65	3	150	26.50	3,975.00
300	15-11-65	3	150	30.00	4,500.00
301	15-11-65	3	150	30.00	4,500.00
302	15-11-65	3	150	30.00	4,500.00
303	15-11-65	3	150	26.50	3,975.00
304	15-11-65	3	150	26.50	3,975.00
305	15-11-65	3	150	26.50	3,975.00
306	15-11-65	3	150	26.50	3,975.00
313	20-11-65	3	150	30.00	4,500.00
314	20-11-65	3	150	30.00	4,500.00
315	20-11-65	3	150	30.00	4,500.00
316	20-11-65	3	150	30.00	4,500.00
317	20-11-65	4	200	30.00	6,000.00
318	20-11-65	4	200	30.00	6,000.00
319	20-11-65	3	150	30.00	4,500.00
320	20-11-65	3	150	30.00	4,500.00
321	20-11-65	3	150	30.00	4,500.00
322	20-11-65	3	150	30.00	4,500.00
323	20-11-65	3	150	30.00	4,500.00
324	30-11-65	3	150	30.00	4,500.00
325	20-11-65	3	150	30.00	4,500.00
326	20-11-65	3	150	30.00	4,500.00
327	20-11-65	4	200	30.00	6,000.00

Bill No.	Date	No. of bales (each bale of 50 Kgs.)	Wt. in Kgs.	Rate per Kg. Rs.	Amount Rs.
328	20-11-65	4	200	30.00	6,000.00
334	1-12-65	3	150	30.00	4,500.00
335	1-12-65	3	150	30.00	4,500.00
336	1-12-65	3	150	30.00	4,500.00
337	1-12-65	3	150	30.00	4,500.00
338	1-12-65	4	200	30.00	6,000.00
338A	1-12-65	4	200	30.00	6,000.00
342	4-12-65	3	150	30.00	4,500.00
343	4-12-65	3	150	30.00	4,500.00
344	4-12-65	3	150	30.00	4,500.00
345	4-12-65	3	150	30.00	4,500.00
346	4-12-65	3	150	30.00	4,500.00
347	4-12-65	3	150	30.00	4,500.00
348	4-12-65	3	150	30.00	4,500.00
349	4-12-65	3	150	30.00	4,500.00
350	4-12-65	3	150	30.00	4,500.00
351	4-12-65	3	150	30.00	4,500.00
353	9-12-65	3	150	26.50	3,975.00
354	9-12-65	3	150	26.50	3,975.00
355	9-12-65	3	150	26.50	3,975.00
359	17-12-65	2	100	26.50	2,650.00
360	17-12-65	2	100	26.50	2,650.00
264	23-12-65	1	50	33.07	1,653.00
365	23-12-65	1	50	33.07	1,653.50
366	23-12-65	1	50	33.07	1,653.50
367	23-12-65	1	50	33.07	1,653.50
368	23-12-65	1	50	33.07	1,653.50
011	21-1-66	5	250	35.27	8,817.50
012	21-1-66	5	250	35.27	8,817.50
013	21-1-66	5	250	35.27	8,817.50
014	21-1-66	5	250	35.27	8,817.50
015	21-1-66	5	250	35.27	8,817.50
019	29-1-66	5	250	30.00	7,500.00
020	29-1-66	5	250	30.00	7,500.00
021	29-1-66	5	250	30.00	7,500.00
022	29-1-66	5	250	30.00	7,500.00
023	29-1-66	5	250	30.00	7,500.00
024	29-1-66	5	250	30.00	7,500.00

Bill No.	Date	No. of bales (each bale of 50 Kgs.)	Wt. in Kgs.	Rate per kg. Rs.	A mount Rs.
025	1-2-66	1	50	30.00	1,500.00
045	10-2-65	3	150	30.00	4,500.00
046	10-2-66	10	500	30.00	15,000.00
047	10-2-66	10	500	30.00	15,000.00
048	10-2-66	10	500	30.00	15,000.00
055	14-2-66	10	500	30.00	15,000.00
056	14-2-66	6	300	30.00	9,000.00
069	2-3-66	6	300	30.00	9,000.00
070	2-3-66	10	500	30.00	15,000.00
084	5-3-66	3	150	30.00	4,500.00
087	10-3-66	7	350	30.00	10,500.00
088	10-3-66	10	500	30.00	15,000.00
089	10-3-66	10	500	30.00	15,000.00
090	10-3-66	6	300	30.00	9,000.00
092A	12-3-66	10	500	30.00	15,000.00
093A	12-3-66	10	500	30.00	15,000.00
112	5-7-66	2	100	36.38	3,638.00
113	5-7-66	2	100	36.38	3,638.00
114	5-7-58	2	100	36.38	3,638.00
115	2-7-66	2	100	36.38	3,638.00
116	5-7-68	2	100	36.38	3,638.00
117	6-7-68	2	100	35.27	3,527.00
118	6-7-66	2	100	35.27	3,527.00
119	6-7-66	2	100	35.27	3,527.00
125	11-7-66	3	150	35.28	5,292.00
127	15-7-66	1	50	35.27	1,763.00
130	17-8-66	1	3	39.69	119.07
140	1-11-66	5	250	33.08	8,270.00
143	5-11-66	7	347.5	22.35	7,698.63
144	5-11-68	5	252.5	22.35	5,593.38
145	5-11-66	5	247.00	22.35	5,472.45
146	5-11-66	5	249.5	22.35	5,426.33
147	5-11-66	5	249.00	22.35	5,517.15
148	5-11-66	5	246.00	22.35	5,450.10
149	5-11-66	5	246.5	22.35	5,461.28
150	5-11-66	5	248.5	22.35	5,503.98
156	9-11-56	2	100.0	39.14	3,914.00

Bill No.	Date	No. of bales each bale of 50 Kgs.	Wt. in Kgs.	Rate per kg. Rs.	Amount Rs.
176	1-12-66	5	250·0	39·69	9,922·00
188	6-12-66	1	40·0	39·69	1,587·60
197	22-12-66	6	300·00	40·00	12,000·00
199	22-12-66	7	330·00	40·00	13,200·00
			71,759·50		21,61,395·97

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APPENDIX XXVI

*Statement showing the summary of Conclusions|Recommendations of the
Estimates Committee in the report*

Serial No.	Reference to para No. in the Report	Summary of conclusions: Re- commendations
1	2	3
1	2.28 and 2.29	<p>In the opinion of the Committee, among the factors leading to the present state of affairs whereby only 35 per cent to 40 per cent of the installed capacity in the worsted sector of the woollen industry is being utilised are the issue of additional licences for worsted and shoddy spindles far in excess of requirements, as pointed out by the Estimates Committee in paras 10 to 12 of their 164th Report (Second Lok Sabha)—Part III—Woollen Industry, and the large scale installation of unauthorised spindles in violation of Government's orders and the failure of Government to enforce their orders or to take deterrent action. It is rather surprising that L-4 licences were issued by the Excise Authorities to such unauthorised spindles without thorough verification.</p> <p>The Committee note that a beginning has already been made by Government in the direction of shifting the incidence of excise duty from the yarn to the wool-top. The Committee, however, desire that the following aspects should also be considered by Government:—</p> <ol style="list-style-type: none"> (i) The steps and measures required to be taken for the strict enforcement of Government's Orders and for checking the growth of unauthorised spindles. (ii) A more intimate, closer and effective coordination between the Textile Commissioner's Organization and the Excise Authorities to ensure that L-4 licences are not issued to unauthorised spindles. (iii) Steps to be taken with regard to existing unauthorised spindles. The present level of utilisation of spindles and the repercussions on the prices of the products and the industry should be thoroughly examined.

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		<p>The Committee hope that early action in the matter will be taken.</p>
2	2.44	<p>From the papers and documents submitted to them, the Committee feel perturbed to note the unauthorised acquisition and installation of a large number of looms without the permission of Government and in contravention of the existing orders, regulations and provisions of Acts etc. The Committee need hardly emphasise that if this tendency to set up unauthorised looms has to be curbed, the machinery for the detection of unauthorised power looms has to be geared up and deterrent action has to be taken against such unauthorised units. As stated by the Committee with regard to unauthorised spindles, it will facilitate quicker detection of unauthorised powerlooms if there is complete co-ordination between the Excise Department and the Textile Commissioner's Organisation.</p>
3	2.45	<p>In regard to the growth of looms, the Committee feel disturbed about the fact that delayed action or inaction by Government in many cases has resulted, as admitted by the representative of the Ministry of Commerce in evidence, in encouraging people to "nibble at controls." The Committee have no doubt that Government are themselves to blame for this state of affairs as they failed to take a comprehensive view of the unauthorised installation and acquisition of a large number of loom at the initial stages and thus acquiesced in allowing the situation to deteriorate to such an extent.</p>
4	2.46	<p>The Committee find that unauthorised looms in large numbers were set up year after year; these were regularised by the issue of Press Notes inviting applications for registration in 1960 and although at that time it was conditional that they would not be entitled to quota to which the old looms set up upto 1958 were entitled, by the latest decision taken in May, 1968 they have been brought on par with other looms which had been set up in obedience to existing rules and orders of the Government. Not only that, as a result of this decision, unauthorised looms have benefited in the sense that the quota of raw material which was available to the authorised looms will now be distributed amongst all the looms, both authorised and unauthorised. The Committee apprehend that in the ultimate analysis it will be the consumers who will have to suffer as the over-head expenses in production are likely to go up owing to shortage of raw material available to each mill. This, in their opinion, is putting a premium on irregular and illegal activities by the concerned authorities.</p>

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5	2.47	<p>The Committee fail to appreciate why the Ministry took a decision in July, 1963, to license an additional capacity of 312 automatic looms when there was a large number of unauthorised looms in the country and many of the existing looms were lying idle. If the installation of these additional looms was necessitated to meet Defence requirements for heavy clothing items, they are not able to appreciate how within a period of 9 months a decision was taken to revoke the licences on the ground that defence requirements had already been substantially met. In the opinion of the Committee the decision to issue the licences and revoke them within a short period was obviously taken without thorough investigation.</p>
6	2.48	<p>The Committee find that although a decision to revoke the licences granted for installation of automatic looms in July, 1963, was taken in April, 1964, show cause notices were issued only from June, 1966 onwards. By the end of 1968, the process of revocation of licences has been completed in 10 cases out of 13. The Committee note that in the case of Punjab Woollen Textile Mills, it has been stated that "the firm has been representing against the proposed revocation of licences and the matter is under consideration in consultation with the Textile Commissioner." Similarly, in the case of Kabir Woollen Mills, Ludhiana, it has been stated that "the Mills had intimated that they had installed all the 24 looms, and they were requested to furnish technical details of looms (automatic or plain)". In the case of M/S. Model Woollen Mills Ltd., it is observed that even though the licence was issued on 11.11.1963 (as in several other cases), no show cause notice appears to have been issued to this firm and it has been remarked, "the licence has expired and action is being taken for its formal revocation". The Committee are unable to understand the reasons for non-issue of show cause notice to this firm and also the delay in actually revoking the licence. The Committee are of the opinion that had Government acted promptly and revoked the licences immediately after the decision to do so was taken in April, 1964, all these problems would not have arisen.</p> <p>The Committee are constrained to observe further that even though show cause notice were issued to these firms on 14th June, 1966, no final decision about revocation had yet been taken after the lapse of about 3 years. The Committee would like Government to probe into the matter and fix responsibility for the delay in issuing orders for revocation of licences.</p>

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7	2.64	<p>The Committee note the position as explained by the Ministry of Commerce regarding recognition of the spindles installed in the State of Jammu and Kashmir before October, 1967. The Committee suggest that as promised by the representative of the Ministry, a detailed investigation should be made without delay into the factual question whether the spindles and looms that have come into existence in Jammu and Kashmir, where Government of India's regulations and control were not applicable before, are ghost spindles and ghost looms. Based on the investigation, the Government should come to a decision whether the units are actually entitled to the allocation of raw material.</p>
8	2.65	<p>The Committee suggest that the question of automatic applicability of the Woollen Textiles (Production and Distribution) Order, 1962 and other Orders issued under the Essential Commodities Act to the State of Jammu and Kashmir should be examined in consultation with the Ministry of Law so that there is no loophole in the extension and enforcement of these Orders in that State.</p>
9	2.78	<p>In connection with the prices of yarn charged by the spinners, the Committee note that the yarn manufactured out of wool imported against Export Promotion licences was not subject to price control. Therefore price control was applicable only in respect of yarn supplied against the permits on AU licences. It could not therefore be established whether the higher price charged was in respect of yarn which was not subject to price control. The Committee have a feeling that this defect has facilitated the defaulting spinners to indulge in malpractices and to escape the rigours of law. They regret that such a situation should have been allowed to arise.</p>
10	2.79	<p>In view of the fact that under the new policy price controls have been removed, the Committee would like the Government to keep a careful watch to see how the new policy is working.</p>
11	2.87 and 2.88	<p>The Committee regret to note that as many as 35 mills defaulted in the delivery of the yarn and in some cases the extent of default was between 32 per cent and 39 per cent. It is unfortunate that the only action taken by Government to deal with such defaulters who contravened the control orders consisted</p>

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of persuasion, issue of show cause notices and issue of warnings.

Although the Committee have not been furnished with the dates when complaints of defaults were first received and persuasion etc. was resorted to, it would appear that the decision to prosecute the mills was taken first in December, 1964 and uptill now, after a lapse of 4 years, no prosecution has yet been actually launched. In this connection the Committee would like to point out that one of the reasons due to which no prosecution could be launched is stated to be the fact that there was some defect in the issue of delegation orders. The Committee desire that this matter should be looked into thoroughly.

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2.92

The Committee are glad to note that a clause was introduced in the import licences for 1966-67 that if a party failed to deliver the yarn made out of wool in the manner ordered by the Textile Commissioner, a suitable cut could be made in the future import licences. They would, however, like to point out that whenever the opinion of the Law Ministry is sought on any matter, particularly those relating to interpretation, contravention of provisions which involve prosecution or imposition of penalty/liquidated damages or recovery of dues to Government, there should be a complete formal reference by the Ministry/Department concerned and written advice should be furnished by the Ministry of Law to avoid any ambiguity.

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2.105

The Committee are unhappy to note that "the scheme of distribution (of yarn) which was somewhat attempted to be enforced between 1962 and 1965 completely broke down after 1965" in spite of the best efforts as stated by the representative of the Ministry. The Committee further note that in 1967 when the Ministry of Commerce came to the conclusion that "it was not possible to work such a scheme", a new system, a new policy was thought of. Since the new policy has been stated to be of an experimental nature, the Committee would like the Government to keep a careful watch as to how the new scheme functions and to what extent it is able to achieve the desired results.

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2.108

As all imports of wool are now being done through the State Trading Corporation, the Committee hope that the State Trading Corporation and the Ministry of Finance will devise a suitable method to ensure timely release of foreign exchange for import of wool

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		so that it is possible to purchase wool in the International markets in time and at the lowest possible prices.
15	2.112	The Committee trust the State Trading Corporation will ensure that the imported wool is allocated to various units without any delay. They further suggest that the Ministry may examine how far it is possible for the State Trading Corporation to undertake the core tests with the existing machinery before they are distributed to the mills so that claims against the foreign suppliers, if any, could be made in time.
16	2.115	The Committee hope that Government would review the position periodically and take suitable measures with regard to fixation of percentage of the face value of the import licences for wool that could be utilised for import of synthetic fibres.
17	2.120	The Committee trust the Textile Commissioner will be prompt in initiating action in regard to spinning charges for woollen yarn in future, where circumstances so warrant.
18	2.123	The Estimates Committee would like Government to conclude their examination of the recommendations made by the Committee which has been set up recently to go into the question of distribution or allocation of raw materials to the units in the hand-knitting wool processing sector and come to an early decision in the matter.
19	2.130	The Committee note the steps taken by Government to remove the wide disparities between the minimum and maximum entitlements of yarn to hosiery units and hope that Government will pursue similar measures in the interest of equity if such disparities exist in other sectors of the woollen industry. They also hope that the industry, on their part, would also extend their full co-operation in bringing about such changes.
20	3.15	The Committee wish to express their unhappiness over the fact that the Ministry of Defence could not locate the original papers for some time in the initial stages. The Committee cannot over-emphasise the need for the Ministries to act with promptitude while dealing with references from Parliamentary Committees.

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21	3.18	<p>The Committee note that although there were some reductions in the Defence requirements of woollen materials, which came to the knowledge of the Ministry of Commerce and Industry in December, 1962, it was proposed to continue to work on the basis of the original estimates of requirements as a measure of abundant caution so that it would be easier to step up capacity at any time. It was considered that it would be better to err on the side of safety. Again on 2nd February, 1963 it was brought out by the Ministry of Commerce in a note that the Ministry of Commerce was going ahead on the basis of the original estimates given by Defence Ministry even though the requirements were not actually covered by firm indents.</p> <p>The Committee are unable to appreciate why, when a decision was taken to continue to work on the basis of the original estimates, despite the reduction in the defence requirements, a review was not undertaken in the shortest possible time with a view to assess the possibilities of scaling down the imports to be actually made.</p>
22	3.19	<p>The Committee regret to note that although the representatives of the industry who had been generally meeting the Defence requirements in the past were invited to attend a meeting in the D.G.S. & D., on 5th November, 1962, it was not clear from the file when the invitations were issued or how. The Committee would like that Ministries and Departments of the Government of India should take care to keep the records complete and retain them properly especially in important cases so that if at a future date these are required for purposes of investigation or otherwise, these can be readily available.</p>
23	3.32 and 3.33	<p>The Committee find that no detailed notes or reasons were recorded in the Central Vigilance Commission while tendering the advice that no action was called for on the recommendations of the Central Bureau of Investigation for a regular departmental action against the concerned officer for alleged negligence in working out requirements of wool to be imported for defence needs, which resulted in loss of foreign exchange.</p> <p>The Committee hope that while examining the fresh reference made by the Central Bureau of Investigation to the Central Vigilance Commission for reconsideration of their earlier decision, the Central Vigilance</p>

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Commission will record detailed reasons for their final opinion in the matter, as stated by the present Central Vigilance Commissioner.

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3.41

The Committee are not convinced that a proper and complete check was exercised with regard to proper utilisation of the woollen materials imported in 1962-63 for the purpose for which these were imported. They do not know whether at any stage any attempt was made either by the Textile Commissioner's organisation or by the D.G.S. & D. to actually reconcile the figures given by the importing Federation with the quantities released under orders of the Textile Commissioner against the contracts placed by the D.G.S. & D. and whether there was any discrepancy in any of the figures. The Committee would like that suitable action in this respect should be taken by the authorities concerned even now, if not already done.

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3.42 and 3.43

The Committee feel perturbed to note that once a licence for import has been issued, there is no single organisation or authority which can verify or check up whether the importer has in fact imported according to the licence issued or not. In the case of imports of wool in 1962-63, the Committee note that even though attempts were made at the instance of the Estimates Committee by the Ministry of Commerce to verify the figures of imports from documents available with the Collectors of Customs, Bombay and Calcutta, and also from the endorsements on the exchange control copies of the relevant import licences, they have not been able to present a complete and correct picture.

The necessity of finding out the correct position with regard to quantities and value of imported items of wool cannot be over-emphasised in this case in view of the following facts:

- (1) These figures have to be tallied against the quantities released by the Federation on instructions from the Textile Commissioner to the mills from time to time against the contracts placed by the D.G.S. & D. for meeting the Defence requirements.
- (2) In case lesser quantities than those specified in the licences have been shown to be imported, enquiries will have to be made as regards the difference in value and the amount saved in foreign exchange and what has happened to it.

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(8) In case lesser quantities than those indicated in the licences have been shown to be imported, it is necessary to find out whether it was actually so or whether the quantity not shown as imported has been utilised for purposes other than meeting the requirements of Defence.

In these circumstances the Committee desire that further attempts should be made to investigate on the lines indicated above.

26 3.43 and 3.44 The Committee desire that the Ministry should devise ways and means in consultation with customs and other connected authorities to ensure that a proper check is exercised on the utilisation of import licences.

27 3.57 The Committee note that from the enquiries made in India by the Central Bureau of Investigation, they could not establish that the prices at which wool was imported by the Federation in 1963 were higher than the market rate, and that, on the other hand, enquiries made by them from International Wool Secretariat, New Delhi, and a comparison of some of the bills of entries pertaining to the past imports by individual mills with the bills of entries in regard to the wool purchased by the Wool Mission had shown that the prices paid by individual mills for import against their licences were, in fact, in some cases, higher than those paid by the Wool Advisers.

The Committee also note from the information furnished by the Central Bureau of Investigation that detailed enquiries could not be made abroad because it was found that comparison was possible between the prices of the wool if the same quality only if country of origin was the same and then for proving that the price paid was higher it would have to be established that the relevant prices in the country from which the wool was obtained, for example Australia, was at the relevant time lower than the price for which a particular quality of wool was purchased. As evidence on the point could only be collected in the country from which purchases were made, these enquiries could not be pursued by them, especially as the experience of

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the C.B.I. was that the firms and other agencies in foreign countries did not cooperate even in giving information of this nature against the firms belonging to their country, let alone come for evidence in court. The Committee also note that the enquiry by the C.B.I. was taken up some three years after the import of wool and even samples of the imported wool were not available except with a few mills, but even those were in a deteriorated condition.

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3.63

The Committee regret to note that in the case of cloth/articles produced from imported wool the factor that licences for import were being granted by Government was not specifically taken into account by the DGS&D and other authorities concerned in fixing the prices of articles supplied against D.G.S. & D. contracts at the time of the China aggression in 1962-63.

The Committee are not aware of any investigations Conducted by the authorities to check up, before fixing the prices, if the price of wool, imported by the Federation, had really gone up generally by about 10 per cent to 12 per cent during October-November 1962 and whether the suppliers actually had to pay this higher price for the imported wool being used for the purpose.

On the other hand the Committee find, as revealed from the investigations made by the C.B.I. (vide para 3.52), the "prices paid by the individual mills for import against their licences (earlier) were in fact, in some cases higher than those paid by the Wool Advisers (for imports made in 1962-63)". It is difficult for the Committee, therefore, to be convinced of the claim of the D.G.S. & D. that the higher prices had to be allowed to the suppliers after negotiations because of the reasons that the price of wool had gone up in the international market.

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3.69

The Committee note with surprise that the Director in the Office of the Textile Commissioner, who is a technical officer, should have relied on the estimates made by the Hosiery Industry Federation with regard to the quantity of yarn required for manufacturing each under-garment. It appears to the Committee that no check was exercised in this matter by the Office of the Textile Commissioner and proper attention was not given in calculating the quantity of yarn required. This has, no doubt, resulted in undue pecuniary benefit to the firms to whom raw material was supplied in excess of their actual requirements. The Committee

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desire that the serious lapse should be further investigated urgently to fix responsibility and suitable disciplinary action taken against the defaulting officers at an early date. In this connection the Committee desire that the remarks of the Secretary, Ministry of Commerce, "whether there was negligence or collusion is a point to be decided" should be borne in mind.

30	3.70	The Committee desire that the Central Vigilance Commission should, without further delay, finalise their opinion in this case of alleged over assistance allowed to suppliers of under-parts in 1962-63, so that necessary action may be taken by Government without loss of time.
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31	3.71	The Committee desire that early action should be taken to work out the quantities of yarn due from the mills to whom excess quantities had been issued in connection with the manufacture of under-parts in 1962-63, and communication sent to the State Trading Corporation and Director of Industries, Punjab for effecting necessary adjustments. The Committee should be apprised of the final action taken in the matter in due course.
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32	3.110 to 3.117	The Committee note that at the meeting of the Secretaries (Finance, Supply and Additional Secretary, Defence) held on 17th October, 1963 a decision was taken <i>inter alia</i> to release surplus white or undyed wool tops used for manufacture of cloth woollen brown on the condition that "the quantities released for civil market would be set off against future quota except to the extent of those utilised in exports". But this decision was nullified by a proposal made in the Ministry of International Trade in a written note suggesting that the quantity declared surplus by the Defence Ministry should really be allocated for the civilian requirements "without any debit against future allocation". The proposal, which was contrary to the decision taken by the Committee of Secretaries mentioned above, was agreed to by the Minister of International Trade on 31st October, 1963.
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2. The Committee are unable to understand why at the meeting of the Secretaries on 17th October, 1963 no representative of the Ministry of International Trade, which was vitally concerned with this matter, was invited. Unfortunately the reasons for not inviting a representative of the Ministry to this meeting are not on record in the file of the Department of Supply.

3. The representative of the Ministry of Commerce in his evidence before the Committee stated that the

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decisions taken at the meeting of Secretaries held on the 17th October, 1963 were communicated to the Ministry of International Trade in writing on the 28th October, 1963. In this connection, the committee find that in a letter dated the 28th October, 1963, from the Deputy Secretary in the Department of Supply to the Under Secretary in the Ministry of International Trade, there is a reference that the decision if 17th October, 1963 was not only verbally communicated to him on the 17th October, 1963 itself but a gist thereof was also communicated in writing through a follow up note on the 18th October, 1963. It is, therefore, clear that the decision taken at the Secretaries' meeting on the 17th October, 1963 (namely that the quantities to be released for civilian consumption would be set off against future quota, except to the extent of those utilised for export) was made known to the Ministry of International Trade much before the 28th October, 1963, where the decisions of the Secretaries' meeting were formally communicated to that Ministry.

4. On 26th October, 1963, the Minister for International Trade asked for a note from the Joint Secretary, Department of Supply, with regard to the surplus wool. In the note submitted by the Joint Secretary to the Minister for International Trade on 29th October, 1963, as desired by the latter, no mention was made about the decision that had already been taken on the 17th October, 1963 at the meeting of the Secretaries, though the note mentioned that the surplus quantity of wool tops and undyed wool 'can be released to the civil market and should be set off against future quota except to the extent of the quantity utilised for export'. The Committee also observe that there is no indication in the note dated 30th October, 1963, record by the Under Secretary (Shri A. G. V. Subramaniam) in the Ministry of International Trade that a decision had already been taken on 17th October, 1963 in the meeting of Secretaries that 'the quantities released for civil market would be set off against future quota, except to the extent of those utilised in exports'.

5. Neither the decision taken at the meeting of Secretaries nor the decision of the Minister of International Trade was communicated officially to the Textile Commissioner, Bombay for implementation. The Committee fail to understand why such an important decision taken at such high levels was not communicated officially to the authorities concerned. It has been contended before the Committee that even in the absence

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of any communication from the Ministry the Textile Commissioner by virtue of his office had the authority to distribute the raw wool. If such were the case and no policy direction from the Ministry was called for, the Committee find no point in the futile exercise by the three Secretaries meeting and their coming to policy decisions at such high levels.

6. It is not clear as to why on his return to Delhi and on knowing the Minister's approval to his proposals, the Under Secretary in the Ministry of International Trade did not take the normal action of sending a communication to the Textile Commissioner's office to distribute the wool in the manner approved by the Minister for International Trade.

7. The Secretary, Ministry of International Trade, does not appear to have been associated with this case at any stage. When he made a query on receipt of the minutes of the Secretaries' meeting of 17th October, 1963 on 28th October, 1963, the same appears to have remained unanswered. The proposal made, which was contrary to the decision of the Secretaries with regard to the distribution of wool was also not routed through the Secretary before it was put up to the Minister of International Trade for decision.

The Committee find several other procedural lapses and irregularities in the disposal of wool declared surplus to Defence requirements in 1962-63. These may be summarised as follows:—

- (i) The decisions taken at the meeting of Secretaries (Ministries of Finance, Supply and Defence) for the distribution of wool were not approved by the Minister of International Trade but this fact was never communicated to the Committee of the three Secretaries.
- (ii) The Ministry of Finance were not consulted at this stage even though by virtue of foreign exchange involvements they were directly concerned if the wool were to be distributed "without any debit against future allocation" as decided by the Minister of International Trade.
- (iii) The D.G.S.&D. who is stated to have "had no business" to hold any meeting to discuss the question of distribution of surplus wool, took decisions about the distribution of surplus wool after meeting representatives of the wool in-

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dustry in Bombay of his own accord and took certain decisions which he was not authorised to take.

- (iv) In the office of the Textile Commissioner the decisions originally taken for the distribution of surplus wool were changed from time to time until finally the surplus was distributed to the mills, as shown in Appendix XIX to the 87th Report of the Estimates Committee (Fourth Lok Sabha).

8 A clear discrimination was also made between the organised sector and the decentralised sector while distributing the surplus wool and no surplus material was offered to the decentralised sector on the same condition on which these were offered to the organised sector.

9. The Committee note that while on the 9th November, 1963 the basic policy decision approved by the Textile Commissioner was that the surplus wool should be distributed to those of the units who had made supplies for the Defence, Shri Chaudhuri's note of 7th December, 1963 elaborated the kind of units which were entitled to the allocation of surplus wool. Firstly, spinning units who had supplied 1/22s hosiery yarn required for Defence purposes were to be preferred and, the balance given to composite mills who had manufactured Serge Battle dress.

The Committee do not understand why no reasons have been recorded as to the basis on which it was decided to release 2.5 lakh lbs. of white tops to the spinners and only the balance to those who had supplied serge battle dress.

10. The Committee suggest that the facts disclosed in this case should be taken into account while coming to a final decision in regard to the case.

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3.117

The Committee feel constrained to observe that in taking the final decision regarding the distribution of surplus wool in 1963-64, the Textile Commissioner's organization did not obtain the prior or *ex-post-facto* approval of the Ministry. This, in their opinion, shows a serious lacuna in the control exercised by the Ministry over the functioning of the Textile Commissioner's Office. In their view the Ministry should have exercised greater scrutiny over the affairs of the Textile Commissioner's Office. It should also have clearly been laid

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down that important policy decisions should be approved by the Ministry before final implementation.

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3.126

In the opinion of the Committee, a charge against a Government official that he is in possession of assets disproportionate to his income is a serious one. The Committee note that the explanation of the official concerned in the Textile Commissioners Organisation (namely Shri R. G. Zalari) has since been obtained and he is placed under suspension. They, however, feel that the explanation of the officer concerned should have been obtained much earlier and further action taken immediately.

The Committee hope that there will not be any further delay in the matter.

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3.133
& 3.134

The Committee note that Shri Chaudhuri who was Director, Wool Branch in the Textile Commissioner's Office for almost two years during the period 1962-64 (a period during which special *ad hoc* import and distribution of wool took place) had been dealing mostly with the Indian Woollen Mills Federation before resigning his Government job and taking over as Secretary General of the same Federation for bettering his "prospects substantially".

The Committee feel perturbed that in such a case, Government is more or less helpless, in that under the existing Rules, etc. no action can be taken against an officer unless criminal offence is made out against him.

In the opinion of the Committee, the lure of substantial betterment of prospects in private organisations is bound to tempt some Government employees dealing with matters which are of vital and pecuniary concern to private organisations. This is a constant source of corruption in Government service. It is therefore of utmost importance that preventive and deterrent action is taken urgently to guard against such cases arising in future. With this end in view, the Committee would suggest that—

(a) Government may examine the desirability of making a suitable provision in the Rules to the effect that even Government servants resigning from Government jobs should seek prior permission of Government before taking up commercial employment within a certain period after resignation.

(b) Where investigations, whether preliminary or regular, are pending against a Government employee, he should not be allowed to resign

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till he is cleared of the charges. The feasibility of withholding the G.P.F. dues of such officials in cases where it is possible to do so till the Government employee is cleared of the charges should also be examined. In such cases, all investigations and departmental enquiries must be prompt and action thereon should be expeditious and effective so that no undue harassment is caused to the officials concerned.

- (c) the Head of the organisation, where the person against whom investigations are initiated is employed, should be informed immediately when an enquiry is started by the SPE/CBI. In addition, the Government should consider the feasibility of enlisting the support of Federations and Association and Chambers of Commerce in establishing a convention that before any Government employee is given an appointment by them, a clearance should be obtained from Government by the prospective employee.

36 3.135 In the case of Shri Chaudhuri who resigned from Government Services and took employment with the Orient Woollen Mills Federation as their Secretary General, the Committee suggest that the Federation be informed in writing by the Textile Commissioner that CBI investigation is pending against Shri Chaudhuri.

37 3.139 From the note furnished by the Ministry, it is not unambiguous whether Shri Vaidyanathan (who is alleged to have been given preference over senior officers) actually attended the Conference of Central Excise Officers held in Delhi in 1967. The fact remain that he had proceeded to Delhi on 28th August and remained there upto 1st September, 1967.

38 3.163 From the detailed information furnished and the evidence given before them with regard to third ad-hoc licence (1965-66) for import of wool, the Committee note the following points:—

- (1) The Ministry of Defence had not placed any special indent with the D.G.S. & D following the outbreak of hostilities with Pakistan but the usual annual one. However, the Department of Supply and Technical Development on 2nd August, 1965 had asked for foreign exchange equivalent to Rs. 1.80 crores for meeting the Defence demands for woollen garments. On this basis the approval of the

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Department of Economic Affairs, Ministry of Finance was issued on 14th September, 1965.

- (2) In the meanwhile because of the then Prime Ministers's minute recorded on 1st September, 1965, it was decided that an allocation of Rs. 2 crores worth of foreign exchange may be released for keeping the woollen industry occupied for Defence and/or civilian orders. The amount of foreign exchange needed for Defence requirements was also reduced subsequently.
- (3) Despite these facts the Office of the Textile Commissioner did not consider it necessary "that the specific endorsement be made on the licence for the quantities required for Defence", because the raw material to be imported was to be released in accordance with directions to be issued by the Textile Commissioner.
- (4) Neither the Ministry of Commerce nor the Textile Commissioner's organisation has furnished any information as to the actual quantities allocated by the Textile Commissioner (against Defence orders and/or civilian allocations) Even the information about releases made by the Federation has been furnished in terms of value only. No break up of allocations between Defence and civilian purposes has been shown either in the case of leases made or in the case of stocks held by the Federation.
- (5) The Government seem to depend entirely on the statistics furnished by the Federation and these statistics regarding allocations have been observed by the Ministry to be even now in the preparation stage and not yet finally entered in the register.

In these circumstances the Committee fail to understand how any check what so-ever in this matter can be exercised by Government and how it can be ensured that the imports made, especially those to meet Defence requirements, have actually been utilised for the purpose of meeting Defence requirements. This matter needs a thorough investigation.

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3.164

The Committee also find from the statement of the undistributed stock (out of the imports made in 1965-66-67) as obtained by the Ministry from the Indian Woollen Mills Federation, as on 31st December, 1968,

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that the undistributed stock having a basic value of Rs. 21 lakhs has already been loaded with carryover charges amounting to Rs. 17,21,000 which comes to 82 per cent of the basic value. Since the Committee have not been furnished with the details regarding actual imports and releases of wool against the imports in 1965-66 and 1966-67 but only the issue prices, they are not in a position to find out to what extent the distribution that has already been made was with a loaded price and, if so, whether this was justified.

However, from the statistics of the C.I.F. value of imports of various items it appears that as against the C.I.F. value of imports of Rs. 212.01 lakhs, the total sale price of releases so far made by the Federation is Rs. 232.38 lakhs and to this has to be added the present day value of stock held by the Federation which comes to Rs. 38.21 lakhs, thus making a total of Rs. 270.59 lakhs. The Committee desire that Government should investigate and find out if there has been any undue profit in this transaction.

40 3.165

The Committee feel that the loading of price of wool imported in 1965-66 and 1966-67 has to some extent occurred owing to the delay in the allocation of the items by the Textile Commissioner. The Committee desire that this aspect of the matter may be looked into thoroughly and the existing stock distributed without any further delay.

41 3.174

As the appeal of M/s. Kabir Woollen Mills against the decision of Mr. Justice Tulzapurkar is still pending before the Bombay High Court, the Committee would not like to make any comments in regard to the allocations of hair belting tops (imported in 1965-66) made by the Textile Commissioner, at this stage. The Committee would, however, suggest that as soon as the matter is finally decided by the Courts of Law, expeditious action should be taken by the Textile Commissioner to allocate the hair belting tops which have been lying in stock for about three years obviously involving storage and other charges. The Committee would also suggest that the judgments of the Courts of Law in this regard should be carefully examined in the Ministry of Commerce and suitable remedial/disciplinary action taken to deal with procedural defects/administrative lapses that might come to notice.

42 3.176

The Committee cannot over-emphasise the necessity of an early decision in regard to distribution of the stock of hair belting tops imported in 1965-66, so as

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		to avoid further deterioration and consequent loss of foreign exchange invested on its import.
43	3.179	The Committee hope that a final allocation of the balance of the hair belting tops from the imports made in 1966-67 will be made without delay as soon as the question of allocation of hair belting tops for the year 1965-66 pending before the Bombay High Court is finally settled.
44	3.184 and 3.85	The Committee regret to note that despite the fact that the various qualities of wool required for the first four consignments from Australia for the Revolving Pool of Raw Wool were indicated by the Textile Commissioner in consultation with the Indian Woollen Mills Federation, the latter and other sectors of the trade raised objections in respect of the quality as well as the procedure of supplies of wool from the stock-pile and its replenishment etc. The Committee are not aware as to why prior agreement with the various parties concerned had not been made in respect of all the aspects before the particular quality of wool was imported. This failure resulted in delay in the distribution of wool supplied by Australia under the Colombo Plan which could have been avoided.
		The Committee hope that while finalising import of the further quantity of about 1.6 million lbs. proper care would be taken to come to prior agreement with the various parties concerned so that no difficulties arise in the release of the imported wool from the stock-pile as occurred in the past.
45	3.186	In view of the establishment of the stock-pile for the revolving pool of raw wool with the imports of merino wool from Australia, the Committee hope that there will not be any resultant increase in the prices of woollen cloth and materials and the consumers will not have to suffer.
46	4.5	The Committee deprecate the manner in which papers have been kept in the Ministry of Defence. They would suggest that standing instructions should be issued that whenever any officer of a Ministry/Department attends any Inter-Departmental Committee meetings, he should invariably record notes relating to those meetings on the appropriate files of his Ministry/Department, clearly bringing out the role played

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by him and the commitments, if any, made on behalf of his Ministry.

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4.8

The Committee note that the percentage of admixture of nylon with wool was assumed in February 1963 while assessing the requirements of nylon fibre| tops|tows for Defence needs. But the Defence specification furnished to the Committee is dated the 14th November, 1967. In the opinion of the Committee the question whether the specifications of blankets referred to above were actually operative at the time it was decided to produce blankets out of shoddy mixed with nylon (instead of 100 per cent Indian wool) requires investigation.

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4.30

The Committee have noted the views expressed by the representative of the Ministry that the per pound profit of the two parties [two barter parties (1963), namely, M/s. Arthur Import Export Co. and M/s Commonwealth Synthetics] was less than that of the parties to whom the nylon tows were released from the other sources but the overall profits of these parties must have been considerable. The Committee are inclined to agree with these views of the representative of the Ministry.

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4.31

The Committee note the circumstances which led to the permission being granted in 1963 to two firms to enter into barter deal with the State Trading Corporation for import of nylon in lieu of export of manganese ore. They are, however, not convinced that the assessment made for the requirements of nylon to meet the needs of Defence was realistic on the other hand they are of the view that that the assessment of requirements of nylon for meeting Defence needs was grossly exaggerated. This is evident from the fact that in addition to the entire quantity of about 14 lakh lbs. of nylon tows imported under the two barter deals which became surplus, a quantity of over 5 lakh lbs. out of the quantity of 19.33 lakh lbs. imported under the two *ad hoc* licences by the Federation also became surplus. In the whole transaction neither the consumer nor the Ministry of Defence, for whose benefit the imports were permitted, appear to have benefited.

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4.40

The Committee note the position with regard to the reported offer made by a firm for the supply of nylon tows at the rate of 59 d per lb. to the Indian Woollen Mills Federation, when they purchased nylon fibres| tows in 1965 at a higher price.

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51	4.48	<p>The Committee note that the Textile Commissioner's organisation had only been mediating in the dispute between the Indian Woollen Mills Federation on the one hand and M/s. R. K. Synthetics and Wellman India Ltd. on the other in regard to the nylon imported in 1965-66, but has not so far taken a firm line to ensure that the Federation releases the raw material without loading the price and the firms which had received the tows return them after conversion without further delay. The Committee feel concerned about the helplessness of the Textile Commissioner's Organisation in enforcing their orders regarding release of nylon tows and their return after conversion into nylon tops. The Committee cannot but express their regret over the helplessness displayed by the Textile Commissioner's Organisation in the matter all these years. They entirely agree with the views of the representative of the Ministry of Commerce that "the Government must be strong enough" to enforce their orders in such matters.</p>
52	4.50	<p>The Committee note that the Federation has now delivered 14,000 lbs. of tops and some quantities of fibre to D.G.S.&D's nominees and M/S R. K. Synthetics have also reported their willingness to deliver the tops to D.G.S.&D's nominees, but they would like the Government to ensure that their directions are implemented in full and without delay. Suitable penal action should be taken promptly by Government in case there is failure to implement their directions.</p>
53	4.51	<p>As certain agreements regarding the price of hair belting tops were stated to have been reached between the various parties concerned and the matter was received further consideration of Government, the Committee would urge that an early decision should be taken in the matter and the stocks of nylon, imported as far back as 1966, released to the contractors executing the Defence orders without delay so that there is no further loading of prices and deterioration in quality of the raw material.</p>
53	4.51	<p>The Committee desire that the allegations that the entire allocation of 1,20,000 pounds of nylon tows meant for M/s. Commonwealth Synthetics and 1,10,000 lbs. of nylon tows meant for R. K. Synthetics has been directly allocated to defence order holders who were neither tow-makers, nor spinners and that the material is being openly marketed by the hosiery ten-</p>

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der holders, should be investigated, specially in view of the fact that Ministry of Commerce have confirmed that the entire quantity will be utilised for Defence.

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5.6

The Committee feel perturbed to note that no action was taken either by the Textile Commissioner or the Ministry in this case against the mill (M/s Model Woollen Mills) for defaulting in delivery of yarn except "to give them warnings", as the view was taken by Government that "CBI having looked into the matter or sorted out what should be looked into, we need not do anything further." The Committee are unable to appreciate this stand taken by the Government, especially in view of the fact that serious allegations, including the gaining of pecuniary advantage by non-distribution of yarn under the distribution scheme, have been made by an officer of the Textile Commissioner's Office in an office note.

The Committee hope that an early decision will be taken by Government on the question of launching of prosecutions in this case as also other cases of default in delivery of yarn which have been dealt with by the Committee in Chapter II of their Report.

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5.15

The Committee note that the Central Vigilance Commission did not agree with the findings of the C.B.I. in regard to this particular case, viz., taking over of power-looms by M/s. Model Woollen Mills on lease and their subsequent purchase to expand their capacity. They also note that the matter is awaiting consideration of the Government. The Committee hope that an early decision would be taken in this case.

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5.16

From the papers furnished to the Committee, they observe that as late as 13th January, 1965, the Assistant Director in the Regional Office of the Textile Commissioner at Colaba, Bombay, wrote to the Deputy Director, IL Section (Wool), Office of the Textile Commissioner, Fort, Bombay, as follows:

It may please be seen that the said mill (M/s Model Woollen Mills) is in possession of 25 woollen powerlooms from seven parties on lease upto 31-6-1964. So far, this office has not received any information from the leasers for the continuation/extension of the lease. It may also be seen that since the concern is registered under Industries (Development &

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Regulation) Act, 1951, any extension of business by purchasing additional powerlooms must be sanctioned by the Ministry, New Delhi, by amending the licence to that effect. So far, this office has not received any indication either from the mill or from the Ministry, New Delhi.'

These facts go to show that even though the period of the lease of the looms expired by the end of June, 1964, the mills were allowed to continue the working of these looms in their own mills without any request for continuance/extension of the lease. The Committee, therefore, desire that this aspect of the case should be thoroughly examined and responsibility fixed on the officers concerned for their lapses and suitable disciplinary action taken.

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5.23

The Committee find that there was conversion of some art silk powerlooms to woollen powerlooms by Model Woollen Mills and running them without installation permits. They note from the facts disclosed that even though the senior officers including the Textile Commissioner rejected the request of the mills on the 13th September, 1963, for permission to continue the use of looms on woollen yarn in anticipation of some defence orders, within a few days (on 23-9-1963) this request was acceded to after the General Manager of the firm had seen the Textile Commissioner on the 16th evening. The Committee note that this case is under further examination by the C.B.I. in consultation with their law officers. They would suggest that final conclusion on this case should be reached without delay.

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5.31

In view of the facts disclosed in regard to the case relating to the alleged transfer of wool processing machines from Amritsar to Bombay by M/s Model Woollen Mills and the views expressed by the representative of the Ministry of Commerce in evidence, the Committee desire that the case should be thoroughly re-examined by the C.B.I. and the C.V.C. and an early decision in the matter taken with regard to the question of launching prosecutions and initiating disciplinary action against the persons concerned.

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5.35

As the case relating to alleged irregular allocation of 50,000 lbs. of 2/15s, 1/10s worsted yarn by the Textile Commissioner to M/s. Model Woollen Mills has been pending for a long time, the Committee would urge that an early decision should be taken by the

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		authorities regarding launching of prosecutions against the persons concerned.
60	5.33	The Committee fail to understand why the allegation that M/s Model Woollen Mills had purchased Barrack blankets for supply against the defence orders from other manufacturers instead of producing them in their own mills, was not examined either in the Ministry of Commerce or in the Ministry of Law, with a view to see whether any irregularity was involved in the matter.
61	5.39	<p>From a study of the cases of alleged favouritism to M/s. Model Woollen Mills, which have been dealt with in the previous paragraphs, the following basic facts emerge:</p> <ul style="list-style-type: none"> (i) M/s. Model Woollen Mills were given special permission for taking powerlooms on lease and ultimately taking them over permanently; (ii) The firm were allowed to utilise art silk looms for production of woollens; (iii) The firm installed at Bombay certain machinery which was permitted to be imported for installation in their Amritsar unit. This involved violation of certain control regulations. <p>In the opinion of the Committee, the totality of circumstances in these cases and other cases of alleged irregularity against this firm indicate that there is laxity in enforcing the provisions of various control order, Acts, etc., by the Textile Commissioner's Organisation. The Committee cannot too strongly urge the necessity for a thorough investigation and firm action in all those cases and similar other cases, so that no circumvention of the various provisions of the rules and control orders is permitted.</p>
62	5.44	The Committee note that although one of the conditions of the licence given to Himachal Shoddy Mills, Paonta was that raw materials would be permitted to be imported only if suitable arrangements could be made for supply against equivalent value of export of finished products, it was decided with the approval of the then Minister of International Trade that having regard to the fact that the shoddy industry was supplying blankets for Defence requirements and that the entire production of the country was required either for Defence or for civilian consumption, the ex-

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		port condition need not be insisted upon. The Committee have also been informed that "this decision applied to all the three shoddy spinning units which were licensed under the Industries (Development and Regulations) Act with similar condition regarding export".
43	5.45	The Committee have been informed in the case regarding release of imported shoddy wool allotted to M/s. Himachal Shoddy Mills that the Indian Woollen Mills Federation were reluctant to part with the goods to this mill as they had booked the same at pre-devaluation rates and that the Federation in their letter dated the 15th December, 1966 wrote <i>inter alia</i> to the Textile Commissioner that it had been decided by them that all mills would be charged at the new rates of exchange except where the imported materials were required for Defence production. The Committee note in this connection that the Textile Commissioner in his letter of the 6th January, 1967 informed the Federation that the <i>ad hoc</i> licence for the licensing year 1965-66 was canalised through the Federation and according to relevant conditions "the Federation was not entitled to derive any pecuniary advantage by trading in the import licence granted to them for distribution to the units of the industry". The Committee desire that an investigation should be made expeditiously to find out whether the Federation has actually derived any pecuniary advantage through the import licences which were granted to them <i>ad hoc</i> during the period 1962-63 onwards. If any contraventions of the relevant conditions of the licences come to notice suitable action in the matter should be taken.
44	5.49	The Committee desire that the investigation relating to the alleged violation of the conditions of the Customs Clearance Permit by M/s R. K. Synthetics, Ltd. should be completed early and action taken thereon by the Government expeditiously.
45	5.53	The Committee trust that the matter relating to alleged discrimination between M/s. R. K. Synthetics and M/s. Wellman India Ltd. in regard to the conditions imposed under the Customs Clearance Permits issued to them would be examined thoroughly and an early decision taken by the Government.
46	5.58	The Committee note the position regarding the allocation of actual users import licenses to three rag pullers, namely, Indian Shoddy Mills, Bombay, Globe Industries, Bombay and Bombay Woollen Waste Factory, Bombay.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Gani, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell 4, Sant Narakari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	10	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON W.C.-2.	89
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			

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