

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

TWENTIETH REPORT

**THE KERALA CERAMICS LTD.,
KUNDARA**

(DEPARTMENT OF INDUSTRIES
GOVERNMENT OF KERALA)



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**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1966
Phalguna, 1887 (Saka)

Price : Re. 0—45p

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20th Report of the Committee on
Public Undertakings on the Kerala
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(THIRD LOK SABHA)

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**Elected w.e.f. 23-2-1966 in the vacancies caused by appointment of Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Twentieth Report on Kerala Ceramics Ltd., Kundara.

2. On a suggestion from the Governor of Kerala, the Speaker directed on the 18th December 1965 that the Committee on Public Undertakings might examine the working of the State-owned Public Undertakings in Kerala. The Committee accordingly decided to examine the working of State Government Companies in Kerala in general and of the following seven in particular:—

- (1) Travancore Titanium Products Ltd., Trivandrum;
- (2) Travancore Cochin Chemicals Ltd., Udyogamandal;
- (3) The Plantation Corporation of Kerala Ltd., Kottayam;
- (4) The Trivandrum Rubber Works Ltd., Trivandrum;
- (5) Kerala Ceramics Ltd., Kundara;
- (6) Kerala Premo Pipe Factory Ltd., Trivandrum; and
- (7) Traco Cable Co. Ltd., Ernakulam.

3. This Report is based on the examination of the working of the Kerala Ceramics Ltd., Kundara upto the year ending 31st March 1965. The Committee took the evidence of the representatives of the Company and the State Government Officers concerned on the 2nd February 1966 at Trivandrum. The Report was adopted by the Committee on 11th March 1966.

4. The Committee wish to express their thanks to the officers of the Kerala State Government and the Kerala Ceramics Ltd for placing before them the material and information that they wanted in connection with their examination.

NEW DELHI;
17th March, 1966.
Phalguna 26, 1887 (S).

D. N. TIWARY,
Chairman,
Committee on Public Undertakings.

INTRODUCTORY

The Kerala Ceramics Ltd., formerly consisted of two departmentally managed undertakings, the Government Ceramic Concerns and the Kerala Government Ceramics. As a result of a recommendation made by a Committee of the Kerala State Industrial Development Corporation which studied the working of Government-owned factories, those two concerns were amalgamated to form a joint stock company. The new company was registered on the 1st November, 1963 and started functioning on the 24th February, 1964.

Historical
back-
ground.

2. The Government Ceramic Concerns was established by the State of Travancore in 1940 and comprised of (i) a factory manufacturing crockery, stoneware pipes and refractories; and (ii) the china clay mines which mined and refined clay.

3. The factory did not make much progress because of the poor quality of crockery which it produced.

4. In 1947, Government decided to instal an electric kiln for the manufacture of superior crockery. However, it was only in 1957 that the electric kiln and other machines were installed. This unit was located about 2 Kilometers from the Government Ceramic Concerns and was named "Kerala Government Ceramics". With the setting up of this factory, the manufacture of crockery in the Government Ceramics Concerns was completely stopped.

5. The authorised capital of The Kerala Ceramics Ltd. is Rs. 1 crore. Under the terms of indenture between the Government and the company, 50% of the value of the assets taken over was to be treated as capital contribution and the balance 50% as loan bearing 5 per cent interest repayable in 20 equal annual instalments. The first instalment is to be paid after three years of the formation of the company. The interest is also payable after 3 years.

Capital.

6. The net value of assets taken over by the Company is Rs. 46,19,775.44 P. Out of this Rs. 23,09,890 is to be treated as capital contribution and the remaining as loan from the Government of Kerala. Out of the amount representing the share capital, only Rs. 8,58,100 worth of shares have been issued. It was stated that the balance of the shares would be issued as soon as Government sanction was obtained.

7. It is regrettable that even after two years of formation of the Company, Government sanction for the issue of the remaining shares has not been received. The Committee would urge Government to issue the necessary sanction at an early date and settle this matter.

8. Besides the amount of assets treated as loan, Government have granted two additional loans one of Rs. 2,10,500 on the 3rd February, 1965 bearing 5½% interest. The loan is to be paid in 15 annual instalments and the first payment is to start after 3 years. The second loan of Rs. 3·25 lakhs was sanctioned on 20-9-1965 and bears an interest of 6½% with an additional penal interest of 2% in case of default. The loan is to be repaid in 11 equal annual instalments, the first instalment being payable after 3 years. The total loan therefore is Rs. 28,45,385·44 P.

9. The Company, as at present constituted, has three working units:—

Unit I—The Porcelain Factory (formerly the Kerala Government Ceramics) producing porcelain crockery and L.T. Electrical Insulators.

Unit II—Stoneware Pipes and Refractories Factory (The old ceramic factory).

Unit III—China Clay Mines—The Mines, producing refined china clay.

II

THE PORCELAIN FACTORY

A. Expansion and modernisation

10. The project was thought of in 1947, and completed in 1957, after a lapse of ten years. No project report was prepared nor any economic feasibility study conducted before the factory was set up. There were no estimates of expenditure and no time schedules were prepared for the completion of the project. It was a departmental concern. In 1957 when the project was ready, the factory was over-capitalised as the following figures will show:—

Year	Production	Interest on capital and depreciation
	(in lakhs)	
1957-58	3.13	3.55
1958-59	7.96	3.99
1959-60	6.69	4.01
1960-61	7.37	4.20
1961-62	9.21	3.92
1962-63	9.95	4.76
1963-64	9.97	4.48

11. The present position is that for a rated capacity of porcelain worth Rs. 10 to Rs. 11 lakhs per annum, the amount to be adjusted towards interest on capital and depreciation is about Rs. 4.75 lakhs.

12. Besides the above mentioned overburden, there is imbalance between the electric kiln capacity and the rest of the plant and machinery. While the capacity of the kiln is only about 2 tonnes a day, that of all other equipment is about 6 tonnes per day. Production, therefore, is limited to the kiln capacity.

13. Further, the cost of production is very high. The cost of firing by electricity is a little over 20% of the prime cost as against 15 per cent by oil or 12 per cent by coal. The recurring annual power cut further adds to the cost of production.

Expansion.

14. The Committee were informed that "it has been found on investigation that with a capital investment of only Rs. 20 lakhs in Unit I, it would be possible to step up the production three fold and earn a return of about 10% to 12 per cent on the capital invested. This would also facilitate the export of crockery". Foreign collaboration for this was sought and negotiations were being conducted with M/s. Skodas of Czechoslovakia.

15. The objects of the expansion were firstly to correct the imbalance mentioned earlier, and secondly to enable the factory to produce fine export quality crockery.

16. During evidence, the Committee enquired if any project report had been prepared or any feasibility study had been conducted before arriving at the conclusion that a further expenditure of Rs. 20 lakhs would make the unit profitable. A question was also asked as to how it had been assumed that the factory would be able to make large scale exports. It was stated that no scientific analysis of the problem had been made and the assumptions made were on the basis of rough calculations.

Export possibilities.

17. The factory has proceeded on the assumption that in order to produce superior quality porcelain, foreign machinery and foreign technical collaboration are required. The Committee were informed that the Central Glass and Ceramics Research Institute and the D.G.T.D. had been consulted and they also were of the same opinion, i.e. that foreign collaboration was necessary. *The company is already over-capitalised and with additional investment of Rs. 20 lakhs, the price of the superior crockery produced will inevitably be high. The company has not carried out any analytical studies of the cost of production after the proposed expansion and the prices prevailing abroad. The Committee, however, do not feel optimistic about the Management's proposals for the following reasons. Firstly, the competition would inevitably be with traditional exporters of high class crockery. As such, a reputation would first have to be established before exports can be stabilised. Secondly, foreign manufacturers produce on a mass scale compared to the meagre production at Kundara. Thirdly, foreign manufacturers spend large sums on product design and development, a matter in which the Kundara factory will not be able to compete. In view of this the possibilities of export are remote. No doubt the factory should make every effort in this direction but to base a whole expansion programme with export as a mainstay without carrying out any market studies is, the opinion of the Committee, not correct.*

18. As regards the home market, the Committee were informed that the superiority of porcelain ware produced by the factory over the earthenware produced by other manufacturers was not being realised by the Indian market and as such, the factory had to sell their produce at the same price as earthenware crockery. If this is so, then the problem of selling still higher priced crockery in the Indian market would be more difficult. Home market.

19. The Committee saw samples of the crockery being manufactured at the factory. They were superior to earthenware crockery but not as good as even inferior quality imported porcelain. The Committee were informed that the china clay with which the crockery was made was of very superior quality, which means that there is great scope for improvement of the product, atleast to reach the standard of imported crockery. The contention of the Management that they have to face severe competition from earthenware crockery and sell their porcelain crockery at the price of the earthenware crockery is mainly due to the fact that its superiority is not as marked as in the case of imported porcelain. The very fact that imported crockery is sold at a very high price in the Indian market goes to prove that there can be a good market for superior quality crockery if produced, even if its price is high. In fact, luxury hotels catering to tourists and the Air Corporation have persistently been demanding imports of crockery. If the Kerala Ceramics Limited produces superior crockery, these demands can be met. The Committee believe that properly organised, this factory with all the advantages of a monopoly manufacturer in the country, has a great future.

20. The factory needs immediately additional kiln capacity. Because of the imbalance, machine utilisation is only 40 per cent to 60 per cent. The Committee were informed that electric kilns are costlier to purchase and maintain. Oil fired kilns would be most suitable as coal fired kilns, though cheaper, would be difficult to maintain in view of the shortage of coal in Kerala. The factory should make efforts to obtain the necessary kilns from Indian manufacturers even if some essential parts have to be imported. If this is achieved then the factory can treble its production. Kilns.

21. The next stage is product development. If foreign collaboration is required, there should be no objection to it, but the Committee would suggest that the Central Glass and Ceramics Research Institute, Calcutta, should take up this matter as a challenge to its genius and skill. Let efforts be made to develop something Indian and original. The Indian tradition in porcelain manufacture is an ancient one and what seems to be required is a revival of a lost art with adaptation to modern needs. The Committee hope that the Government of Kerala, the D.G.T.D. and the C.S.I.R. will bestow serious attention to this aspect. Product development.

22. *As a first step the Factory should undertake a proper study of the whole matter in its entirety and prepare an economic feasibility report before venturing upon any scheme of expansion, as otherwise, there is danger of repeating the initial mistake and perpetuating the difficulties.*

B. Production

Incentive Scheme.

23. The production of Unit I during the year 1964-65 was Rs. 14:05 lakhs, the highest recorded by the factory in its history. This production was possible due to an incentive scheme and expansion of the decoration section. The prospects for the present financial year are not so bright because the labour union is said to have withdrawn their cooperation from the incentive scheme and secondly, the power cut has affected production considerably.

24. *The Committee hope that it would be possible for the Management to persuade the labour union to cooperate in implementation of the incentive scheme as it is to the benefit of both the factory as well as the labour.*

Power Cut.

25. As regards the power cut, the Committee were informed the unlike most other factories, the effect of the cuts was rather severe. The electric kilns require some time to reach the high temperature on which they work and this time-lag reduced their production to 60% of the rated capacity. Switching off and on of electricity also had an adverse effect on the life of the kiln, apart from the effect on its efficiency. The power cut seems to be an annual feature in Kerala, and it is obvious that the factory's production is being adversely affected by it. The Committee enquired if it would be possible to instal a generator of its own to overcome the power cut. They were informed that a comparative study was made between having a generator and closing down the factory during power cuts after laying off the workers. These calculations reveal that a loss of Rs. 73,000 per month would be incurred if a generator was installed while only Rs. 51,500 would be lost if the factory was shut down. The figures are given in Appendix I.

26. The Committee are not sure if the calculations are accurate as no amount has been provided for depreciation on the generator. *The Committee suggest that at the expansion stage, this matter may be carefully reviewed and if economically feasible, a generator might be installed in preference to laying off workers and closing down the factory.*

27. *In the meanwhile, the Committee would desire the Kerala State Electricity Board to examine in the case of machinery where continuous operation is necessary in order to sustain the life of the machines, as in the case of*

the electric kilns, whether exemption from power cuts could not be granted.

28. The Committee were informed that systematic procedure of inspection and quality control had been introduced at every stage, and that this had resulted in the reduction of rejections from 50% to 32%. This figure was the total rejections at each stage of manufacture through jiggering, finishing, air drying, green loading for biscuit firing biscuit unloading, airing, dipping, loading for glost firing and glost unloading. The rejections were finally approved by the Works Manager and goods rejected at the final stage of production were sold in auction. Rejections.

29. The Committee were informed that in foreign porcelain factories a rejection figure of 25% existed.

30. The Committee feel that the factory's rejection figures are very high. In fact, during their visit to the factory the Committee noticed that the production process was not streamlined. The storage and stacking of semi-finished and finished goods was not properly planned. There also seemed to be a lack of scientific lay-out and procedure. In the circumstances breakages seemed unavoidable.

31. The Committee recommend that the factory should examine this matter in detail and evolve a streamlined procedure whereby the products at each stage are correctly handled and systematically arranged beyond the danger of being tripped.

32. Besides this, the heavy rejections could also be partly due to inadequate expertise or training, indifference of the staff, and faulty supervision or equipment. The Committee feel that after quarter of a century's experience the rejections should not have been so high and there is great scope for the factory to reduce the rejections. Reduction of rejections will add greatly to the factory's profitability.

33. The Committee would also suggest that there should be occasional high-level sample inspection of the rejections in the final stages to ensure that good crockery is not passed as bad and also that second quality goods are not sent to the market.

C. Research

Design Develop- ment.

34. The Committee were informed that most of the product designs were based on illustrations in foreign journals. The factory did not have a research and development department of its own.

35. *With its present rate of production, the factory may not be able to have such an organisation, but this is a matter which should get priority, when the factory expands and becomes economically sound.*

Design Standar- disation.

36. At present the company is manufacturing a large number of sizes, patterns and designs of crockery. A large variety of designs involves continuous change in production methods and this results in lower productivity. *If standardisation is brought about, productivity will improve. A worker by concentrating on a particular design and size is bound to become an expert on it and improve his output.*

37. *The Committee would therefore suggest that instead of having a very large number of sizes, patterns and designs, it might be better to select some two dozen designs which are in high demand and are popular and concentrate on their production till the financial condition of the company improves. In the selection of these standard designs, emphasis should be paid to distinctive designs so that the factory's crockery stands out from those of its competitors.*

D. Marketing

38. The Committee were informed that sale of crockery was effected through regional selling agents and that the factory had no marketing organisation of its own. Prices were F.O.R. Kundara and hence the buyers had to meet the freight, breakages in transit and other incidentals. The Committee were also informed that about 82% of the crockery was sold outside Kerala State.

39. The Committee found that about 3 months' production was lying uncleared at the factory. *This is not a happy position and showed that marketing was not properly organised. The Committee do not wish to make any comments on this as they did not study this aspect, but would like to stress that a dynamic sales drive is urgently called for. Firstly, in their publicity campaign it would be worthwhile for the Company to stress the superiority of porcelain-ware over earthenware. This difference has to be brought home to the*

customers. Secondly, the company should review the working of their Agents periodically and make inter se comparisons and eliminate the inefficient ones. The Committee hope that the company will make concerted sales promotion efforts.

40. The Committee would also recommend that the Kerala Government should exhibit the crockery in their Emporia outside the State and also give publicity to the products of the factory by exhibiting them in stalls of the Kerala Government at exhibitions held outside the State.

E. Raw Materials

41. The Committee were informed that the Company Liquid was facing considerable difficulty in obtaining liquid gold gold. ever since the Gold Control Order came into being. The price had also increased from Rs. 40 to Rs. 68 per ounce since 1963. The Committee suggest that the Company should try and explore the possibility of obtaining liquid gold through some reliable agency. As most of the material is obtained from Agra and Firozabad, it might be possible for the Government of Uttar Pradesh to suggest the name of one or two firms of repute who would be able to supply the raw material on a regular basis at reasonable rates. The Committee suggest that the Kerala Government takes up this matter with the Government of Uttar Pradesh.

42. Audit in para 93 of their Report for 1965 had pointed out that liquid gold was being issued to the Decorating Section in bulk and that no detailed accounts were kept. In the absence of such accounts it would be difficult for the Company to watch the utilisation of this costly material and ensure that there was no wastage or pilferage. The Committee were glad to hear that norms of consumption had been fixed now and that proper accounts were being kept.

43. The Committee were also informed about the difficulty of obtaining good quality transfer pictures. These used to be imported but now are available from indigenous sources. Transfer pictures.

44. The Committee hope that the factory will be able to encourage Indian manufacturers to improve the quality of their products.

45. Audit had also reported [vide para 93 (v) of Re- Quartz wagon for 1965] that quartz and felspar were received in wagon loads and were not being weighed on receipt. The factory relied on the weight recorded by the railway and felspar. authorities at the time of loading wagons.

46. The Committee found that the position was same even today. The Company paid for the raw materials according to their purity determined after sample checks in the laboratory and on the basis of weights recorded by the Railways. While it might not be worthwhile to go in for an expensive weigh-bridge to weigh these two raw materials, the Committee suggest that the company should at least calculate the weight on a volumetric basis and satisfy themselves that the weight actually paid for does not differ considerably from that actually recorded by the Railways. Sample checks should be conducted by the top executives. Consumption standards, which the Committee learn have not been laid down, should be introduced so that wastages are avoided. Fixing of norms will make the workers conscious of the need for exercising economy.

Tin Oxide.

47. The Committee were informed that tin oxide which was required for the white glazing was an imported item and in short supply. It was stated that there was no indigenous substitute for tin oxide. Materials like titanium oxide were tried as substitutes but were found unsuitable.

48. Zirconium opacifier could be a substitute for tin oxide but this also was not manufactured in India. Zirconium was, however, stated to be available in Kerala.

49. The Committee recommend that the company should take up this matter with the National Chemical Laboratory and the Central Glass and Ceramics Research Institute. It might be possible to find out a cheap method of manufacturing the opacifier or else they could recommend a suitable substitute for tin oxide. The Company might also find out whether foreign porcelain manufacturers use any other material which might be obtainable in this country.

F. Machinery and Equipment

50. Audit in the Report for 1965 had stated in para 93 (vi) that the following equipment which had been purchased in 1957, was lying idle and had not been installed:—

	Cost
Filter press	Rs. 45,823
2 Elevators	Rs. 13,446

Laboratory equipment purchased in 1956 and 1962 worth Rs. 13,400 were also lying idle and the Company had stated that these could not be used as the laboratory had not been set up so far.

51. The Committee were informed that the filter press had recently been installed and the elevators were likely to be installed soon.

52. *The Committee regret that costly equipment should have been purchased unnecessarily and kept idle all these years. The Company did not provide a satisfactory answer as to why these had been purchased. Government might do well to look into this matter.*

G. Water

53. When the factory was set up in 1957, no provision for water had been made, though the factory needed about 6000 gallons per day. It was, therefore, decided to sink a well. The P.W.D. was requested to make a plan and prepare an estimate for the well. It took them 18 months to do this. In March, 1959 the work was taken up by the P.W.D. and completed in 1963. The total cost of the well was Rs. 25,000/-. The well did not have water in the summer months, and the water was brackish. According to the information supplied by the Company, no soil survey was conducted before the well was sunk.

54. Audit had reported about this matter in para. 95 of their Report for 1965 and had also stated that Government had admitted having sustained a heavy loss but no action had been taken against 2 junior engineers responsible for the delay in preparing the plan and estimate as one had already been retired compulsorily and the explanation of the other had been accepted.

55. *The Committee feel that it is not equitable to burden the company with this infructuous expenditure of Rs. 25,000/-. The only fault of the company is that they entrusted the work to a Government department. The Committee do not know whether they took all precautions to bring the non-execution of the work promptly to the notice of higher officers. If they did so, it would be equitable for the Government to reimburse the company to a large extent for the inefficiency and neglect of its officers.*

III

THE CERAMICS FACTORY

56. This factory was set up in 1940. It now produces stoneware pipes and refractory bricks. Right from the beginning it has had troubles and the present position is summed up in the following extract from the First Annual Report of the company:

“Regarding Unit II, it has been clearly established after detailed studies that this factory cannot reach the break-even point under the existing set-up”.

57. This factory has five down-draft kilns, all of which are connected to one 150 feet chimney. In 1945, i.e. after 4 years of construction, the chimney was found to be cracked. The factory was then closed and the chimney repaired. In 1955 the crack occurred again but nothing was done. The result of the crack in the chimney is that only one of the five kilns can be worked at a time.

58. The Committee found that the cost of a new chimney would be about Rs. 50,000/-. Because of the defect in the chimney the loss in production was to the tune of Rs. 1½ lakhs per annum. The Joint Secretary of the Finance Department who is also a Director of the Company stated in evidence before the Committee that he was not aware of the loss in production due to the faulty chimney. The Secretary of the Industries Department also stated that Government was not aware of the facts in this regard.

59. The Committee were given a copy of the Report submitted by the Statistical Quality Control Unit of the Indian Statistical Institute who had analysed the cost of production of Unit II and had come to the conclusion that under existing set-up of production and selling prices, the factory will not be able to make a profit.

60. The Committee found that this report had stated as under:—

- (i) Out of 5 kilns one has broken down and is not in use.
- (ii) Under the present conditions only one kiln can be worked at a time.

(iii) Of the pipes produced, only 35% are I quality, 20% are II quality, 25% are III quality and 20% are rejections.

(iv) In the cost of production, overheads account for the largest proportion. For example for a kiln load of 9" pipes the cost is as follows:—

Material	Rs. 380
Fuel	Rs. 975
Labour	Rs. 916
Overheads	Rs. 1128
TOTAL	Rs. 3399

(v) At present the workload for labour is very low.

61. Besides these, the Committee were told that "most of the time, almost all the machines will be under repairs and maintenance", and as a result the utilisation of link machines on which depended the utilisation of other machines is only 40%.

62. It has been known to the Management for the last 10 years that the chimney had reduced the efficiency of the plant to a fifth of its rated capacity. Yet, no remedial action has been taken. The fuel costs were high, the overheads were very high, the productivity was low, the efficiency of production was extremely low considering that only 35% was First quality, over staffing existed—and yet not one single item had been attended to. The Committee regret that inspite of periodical reports received by Government, the sole shareholder of the company showed ignorance of the sad state of affairs of the company. A Government Committee appointed in 1958 to examine some issues relating to the factory had reported that "there is no proper workload, and no programme of production or sales". Eight years after this report, things appear no better.

63. The Committee were informed that to put it on an economic footing the following action should be taken:—

- (i) To change the plant layout.
- (ii) To construct more economic semi-continuous kilns.
- (iii) To instal semi-automatic pipe and brick plant.
- (iv) To instal an automatic drier.

64. When questioned about this proposal, the representatives of the company stated that no detailed studies had been made.

65. This unit needs immediate attention. The Government should set up a Committee of technical persons or else a one man Committee of an expert perhaps from outside the State, who should study the entire working of this unit and suggest how it can be economically run. If the unit cannot break-even without further excessive expenditure, Government might consider selling it instead of investing large amounts on a doubtful venture.

IV

CLAY MINES

66. The Clay Mines (Unit III) produce 12 tons of refined china clay per day or 3600 tons per annum.

67. The Mines work throughout the year, unlike other china clay mines in the country which were said to work on seasonal basis. It was stated that because of this, the labour and operating charges were more, compared to seasonally worked mines. In fact, the cost of production was stated to be 20% to 30% higher than their competitors.

68. *The Committee fail to appreciate this justification for the higher cost of production. A seasonal producer has to incur certain inevitable overheads throughout the year. His machinery depreciates at the same rate as that of an annual producer. It is easier to manage a concern which runs throughout the year than a seasonal one. The producer who works throughout the year appears to be at an advantage over a seasonal producer and his costs should be less and not more.*

69. The Committee were informed that because of breakdowns of the locomotive used for hauling raw clay to the refinery and the delay in getting imported spare parts, there was considerable loss of production in the Mines. Besides, the utilisation of the refining plant is only 50%. This much utilisation was stated to be adequate for the present scale of raw clay mining. The utilisation of filter press is 25% on the basis of the rated capacity of 3 shifts. The filter press is stated to breakdown frequently due to paucity of spare parts.

70. With a view to mechanise mining operations, new machinery like Blungers, filter press pumps, motors, rails, tractor and trailers were purchased. The purchase of a mechanical drier was dropped, and as such, drying is done by solar heat during the summer months (6 months in a year). For this, an amount of Rs. 2.51 lakhs had been spent. For further modernisation of the mining and refining operations with foreign technical collaboration, proposals were stated to have been submitted to the Government of India.

71. The difficult part of the operations is the washing of the raw clay. The mining which is done by removing the overburden and reaching the clay bed is a comparatively

simple operation. Raw clay contains various grades suitable for different purposes. One suitable for paper coating, sells at Rs. 400 per ton while the grade suitable for pottery sells at Rs. 100 per ton. The washing operation should be able to segregate these different grades. There is no such provision in the mines at present. It was stated that the machinery for this would have to be specially designed after determining the characteristics of the raw clay by laboratory tests and detailed investigations.

72. Besides this, the Mines have layers of "blue clay", a valuable raw material for making refractories. At present, this is not extracted and it is thrown out along with the over-burden. If a process of winning is found to obtain the blue clay, it would be very profitable.

73. M/s. Rudis of Yugoslavia had been approached by the Company to collaborate in installing the necessary machinery. The total cost involved would be Rs. 22.05 lakhs. The company have estimated a production of 25,000 tonnes during the third year of operation with a gross profit of Rs. 13.05 lakhs. These figures were based on rough calculations. Technological and economic feasibility studies are yet to be carried out.

74. *The clay in the mines is said to be of a high quality and the Committee would very much wish that proper measures were taken to utilise this asset. If foreign collaboration is inevitable, it may be obtained but the purchase of machinery from abroad should be confined to the minimum. Most of the mining machinery should be available in India. The refining machinery perhaps could be fabricated in this country, if necessary after obtaining drawings from the collaborators.*

75. *The Committee also recommend that the export possibilities of this clay be examined so that the cost of getting machinery from abroad can be recouped from exports.*

V GENERAL

76. The cost accounting done in the factory is far from satisfactory. It was stated that "actual cost of production of almost all the items was determined periodically." This is not cost accounting. **Cost Accounting.**

77. The Committee recommend that steps should be taken by the company to introduce a proper cost accounting system. Cost on all items should be carefully watched and immediate action taken to arrest adverse trends. Month-wise figures of comparative costs may also be submitted to the Board of Directors who should satisfy themselves in case of variations that these were justified. There is a very great scope for economy in all the three units and there is no doubt that conscious efforts in this direction will bear substantial results.

78. Another matter which is not satisfactory is inventory control. In fact a haphazard system appears to be followed in regard to materials management. The result is that raw materials fall short, there are excessive stocks of stores, and ordering is not done according to needs but on an ad hoc basis. The Company should obtain the advice of an expert and introduce a system of inventory control in all the three units at an early date. **Inventory.**

79. There is considerable surplus staff. A proper assessment of the staff requirements should be made and the surplus should be absorbed in the expansion stages or found alternative employment elsewhere. For the time being, there should be a complete ban on recruitment of new staff. **Staff.**

80. As regards the post of General Manager, the Committee were informed that the present incumbent was a deputationist from the Industries Department and that he had been in the Company since 1953. The next senior officer is the Works Manager who is a post-graduate in ceramic technology. **General Manager.**

81. The Committee feel that the Company needs a dynamic person with a good background of ceramic technology besides administrative skill and knowledge of modern marketing techniques to put it on an even keel. It might be worthwhile for the Kerala Government to look for a person even outside the State with experience and talent in this field. Such a person can be kept till the factory is able to

modernise and establish proper production and marketing standards. Once the Units are established on an economic footing good managerial skill would suffice, but during this intervening period something more is required.

NEW DELHI;
17th March, 1966.

D. N. TIWARY,
Chairman,
Phalguna 26, 1887 (S) Committee on Public Undertakings.

APPENDIX I

Economic of Working the Factory with Generator and Declaring lay off

Expenditure to be incurred to work with generator.	Monthly Basis	Expenditure to be incurred if this factory is laid off.	
Wages to be paid	25,000/-	Lay off wages to be paid	13,000/-
Stores to be consumed	20,000/-	No stores consumed as factory is closed	
Power (at 20 nP. per unit)	88,000/-	Power	1,000/-
Maintenance	2,000/-	Maintenance	500/-
	<u>1,35,000/-</u>		<u>14,500</u>
Salary of staff	10,000/-	Salary	10,000/-
Other expenses	3,000/-	Other expenses	2,000/-
	<u>1,48,000/-</u>		<u>26,500/-</u>
Interest and depreciation	25,000/-	Interest and depreciation	25,000/-
	<u>1,73,000/-</u>		<u>51,500/-</u>
Production at existing level	<u>1,00,000/-</u>	Production	<u>Nil</u>
Loss	73,000/-	Loss	51,500/-

Thus it can be seen that if the production is only Rs. 1 lakh a month, there will be a loss of Rs. 73,000 a month if the generator is used as against Rs. 51,500 a month by complete stoppage.

If the production is stepped upto Rs. 1.75 lakh a month, then during that period when the factory is run by the generator there will be no loss.

APPENDIX II

Summary of conclusions/recommendations of the Committee Public undertakings contained in the Report

S. No.	Ref. to para No. in the Report	Summary of Conclusions Recommendations
(1)	(2)	(3)
1	7	It is regretable that even after two years of formation of the Company, Government sanction for the issue of the remaining shares has not been received. The Committee would urge Government to issue the necessary sanction at an early date and settle this matter.
2	17	The factory has proceeded on the assumption that in order to produce superior quality porcelain, foreign machinery and foreign technical collaboration are required. The Committee were informed that the Central Glass and Ceramics Research Institute and the D.G.T.D. had been consulted and they also were of the same opinion, i.e., that foreign collaboration was necessary. The company is already over capitalised and with additional investment of Rs. 20 lakhs, the price of the superior crockery produced will inevitably be high. The company has not carried out any analytical studies of the cost of production after the proposed expansion and the prices prevailing abroad. The Committee however, do not feel optimistic about the Management's proposals for the following reasons. Firstly, the competition would inevitably be with traditional exporters of high class crockery. As such, a reputation would first have to be established before exports can be stabilised. Secondly, foreign manufacturers produce on a mass scale compared to the meagre production at Kundara. Thirdly, foreign manufacturers spend large sums on product design and development, a matter in which the Kundara factory will not be able to compete. In view of

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(3)

this the possibilities of export are remote. No doubt the factory should make every effort in this direction but to base a whole expansion programme with export as a mainstay without carrying out any market studies, is in the opinion of the Committee, not correct.

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There is great scope for improvement of the product, atleast to reach the standard of imported crockery. The contention of the Management that they have to face severe competition from earthenware crockery and sell their porcelain crockery at the price of the earthenware crockery is mainly due to the fact that its superiority is not as marked as in the case of imported porcelain. The very fact that imported crockery is sold at a very high price in the Indian market goes to prove that there can be a good market for superior quality crockery if produced, even if its price is high. In fact, luxury hotels catering to tourists and the Air Corporations have persistently been demanding imports of crockery. If the Kerala Ceramics Limited produces superior crockery, these demands can be met. The Committee believe that properly organised, this factory with all the advantages of a monopoly manufacturer in the country, has a great future.

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The factory needs immediately additional kiln capacity. Because of the imbalance, machine utilisation is only 40 per cent. to 60 per cent. The Committee were informed that electric kilns are costlier to purchase and maintain. Oil fired kilns would be most suitable as coal fired kilns, though cheaper, would be difficult to maintain in view of the shortage of coal in Kerala. The factory should make efforts to obtain the necessary kilns from Indian manufacturers even if some essential parts have to be imported. If this is achieved, then the factory can treble its production.

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21-22

(i) If foreign collaboration is required for product development there should be no objection to it, but the Committee would suggest that the Central Glass and Ceramics Research Institute, Calcutta, should take up this matter

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as a challenge to its genius and skill. Let efforts be made to develop something Indian and original. The Indian tradition in porcelain manufacture is an ancient one and what seems to be required is a revival of a lost art with adaptation to modern needs. The Committee hope that the Government of Kerala, the D.G.T.D. and the C.S.I.R. will bestow serious attention to this aspect.

(ii) As a first step the Factory should undertake a proper study of the whole matter in its entirety and prepare an economic feasibility report before venturing upon any scheme of expansion, as otherwise, there is danger of repeating the initial mistake and perpetuating the difficulties.

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The Committee hope that it would be possible for the Management to persuade the labour union to cooperate in implementation of the incentive scheme as it is to the benefit of both the factory as well as the labour.

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26-27

(i) The Committee suggest that at the expansion stage the question of installing a generator may be carefully reviewed and if economically feasible, one might be installed in preference to laying off workers and closing down the factory.

(ii) In the meanwhile, the Committee would desire the Kerala State Electricity Board to examine in the case of machinery where continuous operation is necessary in order to sustain the life of the machines, as in the case of the electric kilns, whether exemption from power cuts could not be granted.

8

30-31

(i) The Committee feel that the factory's rejection figures are very high. The storage and stacking of semi-finished and finished goods was not properly planned. There also seemed to be a lack of scientific lay-out and procedure. In the circumstances breakages seemed unavoidable.

(ii) The Committee recommend that the factory should examine this matter in detail and evolve a streamlined procedure whereby the products at each stage are correctly handled and systematically arranged beyond the danger of being tripped.

(1)	(2)	(3)
9	32-33	<p>(i) The heavy rejections could also be partly due to inadequate expertise or training, indifference of the staff, and faulty supervision or equipment. The Committee feel that after quarter of a century's experience the rejections should not have been so high and there is great scope for the factory to reduce the rejections. Reduction of rejections will add greatly to the factory's profitability.</p>
		<p>(ii) The Committee would also suggest that there should be occasional high-level sample inspection of the rejections in the final stages to ensure that good crockery is not passed as bad, and also that second quality goods are not sent to the market.</p>
10	35	<p>With its present rate of production, the factory may not be able to have a research and development department, but this is a matter which should get priority, when the factory expands and becomes economically sound.</p>
11	37	<p>The Committee suggest that instead of having a very large number of sizes, patterns and designs, it might be better to select some two designs it might be better to select some two popular and concentrate on their production till the financial condition of the company improves. In the selection of these standard designs, emphasis should be paid to distinctive designs so that the factory's crockery stands out from those of its competitors.</p>
12	39	<p>The Committee found that about 3 month's production was lying uncleared at the factory. This is not a happy position and showed that marketing was not properly organised. The Committee do not wish to make any comments on this as they did not study this aspect, but would like to stress that a dynamic sales drive is urgently called for. Firstly, in their publicity campaign it would be worthwhile for the Company to stress the superiority of porcelainware over earthenware. This difference has to be brought home to the customers. Secondly, the company should review the working of their Agents periodically and make <i>inter se</i> comparisons and eliminate the inefficient ones. The Committee hope that the company will make concerted sales promotion efforts.</p>

(1)	(2)	(3)
13	40	The Committee would also recommend that the Kerala Government should exhibit the crockery in their Emporia outside the State and also give publicity to the products of the factory by exhibiting them in stalls of the Kerala Government at exhibitions held outside the State.
14	41	The Committee suggest that the Company should try and explore the possibility of obtaining liquid gold through some reliable agency. As most of the material is obtained from Agra and Firozabad, it might be possible for the Government of Uttar Pradesh to suggest the name of one or two firms of repute who would be able to supply the raw material on a regular basis at reasonable rates. The Committee suggest that the Kerala Government takes up this matter with the Government of Uttar Pradesh.
15	42	The Committee were glad to hear that norms of consumption of liquid gold had been fixed now and that proper accounts were being kept.
16	44	The Committee hope that the factory will be able to encourage Indian manufacturers of transfer pictures to improve the quality of their products.
17	46	<p>(i) While it might not be worthwhile to go in for an expensive weigh-bridge to weigh the quartz and felspar, the Committee suggest that the company should atleast calculate the weight on a volumetric basis and satisfy themselves that the weight actually paid for does not differ considerably from that actually recorded by the Railways. Sample checks should be conducted by the top executives.</p> <p>(ii) Consumption standards of these two raw materials which the Committee learn have not been laid down, should be introduced so that wastages are avoided. Fixing of norms will make the workers conscious of the need for exercising economy.</p>
18	49	The Committee recommend that the company should take up the matter of finding a substitute for tin oxide with the National Chemical Labo-

(1)	(2)	(3)
		ratory and the Central Glass and Ceramics Research Institute. It might be possible to find out a cheap method of manufacturing the opacifier or else they could recommend a suitable substitute for tin oxide. The Company might also find out whether foreign porcelain manufacturers use any other material which might be obtainable in this country.
19	52	The Committee regret that costly equipment worth Rs. 59,269 should have been purchased unnecessarily and kept idle since 1957. The Company did not provide a satisfactory answer as to why these had been purchased. Government might do well to look into the matter.
20	55	The Committee feel that it is not equitable to burden the company with the infructuous expenditure of Rs. 25,000 incurred on digging the well. The only fault of the company is that they entrusted the work to a Government department. The Committee do not know whether they took all precautions to bring the non-execution of the work promptly to the notice of higher officers. If they did so, it would be equitable for the Government to reimburse the company to a large extent for the inefficiency and neglect of its officers.
21	62	It has been known to the Management for the last 10 years that the chimney of the ceramics factory had reduced the efficiency of the plant to a fifth of its rated capacity. Yet, no remedial action has been taken. The fuel costs were high, the overheads were very high, the productivity was low, the efficiency of production was extremely low considering that only 35 per cent was First quality, over staffing existed—and yet not one single item had been attended to. The Committee regret that in spite of periodical reports received by Government, the sole shareholder of the company showed ignorance of the sad state of affairs of the company. A Government Committee appointed in 1958 to examine some issues relating to the factory had reported that "there is no proper workload, and no programme of production or sales". Eight years after this report, things appear no better.

(1)	(2)	(3)
22	65	Unit II needs immediate attention. The Government should set up a Committee of technical persons or else a one man Committee of an expert perhaps from outside the State, who should study the entire working of this unit and suggest how it can be economically run. If the unit cannot break-even without further excessive expenditure, Government might consider selling it instead of investing large amounts on a doubtful venture.
23	67-68	The Mines work throughout the year, unlike other china clay mines in the country which were said to work on seasonal basis. It was stated that because of this, the labour and operating charges were more, compared to seasonally worked mines. In fact, the cost of production was stated to be 20 per cent to 30 per cent higher than their competitors. The Committee fail to appreciate this justification for the higher cost of production. The producer who works throughout the year appears to be at an advantage over a seasonal producer and his costs should be less and not more.
24	74	The clay in the mines is said to be of a high quality and the Committee would very much wish that proper measures were taken to utilise this asset. If foreign collaboration is inevitable, it may be obtained but the purchase of machinery from abroad should be confined to the minimum. Most of the mining machinery should be available in India. The refining machinery perhaps could be fabricated in this country, if necessary after obtaining drawings from the collaborators.
25	75	The Committee also recommend that the export possibilities of the clay be examined so that the cost of getting machinery from abroad can be recouped from exports.
26	77	The Committee recommend that steps should be taken by the company to introduce a proper cost accounting system. Cost on all items should be carefully watched and immediate action taken to arrest adverse trends. Month-wise figures of comparative cost may also be submitted to the Board of Directors who should satisfy themselves in case of variations that these were justified. There is a very great scope for economy in all the

(1)	(2)	(3)
		three units and there is no doubt that conscious efforts in this direction will bear substantial results.
27	78	The Company should obtain the advice of an expert and introduce a system of inventory control in all the three units at an early date.
28	79	There is considerable surplus staff. A proper assessment of the staff requirements should be made and the surplus should be absorbed in the expansion stages or found alternative employment elsewhere. For the time being, there should be a complete ban on recruitment of new staff
29	81	The Committee feel that the Company needs a dynamic person as General Manager with a good background of ceramic technology besides administrative skill and knowledge of modern marketing techniques to put it on an even keel. It might be worthwhile for the Kerala Government to look for a person even outside the State with experience and talent in this field. Such a person can be kept till the factory is able to modernise and establish proper production and marketing standards. Once the Units are established on an economic footing good managerial skill would suffice, but during this intervening period something more is required.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
24.	The Central News Agency, 23/90, Connaught Place, New Delhi	15	31.	The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi	86
25.	The English Book Store, 7-L, Connaught Circus, New Delhi	20	32.	Hind Book House, 82, Janpath, New Delhi .	95
26.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi .	23	33.	Bookwell, 4, Sant Naran- kari Colony, Kingsway Camp, Delhi-9 . . .	96
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6	27	MANIPUR		
28.	Jayana Book Depot, Chhap- parwala Kuan, Karol Bagh, New Delhi . .	66	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal . .	77
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi	68	AGENTS IN FOREIGN COUNTRIES		
30.	People's Publishing House, Rani Jhansi Road, New Delhi	76	35.	The Secretary, Establish- ment Department, The High Commission of India, India House, Aldwych, LONDON, W.C. 2.	