

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

FORTY-FOURTH REPORT

**TEA TRADING CORPORATION OF INDIA LTD.
GENERAL FUNCTIONING AND INTERNAL SALES**

**(Ministry of Commerce, Civil Supplies and
Cooperation -- Department of Commerce)**

*Presented in Lok Sabha and
laid in Rajya Sabha on April 24, 1979.*



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1979/Vaisakha, 1901 (S)

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(SIXTH LOK SABHA)**

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CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
 I. INTRODUCTORY	 1
 II. FINANCIAL MATTERS	
A. Capital Structure	3
B. Profitability	4
C. Expenditure on over-heads	6
D. Outstandings	10
E. Stock of Unsold tea	12
F. Financial control	12
G. Internal Audit	14
 III. TEA ESTATES	
A. Pathini Tea Estate	18
B. Management of Sick Tea Gardens	18
 IV. PURCHASES	
A. Modes of Purchase	20
B. Limited Tender System	20
C. Purchase from M/s Hindustan Tea Co.	23
D. Purchases from multinationals	26
E. Dealings with Government Companies	27
F. Purchase from TTCI owned and Managed Gardens	30
 V. DOMESTIC SALES	
A. Supplies to Defence	33
B. Supplies to Railways	38
C. Supplies to other Government Institutions	39
D. Internal Distribution System	41

	PAGE
VI. ORGANISATIONAL MATTERS	
A. Board of Directors	46
B. Organisational Set up	46
C. Staff Strength	48
D. Recruitment	49
APPENDIX	
Summary of Recommendations/Conclusions of the Committee on Public Undertakings contained in the Report	58

COMMITTEE ON PUBLIC UNDERTAKINGS
(1978-79)

CHAIRMAN

Shri Jyotirmay Bosu

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3. Shri Maganti Ankineedu
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- *22. Shri Sultan Singh

SECRETARIAT

1. Shri H. G. Paranjpe—*Joint Secretary.*
2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri S. P. Chanana—*Senior Financial Committee Officer.*

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

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty-fourth Report on Tea Trading Corporation of India—General Functioning and Internal Sales.

2. The Tea Trading Corporation of India was set up in December, 1971. The underlying object in setting up this corporation was to reduce country's dependence on multi-national Tea Packaging Companies. This is no where near realisation even now. The Corporation has yet to acquire a foot hold in the internal market. Its brands of teas are not even known to the consumers. Even after 8 years of its functioning, the Corporation's share in the internal market is less than one per cent, with the result that major share of internal market continues to be in hands of two multi-national tea packaging companies.

3. The Corporation's financial position is none too happy. While the sales turnover of the Corporation increased by about 69 per cent during 1976-77, its profit on trading account declined from Rs. 23.82 lakhs in 1975-76 to Rs. 12.11 lakhs, even after receiving export incentives of the order of Rs. 57.49 lakhs from Government. The stock holding is as high as 60 per cent of its turnover. All this requires to be gone into by the Government to improve the working of the TTCI.

4. For the first few years the Corporation was wholly under the clutches of the multinationals and was dormant. It still remains a poor substitute of what the Parliament desired considering the overall tea business in the country.

5. The Committee considered and adopted this Report at their sitting held on 23rd April, 1979.

NEW DELHI;
April 23, 1979

Vaisakha 3, 1901 (S)

JYOTIRMOY BOSU,
Chairman
Committee on Public Undertakings

- (viii) To acquire and undertake the whole or any part of the business, property, assets and liabilities of any person or Company carrying on tea estate or tea manufacturing or marketing or broking or packaging of tea in all its forms.
- (ix) To establish tea estates and factories for manufacturing tea in all its forms for sale in India or for export.
- (x) To establish blending and packaging units in foreign countries, where necessary in collaboration with foreign organisations or nationals.
- (xi) To undertake either through itself or any agents research on the qualities of blended, packaged or instant tea to be sold in India or to be exported abroad—including strength and characteristic of liquor, prices, etc. in the interests of the sale of the product in India or abroad.

1.4. Though setting up of Tea Trading Corporation of India had generated high hopes, TTCI has failed to reduce country's dependence on multinational companies to any significant degree. Its share in country's tea export is about 1.4 per cent only. Its share in the internal sales is less than 1 per cent. However, its share in export of tea in packet form is about 12 per cent.

1.5. The Committee have found that instead of letting the Corporation concentrate on domestic sales and exports Government entrusted the management of Pathine Tea Estate to this Corporation in mid November, 1975. The Corporation acquired Pathini's assets from 1st July, 1976. Thereafter, Government also entrusted management of four sick gardens viz. Vah Tukvar and Pashok (Darjeeling); Looksan (Jalpaiguri) and Chargola (Assam). This was not all. Government even saddled the TTCI with the management of Libyan and Sales Tea Warehouses in Calcutta.

CHAPTER II

FINANCIAL MATTERS

A. Capital Structure

2.1. The Tea Trading Corporation of India Ltd. was incorporated on 21st December, 1971 with a share capital of Rs. 5 crores divided into 5,00,000 equity shares of Rs. 100/- each. The paid-up capital of the Corporation stood at Rs. 101 lakhs on 31st March 1977 and Rs. 146 lakhs on 31st March, 1978. The paid up capital was further increased to Rs. 165 lakhs during 1978-79. The debt-equity ratio of the Corporation was 0.1 in 1974-75; 0.44:1 in 1975-76 and 0.69:1 in 1976-77, 0.48:1 in 1977-78.

2.2. The Tea Trading Corporation of India has expressed the view that:—

“To enable the Corporation to carry out its objectives more effectively, its Equity base has to be enlarged. The Corporation is currently facing problems in obtaining finance from the Banks required for its increasing activities as in the packet tea business, 3-4 months’ stock of tea has to be regularly retained to ensure uniform blends which in turn results in blocking of huge capital. For this purpose also, the Corporation’s Equity base..... should be increased to Rs. 3 to 4 crores.”

2.3. The Committee wanted to know what debt-equity ratio is insisted on by the Bankers for giving cash credit facility. In reply, the TTCI has, in a note, intimated:

“For cash credit facility, bankers normally insist on debt equity ratio of 2:1 and therefore the maximum overdraft facility that can be normally obtained from Bankers against a equity base of 1½ crores would be Rs. 3 crores..... As our equity base is low they are required to take special permission from RBI on every occasion which is a time consuming process. Furthermore high interest charges have to be borne by the Corporation.”

2.4. Equity base of TTCI is being increased by Rs. 40 lakhs per year. Asked if the TTCI had approached the government to increase the equity base substantially, the TTCI has stated:—

“Recently we approached Government to increase the equity base to Rs. 5 crores and were advised by the Planning

Commission that any substantial increase in equity base has to be related to the expansion in fixed assets. Being a trading organisation with packaging equipment, the value of our fixed assets cannot ever be high enough. Since it will take time to set up our factory and machinery, we are not in a position to satisfy the Planning Commission norms for substantial increase in equity base."

B. Profitability

2.5. The turnover of Tea Trading Corporation of India *vis-a-vis* the profits earned by the Corporation during the years 1974-75 to 1977-78 are given below:—

Year	Sales (Rs. in lakhs)	Profit (before tax) (Rs. in lakhs)
1974-75	136.19	9.50
1975-76	341.20	23.82
1976-77	654.07	22.61
1977-78	1120.00	42.04

2.6. It transpired during evidence that the profit of Rs. 22.61 lakhs claimed to have been earned by the Tea Trading Corporation of India during 1976-77 included the profit of Rs. 10.5 lakhs earned by it on account of Pathini Tea Estate the assets of which were acquired on 1st July, 1976. During the nine months from 1-7-1976 to 31-3-1977, the sales turnover of Pathini Tea Estate was Rs. 77.62 lakhs (excluding stock transfer to Trading Division) and Rs. 99.69 lakhs during 1977-78.

2.7. Thus if the accounts of Pathini Tea Estate are separated the profitability of the Corporation during 1976-77 would be as follows:

Turnover: Rs. 576.45 lakhs

Profit: Rs. 12.11 lakhs

2.8. It is obvious, then, that while the sales turnover of the Corporation increased by about 69 per cent during 1976-77 its profit declined from Rs. 23.82 lakhs in 1975-76 to Rs. 12.11 lakhs in 1976-77.

2.9. The Committee desired to know why the profits of Pathini Tea Estate had not been shown separately in the Profit & Loss accounts of the TTCL since 1976-77 when the Tea produced at the Estate had to be sold through auctions and it did not form part

of TTCI's trading operations. The TTCI stated in a note submitted to the Committee:—

“It is customary to show details in notes and schedules so as not to clutter up the main accounts but such notes and schedules are an integral part of the accounts and are to be read in conjunction therewith. The Accounts as a whole with the notes and schedules do in fact disclose the Pathini sales separately and it is not correct to say that the turnover has been mixed up....separate details have been shown not only in respect of the sales of Pathini but also in respect of opening and closing stocks, raw materials consumed etc.....even though there is no specific requirement under the Companies Act to do so. The Companies Act under which the accounts are prepared requires information to be furnished in respect of the Company as a whole. The profit figure is not required to be broken down into different activities. Even so the directors of TTCI went out of their way in furnishing specific information with regard to Pathini in order to comply with a broader social objective.”

2.10. The Corporation received the following assistance from Government:—

(Fig. Rs. in lakhs)

Year	Cash assistance	Duty Draw back	Excise rebate	Misc. income	Total
1975-76	NIL	1.16	0.28	2.84	4.28
1976-77	35.78	3.11	18.48	0.12	57.49

It will be seen from the above table that while the Corporation received from the Government an amount of Rs. 4.28 lakhs during 1975-76 on account of customs, central excise duty draw back and cash assistance, this assistance increased to Rs. 57.49 lakhs during 1976-77 i.e. an increase of about 1240 per cent. But for this assistance from the Government, the Corporation profit of Rs. 12.11 lakhs would not have been there at all. In fact, it would have incurred a loss of Rs. 45.38 lakhs during 1976-77.

2.11. The Committee wanted to know if viewed against these facts, the operational results of TTCI for 1976-77 could be said to be

very disappointing. In reply the Chairman and Managing Director of the Corporation stated during evidence:

"While agreeing to that, I would like to go on record that 1976-77 was an extraordinary year.... We have to develop our market. Today we have gone into 47 markets in the world.....if it is clarified that the Corporation should sell limited quantities of packaged tea and make the maximum profit, that can also be done. We will then restrict ourselves to accepting orders from only one or two countries....."

2.12. The Committee pointed out that cash assistance from the Government was after all a dole and hence its continuance could not be taken for granted. The witness replied:—

"If they do not give us some sort of an incentive, it will not be possible for us to develop."

2.13. When the Committee wanted to know how is it that while the tea planters are understood to have made lot of money during the last three years the profitability of the Tea Trading Corporation of India was so low the Secretary, Ministry of Commerce Civil Supplies and Cooperation (Department of Commerce) explained during evidence:—

"that is because in 1976-77 they (i.e. TTCI) decided to sell at a loss in order to make an entry into the market."

C. Expenditure on overheads

2.14. The Tea Trading Corporation of India incurred the following expenditure each year since 1975-76:—

Year	Total Expenditure
	Rs.
1975-76	98,41,293
1976-77	1,17,93,681
1977-78	2,42,62,205

2.15. Defending the increase in overheads the TTCI has stated that:

"The increase in the overheads has been brought about by a two fold increase in volume of business and servicing of a

much larger number of customers and trade contacts both in India and abroad."

2.16. Expenditure on some of the items was as under:—

Item	1974-75	1975-76	1976-77	1977-78
1. Maintenance Cost of Cars				
(i) Repairs, fuel etc.	12,298	37,433	30,116	237,461
(ii) Depreciation	2,779	9,360	43,532	49,901
2. Hiring of Taxis	5,091	29,103	69,780	74,237
3. Expenditure on Air Travel				
(i) Internal	7,387	35,981	98,975	58,848
(ii) Foreign	NIL	11,830	1,56,084	61,594
4. Entertainment Expenditure at Head Office on Hotel, Clubs, etc.	3,645	8,156	3,711	N/A
5. Advertisement and Publicity charges paid to Private Parties	2,270	26,132	51,143	N/A
6. Donation & Subscription for Charity			8,687	N/A

2.17. The FA and CAO of TTCI (Shri K. K. Majumdar), was also sent abroad for business promotion. The Committee have been informed that the cost of Shri Mazumdar's air tickets was about Rs. 13,500/- and foreign exchange drawn amounted to Rs. 28,500/-. Thus the total expenditure on Shri Mazumdar's foreign visit came to about Rs. 42,000/- on these recent visits of FA & CAO.

2.18. The orders recured till date as a direct result of his visit is stated to amounted to Rs. 172 lakhs in 2 years from West Germany, about Rs. 2 lakhs as a trial order from Holland and a repeat orders from different countries.

2.19. The Committee desired to know how could a person knowing of nothing about tea or sales promotion was sent abroad. The Chairman and Managing Director stated during evidence:—

"Some one senior has to go,.....one of us has to go. I was not physically fit."

2.20. Details of publicity and Selling Expenses by the Tea Trading Corporation of India during 1976-77 are as follows:—

Sl. No.	Particulars	Amount
1.	Paid to Advertising Concessionaries, Calcutta for one finished Poster of Nataraj Tea bags	120.00
2.	Paid to Sm. Dipalji Bose for art and design work for Nataraj, Himalayan Rabin, Deer, Daliha	1,175.00
3.	Paid to Shri C. Sengupta for preparing 4 different colours layout of Tea Carton	600.00
4.	Paid to Publicity Forum for publishing Republic Greeting and Good Wishes to the People of Afghanistan in Times of India, Bombay .	12,074.07
5.	Paid to Dipali Bose for art work of Maya Labels for Export Market .	1,400.00
6.	Paid to Smt. Bandana Sen for preparing 12 pcs. of layout and art work for composite posters (Design Nataraj Tea)	4,200.00
7.	Paid to Timir Printing for printing Nataraj Poster in multi colour by silk screen	9,061.00
8.	Paid to G. R. Trading for Printing 1195 Nos. marketing bag in 2 colours	2,069.25
9.	Paid to M.I. Nizaruddin for translating into Persian Language . . .	50.00
10.	Paid to Smt. Deepali Bose for art work of Nataraj Carton with photo and type setting	1,000.00
11.	Presentation purchased from Jewal Craft	186.55
12.	Paid to Smarts for purchasing 500 pcs. Presentation Box for Maya Caddies	3,500.00
13.	Paid to Swarasati Press Ltd. for purchasing 6050 Nos. Nataraj Posters printing in five colours	7,995.00
14.	Paid to National Advertising Agency for Design and Art work for Press Advertisement including photo Bromide and type setting. Advertisement published in 'The Australian', Sydney and 'Ettela' Tehran	5,476.34
15.	Paid to Smarts towards cost of 2000 pcs. presentation Box for 2 caddies of Maya made	11,242.00
		<hr/> 60,149.21

2.21. The Committee desired to know the justification for an expenditure of As. 12074 for publishing Republic Greeting and Good Wishes to the people of Afghanistan in Times of India, Bombay.

The Chairman and Managing Director of Tea Trading Corporation of India stated during evidence:—

“These are routine maintenance expenses. You cannot do away with it. With are doing so many crores wroth of business. These are expressions of felicitating of good wishes to Afghanistan and of their Government.”

2.22. The Committee desired to know why the Tea Trading Corporation of India instead of giving their advertisements to the W.A.V.P. had been giving these to private parties. In reply, the Chairman and Managing Director of Tea Trading Corporation of India pleaded:

“Directorate of Advertising and Visual Publicity do not have an Office in Calcutta. It takes ten days to put an advertisement through Directorate of Advertising Visual Publicity.”

Asked why should Tea Trading Corporation of India not take up this matter with the Ministry of Information and Broadcasting instead of patronising the private advertising agencies, the witness said:

“If you do not approve of it, we will not do it in future.”

2.23. Tea Trading Corporation of India had two passenger carrying cars in 1975-76. It bought one car in 1976-77 and another one in 1977-78.

The Committee referred to the fact that while according to the Annual Report for the year 1976-77, the Capital Cost as on 31-3-77 was Rs. 80,303, the expenditure on maintenance of cars in that year was Rs. 1,34,648 i.e. more than Rs. 10,000 per month. The Financial Adviser and Chief Accounts Officer of Tea Trading Corporation of India clarified:—

“It includes depreciation element also.”

2.24. Asked even if the cost of maintenance included element of depreciation, was not the total expenditure of Rs. 3,740 per month per car abnormal, the witness explained:

“We are, for the time being operating from 8 to 9 different centres. We have no composite factory of our own. As and when we get business, we hire small places and we-

start having blending and packaging units in those places. There is one Production Manager aided by a few Assistants who go round every day in all these areas. In some of these centres we operate through contractors and in certain areas we ourselves offer contracts. There is a strict supervision. They have to go round all the time.....These cars carry samples and other packaging material also from one godown to another."

2.25. The Committee wanted to know if it had occurred to the Tea Trading Corporation of India that journeys by officers and staff could be performed by Scooters and for carrying of samples of tea and packaging materials three wheeler vans could prove more economical. The witness conceded:

"We should have thought of that. That will be much cheaper.....We do not have vans. We have now provided for three wheelers in our budget."

2.26. When the Committee pointed out that when the capital cost of 3 cars in 1976-77 was Rs. 80,303 only, how could the depreciation in respect of these cars be as high as Rs. 54,532, Chairman and Managing Director of Tea Trading Corporation of India clarified:

"the cost of maintenance of office cars included cost of maintenance of tea garden cars as well. In 1976-77, while cost of maintenance of office cars was Rs. 58,000, maintenance on tea garden cars amounted to Rs. 22,000 making a total of Rs. 80,000."

.. D. Outstandings . . .

2.27. The following table indicates the volume of book debts for the last three years:—

As on	Total Good	Book Debts Doubtful (Rs. lakhs)	Sales (Rs. lakhs)	%age of Debtors to Sales	Sundry Debtors in terms of months' turnover to Sales
31-3-76	96.55	..	341.20	28.30	3.40
31-3-77	117.35	..	654.07	17.94	2.15
1-3-78	259.30	..	1120.00	23.15	2.78

2.28. As on 31-3-78, debts outstanding for over 1 year but less than 2 years amounted to Rs. 19.80 lakhs (Government Departments Rs. 19.42 lakhs and Private parties Rs. 0.38 lakhs). There were no debts outstanding for more than 2 years.

2.29. Out of the amount of Rs. 117.35 lakhs pending on 31st March, 1977, Rs. 90.41 lakhs were realised during the year 1977-78. Details are given below:

Debtors	(Rs. in lakhs)	
	Amount pending as on 31-3-1977	Amount Realised during 1977-78
Collectors of Customs	17.77	5.57
J. Thomas & Co. (Sale of tea)	1.86	1.86
Mackinnon Mackenzie (Excess overseas freight)	0.54	0.54
Controller of Imports & Exports	21.83	21.78
Tata Finlay	0.40	0.40
Ministry of Food & Agriculture:	5.89	5.89
Central Railway	0.70	0.70
Durgapur Steel Plant	0.62	0.62
N.L.C.F.:	1.11	1.0
State Trading Corporation of India Ltd.	13.65	6.28
London Tea and Produce Co. Ltd.	8.24	8.24
K. K. Manibhai	2.00	2.00
Tricum Distributor	1.03	0.91
National Importers Ltd.	3.33	3.33
Foreign Trade Enterprise, Poland	29.17	22.79
Others (Small)	9.21	8.50
	<u>117.35</u>	<u>90.41</u>

2.30. It has been stated by the Tea Trading Corporation of India that Rs. 26.94 lakhs being balance of 1976-77 dues as on 31-3-78 represents mostly dues from customs as Duty Drawback etc. being amount in dispute and balance not fallen due in respect of Poland shipments.

2.31. The outstandings as on 31st March, 1978 have increased to 259.30 lakhs. A sum of Rs. 182.55 lakhs had been realised by July, 1978. The amount from State Trading Corporation had still not been realised because it is in dispute. Also an amount of Rs. 14.96 lakhs was due from the the Collector of Customs as on 31st March, 1978. About this claim, the Financial Adviser and Chief Accounts Officer of Tea Trading Corporation of India stated during evidence that Rs. 6.32 lakhs had been realised in May, 1978. The witness added in this connection that ".....it usually takes about 8 months for the customs to clear the balance."

2.32. In this connection, the Collector of Customs, Calcutta informed the Committee on 27th November, 1978 that:

"Total number of claims outstanding at present is 7 amounting to Rs. 6,78,198.00In all these cases letters were issued during May/June, 1978 to the Tea Trading Corporation of India to submit relevant documents like blend sheets, garden invoices, brokers' bills, body invoice and amendment of declarations of the goods in the shipping bills.....As soon as these are submitted by the exporter, the claims will be finalised."

E. Stock of unsold tea

2.33. Details of tea stocks and turnover of the Tea Trading Corporation of India for the last 5 years are given below:—

	Tea Stocks	Turnover
	Value (Rs.)	(Trading Div.)
As on 31-3-74 .	82,300.97	66,793.00
As on 31-3-75 . . .	63,58,184.00	136,18,833.00
As on 31-3-76	132,16,239.00	341,19,973.65
As on 31-3-77	16,91,785.00	571,66,277.00
As on 31-3-78 .	606,20,455.00	1020,30,437.00

F. Financial Control

2.34. The Department of Commerce obtains reports and information from the trading and consultancy organisations under its control in the manner appropriate to their roles and functions. The Government is also kept informed of their working to a considerable extent through the part-time official Directors of the Ministry appointed on the Boards of these Corporations of India

2.35. As for the Tea Trading Corporation of India, the first report on its activities was received by the Ministry in June, 1975 covering its trading operations in the domestic and export trade, Public Tea Warehouses, finance and personnel aspects etc. From then, a format of these monthly report which has been received regularly by the Ministry had undergone a change in line with the expansion of its activities over a period of last three years. The reporting is currently done under heading:

(1) Tea Trading

- (i) Trading Orders|Sales Position
- (ii) Export highlights;
- (iii) Tea Stocks; and
- (iv) Financial position including credit facilities.

(2) Public Tea Warehouses

- (i) Arrivals and deliveries; and
- (ii) Financial position and highlights.

(3) Production

(4) Gardens

(5) Industrial relations

(6) Management Personnel.

This report is stated to cover all the aspects of the functioning of the Corporation.

2.36. The Committee desired to know whether any financial reviews were being submitted by the Tea Trading Corporation of India to the Government. The Corporation stated in a note submitted to the Committee in September, 1977:—

“No such reviews were submitted to the Government during the last three years principally because the Corporation was under-staffed and its financial set up did not have any Senior Official being incharge of the Division, competent enough to do the job. With the joining of the Financial Adviser and Chief Accounts Officer on the 1st of August, 1977 such reviews will be prepared and submitted hereafter.”

2.37. However, the Secretary, Department of Commerce stated during evidence before the Committee in March, 1979:

“There is a general review; there is no financial review as such....We get a monthly report....It is a fairly comprehensive report.”

2.38. The witness further added:

'Communication goes wherever any specific action is called for and that is followed up. The Ministry is very closely associated. The representative of the Ministry is on the Board. It is practically a departmental Board.'

2.39. The Committee enquired if Government had compared Tea Trading Corporation of India's Balance Sheet with those of other companies, the Secretary, Department of Commerce, stated:—

"We can get some indicators by that. There is no harm in doing that.....we will be prepared to make an in-depth study."

G. Internal Audit

2.40. The Tea Trading Corporation has at present two costings viz. internal costing and export costing and there is a separate division for each. Costing is done on the basis of different costs, in the case of Defence. The Corporation does not have any certified Cost-accountant. Only after August, 1977, Tea Trading Corporation of India engaged a firm of internal auditors and a firm of auditors to advise it on costing procedures.

2.41. When the Committee expressed a doubt that the auditors might come to know of business secrets of Tea Trading Corporation of India, the Financial Adviser and Chief Accounts Officer of the Corporation stated during evidence:—

"I do not think so. The firm has been entrusted with the job of statutory audit also. In any case they can know our secrets, and if they want to sell our secrets, they can do that."

However, the Chairman and Managing Director of the Corporation clarified:

"They would not be our costing operators. They would only tell us the best system to follow."

2.42. Regarding the procedure of costing developed by the auditors, the witness stated:

"They have not devised an elaborate procedure. We have a simple procedure starting from the tea costs and adding

on all the expenses. That is what some other companies also do."

2.43. The Committee note that profit earned by the Tea Trading Corporation of India during 1976-77 as shown in the annual accounts of the Corporation was Rs. 22.61 lakhs against Rs. 23.82 lakhs during 1975-76. The profit during 1976-77 also includes profit of Rs. 10.5 lakhs earned on account of Pathini Tea Estate acquired by the Corporation in July, 1976. Thus the actual profit of the Corporation during 1976-77 on accounts of trading activities comes to only Rs. 12.11 lakhs i.e. 50 per cent of the profit earned in the preceding year. This is inspite of the fact that its sales turnover on trading account increased from Rs. 341.20 lakhs during 1975-76 to Rs. 576.45 lakhs during 1976-77.

2.44. Moreover, but for the cash assistance etc. of the order of Rs. 57.49 lakhs received by the Corporation from the Government, as against Rs. 4.28 lakhs during 1975-76, the Corporation would have ended up with a loss of Rs. 45.38 lakhs during 1976-77. This does not include the loss of Rs. 24.70 lakhs on management of Public Tea Warehouses incurred during 1976-77. This only depicts the disappointing operational results of the Corporation which require to be thoroughly gone into. The profitability during 1977-78 has also to be viewed on this basis.

2.45. The Committee are at a loss to understand why the profits on Pathini Tea Estate are not being shown distinctly in the profit and loss accounts of the Corporation without being mixed up with the Trading account. They are not satisfied with the details of turnover of the estate alone being shown in the Annual Report of the Corporation. They therefore recommend that the accounts of Trading Activities and Garden accounts should be shown separately forthwith even though it might not be necessary under the companies Act to do so. This is necessary in order that the operational results of the Corporation depict the true state of affairs.

2.46. Surprisingly, the Corporation has stated that its development is not possible without export incentives from Government. The Committee cannot lose sight of the fact that there was a steep increase in over-heads expenditure from Rs. 38.41 lakhs in 1975-76 to Rs. 117.93 lakhs in 1976-77 and to Rs. 242.62 lakhs in 1977-78. Government should analyse the reasons for this steep rise in expenditure to find out how much of the increased expenditure

was actually justified and whether any malpractices or unwarranted activities have taken place and thereafter devise measures to effect economies.

2.47. In this connection the Committee wish to point out that the expenses on internal and external Air Travel were of the order of Rs. 0.99 lakh and Rs. 1.56 lakhs during 1976-77. Even the Financial Adviser and Chief Accounts Officer of the Corporation with no tea background was sent on tours abroad for business promotion incurring an expenditure of Rs. 42,000. This must be discouraged.

2.48. Yet another item of overhead expenditure which compels attention is that the expenditure on maintenance of cars by the Corporation which increased from Rs. 37,433 during 1975-76 to Rs. 80,116 during 1976-77. During 1977-78 when another car was purchased the expenditure on maintenance of cars increased to Rs. 2.37 lakhs. The Committee regret that inspite of the increase in expenditure on maintenance of cars, taxi hire expenses did not come down but increased from Rs. 29,103 in 1975-76 to Rs. 69,780 during 1976-77 and Rs. 74,237 during 1977-78. This does not appear to be justifiable because the places required to be visited on official duty are confined to a limited area.

2.49. The Committee recommend that the Corporation should buy as a increase of economy and use 3 wheeler vans passenger carriers for carrying samples and other packaging material as well as for other visits as far as possible. Taxis and Cars should be used sparingly especially in the context of fuel scarcity and high cost. This should apply not only to the TTCI but also to all the undertakings.

2.50. The Committee find that payments made to private parties by the Corporation for publicity and advertisement has gone up from Rs. 2270 in 1974-75 to Rs. 51,143 in 1976-77. The Committee desire that as assured during evidence, the Corporation should entrust such jobs to or through the Directorate of Advertising and Visual Publicity.

2.51. The Committee find that total outstandings of the Corporation have increased from Rs. 96.55 lakhs as on 31-3-76 to Rs. 259.30 lakhs as on 31-3-78. As on 31-3-78, debts outstanding over 1 year but less than 2 years amount to Rs. 19.80 lakhs. The Committee stress vigorous attempts should be made to recover these outstandings from the parties concerned.

2.52. The Committee find that the Corporation holds huge quantities of Tea in stock. When the turnover increased from Rs. 572

lakhs in 1976-77 to Rs. 1020 lakhs in 1977-78, the closing stock increased by more than three and a half times from Rs. 166 lakhs to 606 lakhs. A closing stock of the order of 60 per cent of the turnover cannot at all be justified. It is, therefore, no wonder that the working capital needs of the Corporation is high as it is looked up in stocks with the high interest liability. This shows utter lack of foresight and business planning and management on the part of the authorities. The position, therefore, needs to be probed and the results reflected in the Annual Report of the Corporation.

2.53. It is strange that the Corporation had no system of internal audit until August, 1977. Further only recently firm of auditors were engaged to advise the Corporation on costing procedure. A sound costing procedure however does not seem to have been developed by the Corporation as yet. This deficiency should be looked into by the BPE and the Ministry of Commerce for a quick remedy.

2.54. The Committee regret to note that although the Corporation was set up in December 1971, the first report on its activities was sent to the Ministry only in June 1975. The Committee were informed that a Financial Adviser and Chief Accounts Officer having joined the Corporation in August 1977, financial reviews would be submitted to the Government in future. Despite this assurance no such reviews have been submitted till March, 1979. Only monthly reports containing details of the activities of the Corporation during the month are being submitted. The Committee trust that financial reviews would be made available hereafter without fail.

2.55. The Committee strongly feel that there is an urgent need for strict financial control by Government over the activities of the Corporation in view of the fact that though the turnover has been increasing the profitability of the Corporation has been declining over the years in spite of massive export subsidy. They, therefore, recommend that there should be a monitoring cell consisting of efficient cost accountants and qualified Economists in the Ministry of Commerce for cost analysis and watching constantly the performance not only of Tea Trading Corporation of India but also of all the Trading concerns.

2.56. The Tea Trading Corporation has informed the Committee that it had approached the Govt. for increase in its equity base from Rs. 1.46 crores to Rs. 5.00 crores.

The Committee desire that on the basis of a critical review of the performance and the need of the Corporation Government should consider increasing the equity capital.

CHAPTER III

TEA ESTATES

A. Pathini Tea Estate

3.1. A Tea Garden Division was set up by the Tea Trading Corporation of India in the middle of November, 1975 when it took over the management of the Pathini Tea Estate situated in Cachar District of Assam. On 1-7-1976, the ownership was transferred to the Corporation. When this Tea Estate was taken over an area of 787.97 Hectares was under Tea. It had a labour force of 1483.

B. Management of Sick Tea Garden

3.2. Looksan and Pashok Tea Estates owned by M/s. Pashok Tea Co. Ltd. and Vah-tukvar Tea Estate, Darjeeling, owned by M/s. Sashi Tara Tea Co. (Pvt.) Ltd., Calcutta, were taken over by the Central Government under Section 16E(1) (a) of the Tea Act, 1953 by Orders dated 11th October, 1976, and handed over to the T.T.C.I. for a period of five years.

3.3. Management of another tea estate viz. Chargola Tea Estate in Assam owned by Chargola Tea Company and taken over by Government on 9th December, 78 has been entrusted to TTCI.

3.4. During evidence, the Committee wanted to know why the function of management of Tea Estates had been tagged on by Government to a trading concern like the Tea Trading Corporation of India. In reply, the Secretary, Ministry of Commerce, Civil Supplies and Cooperation opined:—

“So far as estates managed by Government of India are concerned this (i.e. TTCI) would be the appropriate organisation.”

3.5. Asked whether it was a fact that saddling of TTCI with the additional responsibility of management of Tea Estates had put avoidable strain on it and if so whether it would not be advisable to transfer these tea estates to State Governments concerned witness stated:—

“The Chairman feels that at the moment management of these tea estates does not put great strain. If the State

Governments are prepared to have their management. we are prepared to consider it."

3.6. The Secretary, Ministry of Commerce, Civil Supplies and Cooperation, assured the Committee:

"It is not our intention at all that the present system in developing export—value added tea should be diluted."

3.7. The Committee note that the management of Pathini Tea Estate (Assam) was entrusted to the Tea Trading Corporation of India from the middle of November, 1975. On 1 July, 1976, the ownership of this estate was transferred to it. In October, 1976, Government handed over to the Corporation the management of three sick tea gardens viz. Vah Tukvar and Pashok Tea Estates in Darjeeling and Looksan Tea Estate in Jalpaiguri. Recently, since December, 1978 the Corporation has been entrusted with management of Chargola Tea Estate in Assam.

3.8 Defending the Government's decision to entrust management of Tea estates to the Corporation, the Commerce Secretary, stated that it was thought to be the appropriate organisation to handle this work and that there was no intention at all to dilute the present system in developing export of value added tea.

3.9. The Committee were assured that Government's decision had not put great strain on the Corporation. Whatever the volume of work involved what the Committee were unable to understand was why the Corporation which had yet to establish itself in the tea trade was saddled with the additional responsibility to manage sick Tea Gardens and thereby fritter away its energies. The Committee apprehend that the result would be to leave the field free for multinational tea companies to flourish in the trade. The Committee accordingly recommend that management of tea estates may be either transferred to the State Governments concerned or to a separate Corporation created for it so that the Tea Trading Corporation is left free to concentrate on its main activities. In case the management is transferred to State Governments such financial assistance as they may require may be rendered by the Government of India.

CHAPTER IV

PURCHASE

A. Modes of Purchase

4.1. The following pattern of purchase of tea was followed by the Tea Trading Corporation of India during 1975-76 to 1978-79:—

Year	Total Purchase (in lakhs)	Auction Purchase (in lakhs)	% of total purchase	Purchase through registered brokers Govt. agencies against limited tender	% of total purchase
	Rs.	Rs.			
1975-76	320.76	306.90	96%	13.85	4%
1976-77	476.52	468.22	98%	8.29	2%
1977-78	1112.84	1050.28	95%	56.55	5%
1978-79	1156.73	1021.55	89%	135.17	11%

4.2. According to the Tea Trading Corporation of India, it is an accepted practice in the tea trade to buy tea from Auctions, through forward contracts, and from private trade and ex-garden.

4.3. Main centers for auction of tea are in Calcutta, Siliguri, Gauhati, Cochin and Coonoor.

B. Limited Tender System

4.4. Prior to the acceptance of the first Libyan order of 1000 tons packet tea, a departmental meeting was held in May, 1976 where the Chief Tea Buyer, Tea Buyer, Manager (Export) and Manager (Marketing) were present apart from the Managing Director.

4.5. It was decided at that meeting that as sufficient quantities of teas for the anticipated orders might not be available at the

Auctions at the required price, some quantities of tea should (as suggested by Chief Tea Buyer) be purchased from the tea producing areas. Chief Tea Buyer was entrusted to explore the possibilities of procuring the required quantity of teas at the right price from those areas. At the recommendation of the Chief Tea Buyer it was also decided at the aforesaid meeting that Chief Tea Buyer would immediately contact the sources of supply for purchase of non-auction teas and that a Committee would be formed to decide on price etc. which would comprise:—

Chief Tea Buyer
 Manager (Export)
 Manager (Marketing) and
 Manager (Gardens)

At the meeting of this Committee held on 27.7.76 it was decided that to associate the Asstt. Manager (A/sc) with the Committee.

4.6. Justifying the constitution of Departmental Purchase Committee, the Chairman and Managing Director explained during evidence that in 1976 they faced a serious situation. They were defaulting on shipments. Prices of tea were escalating. Delay in shipment would have resulted in a fine of 1 per cent for each day of delay. The Corporation thought of such a Committee for purchase of tea "because if one person bought it, somebody might say he made money out of it."

4.7. However, according to the Corporation as the Chief Tea Buyer was unable to identify any teas from private parties at the right price, no teas were purchased privately. Teas were purchased only through established 1st Class brokers or Government Companies like Balmer Lawrie, Andrew Wule etc. No teas were purchased direct of ex-factory basis. This Committee of 1976 was later disbanded.

4.8. On the recommendations of the experts from STC, the Committee form of Management was approved by the TTCI Board Directors and this was introduced in TTCI effective from April, 1978. Various committees are presently in vogue in TTCHI such as Marketing Committee (Export) Marketing Committee (Internal) Tea Buying Committee, Purchase Committee etc. Tea Buying Committee comprises:—

Head of Trading Division—in the Chair
 Chief Tea Buyer
 Finance Manager

Tea Buyer (coopted)
Chief Marketing Manager and
Coordination Manager.

In the absence of the Head of Trading Division, the Chairman or FA&CAO has been attending the tea buying committee meetings. The positions of Finance Manager & Chief Marketing Manager are yet to be filled up. Presently the Dy. Managers of internal marketing & exports and the Dy. Finance Manager are associated in the tea buying committee meeting.

4.9. In July 1978, the Corporation introduced a "Limited Tender System" under which it invited quotations from 6 first-class brokers including J. Thomas and Balmer Lawrie & Co. only. It bought a total quantity of 1.22 million kgs. of tea valued at Rs. 135.17 lakhs from them during July 1978 to December, 1978.

4.10. The Committee wanted to know if there was a possibility that under limited tender system, the brokers might gang up. In reply, the Chairman and Managing Director of TTCI said:—

"I don't think. Then this entire broking system collapses."

4.11. The Committee asked how could a public sector enterprise take recourse to private purchasers under the garb of Limited Tender System when private purchases were frowned upon even by private business houses. Moreover, there was always a time gap between the confirmation of the order and the date of shipment and enquired if during the time available it was not possible for the Corporation to buy tea from public auctions the entire quantity of tea needed by it for exports. In reply, the witness pleaded:—

"We have a time bound schedule.....From the time acceptance is given, we have to print cartons, get all packaging materials and also buy, collect, blend and pack tea. They gave no more than 1½ months. Otherwise they would give the order to Ceylon.....We have a very weak infrastructure."

The Corporation has, in a note also argued that "If all the tea was to be bought in the auctions, price levels would have risen because of pressure of demand affecting adversely TTCI's profitability."

4.12. The Committee enquired if it was a fact that the Chief Tea Buyer of the TTCI had submitted notes suggesting that it would be

imprudent to buy teas privately. In reply, the TTCI has submitted that:—

“TTCI's first contract which was “short-sold” was for Libya and before the contract was negotiated a meeting was called to plan the tea-purchase policy in anticipation of our securing the order. At that time, the Chief Tea Buyer suggested that in order to keep the blend cost at an economical level, it would be necessary for TTCI to buy tea from Tripura, Himachal Pradesh and other tea producing areas. Unfortunately when the Chief Tea Buyer, who had suggested this purchase programme was unable to produce tea from the tea producing areas as per programme which resulted in a loss of first Libyan order, when tea stock situation has become acute efforts were renewed to procure teas from the tea producing areas by CTB without much success, CTB had produced a number of notes suggesting that it would be imprudent to buy teas privately. It is submitted that purchase of tea privately is an accepted practice in the tea trade and it is not *mala fide*.”

4.13. Giving evidence before the Committee, Chief Tea Buyer of the Corporation (Shri M. K. Some) alleged that private purchases were being certified by the Chairman and FA&CAO and he was not being consulted.

4.14. In a note furnished to the Committee, the Tea Trading Corporation of India has intimated:—

“It is not true that while making purchases of tea outside the auctions through Registered Brokers, the Chief Tea Buyer was not consulted. As the head of the Tea buying Department it was Shri Some who had planned the tea purchases to execute domestic and export orders as per delivery schedules and advised the source of availability. In almost all cases, Shri Some had certified the price & quality of such purchases. Besides, he had utilised such teas for various blends.”

C. Purchase from M/s. Hindustan Tea Co.

4.15. On 21-12-1978 Tea Trading Corporation placed an order for supply of 2 lakh kgs. of Libyan type tea packed to its specifications on M/s. Hindustan Tea Company for delivery within 31st December, 1978. Price paid by the Corporation for supply was Rs. 16.35 per

kg. inclusive of cost of tea, manufacturing operations, cost of packaging and other cases, excise duty of Rs. 1.05 per kg. and cost of delivery to Port. This was against gross realisation of Rs. 21.55 per kg. on its exports to Libya. Since the freight element on the shipment amounted to above Rs. 2.70 the net realisation amounted to Rs. 18.85 against the price of Rs. 16.35 paid by it to Hindustan Tea Co. Therefore there was it has been stated, a clear profit of Rs. 2.50 per kg. on 2 lakhs kgs. purchased by it from Hindustan Tea Company. Since it did not have to pay for any overheads by way of rent charges, interest etc. the price of Rs. 16.35 was well within its FOB cost structure for Libyan tea. The payment for the consignment was made to Hindustan Tea Company after effecting shipment and negotiation of its Libya L/C.

4.16. The Corporation has intimated that the reasons for purchase of finished packets from M/s. Hindustan Tea Co. were as under:—

- (1) TTCI has set its target of exports for the year 1978-79 at 16 crores against of 7.63 crores in 1977-78. Exports till end November, 1978 had amounted to Rs. 8 crores leaving a gap of Rs. 8 crores to be made up in four months from December, 1978 to March, 1979. According to the target set exports per month should have amounted to Rs. 1.35 crores for a total of Rs. 10.80 crores in 8 months period April to November, 1978. Therefore there was a short-fall of about Rs. 2.80 crores by end of November, 1978.
- (2) The short-fall in our exports was due entirely to disruption of our production facilities for 45 days during October and November, 1978 due to the heavy deluge in Calcutta towards end of September 1978. Our main godown at New Taratolla where we pack 5 lakh kgs. every month was completely un-operative for this whole of October and we could not commence operations there till the middle of November, 1978.
- (3) Disruption of production operations was not only likely to result in failure to meet our own targets but also, as in the case of Libya where we had committed to export 5 lakh kgs. per month from September to December, 1978, resulted in payment of heavy liquidated damages (which could have amounted to 10 per cent according to the contract). This certainly would also have jeopardised our negotiation for obtaining fresh order for 50 lakhs kgs. of

packet tea valued at about Rs. 10 crores and 50,000 kgs. of tea bags valued at about Rs. 1 crore from Libya. The situation of November, 1978, therefore, was extremely critical and all avenues of increasing production were being investigated.

- (4) Added to the production problems was also the problem of each flow inasmuch as we had in hand an order for 4 million kgs. of Packet Tea from Afghanistan and had to cover adequate stocks against the contract. Our application for enhancement of our credit limit was pending in State Bank of India and we had shortage of funds for purchase of tea for the execution of the Libyan order. In such a situation, enquiries were made from several parties for supply of Libyan type tea in packets so that both our cash flow and production problems could be surmounted. In response to such an enquiry M/s. Hindustan Tea Company, a Registered Export House and exporter of Packet Tea to Europe and the Middle East, who had been for some time past acting as one of our blending and packeting contractors offered to supply us with Libyan type teas packed to our specifications.
- (5) Out of several offers received, the one from Hindustan Tea Company was the lowest at Rs. 16.55 per kg."

4.17. The Committee have been informed that the Corporation does not have any knowledge that Hindustan Tea Company purchased flood damaged tea at very low prices. As regards the quality of supply, it has been stated that the entire blending and packaging operations were inspected by Inspectorate of Dusseldorf and the quality was certified by Cargo Inspectorate Superintendence Company.

4.18. The Committee wanted to know whether the blend sheets for the tea to be exported to Libya were prepared by Hindustan Tea Co. and if so whether this did not amount to divulging trade secrets of TTCI in export business. In reply, the Corporation assured the Committee that:—

"Contract with Hindustan Blending Co. was for supply of finished product in cartons according to our specifications. The tea blend was approved by Inspectorate of Dusseldorf (Libyan buyers inspection agent) and thereafter the blend was matched by Hindustan Tea Co. Normally in Tea

business, if a buyer wishes a supplier to quote for a particular blend a sample is given and the blend matched by the suppliers for which he is given a quotation. Therefore, matching of blend does not involve divulging of trade secret and is a normal practice followed by all suppliers."

D. Purchases from multinationals

4.19. The Annual Report of the Corporation for the year 1976-77 states "it is the objective of Corporation to create stable foreign markets for Indian teas in its finished value-added form—packet tea, tea bags, instant tea, etc. and reduce the country's dependence on multinational companies."

4.20. The Committee enquired whether it was a fact that TTCI had been purchasing substantial quantity of tea from multinational companies. In reply, the TTCI has, in a note, admitted that:—

"(i) During the year 1977-78, 4010.2 kgs. of CTC Brokenes were taken from Liptons to complete an export order for Poland on a barter basis, valued at Rs. 85,949.91. In exchange, TTCI had given to Liptons 4042.2 kgs. of CTC Dust valued at Rs. 85,947.67 (both inclusive of ST).

(ii) During 1977-78, as TTCI was in urgent need of Hi-grown Nilgiri teas for its "Maya" range, and as it was not readily available in the market being out of season, the Corporation had purchased (from Brooke Bond) 1289 kgs. of Hi-grown Nilgiri flavoury teas at a total price of Rs. 51,842.38 (inclusive of S.T.)."

4.21. The prices at which these purchases were made are given below:—

Price paid for CTC Brokenes taken from Liptons	.	.	.	Rs. 21.43 per kg.
Price of CTC Dust given to Liptons	.	.	.	Rs. 21.26 per kg.
Price of Nilgiri teas purchased from Brooke Bond	.	.	.	Rs. 41.48 per kg.

4.22. On the question of profit made by the Corporation on these teas, it was stated that as TTCI did not export these teas direct, it was not possible to specify the F.O.B. value realised or the profits made thereon. However, F.O.B. average price of its Poland Order was Rs. 20.62 per kg. while F.O.B. list price of its Hi-Grown Nilgiri Maya teas worked out to Rs. 51.32 per kg.

4.23. The Committee desired to know how far the Corporation's action to purchase tea from multinationals like Liptons and Brooke Bond was in keeping with its objective of reducing dependence on multinationals. The Chairman and Managing Director of the Corporation stated during evidence that:—

"I was short of tea of a particular type. Without that, the shipment would not go. This was an emergency and we bought some tea. This was to complete the shipment."

E. Dealings with Government Companies

(i) Andrew Yule & Co.

4.24. The six tea companies in the Andrew Yule Group own 14 plantations, one in Darjeeling, four in the Dooars and nine in Assam. The Group runs 12 factories, one in Darjeeling, four in Dooars and seven in Assam. The Companies manufacture both CTC and Orthodox teas. Only one estate in the Group is equipped for dual manufacture. Two estates manufacture entirely orthodox teas. The remaining estates are geared to manufacture only CTC teas. The tea companies which are separate legal entities are managed by their respective Boards of Directors. The tea companies manufacture and sell black teas.

4.25. Andrew Yule has given the following details of auction and private sales by its subsidiary tea companies.

Year	Total Crop (Qtls.)	Total value (Rs. in lakhs)	Percentage sold in			
			Internal Auction	Overseas auction	Dom. Private	Overseas Private
1975	78749	870·97	35·41	17·64	30·65	16·47
1976	81880	1018·74	25·53	6·44	34·11	33·92
1977	91366	1464·41	45·44	10·34	31·64	12·58

4.26. During his evidence before the Committee in August 1978 the Chairman and Managing Director of Andrew Yule stated that the total percentage of their sales in auctions in India would be about 42 per cent of their total crop and of this about 35 per cent would go to the five bigger broking houses—Thomas. Cresswell, Carrits, Figgis and contemporary—and the rest to the smaller broking houses. About 25 per cent goes for export and the rest is sold ex-garden in Calcutta private sales.

4.27. Over the last three years Andrew Yule carried out domestic sale with Balmer Lawrie & Co. Ltd., Lipton (India) Ltd., Bush Tea Co.(P) Ltd., Harrisons & Crossfield Ltd., Alakananda Tea House, James Finlay & Co. Ltd. (Tea Purchase Deptt.) and Tea Plantation Agency etc.

4.28. On the question of dealings with Tea Trading Corporation of India it was stated by Andrew Yule:—

- “(i) The Group’s dealings with TTCI cover warehousing of a portion of the Group’s teas in the TTCI warehouse at Calcutta.
- (ii) The Group have not sold any tea to or through the TTCI although very occasionally enquiries are received mainly for orthodox teas. Against such enquiries offers have been made based on brokers’ valuations and prevailing market prices but no bids were received from the TTCI against our offers.”

4.29. Expressing his reaction on a suggestion from the Committee to lay down a method by which Andrew Yule could give samples to TTCI the representative of the Company assured the Committee during evidence:—

“No objection. We would welcome that...If we can get the brokers’ value from TTCI, we would rather give it to them.”

On the question of possibility of any malpractice in such a deal, the witness expressed the view:—

“There cannot be (any malpractice) because it would be a straight dealing between two companies.”

4.30. On the question of handing over its tea business to TTCI, Andrew Yule & Co. has stated in a note that:—

“Andrew Yule is under the administrative control of the Ministry of Industry, New Delhi. Neither the Ministry of Industry nor the Ministry of Commerce who are represented on the Andrew Yule Board have approached Andrew Yule with any suggestion that the sale of its teas should be handled by the TTCI. Therefore the question of TTCI handling tea sales of the subsidiaries of Andrew Yule has not so far been considered. On the other hand, whenever offers have been made to TTCI for sale of teas produced

by the subsidiary tea companies, such offers have not been accepted. The tea subsidiaries of Andrew Yule will however continue to send invoice samples to TTCI so that TTCI has the first refusal on teas produced."

4.31. Asked to state whether any tea was sold to Government Departments, public undertakings etc., the Company informed the Committee in a note:—

"Sales in the internal market are conducted through Auction Centres, through brokers and direct contracts with whole-Salers. Where teas are sold through brokers, such brokers are appointed by the buyers themselves. No teas have so far been sold directly to any Government Departments or Public Undertakings although offers have from time to time been made to the Department of Tourism and the Railways."

4.32. The Tea Trading Corporation of India, when asked about their purchases from Andrew Yule & Co., stated in a note that Andrew Yule has been requested to supply teas against TTCI's limited tender or whenever suitable teas were available within its buying range and standard.

4.33. The Committee desired to know the quantity of tea purchased by TTCI from Andrew Yule from August, 1978 to February, 1979. The Corporation informed the Committee in a note:—

"We have purchased upto date 6000 kgs. of Tea from Andrew Yule directly. We have also purchased their Garden's teas thereby supporting their marks in the Auction as per details given below:—

Garden	Quantity (In kgs.)
Khowang	1700
Him	708
Murphulani	7303
Karballa	5450
Banarhat	7187
Basmatia	420
Choonabhutti	1294
New Dooars	4645
	<hr/> 28707

In 1977-78, there were no direct purchases from Andrew Yule. TTCI supported Andrew Yule's tea in the auctions."

4.34. In this connection, the Corporation also stated that Andrew Yule has only one Orthodox producing Garden. TTCI's principal buying is Orthodox tea. Andrew Yule's have offered TTCI teas from Murphulani Tea Estate mainly of "Broker grades" which TTCI purchased whenever the value fell to within its buying limits. Other Grades of the Whole leaf variety & higher brokens were very expensive and received good prices at the Auctions. (ii) Balmer Lawrie & Co.

4.35. On question of sale of tea to TTCI, Balmer Lawrie & Company stated in a note furnished to the Committee:—

"We have not approached TTCI for purchase of tea from us as we have no captive source of supply."

4.36. The Tea Trading Corporation of India, while informing the Committee about its coordination with Balmer Lawrie & Co. stated that it has made "several overtures" to the Company. The Corporation also stated that Balmer Lawrie has acted as a guiding agent in TTCI's Private sales thereby earning commission but also acting as a watchdog on the quality of tea supplied, its delivery schedule and price. Balmer Lawrie has also been written to with a request to quote for "on FOB basis" against TTCI's Libya and Afgan contracts.

F. Purchase from TTCI owned and Managed Gardens

4.37. The management of Pathini Tea Estate was entrusted to the Tea Trading Corporation of India in November, 1975. The assets of the Tea Estate were acquired by the Corporation on 1st July, 1976. But it transpired during evidence before the Committee that out of the tea produced at Pathini the TTCI got a very small quantity for trading and the rest was sold through auctions.

4.38. Explaining the reasons for not selling tea produced at Pathini Tea Estate. the Chairman and Managing Director of the Corporation stated during evidence:

"In the beginning, when we took Pathini, we started looking after Pathini. It was not our garden, it is Government of India's garden, and the instructions are that all teas of Pathini would be sold in auction."

On being pointed out by the Committee that Pathini's tea could have been taken over by TTCI after getting it valued by brokers the witness, stated that:—

"This year we have got the Board's approval to use 20 per cent of Pathini tea and pay the price set by the brokers."

4.39. It was further added by the witness that:—

“There is no doubt that if we were to take part of the Pathini teas, we would be saving one rupee roughly per kg.”

4.40 Looksan Looksan and Vah-Tukvar (taken over by Government in October, 1976). 4.40. The TTCI is also managing three more gardens viz. Pashoke, Looksan Looksan and Vah-Tukvar (taken over by Government in October, 1976). The tea of these gardens is also being sold through auctions. The Committee were informed that this was being done to avoid any adverse criticism in future since only the management of these gardens was entrusted to TTCI. The Corporation regarded it as being property managed on behalf of somebody else. Recently in December, 1978, Chargola Tea Estate in Assam owned by Chargola Tea Company Ltd. was taken over by Central Government and its management entrusted to TTCI. The Government order for take over of Pashoke and Looksan Tea Estates was quashed by the Calcutta High Court without assigning any definite reason. But on appeal, the case has been remanded for retrial.

4.41. The Committee find that as much as 11 per cent of the total purchases were made outside auctions by the TTCI during 1977-78 against 2 per cent in 1976-77. A Limited Tender System was introduced in July, 1978, under which quotations were invited from 6 first-hand brokers. Under this system the Corporation purchased a total of 1.22 million Kgs. of tea valued at Rs. 135.17 lakhs from July to December 1978 on the plea of tight time schedules for export. Strangely, it has also been argued that if all the tea had been purchased from auctions, the price levels would have risen.

4.42. The Committee see no reason why a Government under-taking should resort to direct purchases from private parties when it is really avoidable granting a will. The Committee are not impressed with the argument that purchase of tea entirely from auctions could have resulted in rise of prices. The Committee, accordingly, recommend that normally all the purchases of tea should be made by the TTCI from auctions or from Government owned or managed tea estates. Occasions for purchase of tea under the limited tender system should, if at all, be rare. The Committee constituted by the Corporation for buying tea should be headed by a person who has long and adequate knowledge of tea and is a Tea Taster. The Committee are surprised to learn that in the absence of head of Trading Division who was supposed to preside over the meetings, the FA&CAO of the Corporation with no tea background had hitherto been attending the meetings of Tea Buying Committee.

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4.43. The Committee are surprised to find that though in its Annual Report for 1976-77, it was stated that one of the objectives of the Corporation was "to create stable foreign markets for Indian teas in its finished value-added form—packet tea, tea bags, instant tea etc. and reduce the country's dependence on multi-national companies' yet the Corporation itself had to depend on the multi-nationals viz., Liptons and Brooke Bond for getting timely supply of tea during 1977-78. The Corporation got into their clutches which again shows lack of proper planning. This should not happen in future.

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4.44. The Committee regret that though Andrew Yule & Co. Ltd., had become a Government controlled company since 1974 and had six tea companies in its group which owned as many as 14 plantations it did not sell any tea to the Corporation upto August, 1978. It was only at the insistence of this Committee that the Corporation has started making mere token purchases. This is where the Committee apprehends, there is much more than meets the eye. The Committee examined Andrew Yule & Co. Ltd., briefly and the Committee feel that methods of sales adopted by that company for its tea has many loopholes for corrupt practices. It is therefore necessary that Andrew Yules' activities in the sphere of tea sales outside auction be thoroughly looked into and for the future private sales should be stopped. The Committee further stress the need for closer understanding between the Tea Trading Corporation of India, Andrew Yule & Co. Ltd., and Balmer Lawrie & Co. Ltd., in the matter of purchases.

4.45. The Committee note that the Corporation was selling the tea produced at its owned garden, Pathini, mainly through auctions. Further the tea produced by the gardens managed by the Corporation viz., Pashoke, Looksan and Vah-Tukvar etc. is also being sold in auctions. The Committee are at a loss to understand why the tea produced at these gardens could not be purchased to the extent needed directly by the Corporation on the basis of first hand broker's valuation which is an accepted practice all over the world. In future first right of refusal must be given to the TICI and samples should be flown to the Corporation as soon as invoices are ready or are about to be ready.

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CHAPTER V

DOMESTIC SALES

5.1. The internal sale of tea by the Tea Trading Corporation of India during the years 1974-75 to 1977-78 in terms of value was as under:—

1974-75	—	Rs. 135 lakhs
1975-76	—	Rs. 144 lakhs
1976-77	—	Rs. 294 lakhs
1977-78	—	Rs. 322 lakhs

5.2. In the domestic market, TTCI sells approximately million kgs. of tea. At present, TTCI's share in the internal market is less than 1 per cent.

A. Supplies to Defence

(i) Free Issue

5.3. The demand of tea for the Defence Forces falls in two groups. viz. (i) Free Issue and (ii) Issue through canteen stores. Free issue constituent about 88 per cent of the supplies of tea. Of this 11 to 12 per cent tea is given to family members on payment. Purchase under this group are made through Army Purchase Organisation which functions under the Ministry of Agriculture and Irrigation. This organisation is headed by a Brigadier.

5.4. The annual requirements of tea for supplies to Defence services on Government account ranges between 3000 to 3200 tonnes. About 40 to 45 per cent of the total requirement of tea is purchased from Tea Trading Corporation of India. The quantity of tea supplied by the Corporation to Defence during the last four years was as under:—

Defence bulk blended						Value in lakhs	
						Qty. Tonnes	
1975-76	.	.	.	.	.	1179	128.27
1976-77	.	.	.	.	.	1916	788.12
1977-78	.	.	.	.	.	1342	200.00
1978-79	.	.	.	.	.	903	137.90
(Upto Jan. 79)							

5.5. The other major suppliers of tea on Government account purchased through the Ministry of Agriculture & Irrigation (Department of Food) are as under:—

- (i) Messrs Keshowji & Company, Calcutta.
- (ii) Messrs Tea Land, Calcutta.
- (iii) Messrs Madhujayanti Pvt. Ltd., Calcutta.
- (iv) Messrs Indian Products Trading Co., Calcutta.
- (v) Messrs Associated Tea Enterprises, Calcutta.
- (vi) Messrs Multitrade Overseas Corporation, Bombay.

5.6. As regards the share of TTCI in supplies of tea to Defence the Secretary, Department of Food stated during evidence:—

“In 1974-75 on a request made by the Commerce Ministry, a decision was taken to try whether the TTCI could do the job properly or not, and the entire quantity of 3,000 tonnes, which was needed for Defence, was given to the TTCI in 1974-75. It was found that the TTCI were not able to supply the entire 3,000 tonnes; as a matter of fact out of this quantity, they sublet 1,200 tonnes to other private parties. In 1975-76 again the Commerce Ministry requested us to see that the TTCI got as much of share as possible. Under the rules, the procedure was to buy tea by tender and if it is by tender, naturally the lowest tenderer must be given. However, in view of the request made by the Commerce Ministry, the Department of Food took an *ad hoc* decision, which could be called irregular also, to give to the TTCI in that year as much as they were able to handle in the previous year. In the previous year (1974-75) they had supplied 1,800 tonnes. So, we gave them order for 1,800 tonnes in 1975-76. Subsequently it was felt that, since the procedure laid down for the purchase was by tender, it would not be proper to completely ignore the lowest tenders and give preference to the TTCI. So, we have been treating the TTCI as one of the tenderers. Every year, the quantities which the other tenderers quote at prices lower than that of TTCI are given to them, and after that, the balance quantity is given to TTCI. Under this system, in 1976-77 initially orders were placed for 2,600 tonnes, of which the TTCI got 1,050 tonnes, and the others got the rest. Then there was an *ad*

hoc tenders in 1976-77 for 400 tonnes, of which the TTCI got 180 tonnes. In 1978-79, out of a total of 3,350 tonnes; this, they got on the basis of the tender rate."

5.7. On a query from the Committee, the witness conceded that:—

"But for the price factor, the TTCI could have got a higher share."

5.8. The Committee were also informed by the Secretary, Department of Food under whom A.P.O. functioned that they do not have a tea taster to check on the quality of tea purchased for Defence.

5.9. Asked how in the absence of a Tea Taster it was being ensured that the tea meant for Defence was of good quality, the witness stated that:—

"The specifications are laid down by the Ministry of Defence. They tell us for each product what is the specification that should be asked....the determination of the quality at the time of acceptance has been the responsibility of the Defence Ministry....they would not agree to give that responsibility to anybody else. . . .That is done by the Defence Ministry through their composite Food Laboratories....The officer of the composite Food Laboratory and also an officer from the Ministry of Defence, both are deputed to examine the tea that is offered and they decide whether the tea is according to the specifications or not."

5.10. In this connection the Committee were also informed by the representative of the Department of Food that:—

"There is no qualified tea taster in the composite Food Laboratories who exercise the quality control over the blend."

5.11. The Committee desired to know why, in the absence of qualified tea-tasters in the Army Purchase Organisation, entire requirement of tea for Defence should not be met from TTCI which is a public sector undertaking, the Secretary, Department of Food replied:—

"The question here is whether the TTCI should be given the entire contract or not. This has been a matter of correspondence between the Commerce Ministry and our

Ministry. The matter went up to the Ministers' level and we had requested the Commerce Ministry that since the TTCI is an undertaking under their control, if they feel, for certain valid reasons, they might be given either the entire contract or partially or whatever it is, we have suggested to them to take up the matter for a policy decision of Government. The matter rests there. Later on, a letter from Babuji was written sometime in 1976 to the Commerce Minister that we are having some difficulty with regard to procedure. If the Commerce Ministry felt it necessary for certain valid reasons, they can take up the matter with Government for taking a policy decision. After that we have not heard anything."

5.12. On the question of performance of TTCI, the Secretary, Ministry of Defence stated during evidence:—

"We are quite happy with the quantity that we buy from the TTCI... the rejections of their supply are limited to the order of 1 per cent or so. There have been delays in supplies and requests for extension of time now and again, but that is not peculiar to the TTCI. I must add that this has been equally true of other suppliers. In short on neither account we found any complaint about the supply."

5.13. In this connection, the Secretary Ministry of Defence assured the Committee during evidence that :

"Our only requirements are that they have to conform to the prescribed lengths and specifications and that they have to be competitive in price. Subject to these two conditions, we have no difficulty in giving them business for the purpose of free issue, i.e., for Government purposes only."

(ii) Canteen Stores

5.14. The second group of demand of tea for Defence pertains to the tea that is sold to Defence personnel on payment through canteen stores. For the canteen side the present consumption of tea is stated to be roughly of the order of 550 and odd tonnes.

5.15. The tea purchased by CSD during the past three years was as follow:—

Supplier	1975-76	1976-77	1977-78
Brooke Bond Ltd.	Rs. 30,16,000 (167.55 tonnes)	Rs. 40,82,000 (226.70 tonnes)	Rs. 61,29,000 (245.00 tonnes)
Liptons Limited .	Rs. 6,56,000 (36.44 tonnes)	Rs. 9,62,000 (53.44 tonnes)	Rs. 20,45,000 (113.61 tonnes)
KTC Tea .	—	—	Rs. 16,000 (0.88 tonnes)

The requirement of tea by CHD for the year 1978-79 is approximately in the range of Rs. 1 crore and weight-wise it works out to approximate 550 metric tonnes.

5.16. At present TTCI are not supplying any tea to the canteen stores.

CSD purchases of tea are made on the basis of prices settled through negotiations.

5.17. Regarding purchases for the canteen stores the Secretary, Ministry of Defence stated during evidence:—

“So far as purchase for the canteens is concerned it has to be remembered that soldiers have to pay for purchases from their own money for any tea that they buy at the canteen and, therefore, in this case, the product itself; the quality of tea, the price, the source of purchase etc., are all matters that have to be determined with reference to the preference of the consumers themselves.”

5.18. The Committee pointed out that unless canteen stores Department get a few samples from the Tea Trading Corporation of India and display them in the canteens for being tried out how could the consumers preference of Defence personnel be known. The witness replied :

“If the Corporation is also willing to give us samples for trying them out, we would be happy to do that.”

5.19. In this connection, the Chairman and Managing Director of Tea Trading Corporation of India informed the Committee during evidence in August, 1978 that:—

“We have been trying in the Defence Ministry, for the last 1½ year to get in touch with the Canteen Stores Depart-

ment. I have personally visited them three or four times Last month, at the intervention of the Directorate of Resettlement, we received a letter from the Chairman of the Canteen Stores Department that they have accepted the proposal. We could now go ahead with the supply of the packet tea."

B. Supplies to Railways

5.20 The annual requirements of tea for the Railways about 90,000 kgs. with the decentralisation of system procurement, tea is purchased by Zonal Railways. For procurement of tea different zonal Railways follow various methods like inviting open and limited tenders, purchase order on contract, approval by "Officers Purchase Committee" and cash purchase etc.

5.21. Most of the Zonal Railways, were previously buying tea from the Tea Trading Corporation of India for all their requirements. Later, some of the Railways switched over to other modes of procurement. As on September, 1978 only four Railways Eastern, South Eastern, North Eastern and the Western Railways were getting their requirements from TTCI. During the year 1978-79, TTCI made a supply of 21,684 kgs. valued at Rs. 3.99 lakhs to Railways upto February, 1979.

5.22. Explaining the reasons for this switch over, the representative of the Ministry of Railways (Railway Board) revealed during evidence that:—

"....some Railways switched over to the other modes of procurement because the services rendered by the TTCI were not upto the standard required."

5.23. The representative of the Railway Board also disclosed that Central Railway were buying tea from Tea Trading Corporation of India from May, 1976 to December, 1977. But as the quality was not good and the quantity of supply was not coming in time, it was decided to invite tenders and based on the tenders, Central Railway started buying from another party.

5.24. Similarly the Northern Railway who were purchase tea from TTCI from July 1976 to June 1977, faced some difficulties about the quality of tea and timely supplies. It was stated that

once, when the Corporation was asked to replace the tea by a better quality tea, it was unable to do so. Ultimately the contract was terminated in June 1977 and thereafter tenders were invited.

5.25. The Committee were also informed during evidence that Southern Railway had also stopped buying tea from TTCI and were now getting it from M/s. Keyegee & Co.

South Central Railway have an Officers Purchase Committee and they buy from open market. North East Frontier Railway also make their purchase from the local market.

5.26. The Committee enquired whether any uniform guidelines for purchase of tea by different zonal Railways had been laid down and whether Railway authorities were contemplating setting up a Centralised Purchase Organisation on the lines of the Army Purchase Organisation. In reply, the representative of the Ministry of Railways (Railway Board) stated:—

“It would be better that TTCI supplies the requirements of tea to the Railway direct. Having a central distribution point, and distributing tea through it will create a lot of problems of logistics. It would not be possible for the requirements every time to be met at a regular pace. When TTCI are going into this field, they would naturally have their distribution outlets at major points. Through the distribution outlets they should make our requirements of tea available to us.”

5.27. Asked if Railway authorities should not patronise a Public Sector enterprise like the Tea Trading Corporation of India, the witness assured:—

“TTCI should also be competitive in the field and be able to give us good quality at comparable prices.....so long as that is there, our broad guidelines can be that other things being equal, we would prefer TTCI”.

C. Supplies to other Government Institutions

5.28. Among the other public sector undertakings and Government organisations to which Tea Trading Corporation of India caters are Hindustan Steel Ltd., ITDC Hotels, Indian Airlines, Indo-Tibetan Border Police and some Government jails.

5.29. The quantity and value of tea supplied by Tea Trading Corporation of India to Government Institutions and public sector corporations was as under:—

Value (Rs. in lakhs)

Govt. institutions Year	Publid Sector Corporation			
	Qty. Tonnes	Amount	Qty. Tonnes	Amount
1975-76 . . .	50·072	7·93	7·842	1·38
1976-77 . . .	97·845	14·41	24·261	4·57
1977-78 . . .	71·569	13·32	24·907	5·45
1978-79 (upto Feb. 79) . . .	11·120	1·93	35·598	7·16

5.30. The Corporation have explained that the fall in sales was due to the abnormal rise in prices of tea as a result of which orders with unremunerative prices were discontinued.

5.31. Hotel Corporation of India whose annual requirement of tea is about 9000 kg. have hitherto been buying tea from Liptons and Brooke Bond. Tea Trading Corporation of India, the Committee were informed by HCI, had never approached the Hotel Corporation of India in the past for sale of tea. However during 1978-79, the TTCI had supplied 270 kg. of the valued at Rs. 15000 to Hotel Corporation of India upto February, 1979.

5.32. The Hotel Corporation of India follow a tender system on selective basis, for purchase of tea. However, the Committee were assured by the Managing Director of the Hotel Corporation of India during evidence that:—

“If the TTCI is interested in the market, we can deal with them and find out the suitable blends and the right kind of tea.”

5.33. India Tourism Development Corporation had been buying all their annual requirement of tea of 22,000 kg. (Rs. 10 to 12 lakhs) from the open market at the whole sale price from Brooke Bond, Liptons and Tata Finlays etc.

5.34. In December, 1977, on the advice of Tea Board, ITDC is stated to have obtained samples of Tea from TTCI and other suppliers. The first order for Tea was placed by them on TTCI commencing from March-April to July, 1978. Upto February, 1979, TTCI had supplied 2403 kgs. of tea valued at Rs. 64,000 to ITDC.

5.35. During evidence the Chairman and Managing Director of ITDC confirmed that they had no complaint against TTCI about quality or timely supply.

5.36. Asked if one public sector undertaking should not patronise the other public sector undertaking, the Chairman and Managing Director of ITDC revealed during evidence:—

“Initially we wanted to see to what extent they (TTCI) can maintain consistency of quality.....After covering three hotels of Delhi, we will extend the distribution system to the rest of the hotels elsewhere.”

5.37. The Tea Trading Corporation of India has also started supplying tea bags to the Indian Airlines.

D. Internal Distribution System

5.38. On the consumer side, the Tea Trading Corporation of India has developed a nucleus of internal tea distribution system with the help of National Consumers' Cooperative Federation for marketing its packaged tea at reasonable price through the network of cooperative stores. In order to stabilise the retail tea prices, the corporation is giving technical assistance to NCCF for the purchase of bulk tea from the auctions for supply of loose tea to the consumers at cheaper price. Under this scheme, TTCI's role is mainly distributive. NCCF themselves are supplying to Co-operative stores as well as retail outlets of the State Civil Supplies Corporations. NCCF and NAFED are stated to have vastly increased their tea distribution activities during the last one year.

5.39. A scheme has also been finalised by the corporation for providing employment to ex-servicemen to work as stockists of TTCI's teas for supply to the Canteen Stores Department and through selected outlets thereby reducing distribution costs and making tea available at reasonable price to the consumers. For sales through Ex-Service Officer agents the Corporation's role is said to be more direct. Since the ex-service officer agents do not have any business experience the Corporation has stated that it is required to take more active part in marketing right from identification of markets, distribution, promotion and field selling. It however, expects that with acquisition of experience the agents will be able to look after their business independently.

5.40. The supply of packet tea in the domestic market was started by the TTCI from November, 1976 and of loose tea from October,

1977. The supply was made initially through NCCF and later also directly to the retail trade. The quantity of teas sold by the TTCI to private traders in packaged form was as under:—

Year	Quantity in kg.	Average price realised
		Rs. per kg.
1976-77	2232	41.66
1977-78	10067	24.30

The fall in average price realisation was stated to be due to the introduction of "Nataraj" range of low priced teas.

5.41. When the scheme of sale of loose tea was started in October, 1977; the cost price of this tea was Rs. 13.50 per kg. It was sold at Rs. 16.50 per kg. in Delhi. However it was sold at Rs. 15.50 per kg. in Calcutta since the Corporation had not to defray any transport charges etc. for sales in Calcutta.

Upto January, 1979 a total of 358 retail outlets had been opened in different cities including 135 in Calcutta, 26 in Delhi, 25 in Bombay and 65 in Jamshedpur. Quantity of tea sold on this account during 1977-78 was 20,545 kgs. at an average price of Rs. 15.18 per kg. while the total internal consumption of tea during the year was estimated at 300 million kg.

5.42. On the question of Tea Trading Corporation of India entering the domestic market in a big way, the representative of the Department of Commerce stated:—

"There is one view that TTCI should not middle in the domestic market. There is another view which says that some support for the domestic market should be there. We are establishing right proportion between the two."

5.43. In this connection the Chairman and Managing Director of the Tea Trading Corporation of India stated during evidence that they were finding it difficult to break through the hold of multinationals who had elaborate network of distribution system. The TTCI has in a note informed the Committee that:—

"The Brookebonds and Liptons distribution systems are different. Normally distribution of their products are done

through their Branch Sales Offices. The total area of each branch is divided into various territories. Each territory has a Sales Manager as incharge of the area who is responsible for Sale and Distribution of their product for that particular area as also the Govt. undertakings and institutions.

Each territory is also divided to various divisions headed by a divisional Salesman under whom there are various selling points headed by a Salesman for each depot/selling point."

5.44. Referring to manipulation of prices by multinational tea packaging companies, the TTCI has, in a note, stated:—

"If teas of comparable quality packed by this Corporation are available in the retail market at lower prices than the two major packet tea distributors in India, it will be extremely difficult for them to manipulate their prices from time to time."

5.45. The Committee find that the total requirement of tea for free issue to Defence personnel is in the range of 3,000 to 3,200 tonnes. Entire quantity is purchased on the basis of tender system. Of this, TTCI's share has been 40 to 45 per cent. The purchase of tea for free issue is made by the Army Purchase Organisation which is under the administrative control of the Ministry of Agriculture and Irrigation. The requirement of tea for Canteen, stores Department is about 550 tonnes but no portion of it is being bought from the Corporation. The Committee were glad to learn from a representative of Ministry of Defence that they had no complaint on account of quality and timely supply of tea. The Committee, would require that Army Purchase Organisation should first place their order for the entire quantity of tea needed for free issue to Defence Personnel with the Corporation and only if it is not in a position to supply as confirmed in writing, that tenders, should be invited from private parties. When tea is bought from a public sector undertaking, Army Purchase Organisation or the Defence Department having strangely enough no Tea Taster of their own can be reasonably sure that tea is of a desired quality. The Committee feel that the Corporation should also be able to meet the requirements of the canteen stores.

5.46. The Committee understand that Railway's annual requirement of tea is of the order of 90 tonnes. With the decentralisation of system of procurement, each zonal Railway is free to buy tea by any mode of purchase or from any source. The Committee were distressed to learn that some of the Zonal Railways like Central Railways, Northern Railways, Southern Railways etc. who were buying tea from the Corporation earlier have stopped doing so because they were not satisfied about the quality of tea supplied and the timely delivery. The Committee suggest that the Ministry of Railways should set up a Cell to pool the requirements of tea and place a consolidated order on the Corporation on behalf of all the Zonal Railways. Railways can open two or three procurement centres for supply of tea by TTCI. Meanwhile, guidelines may be issued to all the Zonal Railways that they should meet their requirements of tea from the Corporation.

5.47. The Committee learn that the Hotel Corporation of India and the India Tourism Development Corporation's annual requirement of tea is 9 tonnes and 22 tonnes respectively. The Committee have been informed that as against this TTCI had during 1978-79 (upto Feb. 1979) supplied only 0.3 tonne of tea to Hotel Corporation and 2.4 tonnes to ITDC. The TTCI has also started supplying tea bags to the Indian Air Lines. The Committee expect that each Ministry should ensure that public sector undertakings under their control patronise the TTCI and buy all the requirements from it.

5.48. The Committee are disappointed to find that though the Tea Trading Corporation has been functioning for well over 8 years, its share in the internal market is still less than 1 per cent. The major share of internal market continues to be in the hands of two multinational tea packaging companies. The Corporation has not been able to acquire a foot hold in the internal market and is not even known to the consumers. In fact, it started marketing packet tea in the domestic market only from November, 1976 and loose tea from October, 1977. Recently it has developed a nucleus of internal distribution system with the help of National Consumers Cooperative Federation for marketing its packaged tea at reasonable price through the net work of cooperatives. A scheme is also stated to have been evolved to provide employment to Ex-servicemen to work as stock-ists of TTCI's teas for supply to the canteen stores Department. The

Committee recommend that the Corporation should concentrate on buying, blending and packaging of tea and entrust its distribution to NAFED and NCCF. TTCI and NAFED should start a systematic campaign to popularise TTCI's brands of tea by using modern methods of publicity and sales promotion and to have an effective public distribution system. The Committee would even suggest that TTCI should bring out a brand of tea (say, off grade CTC) for common man which can be sold through cooperatives, fair price shops, etc.

CHAPTER VI

ORGANISATIONAL MATTERS

A. Board of Directors

6.1. Though the Tea Trading Corporation of India was incorporated on 21 December, 1971, the first Board of Directors for this Corporation was constituted by Government only on 3 February, 1972 with four part-time official Directors.

6.2. Shri Deepak Nag was appointed as its first Managing Director and he joined the post on 4 October, 1972. No business was carried out by the Corporation during 1972-73. Its business during 1973-74 amounted to Rs. 67 thousand only. This was wholly in the internal market. Since the Corporation was not able to do much during the stewardship of Shri Nag, his services were terminated by Government w.e.f. 30 October, 1973. Efforts to find a suitable successor to Shri Nag from the open market were started. Meanwhile, Shri T. S. Broca, Chairman Tea Board functioned as part time Managing Director from 30 October 1973 to 12 August, 1975. The efforts to find a successor succeeded when Shri P. K. Dasgupta, Executive Director of the National Tobacco Company was appointed as the Managing Director of the Corporation on 13 August, 1975. From 1 October, 1976 onwards, Shri P. K. Dasgupta is functioning as the Chairman-Cum-Managing Director of the Corporation.

6.3. The Ministry of Commerce, Civil Supplies and Cooperation (Department of Commerce) have, in a note, conceded that:—

“The main reason for the Corporation not getting into the operational stage was the absence of a whole-time Managing Director and Chairman”.

B. Organisational set up

6.4. With the steep growth of the Corporation it has been felt that the organisation structure and man-power requirement of TTCI should be developed to cope with increasing business. The matter was discussed with the Indian Institute of Management, Calcutta who were requested to submit a proposal for this project indicating the estimated cost.

6.5. The proposal submitted by IIM, Calcutta was put up before the Board of Directors on 11th April 1977, but the Board felt that the fee indicated by IIM was very high. The Board further decided that STC System of organisation which had earlier been agreed for introduction in TTCL, should be adopted. Accordingly a request was made to STC to arrange for their specialists to devise a suitable organisation for TTCL. Their Group Manager (Personnel) and their Chief Economist after studying the existing organisation of TTCL and detailed discussions with the officers of the Corporation recommended a structural re-organisation. STC experts' recommendations were briefly as under:—

- (a) Functional reorganisation of TTCL into various divisions.
- (b) Delegation of powers relating to trade matters to the Divisional Heads.
- (c) Introduction of Committee form of management at Chairman's level as also at Divisional level.
- (d) Induction of senior managers.
- (e) Amendment for deletion of minimum 5 year's service term in the Recruitment Rules of the Corporation for promotion.
- (f) Introduction of weekly communication meetings.
- (g) Introduction of control charges of different divisions' activities for submission to the Board of Directors monthly.
- (h) Finding more suitable office premises for the Corporation.

6.6. The Tea Trading Corporation has intimated, that the aforesaid recommendations have, since been implemented. The positions recommended by the STC Experts are being filled up.

6.7. The Corporation presently has the following Branch Offices:—

1. Gauhati
2. Cochin
3. Silliguri

Functions of the Branch offices at both Cochin and Gauhati are as follows:—

- (1) Purchase tea from auctions as per instructions by Tea Buying Division.

- (2) Supervise the bleeding operations at the respective Branch as per instructions of the Tea Buying Division at H.O. for supply to the Defence.
- (3) Effect deliveries as per Supply orders received from Defence under the instructions of TTCL H.O.
- (4) Liaise with Defence and local Government Departments/bodies.

C. Staff Strength

6.8. The sanctioned and actual strength of staff in the Tea Trading Corporation of India is as under:—

Category	Sanctioned strength			As on date	Staff position			As on 27-9-77
	74-75	75-76	76-77		74-75	75-76	76-77	
A	9	18	22	37	8	17	20	23
B . .	1	9	12	16	1	8	11	15
C . . .	21	36	69	85	21	36	68	83
D . . .	10	16	24	48	10	16	24	48

6.9. Officers-subordinate ratio on the basis of strength of employees in position during different years was as under:—

	Number			No. As on date	% of total			% as on
	74-75	75-76	76-77		74-75	75-76	76-77	
Cat. A .	8	17	20	22	20.00	22.08	16.26	13.10
Cat. B . .	1	8	11	15	2.50	10.39	8.94	8.93
Cat. C: . .	21	36	68	83	52.50	46.75	55.29	49.40
Cat. D . .	10	16	24	48	25.00	20.78	19.51	28.57
	40	77	123	168	100.00	100.00	100.00	100.000

D. Recruitment

6.10. The salient features of the system of recruitment to officer's cadre as stated by the Tea Trading Corporation are:—

- (i) Recruitment under the Corporation against every post of officer is made as per recruitment rules of the Corporation which are framed according to established principles of recruitment in Government organisations.
- (ii) In every case of vacancy in officer-cadre the same is first advertised in leading newspapers on all India basis.
- (iii) Applications received in response are carefully scrutinised with reference to the requirement of the post on merit.
- (iv) Selected candidates are interviewed by a properly constituted Selection Committee, Constitution of Selection Committee has been set out by resolution of the Board of Directors and incorporated in the Recruitment Rules of the Corporation.
- (v) The principles of selection followed are strictly on merit giving due weightage to the directions of the Government requiring relaxation and reservation to be made in favour of SC and ST candidates as also recruitment of officers holding statutory positions.

6.11. The Committee wanted to know if the Corporation had laid down rules of recruitment and if so when. In reply, the Chairman-cum-Managing Director said in evidence that the Recruitment rules were framed and put up to the Board of Directors in 1976. The Board cleared these in early 1977. Thereafter these were sent to the Ministry of Commerce and the Bureau of Public Enterprises.

6.12. The Committee pointed out that number of 'A' category officers in the Corporation had increased from 8 in 1974-75 to 17 in 1975-76 and wanted to know the reasons for this steep increase in a single year. The witness said:—

"There was no infra-structure at all in 1974-75."

6.13. Asked how was it that about 95 percent of the total recruitment was made after the present Chairman-cum-Managing Director had joined the Corporation. The witness agreed:—

"That sounds a bit abnormal".

6.14. The Committee enquired whether it was a fact that the present Chairman-cum-Managing Director had recruited some persons who are either related to him or were known to him. In reply, he claimed that:—

“there is no one related to me... I am absolutely sure.”

6.15. Asked whether Shri M. Roy Kapur who was recruited as Marketing Officer (Export) in the Corporation during 1975-76 was related to him, the witness said:—

“No Sir—Unless you would call a brother-in-law’s wife’s brother a relation”.

6.16. The Committee desired to know if on appointment as Marketing Officer (Scale 400-950) Shri Kapur was instead of being allowed the minimum of the scale viz. Rs 400/- per month was given a high start. In that his pay was fixed in that scale at the higher stage of Rs. 705/-. During evidence, the witness also disclosed that:—

“When he joined, he was already earning around Rs. 1500/-. He wanted Rs. 1500/- but we worked out roughly and decided he would be given Rs. 1400/-.”

6.17. As regards experience, the witness informed the Committee that Shri Kapur had some experience in Consumer marketing but not tea marketing. Shri M. Roy Kapur has since resigned and left the TTCL w.e.f. 1, October, 1978. Enquired if one Shri K. G. Panikkar was appointed as Coordination Manager during 1977-78 (Scale Rs. 700-1300) and if so what was his back ground. Shri Panikkar revealed during evidence that:—

“I was in National Tobacco from 1960 to 1975. I was working as Executive Assistant to Mr. Das Gupta. When he joined National Tobacco as the whole time Director”.

6.18. It transpired during evidence that Shri Panikkar was recruited in the first instance as contingent staff. Explaining why he was recruited, the Chairman-cum-Managing Director said:—

“There was a lot of secretariat work. There was lot of work connected with secretarial department, preparation of documents, statements, etc. That work was given to Mr. Pannikar. Confidential work was done by him. We have to send many statements to the Ministry. He handled them.

6.19. Turning to the appointment of Shri K. K. Majumdar in the TTCI as FA and CAO (Scale Rs. 2000-2500) in 1977-78 the Committee enquired if it was a fact that before this appointment in TTCI he was suspended from service in November, 1962 by the Income-Tax Department. The FA and CAO said in evidence:—

“Yes, Sir. I was suspended in November, 1962 in contemplation of disciplinary proceedings. In spite of my writing to the Government at least 50 letters, I never received any charge sheet for more than two years..... The charge sheet was ultimately filed in December, 1964. The inquiry was held for more than 2 years and I believe I have not yet been given a copy of the inquiry report and the Government ultimately passed an order holding me guilty of having failed to intimate the purchase of a car that was made with Government money and mortgaged to the President of India. For that I was censured.”

6.20. In reply to a question, the FA and CAO confirmed that the charge sheet included the clause that he was involved in share speculations. But this charge, he stated, had not been found to be true.

6.21. Asked about the latest position of the case the FA&CAO said in evidence:—

“This matter is pending in the Calcutta High Court. It is still *sub-judice*.”

6.22. The Committee wanted to know why did the TTCI recruit a person who had been charge sheeted by the office in which he was working at that time. The Secretary, Ministry of Commerce, Civil Supplies and Cooperation assured the Committee:—

“Normally, when an officer is under some cloud, we do not select him for outside assignment. I will go into it.”

6.23. The Committee desired to know whether Shri M. K. Some who was recruited as Chief Tea Buyer in the Tea Trading Corporation of India on 24 October, 1973, fulfilled the qualifications prescribed for that post. In reply, the TTCI intimated:—

“The qualifications specified in the advertisement published in the Sunday's Statesman dated 10-6-1973 was a University Graduate. Shri M. K. Some is a Matriculate as per his attestation form.”

6.24. Asked if it was also a fact that Shri Some had secured the aforesaid post in the TTCI by misrepresenting that he had advanced professional experience in Tea in India and abroad and overseas marketing and selling, the TTCI has furnished the following details of the case:—

- (1) On private information, CBI conducted enquiries and submitted their report direct to Central Vigilance Commission, regarding Shri M. K. Some, Chief Tea Buyer of this Corporation, a copy of which was forwarded to us by C.V.C.
- (2) Allegation against Shri M. K. Some is that he obtained his appointment in the Corporation by misrepresenting that he had advanced professional experience in Tea in India and Abroad and overseas marketing & selling. Shri Some had stated in his application that he had 19 years' experience in tea tasting, blending, overseas marketing and selling which *inter alia* includes experience with:—
 - (i) 1954-1957 M/s. Charles Hope & Sons, London as Trainee in Tea Tasting.
 - (ii) 1963 (one year) M/s. Horniman & Co. Ltd. Tea Packers Cadby Hall Greenford, London.
 - (iii) 1964-67 M/s. Sethia Tea Estates (Pvt.) Ltd., Calcutta "as Export Manager, had done a very good volume of tea export and attended International Industrial Fair in E. Germany and Poland in 1967."
 - (iv) 1968-1971—was doing business in the name of "D. Ingrid" at Bemen, Germany.
- (3) As per CBI's Investigation report,
 - (i) Shri Some did not go abroad on the basis of any Passport in 1954.
 - (ii) Shri Some's experience in M/s. Sethia Tea Estates (Pvt.) Ltd. was in the capacity of an Assistant looking after the tea export and other miscellaneous work but no experience in Tea line during the period 1-4-64 to 6-1-65 when his services were terminated. He did not represent them in any Fair nor did he train any employees.

- (iii) Regarding Shri Some's overseas experience in tea business in London and W. Germany, no passport was issued to him prior to 1968.

(4) Shri Some had conceded in his evidence to CBI that:—

- (i) he did not go abroad while he was working with M/s. Sethia Tea Estates and he did not train up any Assistant;
 - (ii) he was working as an apprentice in M/s. Horniman & Co. Ltd. and M/s. J. Lyons & Co. Ltd., London.
 - (iii) he did not work with M/s. D. Ingrid as stated in his application for employment and visited W. Germany only for a short time and
 - (iv) he had exaggerated his experience in W. Germany in order to improve his chances of Selection.
- (5) Shri D. K. Nag, Ex-Managing Director of TTCI, Shri T. S. Broca, Ex-Director, in Charge of TICI and Ex-Chairman, Tea Board and Shri B. R. Vohra, Ex-Chairman, Tea Board confirmed that Shri Some's candidature was considered because of his 19 years' advanced professional knowledge. It is proposed to take departmental action as Directed by the Central Vigilance Commission.

6.25. The Committee have been informed that Shri A. K. Ghosh, Marketing Manager (Export) joined TTCI on 1-3-76 in the scale of Rs. 400-950/- (Unrevised) on a basic salary of Rs. 510/- He left the Corporation's service with effect from 18th December, 1978. When he left the services of TTCI, his basic salary was Rs. 860/- p.m. After the resignation of Shri M. Ray Kapur, Dy. Marketing Manager who left TTCI with effect from 1st October, 1978, Shri A. K. Ghosh was, it has been stated, virtually looking after the entire Export Marketing functions. TTCI has indicated that Shri Ghosh's performance was good and that he should have been upgraded for his very satisfactory work, but due to the embargo of 5 years minimum service for promotion, it was not possible to do so despite his many representations in this regard. In the very nature of his job, Shri Ghosh had to compete with similar Marketing Executives in the private Sector whose emoluments are in the region of Rs. 4,000/- p.m. against his gross emoluments of Rs. 1,477|80 p.m. from TTCI. Shri A. K. Ghosh is understood to be drawing over Rs. 3,000/- p.m. in his new job with M/s. Duncan Agro-Industries Ltd., Calcutta as a Senior Export Executive in addition to other perquisites.

6.26. The Committee pointed out that the Balmer and Lawrie, Finlays and other such organisations have a "Tea Taster" as their top executive and enquired if the Tea Trading Corporation of India has a Tea Taster. The Committee were informed during evidence that Shri D. K. Nag who functioned as the Managing Director of the Tea Trading Corporation of India from 4-10-72 to 30-10-73 was a Tea Taster. The present Chairman-cum-Managing Director (Shri P. K. Dass Gupta) who, it was stated, was not a Tea Taster, opined that—

"In the package tea business, the Chief man in organisations like Brook Bond is not a tea taster. We are in the tea package business. When we are talking of those concerns, they are not in tea package. They work as agents for other Companies. I would like to go on record saying, we are in a packaging business and the most important part in this business is the marketing of tea in packaged form. Here, a tea taster who just tastes tea is not the person to be employed as the Chief of the tea department. The man must have marketing knowledge of package tea, otherwise, he will fail."

6.27. The Committee desired to know if it was a fact that not only the Chief Executive but even the person who was normally sent to auctions to buy tea for the Tea Trading Corporation of India was not a tea taster. In reply, the witness stated—

"Most of the time, Shri E. P. Os Briea, No. 2 buyer goes there (auctions). He was a trainee, a junior Assistant in Carrit Moran Co. Thereafter he was employed for some time in a tea company. He joined the TTCI as a tea buyer and also got involved in blending. He gets a paltry sum (Rs. 1400) in all of salary as compared to other tea buyers.

He has been offered nearly twice, as much salary as we are paying him."

6.28. The Committee desired to know how many out of 38 executives recruited by the Tea Trading Corporation of India to A and B categories had tea background. In reply, the Chairman and Managing Director said—

"These persons have tea buying background. Tea background there is none."

The there tea tasters are:—

- (i) Shri M. K. Some, Chief Tea Buyer (appointed on 24-10-1973)
- (ii) Shri E. P. Brien, Tea-Buyer cum-Taster (appointed on 3-2-1975)
- (iii) Shri Alokraj Mitra, Branch Manager (Gauhati) (appointed on 15-2-1975)

6.29 In reply to a question, the witness disclosed that apart from aforesaid 3 persons, one person was a trainee.

6.30. Asked why the Tea Trading Corporation of India should train a person who had already tea background, the witness stated:—

“We cannot get any decent taster on the scale of pay we offer to our tasters. I have made it clear not only to the Board but to the Bureau of Public Enterprises.”

6.31. As regards efforts made by the Corporation to employ Tea Tasters, the Chairman-cum-Managing Director said that they had put in four advertisement in all major papers for various grades of Tea buyers. They had offered as much as Rs. 3,000 as salary plus perquisites to a really competent tea man but they had not been able to get one so far.

Following the failure to get a competent tea man, a proposal was therefore, mooted to merge the Tea Division of Balmer and Lawrie with the Tea Trading Corporation of India so that the services of expert tea tasters of Balmer and Lawrie could be available to the TTCI for its tea buying operations. The Chairman of Balmer and Lawrie, however, is stated to have desired that as their share holders might object to such a merger, some compensation should be paid to it by the Tea Trading Corporation for any future loss. The Chairman-cum-Managing Director said in evidence:—

“We hope with the merger of Balmer and Lawrie, this will solve the problem. It is still being pursued by the Ministry and I hope, this time, it goes through.”

6.32. The Secretary, Ministry of Commerce, Civil Supplies and Cooperation added:—

“We have now decided to merge the tea marketing division of Balmer Lawrie with the TTCI. We hope to do it in April, (1979).”

6.33. The Committee deplore the inordinate delay on the part of Government in appointing a full time Chief Executive for the Tea Trading Corporation of India. Though the Corporation was set up on 21st December, 1971, the first Board of Directors was constituted by Government only on 3 February, 1972 with four part-time Directors. A full time Managing Director (Shri Deepak Nag) was appointed later w.e.f. 4 October, 1972. His services were, however, terminated w.e.f. 30 October, 1973 because of unsatisfactory performance of the Corporation. A search for a suitable successor was made by Government again and Shri P. K. Dasgupta, Executive Director of the National Tobacco Co. was appointed as the full time Managing Director of the TTCI w.e.f. 13 August, 1975. During the intervening period Shri T. S. Broca, Chairman, Tea Board functioned as its part time Managing Director. An idea of how absence of a full time Chief Executive could retard the progress of a new enterprise in its formative years, can be had from the fact that Tea Trading Corporation of India did not transact any business whatsoever for a number of years. Government have also admitted this position. This is a sad commentary reflecting on the Ministry which betrays a lack of will to make the Corporation a success.

6.34. The Committee take a serious view of the fact that though the Corporation was set up in December, 1971 its recruitment rules were not framed until 1976. These rules were stated to have been cleared by the Board of Directors in early 1977 and thereafter sent to the Ministry of Commerce. Surprisingly enough, the Corporation, meanwhile, went ahead with its recruitment and increased its total staff strength from 40 in 1974-75 to 123 in 1976-77. Thus, by the time recruitment rules were finalised, the recruitment was almost over. The Committee cannot help pointing out that bulk of recruitment having been made before finalisation of recruitment rules, as has been done by the TTCI, the very purpose of framing such rules has been defeated. They therefore, desire that responsibility for the delay in framing of recruitment rules should be fixed.

6.35. As there have been allegations of show of favouratism the recruitments already made by the Corporation should be reviewed by a Board of men unconnected with the TTCI to see whether all the appointments have been regular. The Committee received an impression that the employer—employee relations in the Corporation are not what these ought to be. These should be improved to inspire confidence among all sections of the employees.

6.36. The Committee notice that an officer suspended from service and censured while working in the Income Tax Department

was appointed in the Corporation as FA&CAO. The disciplinary action taken against him is now stated to be before the Calcutta High Court. The Commerce Secretary in his evidence stated: "Normally when an officer is under some cloud, we do not select him for outside assignment. I will go into it". The Committee would await the outcome.

6.37. The TTCI propose to take departmental action against an officer as directed by the Central Vigilance Commission for alleged misrepresentation of his past experience while seeking employment in the Corporation.

6.38. The Committee recommend that candidates for employment should be screened properly and their antecedents verified from the concerned organisations to ensure that men of proven integrity and ability are selected.

6.39. The Committee regret to note that out of 38 executives recruited by the TTCI in category A and B posts, there are only 3 who have some background in tea. As far as top positions are concerned, none is occupied by Tea Tasters. The Chairman-cum-Managing Director pleaded during evidence that in a tea packaging concern like the TTCI, the Chief of the Tea Department must have knowledge of marketing of tea in package form, otherwise he will fail. The Committee are not impressed by this plea. They, on the other hand, feel that a Tea Taster would be in a better position to purchase the right type of tea than a person who only knows how to market it. The Secretary, Ministry of Commerce revealed during evidence that Government have decided to merge the Tea Division of Balmer Lawrie & Co. Ltd. with the Tea Trading Corporation w.e.f. 1 April, 1979. The Committee recommend that with the proposed merger it should be ensured that one of the two top posts in the Tea Trading Corporation of India is manned by a competent Tea Taster and the other one by a sales executive with overseas and internal tea marketing experience.

NEW DELHI;

April 23, 1979

Vaisakha 3, 1901 (S)

JYOTIRMOY BOSU,

Chairman,

Committee on Public Undertakings.

APPENDIX

Summary of recommendations/conclusions of the Committee on Public Undertakings contained in the report

Sl.No.	Reference to Paragraph No. in the report	Summary of Recommendations/Conclusions
(1)	(2)	(3)
1	2.43 & 2.44	The Committee note that profit earned by the Tea Trading Corporation of India during 1976- as shown in the annual accounts of the Corporation was Rs. 22.61 lakhs against Rs. 23.82 lakhs during 1975-76. The profit during 1976-77 also includes profit of Rs. 10.5 lakhs earned on account of Pathini Tea Estate acquired by the Corporation in July, 1976. Thus the actual profit of the Corporation during 1976-77 on account of trading activities comes to only Rs. 12.11 lakhs i.e. 50 per cent of the profit earned in the preceding year. This is inspite of the fact that its sales turnover on trading account increased from Rs. 341.20 lakhs during 1975-76 to Rs. 576.45 lakhs during 1976-77. Moreover, but for the cash assistance etc. of the order of Rs. 57.49 lakhs received by the Corporation from the Government, as against Rs. 4.28 lakhs during 1975-76, the Corporation would have ended up with a loss of Rs. 45.38 lakhs during 1976-77. This does not include the loss of Rs. 24.70 lakhs on management of Public Tea Warehouses incurred during 1976-77. This only depicts the disappointing operational results of the Corporation which require to be thoroughly gone into. The profitability during 1977-78 has also to be viewed on this basis.

(1)	(2)	(3)
2	2.45	<p>The Committee are at a loss to understand why the profits on Pathini Tea Estate are not being shown distinctly in the profit and loss accounts of the Corporation without being mixed up with the Trading account. They are not satisfied with the details of turnover of the estate alone being shown in the Annual Report of the Corporation. They therefore recommend that the accounts of Trading Activities and Garden accounts should be shown separately forthwith even though it might not be necessary under the companies Act to do so. This is necessary in order that the operational results of the Corporation depict the true state of affairs.</p>
3	2.46	<p>Surprisingly, the Corporation has stated that its development is not possible without export incentives from Government. The Committee cannot lose sight of the fact that there was a steep increase in over-heads expenditure from Rs. 38.41 lakhs in 1975-76 to Rs. 117.93 lakhs in 1976-77 and to Rs. 242.62 lakhs in 1977-78. Government should analyse the reasons for this steep rise in expenditure to find out how much of the increased expenditure was actually justified and whether any <i>malpractices</i> or unparranted activities have taken place and thereafter devise measures to effect economies.</p>
3	2.47	<p>In this connection the Committee wish to point out that the expenses on internal and external Air Travel were of the order of Rs. 0.99 lakh and Rs. 1.56 lakhs during 1976-77. Even the Financial Adviser and Chief Accounts Officer of the Corporation with no tea background was sent on tours abroad for business promotion incurring an expenditure of Rs. 42,000. This must be discouraged.</p>
4	2.48 &	<p>Yet another item of overhead expenditure which compels attention is that the expenditure</p>

(1)	(2)	(3)
2.49	<p>on maintenance of cars by the Corporation which increased from Rs. 37,433 during 1975-76 to Rs. 80,116 during 1976-77. During 1977-78 when another car was purchased the expenditure on maintenance of cars increased to Rs. 2.37 lakhs. The Committee regret that in spite of the increase in expenditure on maintenance of cars, taxi hire expenses is not come down but increased from Rs. 29,103 in 1975-76 to Rs. 69,780 during 1976-77 and Rs. 74,237 during 1977-78. This does not appear to be justifiable because the places required to be visited on official duty are confined to a limited area.</p> <p>The Committee recommend that the Corporation should buy as a measure of economy and use 3 wheeler vans passenger carriers for carrying samples and other packaging material as well as for other visits as far as possible taxis and Cars should be used sparingly especially in the context of fuel scarcity and high cost. This should apply not only to the TTCI but also to all the undertakings.</p>	
5	2.50	<p>The Committee find that payments made to private parties by the Corporation for publicity and advertisement has gone up from Rs. 2270 in 1974-75 to Rs. 51,143 in 1976-77. The Committee desire that as assured during evidence, the Corporation should entrust such jobs to or through the Directorate of Advertising and Visual Publicity.</p>
6	2.51	<p>The Committee find that total outstandings of the Corporation have increased from Rs. 96.55 lakhs as on 31-3-76 to Rs. 259.30 lakhs as on 31-3-78. As on 31-3-78, debts outstanding over 1 year but less than 2 years amount to Rs. 19.80 lakhs. The Committee stress vigorous attempts should be made to recover these outstandings from the parties concerned.</p>

(1)	(2)	(3)
7	2.52	<p>The Committee find that the Corporation holds huge quantities of Tea in stock. When the turnover increased from Rs. 572 lakhs in 1976-77 to Rs. 1020 lakhs in 1977-78, the closing stock increased by more than three and a half times from Rs. 166 lakhs to 606 lakhs. A closing stock of the order of 60 per cent of the turnover cannot at all be justified. It is, therefore, no wonder that the working capital needs of the Corporation is high as it is locked up in stocks with the high interest liability. This shows utter lack of fore-sight and business planning and management on the part of the authorities. The position therefore needs to be probed and the results reflected in the Annual Report of the Corporation.</p>
8	2.53	<p>It is strange that the Corporation had no system of internal audit until August,* 1977. Further only recently firm of auditors were engaged to advise the Corporation on costing procedure. A sound costing procedure however does not seem to have been developed by the Corporation as yet. This deficiency should be looked into by the BPE and the Ministry of Commerce for a quick remedy.</p>
9	2.54	<p>The Committee regret to note that although the Corporation was set up in December 1971, the first report on its activities was sent to the Ministry only in June 1975. The Committee were informed that a Financial Adviser and Chief Accounts Officer having joined the Corporation in August 1977, financial reviews would be submitted to the Government in future. Despite this assurance no such reviews have been submitted till March, 1979. Only monthly reports containing details of the activities of the Corporation during the month are being submitted. The Committee trust that financial re-</p>

(1)	(2)	(3)
		views would be made available hereafter without fail.
10	2.55	<p>The Committee strongly feel that there is an urgent need for strict financial control by Government over the activities of the Corporation in view of the fact that though the turnover has been increasing the profitability of the Corporation has been declining over the years in spite of massive export subsidy. They therefore, recommend that there should be a monitoring cell consisting of efficient cost accountants and qualified Economists in the Ministry of Commerce for cost analysis and watching constantly the performance not only of Tea Trading Corporation of India but also of all the Trading concerns.</p>
11	2.56	<p>The Tea Trading Corporation has informed the Committee that it had approached the Govt. for increase in its equity base from Rs. 1.46 crores to Rs. 5.00 crores.</p> <p>The Committee desire that on the basis of a critical review of the performance and the need of the Corporation Government should consider increasing the equity capital.</p>
12	3.7 to 3.9	<p>The Committee note that the management of Pathini Tea estate (Assam) was entrusted to the Tea Trading Corporation of India from the middle of November, 1975. On 1 July, 1976, the ownership of this estate was transferred to it. In October, 1976, Government handed over to the Corporation the management of three sick tea gardens viz. Vah Tukvar and Pashok Tea Estates in Darjeeling and Looksan Tea Estate in Jalpaiguri. Recently, since December, 1978 the Corporation has been entrusted with management of Chargola Tea Estate in Assam.</p> <p>Defending the Government's decision to entrust management of Tea estates to the Corpora-</p>

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(3)

tion, the Commerce Secretary, stated that it was thought to be the appropriate organisation to handle this work and that there was no intention at all to dilute the present system in developing export of value added tea.

The Committee were assured that Government's decision had not put great strain on the Corporation. Whatever the volume of work involved what the Committee were unable to understand was why the Corporation which had yet to establish itself in the tea trade was saddled with the additional responsibility to manage sick tea Gardens and thereby fritter away its energies. The Committee apprehend that the result would be to leave the field free for multinational tea companies to flourish in the trade. The Committee accordingly recommend that management of tea estates may be either transferred to the State Governments concerned or to a separate Corporation created for it so that the Tea Trading Corporation is left free to concentrate on its main activities. In case the management is transferred to State Governments such financial assistance as they may require may be rendered by the Government of India.

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The Committee find that as much as 11 per cent of the total purchases were made outside auctions by the TTCI during 1977-78 against 2 per cent in 1976-77. A Limited Tender system was introduced in July, 1978, under which quotations were invited from 6 first-hand brokers. Under this system the Corporation purchased a total of 1.22 million Kgs. of tea valued at Rs. 135.17 lakhs from July to December 1978 on the plea of tight time schedules for export. Strangely, it has also been argued that if all the tea had been purchased from auctions, the price levels would have risen.

(1)	(2)	(3)
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The Committee see no reason why a Government undertaking should resort to direct purchases from private parties when it is really avoidable granting a will. The Committee are not impressed with the argument that purchase of tea entirely from auctions could have resulted in rise of prices. The Committee, accordingly, recommend that normally all the purchases of tea should be made by the TTCI from auctions or from Government owned or managed tea estates. Occasions for purchase of tea under the limited tender system should, if at all, be rare. The Committee constituted by the Corporation for buying tea should be headed by a person who has long and adequate knowledge of tea and is a Tea Taster. The Committee are surprised to learn that in the absence of head of Trading Division who was supposed to preside over the meetings, the FA&CAO of the Corporation with no tea background had hitherto been attending the meetings of Tea Buying Committee.

14	4.43	<p>The Committee are surprised to find that though in its Annual Report for 1976-77, it was stated that one of the objectives of the Corporation was "to create stable foreign markets for Indian teas in its finished value-added form—packet tea, tea bags, instant tea etc. and reduce the country's dependence on multi-national companies yet the Corporation itself had to depend on the multi-nationals viz., Liptons and Brooke Bond for getting timely supply of tea during 1977-78. The Corporation got into their clutches which again shows lack of proper planning. This should not happen in future.</p>
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15	4.44	<p>The Committee regret that though Andhrew Yule & Co. Ltd. had become a Government controlled company since 1974 and had six tea companies in its group which owned as many as 14</p>
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(1)	(2)	(3)
		<p>plantations it did not sell any tea to the Corporation upto August 1978. It was only at the insistence of this Committee that the Corporation has started making mere token purchases. This is where the Committee apprehends, there is much more than meets the eye. The Committee examined Andrew Yule & Co. Ltd. briefly and the Committee feel that methods of sales adopted by that company for its tea has many loopholes for corrupt practices. It is therefore necessary that Andrew Yules' activities in the sphere of tea sales outside auction be thoroughly looked into and for the future private sales should be stopped. The Committee further stress the need for closer understanding between the Tea Trading Corporation of India, Andrew Yule & Co. Ltd. and Balmer Lawrie & Co. Ltd. in the matter of purchases.</p>
16	4.45	<p>The Committee note that the Corporation was selling the tea produced at its owned garden, Pathini, mainly through auctions. Further the tea produced by the gardens managed by the Corporation viz., Pashoke, Looksan and Vah-Tukvar etc. is also being sold in auctions. The Committee are at a loss to understand why the tea produced at these gardens could not be purchased to the extent needed directly by the Corporation on the basis of first hand broker's valuation which is an accepted practice all over the world. In future first right of refusal must be given to the TTCI and samples should be flown to the Corporation as soon as invoices are ready or are about to be ready.</p>
17	5.45	<p>The Committee find that the total requirement of tea for free issue to Defence personnel is in the range of 3,000 to 3,200 tonnes. Entire quantity is purchased on the basis of tender system. Of this, TTCI's share has been 40 to 45 per cent. The purchase of tea for free issue is made by the</p>

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Army Purchase Organisation which is under the administrative control of the Ministry of Agriculture and Irrigation. The requirement of tea for Canteen, stores Department is about 550 tonnes but no portion of it is being bought from the Corporation. The Committee were glad to learn from a representative of Ministry of Defence that they had no complaint on account of quality and timely supply of tea. The Committee, would require that Army Purchase Organisation should first place their order for the entire quantity of tea needed for free issue to Defence Personnel with the Corporation and only if it is not in a position to supply as confirmed in writing, that tenders should be invited from private parties. When tea is bought from a public sector undertaking, Army Purchase Organisation or the Defence Department having strangely enough no Tea Taster of their own can be reasonably sure that tea is of a desired quality. The Committee feel that the Corporation should also be able to meet the requirements of the canteen stores.

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5.46

The Committee understand that Railway's annual requirement of tea is of the order of 90 tonnes. With the decentralisation of system of procurement, each zonal Railway is free to buy tea by any mode of purchase or from any source. The Committee were distressed to learn that some of the Zonal Railways like Central Railways, Northern Railways, Southern Railways etc. who were buying tea from the Corporation earlier have stopped doing so because they were not satisfied about the quality of tea supplied and the timely delivery. The Committee suggest that the Ministry of Railways should set up a Cell to pool the requirements of tea and place a consolidated order on the Corporation on behalf of all the Zonal Railways. Railways can open two or three procurement centres for sup-

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		ply of tea by TTCI. Meanwhile, guidelines may be issued to all the Zonal Railways that they should meet their requirements of tea from the Corporation.
19	5.47	* The Committee learn that the Hotel Corporation of India and the India Tourism Development Corporation's annual requirement of tea is 9 tonnes and 22 tonnes respectively. The Committee have been informed that as against this TTCI had during 1978-79 (upto Feb. 1979) supplied only 0.3 tonne of tea to Hotel Corporation and 2.4 tonnes to ITDC. The TTCI has also started supplying tea bags to the Indian Air Lines. The Committee expect that each Ministry should ensure that public sector undertakings under their control patronise the TTCI and buy all the requirements from it.
20	5.48	The Committee are disappointed to find that though the Tea Trading Corporation has been functioning for well over 8 years, it's share in the internal market is still less than 1 per cent. The major share of internal market continues to be in the hands of two multinational tea packaging companies. The Corporation has not been able to acquire a foot hold in the internal market and is not even known to the consumers. In fact, it started marketing packet tea in the domestic market only from November, 1976 and loose tea from October, 1977. Recently it has developed a nucleus of internal distribution system with the help of National Consumers Co-operative Federation for marketing its packaged tea at reasonable price through the net work of cooperatives. A scheme is also stated to have been evolved to provide employment to Ex-servicemen to work as stockists of TTCI's teas for supply to the canteen stores Department. The Committee recommend that the Corporation should concentrate on buying, blending and

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packaging of tea and entrust its distribution to NAFED and NCCF. TTCI and NAFED should start a systematic campaign to popularise TTCI's brands of tea by using modern methods of publicity and sales promotion and to have an effective public distribution system. The Committee would even suggest that TTCI should bring out a brand of tea (say, off grade CTC) for common man which can be sold through cooperatives, fair price shops, etc.

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6.33

The Committee deplore the inordinate delay on the part of Government in appointing a full time Chief Executive for the Tea Trading Corporation of India. Though the Corporation was set up on 21st December, 1971, the first Board of Directors was constituted by Government only on 3 February, 1972 with four part time Directors. A full time Managing Director (Shri Deepak Nag) was appointed later w.e.f. 4 October, 1972. His services were, however, terminated w.e.f. 30 October, 1973 because of unsatisfactory performance of the Corporation. A search for a suitable successor was made by Government again and Shri P. K. Dasgupta, Executive Director of the National Tobacco Co. was appointed as the full time Managing Director of the TTCI w.e.f. 13 August, 1975. During the intervening period Shri T. S. Broca, Chairman, Tea Board functioned as its part time Managing Director. An idea of how absence of a full time Chief Executive could retard the progress of a new enterprise in its formative years, can be had from the fact that Tea Trading Corporation of India did not transact any business whatsoever for a number of years. Government have also admitted this position. This is a sad commentary reflecting on the Ministry which betrays a lack of will to make the Corporation a success.

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22	6.34	<p>The Committee take a serious view of the fact that though the Corporation was set up in December, 1971 its recruitment rules were not framed until 1976. These rules were stated to have been cleared by the Board of Directors in early 1977 and thereafter sent to the Ministry of Commerce. Surprisingly enough, the Corporation, meanwhile, went ahead with its recruitment and increased its total staff strength from 40 in 1974-75 to 123 in 1976-77. Thus, by the time recruitment rules were finalised, the recruitment was almost over. The Committee cannot help pointing out that bulk of recruitment having been made before finalisation of recruitment rules, as has been done by the TTCI, the very purpose of framing such rules has been defeated. They therefore, desire that responsibility for the delay in framing of recruitment rules should be fixed.</p>
23	6.35	<p>As there have been allegations of show of favouratism the recruitments already made by the Corporation should be reviewed by a Board of men unconnected with the TTCI to see whether all the appointments have been regular. The Committee received an impression that the employer-employee relations in the Corporation are not what these ought to be. These should be improved to inspire confidence among all sections of the employees.</p>
24	6.36	<p>The Committee notice that an officer suspended from service and censured while working in the Income Tax Department was appointed in the Corporation as FA&CAO. The disciplinary action taken against him is now stated to be before the Calcutta High Court. The Commerce Secretary in his evidence stated: "Normally when an officer is under some cloud, we do not select him for outside assignment. I will go into it". The Committee would await the outcome.</p>

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25	6.37 & 6.38	<p>The TTCI propose to take departmental action against an officer as directed by the Central Vigilance Commission for alleged misrepresentation of his past experience while seeking employment in the Corporation.</p> <p>The Committee recommend that candidates for employment should be screened properly and their antecedents verified from the concerned organisation to ensure that men of proven integrity and ability are selected.</p>
26	6.39	<p>The Committee regret to note that out of 38 executives recruited by the TTCI in category A and B posts, there are only 3 who have some background in tea. As far as top positions are concerned, none is occupied by Tea Taster. The Chairman-cum-Managing Director pleaded during evidence that in tea packaging concern like the TTCI, the Chief of the Tea Department must have knowledge of marketing of tea in package form, otherwise he will fail. The Committee are not impressed by this plea. They, on the other hand, feel that a Tea Taster would be in a better position to purchase the right type of tea than a person who only knows how to market it. The Secretary, Ministry of Commerce revealed during evidence that Government have decided to merge the Tea Division of Balmer Lawrie & Co. Ltd. with the Tea Trading Corporation w.e.f. 1 April, 1979. The Committee recommend that with the proposed merger it should be ensured that one of the two top posts in the Tea Trading Corporation of India is manned by a competent Tea Taster and the other one by a sales executive with overseas and internal tea marketing experience.</p>

Division
Tea Trading
The Committee