C.P.U. No. 162

COMMITTEE ON PUBLIC UNDERTAKINGS (1969-70)

(FOURTH LOK SABHA)

SIXTY FIFTH REPORT

MINING AND ALLIED MACHINERY CORPORATION LIMITED

MINISTRY OF STEEL AND HEAVY ENGINEERING

LOK SABHA SECRETARIAT
NEW DELHI

April, 1970/Chaitra, 1892 (S)

Price Rs. : 1.80

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(1969-70)

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*Appointed Chairman from 10-12-1969 *vice* Shri G. S. Dhillon, resigned.

**Ceased to be Member w.e.f. 3-4-1970 consequent on his retirement from Rajya Sabha.

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(1969-70)

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5. Shri G. S. Reddi—*Member*
6. Shri P. M. Sayeed—*Member*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Sixty-fifth Report on the Mining and Allied Machinery Corporation Ltd.

2. This Report is based on the examination of the working of the Mining and Allied Machinery Corporation Ltd. upto the year ending 31st March, 1969.

3. The Committee took evidence of the representatives of the Mining and Allied Machinery Corporation Ltd. on the 27th and 28th August, 1969. They also took evidence of the representatives of the Undertaking and the Ministry on the 25th September, 1969. The material relating to the Mining and Allied Machinery Corporation Ltd. was processed at various stages by the Study Group I of the Committee on the Steel and Heavy Engineering Undertakings.

4. The Report was adopted by the Committee on the 30th March, 1970.

5. The Committee wish to express their thanks to the officers of the Ministry of Steel and Heavy Engineering and the Mining and Allied Machinery Corporation for placing before them the material and information that they wanted in connection with their examination.

6. The Committee also place on record their appreciation of the assistance rendered to them in connection with the examination of Audit Paras pertaining to the Mining and Allied Machinery Corporation Ltd. by the Comptroller and Auditor General of India.

M. B. RANA,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
April 20, 1970.
Chaitra 30, 1892 (*S*).

I

INTRODUCTORY

In July, 1956, at the instance of the Government of India, a team of Soviet specialists came to India to advise Government on the establishment of Heavy Machine Building Industry in this country and as a part of their study, they also examined the feasibility of establishing a plant for manufacturing coal mining machinery in the Public Sector. On the basis of targets fixed for coal raising during the Second and Third Five Year Plans, the Soviet Team recommended that a plant with an initial annual production capacity of 30,000 tonnes of coal mining machinery might be established.

The report was published in January, 1957. In consequence to this report, an Agreement was signed, between the Governments of India and USSR in February, 1960 to establish a Coal Mining Machinery Plant at Durgapur, under the control of Heavy Enginering Corporation Ltd., Ranchi. The Coal Mining Machinery Project at Durgapur was set up to manufacture coal mining machinery, e.g., conveyors, coal cutters, combines and loaders, haulages and winches, pumps fans, locomotives, coal beneficiation equipment and other miscellaneous equipment and spare parts. The Coal Mining Machinery Project, Durgapur remained under the control of HEC Ranchi uptil 31st March, 1965.

1.2. Mining and Allied Machinery Corporation Ltd., Durgapur was formed on the 1st of April, 1965, with an authorised capital of Rs. 20 crores to take over the Coal Mining Machinery Plant from Heavy Engineering Corporation Ltd., Ranchi.

1.3. The object of the Company was to manufacture diverse types of coal mining machinery and equipment and other allied items including coal handling and coal washing plants as well as general engineering machinery and structurals.

1.4. The Project was examined by the Estimates Committee (1963-64) along with other projects of the Heavy Engineering Corporation, Ranchi when it was under the control of HEC, Ranchi. The Estimates Committee presented to the Lok Sabha their Fifty-first Report on the Ministry of Steel, Mines and Heavy Engineering—Heavy Engineering Corporation Ltd., Ranchi, on the 3rd April, 1964.

The Seventh Report of the Committee on Public Undertakings on the Action Taken by Government on the recommendations contained in the Fifty-first Report of the Estimates Committee was presented to the Lok Sabha on the 5th March, 1968.

II

PROJECT ESTIMATES

(c) *The table below indicates the estimates of cost as given in 1961, as revised by the Company in June, 1964, the actual expenditure incurred upto 31st March, 1969, the latest revised estimates and the further expenditure required to complete the Project.*

(Rs. in lakhs)

Sl. No.	Particulars	Estimate as per DPR (1961)	Original Estimate June, 1964	Actual expenditure upto 31-3-69	Revised Estimate	Further expenditure required to complete the project
A.	Plant					
1.	Plant Civil Constn.	538·00	722·00	634·83	645·00	10·17
2.	Plant & equipment including furniture, fittings, air-conditioners etc.		1510·00	1440·22		
3.	Erection Expenditure	1212·00	132·00	19·50	1906·00	53·46
4.	Office recurring and non-recurring Expenditure during erection period		201·00	392·82		
5.	Fees for Project report working drawings etc.	..	135·00	136·03	136·03	..
6.	Expenditure on foreign experts	..	170·00	112·17	112·17	..
7.	Expenditure on training	..	60·00	71·13	71·80	0·67
8.	Deferred Revenue Expenditure	..	..	222·54	225·00	2·46
	TOTAL	1750·00	2930·00	3029·24	3096·00	66·76
B.	Constn. of Township	..	911·84	481·08	664·00	182·92
	Total Project Estimates	1750·00	3841·84	3510·32	3760·00	249·68

(A) Frequent Revision and Delay in the Approval of the Project Estimates

2.2. The first Detailed Project Report (30,000 tonnes stage) was received in April, 1959 and the second Detailed Project Report (45,000 tonnes) stage was received in August, 1961. According to the estimates given in the Detailed Project Report submitted in 1961, the Project was to cost Rs. 1,747.88 lakhs. Since these estimates had not provided for township and expenditure to be incurred during construction and on Foreign Experts and also for working drawings, technological documents organisational manual, etc. a approved in 1964 by the Board of Directors. According to the Estimates, as approved by the Board in June, 1964, the Project was to most Rs. 3,841.84 lakhs.

2.3. While explaining the reasons for non-inclusion of cost of construction and township and the other items in the D.P.R. the Management has stated:

"the DPR estimates generally covered those items of work or supplies which were to be executed in collaboration with Soviet agencies. It was agreed that a large number of items of work and supplies could be handled by Indian organisation. This arrangement also included work of designing of certain buildings and equipment for these from Indian sources. The costs of all these items could not be included in the DPR as the estimates were to be prepared subsequently by Indian agencies and layouts were to be generally approved by the collaborators."

2.4. It has been stated that the increase under items 1, 2 and 3 in the table on page 3 over the DPR estimates, was due to the following reasons factors:—

(a) Construction work:

(i) Non-provision of customs duty, clearance and handling charges, etc. in respect of imported items used in the construction work (Rs. 30 lakhs).

(ii) Construction of experts' hostel and other residential buildings for experts (Rs. 54 lakhs).

(iii) Temporary construction of factory buildings, workshop, stores and enabling works, etc. (Rs. 100 lakhs),

(b) Plant and machinery:

(i) Non-provision of customs duty, handling and clearance charges, port trust and transport charges (Rs. 200 lakhs).

(ii) Purchase of indigenous equipment at a higher cost in lieu of imported equipment (Rs. 40 lakhs).

(iii) Non-provision of tools and fixtures, construction equipment and equipment for enabling works (Rs. 160 lakhs).

2.5. The Project Cost estimate was submitted to Government after approval by the Board of Directors in June, 1964. In June, 1965, Government asked for clarifications as to whether the estimate as submitted was final in the light of actual expenditure so far incurred and the balance expenditure already committed and|or anticipated as also the possibilities of reduction in expenditure on other accounts. The estimates were also to be checked up on the basis of possible changes which might have come about due to modifications etc., which were to be made in the interval between the preparation of the estimate and its submission. In the meantime, the rupee was devalued and the extra expenses on imported plant and equipment was to be worked out in consultation with the foreign suppliers on the balance items which were to be imported after devaluation and this took some time. With all these clarifications and checks and counter-checks the project cost estimates were revised and submitted to the Board in May, 1967. At that stage, the project cost was estimated at Rs. 31.73 crores excluding township.

2.6. In May, 1967 the Board considered the estimate and made the following suggestions:

(1) that a comparative statement with break-up of the original estimates and the revised estimate under various heads of expenditure showing the surplus and excess expenditure be prepared with reasons for such variations;

(2) break up of the expenditure on salary and allowances with reasons for the increase of the amount from Rs. 140 lakhs to Rs. 263.60 lakhs;

(3) interest charges payable on loans;

(4) detailed break-up of the recurring and non-recurring office expenditure;

(5) that a final date should be fixed for the completion of the construction of the plant and that the Managing Director put up a note to the Board in this respect;

(6) that the total number of construction staff should be reduced substantially and those of the employees who

could not be absorbed in the production organisation be declared surplus.

2.7. The above suggestions of the Board were taken into consideration and the revised project cost estimate was prepared and submitted to the Board in November, 1968. The project cost estimate was then worked out at Rs. 42.12 crores including township (Rs. 9.12 crores). The Board considered this estimate and desired that—

(1) the estimate be prepared by giving a break up of the various items and the reasons for increase of the estimate from time to time;

(2) estimates for construction of township should be made on a more realistic basis depending on actual requirement of quarters.

2.8 A revised estimate on the above basis was submitted to the Board in August, 1969. The estimate at this stage was Rs. 39.63 crores. It is understood from Audit that this estimate was further revised to Rs. 37.60 crores and was approved by the Board on 20tb December 1969. The Committee were informed that the revised estimates have not been approved by the Ministry.

2.9 The Committee enquired whether Government had prescribed any time limit within which the estimates might be finalised by the Undertaking and if so, what directions were issued by the Ministry in that regard. The Ministry in reply stated that "no time limit has been prescribed. The Company were reminded from time to time about the necessity for submiting the estimates quickly."

(B) Incurring of Expenditpre without approval of the Estimates

2.10. The Committee enquired as to how far it was appropriate on the part of the Corporation to incur the expenditure without getting the estimates approved by the Ministry. It has been stated that the capital expenditure had been incurred by the Corporation on the basis of annual estimate approved by Government year to year. In preparing such annual budget estimate care was taken to ensure that the total expenditure did not exceed the overall estimate approved by the Board of Directors in June, 1964.

2.11 From the table given at page 3 it would be seen that though the total expenditure incurred by Corporation on the project was not more than overall estimates approved by the Board, expenditure on certain individual items (items 4, 5, 7 and 8) was more than the sanctioned estimates e.g. office expenditure had gone up to Rs 392.82 lakhs as against the sanctioned expenditure of Rs. 201.60 lakhs.

2.12 In regard to excess expenditure of Rs. 11.13 lakhs against item 7, it has been stated that the Corporation had to spend a sum of Rs. 11.13 lakhs in excess, for sending reasonable number of employees to USSR for training. The Commitee have, however, been informed by the Audit that according to the verification conducted by Resident Audit Officer, a provision of Rs. 60 lakhs was made for 227 personnel. Actually, 180 person were sent and the expenditure incurred was Rs. 71.13 lakhs.

2.13 Expenditure incurred under item 8 i.e., Deferred Revenue Expenditure, was in the nature of salaries incurred for departments such as Product Design, Technology, Tool Room, Tool Design etc. and also for depreciation on construction equipments and other assets which were used for construction activities. It has been stated that these have been charged to Deferred Revenue Expenditure since Corporation expect to utilise the benefits of such expenditure in the long run. This eventually was not foreseen and provision was not made in 1964.

2.14 In the absence of sanctioned estimates the Committee enquired as to how the Government alowed the project to incur expenditure and what safeguards had veen provided to ensure that the expenditure was incurred within appropriate limits. It has been stated that 'funds are being provided to the Company on the basis of the provision made in the budget each year after scrutiny of their programme for the next year."

2.15 As regards the revision and delay in the approval of the Project Estimates, the Estimates Committee in para 150 of their 51st Report (3rd Lok Sabha 1963-64) on Heavy Engineering Corporation Ltd., (the C.M.M.P. was at that time a part of HEC Ltd.) had recommended as follows:—

"The Committee fail to understand why costs of obvious items like consultancy fees, customs duty, port trust charges, foreign experts, training of Indian Engineers, enabling works, sand washing plant railways siding outside plant areas, etc. which amounted to Rs 65 crores, should have not been provided for in the DPR estimates. This is specifically so when the Indian experts are associated with the preparation of the detailed projects reports at every stage. Time and again the Committee have emphasised that the total commitment on such projects should be prepared as realistically as possible in the beginning and should be available to Government and Parliament before a project is approved.

It is not correct to undertake a project on the basis of incomplete estimates and to subsequently increase the outlay thereon, which has in any case to be agreed to by Government—a feature which is fairly common to most of the projects and which has to be discountenanced. The Committee recommed that the final estimates of various projects be immediately prepared and placed before Parliament with proper explanation for variations between the DPR estimates and the anticipated cost."

2.16 In their reply dated the 8th November, 1965, the Government stated that the capital costs of the Heavy Engineering Corporation's Project had been obtained and these were being examined. A decision was expected to be taken shortly.

2.17 The Committee enquired as to how the Ministry explained the delay of over 5 years in finalising the estimates of cost of the project particularly in the light of the recommendation made by the Estimates Committee. The Ministry have stated:—

"It is unfortunate that there has been a great delay in the finalisation of the estimates by the management of the Company."

2.18 The Committee find that upto 31st March, 1969 Rs. 33.10 crores have been spent on this project. They regret that the project estimates have not been approved by the Ministry in spite of the fact that the Estimates Committee (1963-64) in their 51st Report had recommended that "the final estimates of various projects be immediately prepared and placed before the Parliament." In November, 1965, the Ministry in reply to the above recommendation of the Committee stated that "the capital costs of the Heavy Engineering Corporation's projects have been obtained and these are being examined. A decision is expected to be taken shortly."

2.19 The Committee take a very serious note that the Ministry have shown a scant regard to an important recommendation of the Committee referred to above and have not implemented the categorical assurance given by them to the Committee on Public Undertakings. They would like to re-emphasise and reiterate what has been stated in the 51st Report that "the total commitments on such projects should be prepared as realistically as possible in the beginning and should be available to Government and Parliament before a project is approved."

2.20 The Committee regard it highly improper that Government proceeded with the setting up of a project of this dimension without a clear idea as to what the project would ultimately cost. It is unfair to the Parliament and to the country to make them commit to a project on piece-meal basis from year to year without giving a true and realistic picture of the final cost of the porject. Government presents before the Parliament the expenditure already incurred on the Project as fait accompli. The final sanction and approval of the estimates or its revision is the responsibility of the Government on the basis of which the budgeting and incurring of expenditure should take place. The Committee feel that it is the Ministry that should blame itself for inefficient management and non-sanction of the project estimates for the last 10 years.

2.21 The Committee feel that it is highly improper to incur expenditure in excess of the amount provided for under a particular head and to adjust the same according to convenience under another head. They also deplore the creation of a new head i.e. "deferred revenue expenditure" which, they feel, is one of the back-door method of increasing the estimated expenditure.

CONSTRUCTION AND COMMISSIONING OF THE PLANT

A. Delay in the construction and commissioning of the Plant

No scheduled dates of completion of the various units were given in the Detailed Project Report. A general indication was only given that commissioning would start by 1964. The contract signed in March, 1960, provided for plant and equipment required to be imported from the U. S. S. R. for the first stage (30,000 tonnes). Taking into account the probable delivery dates for the equipment covered by this contract and the time required for delivery of the additional equipment required for the second stage, of 45,000 tonnes, it was expected that there would be no difficulty in the commencement of commissioning of some of the sections by 1964. According to an assessment made by the Soviet Long Term Planning Team headed by Mr. P. Vassiliev in 1965, the end of 1966 was indicated as the scheduled dates for completion of the main units. The dates for the completion of work were indicated by the team on the basis of priorities decided in consultation with the Soviet experts and keeping in view the receipt of working drawings, progress made in civil construction and receipt of plant and equipment.

3.2. The Committee were informed that all the units were expected to be completed by the middle of 1969. Subsequently during the course of evidence it was stated that by and large the plant was complete except for 21 machine tools and components. Out of these 21 machine tools and components 10 had been erected but not commissioned, 7 were under erection and the erection of 4 had not been taken up deliberately. It was added that machinery worth about Rs. 2 to 3 crores had been erected but had not been commissioned.

3.3. As regards the schedules of construction and commissioning of the Project the Estimates Committee (3rd Lok Sabha) in their 51st Report on Heavy Engineering Corporation, Ranchi (C.M.M.P. was at that time under the H.E.C.) observed as follows:—

> "No definite schedules of construction and commissioning of projects were drawn up initially. There has thus been an element of uncertainty in this regard which might have partly been due to revision of Capacities. It is essential for proper planning and execution that definite time

schedules of construction and commissioning of Project are prepared as early as possible and adhered to."

3.4. In reply the Government stated that "the time schedules of construction and commissioning of projects should, and in fact were normally indicated in the Detailed Project Report. Instructions in this regard were also issued in October, 1965. For proper programming, the new projects were increasingly using the scheduling techniques such as net work Planning. The Projects also furnish to Government periodical progress reports which were scrutinised and wherever delay was noticed, steps were taken to have the completion of the Project expedited."

3.5 The Committee regret that no definite schedules of construction and commissioning of the Project were drawn up. First, the general indication was that the Project would be commissioned by the end of 1964, and later the Russian Team indicated end of 1966 as the period for the completion of the main units of the Project. In August, 1969, there were 21 units of the Project still to be completed and so to say the erection is still in progress. The completion of the erection has been delayed by nearly five years. The Committee deplore the inordinate delay in the completion of the Project and regret that no heed was paid to the recommendations of the Estimates Committee contained in their 51st Report .(1963-64) wherein they had stated "It is essential for proper planning and execution that definite time schedules of construction and commissioning of Project are prepared as early as possible and adhered to." Even the Ministry did not show any concern in regard to the delay in the construction and commissioning of the Plant and have failed to analyse the causes for the same and fix responsibility for the various lapses committed by those who were incharge of the execution of work.

(B) Delay in the Supply of Equipment by the Collaborator

3.6. In pursuance of the Inter-Governmental agreement for rouble credit between the Government of India and the Government of USSR, an agreement for the supply of equipment and materials required for manufacture upto 30,000 tonnes was entered into by the Company with M/s. Prommashexport on 12th March, 1960. In April, 1960 Government decided to revise the capacity of the Plant to 45,000 tonnes and as a result of this decision the earlier agreement of March, 1960 was replaced by a revised agreement in July, 1962 to cover 45,000 tonnes stage. According to the agreement of July, 1962, the foreign supplier was to supply 23,363 tons of plant and machinery and materials (operating equipment 11,995 tons and materials 11,368 tons) at cost of Rs. 10,33,24.977 c.i.f. Calcutta by the end of

1965. As against 23,363 tons of equipment and materials to be delivered upto the end of 1965, the foreign supplier delivered only 20,410.05 tons.

3.7. In para-1 of the main contract for supply of plant and equipment for the 45,000 tonnes stage concluded with M/s. Prommashexport of USSR (No. 624|4|dt. 30. 7. 62) delivery period was stipulated as 1960—65 and at the request of the supplier, this was extended subsequently to March, 1967. The suppliers, however, did not indicate any specific reason for the extension of the delivery date. It is noticed that even this extended date has not been adhered to by the supplier.

3.8. As a result of the delay in the supply of equipment and material by the collaborators, 28 machines in the shops could not be commissioned according to the scheduled programme. It has been stated that these 28 machines could have been commissioned by March, 1967 if the matching parts for these machines were also received alongwith the main components. During evidence it was stated that the erection programme of some items was held up for 6 to 24 months as a result of delay in the supply of equipment and materials by the Collaborators.

3.9. The Committee enquired as to what extent the delay in the execution of the Project adversely affected the Production Programme of the Corporation. It has been stated:—

> "Delay in commissioning of some of the machine tools and equipment did not affect the production programme of the Corporation. This is in view of the following reason:—
>
> The Plant was established to produce 45,000 tons of coal mining machinery at the ultimate stage and plant lay-out as also the facilities provided was decided in conformity with the above objective. The actual demand for mining machinery and the actual manufacture of these items undertaken in the plant has so far constituted a small percentage compared to rated capacity. Utilisation of Plant facilities including machine tools are different in regard to the manufacture of non-standard items under the programme of diversification which have been taken up by MAMC due to insufficient demand for mining machinery."

3.10. In reply to a further question, as to how far the delay in the completion of the various units of the Project was responsible for increase in the cost of the project, it was stated that in the original Project estimates the total cost of the Project was estimated at

Rs. 29.30 crores out of which cost of plant and equipment to be supplied by USSR was to the extent of Rs. 10.97 crores. Due to the devaluation of the Indian Rupee, cost of the balance equipment supplied after the date of devaluation had to be revised and the increase on this account was to the extent of Rs. 85.53 lakhs (approx.). The delay in the completion of the Project, also led to the extension of stay of a few Soviet Specialists and a sum of Rs. 1.80 lakhs had to be paid to them as salaries etc.

3.11. It has been also estimated that the Project cost had further increased by Rs. 70.14 lakhs on account of wages paid to the construction staff as a result of extension of the construction period. In addition there had been some increase in the Project cost due to escalation in the cost of materials required for construction and allied factors. But the exact extent to which they had contributed to the rise in the project cost could not be assessed. Thus the delay in the supply of equipment and materials has raised the cost of project by Rs. 157.47 lakhs, excluding the escalation in cost of indigenous material.

3.12. In the absence of any penal clause to cover the losses arising out of delay in the supply of equipment and material, no action could be taken against the supplier. The Ministry have stated (January, 1969) that as the Plant was set up with tied credit, it was not practicable to insist on the incorporation of penal clause beyond a certain limit.

3.13. Asked as to what was the limit for the incorporation of the penalty clause and whether Government could produce evidence to prove that it was not practicable to insist on the incorporation of penal clause. The Ministry have in reply stated:

> "This apparently refers to the statement in the Audit Report (Commercial) 1969 relating to Mining and Allied Machinery Corporation Ltd. The statement made in the Ministry's communication to Audit was not based on any documentary evidence but on the general trend of discussions and relations with the Soviet Authorities." It was further stated "at no stage the question of incorporation of the penalty clause was considered by Government."

3.14. Since the delivery date was extended on the request of the suppliers, the Committee enquired whether it was not desirable that the extra expenditure of Rs. 1.80 lakhs spent on the extended stay of Soviet specialists be borne by them. It has been stated that "in view of the relatively small amount involved compared to the total cost of the plant and equipment imported from USSR and in order to maintain good relations, it was not considered desirable to ask the suppliers to bear the extra expenditure."

3.15. The Committee are unhappy that no provision was made in the agreement with the foreign collaborators, M|s Prommashexport, to ensure timely and an agreed sequence of the supply of 23,363 tons of machinery and equipment which were to come from the Soviet Union. The main Contract No. 624|4 dated 30.7.62 has only an omnibus stipulation of delivery period as 1960—65. The Committee feel that the delivery of the various items and its sequence of shipment ought to have been explicitly and specifically provided to enable the Company to draw up an efficient and orderly sequence of its erection schedule and dovetail it with the indigenous supply and civil construction. In the absence of such a schedule of shipment from the collaborators it could not be possible to draw up an erection schedule of the project.

3.16. The Ministry agreed for an extension of the delivery period to March, 1967, without carefully examining its financial repercussions on the cost of the Project and without even asking the collaborators to make good the loss on account of delay in the shipment according to the original stipulation. Further, no demand on the foreign supplier was made when the equipments were not supplied even within the extended period of March, 1967. The Committee regret to note that the Project cost has gone up by Rs. 157.47 lakhs plus the escalation in the cost of indigenous materials as a result of delay in the supply of materials and equipment by collaborator. The delay in the supply of equipment and material also resulted in delay in the construction and commissioning of the Project.

3.17. It has been stated that the delay in commissioning of the project did not materially affect the production programme of the Corporation. It has, however, been pointed out by the Audit [Audit Report (Commercial), 1969, p. 23] that one of the reasons for the shortfall in production was "the delay in the erection and commissioning of machines (originally, all machine tools should have been erected and commissioned by July, 1966). As the foreign supplier failed to supply all the equipment in time, additional capacity which was expected to be established did not materialise."

3.18. The Committee feel that no serious effort has been made by the Management|Ministry to assess the actual loss suffered by MAMC as a result of delay in the construction and commissioning of the Project. The Committee are of the opinion that the question of extending the delivery schedule deserves to be enquired into by Government.

3.19. The Committee feel that a penalty clause, which is a usual feature of an agreement of supplies, to ensure timely delivery, ought to have been provided in the agreement of this nature. The Committee regret that "at no stage, the question of incorporation of the penalty clause was considered by the Government" and put to the collaborators.

3.20. Owing to the non-existence of the penalty clause in the agreement with the USSR the question of extra expenditure incurred on the project as a result of delay in the supply of equipment and materials could not be taken up with the suppliers. The Committee feel that the delay in the supply of vital equipment should not have been condoned so easily but should have been viewed seriously.

3.21. The Committee recommend that the question of providing a penalty clause in all such agreements needs to be examined with a view to bind the supplier to an agreed schedule.

(C) Delivery Schedules

3.22. According to clause 3 of para 1 of the agreement dated 12.3.60 (also adopted in the contract of July, 1962) the volume and time of delivery of the equipment per year was to be determined by the supplier taking into account the sequence of establishing the various shops and units which was to be determined by the Company and communicated to the supplier within 3 months from the date of signing the contract. The Committee enquired whether such a communication was sent to the foreign supplier. If so, how the actual delivery of the equipment corresponded with the requirements mentioned in such a communication.

3.23. In reply it has been stated:—

> "On conclusion of the contract for supply of plant and equipment (No. 624|4), series of meetings were held with the representatives of the supplier regarding the sequence of delivery of plant and machinery in conformity with which supplies were to be effected.

It has been added that "formal communications exchanged with the supplier regarding sequence of delivery of plant and equipment are not available and hence we regret our inability to make an assessment as to how actual delivery of equipment correspond with the requirements mentioned in such communications."

3.24. The Committee are of the opinion that the agreement regarding the sequence of delivery of equipment and machinery should form a part and parcel of the contract regarding the supply of such machinery. In this case, the collaborators were informed about the sequence of supply of machinery and equipment orally at

meetings held with them, which have no legal binding. The Committee regret that no Minutes of the meetings with the representatives of the supplier regarding the sequence of delivery of plant and machinery were kept.

3.25. It is surprising that the vital communications relating to sequence of delivery of plant and equipment are not available. In their absence how the Corporation has been able to verify that a particular equipment has been received according to laid down schedule, is beyond anyone's comprehension. The Committee feel that the loss of such an important communication should be investigated by the Ministry followed by fixation of responsibility.

D. Shortfall in the supply of Machinery and Equipment

3.26. Clause 7 of para 7 of the agreement provided for the payment of the full amount of Rs. 10,33,24,977 even if the actual net weight of the equipment and materials fell short of the total net weight of 23,363 tons specified in the agreement. As against the contracted quantity of 23,363 tons, the foreign supplier supplied 21,600 tons upto March, 1968 against payment of Rs. 8,91,24,977. The short supply worked out to 1,763 tons (including 1,000 tons of operating equipment and represented about 8 per cent of the contracted quantity. In May, 1967 the Supplier maintained that the delivery of equipment and materials as required under the agreement had been completed and asked for the payment of Rs. 1.42 crores (the contracted amount of Rs. 10.33 crores minus the amount actually paid Rs. 8.91 crores) in terms of para 7 of the agreement. As the agreement did not provide for variations in the contract value depending on the actual weight of equipment supplied, the amount was paid by Government on the 13th May, 1967, by adjustment under the credit agreement.

3.27. The Committee were informed that joint examination by the Company's engineers and the representatives of supplier to verify the claim of the supplier regarding completion of supply of equipment under the agreement and also to sort out the discrepancies arising out of the additional or reduced quantum of equipment was undertaken in September, 1967 and completed by April, 1868.

3.28. The outstanding points were being followed up with the Soviet Economic Counsellor and it was expected that all issues would be settled by March, 1970. The Committee were further informed that about 42 items, mostly representing electrical and instrumentation accessories, are still to be supplied by Messrs Prommashexport. It was indicated by the suppliers that these items would be shipped by September, 1969. Reasons for delay have not been indicated by the Suppliers.

3.29. The Committee are surprised to note that the agreement for the supply of equipment and material contained a clause according to which full amount of Rs. 10,33,24,977 had to be paid even if the actual net weight of the equipment and material fell short of the total net weight of 23,363 tons specified in the agreement. The Government was forced to make the full and final payment although about 8 per cent of the contracted quantiy still remained to be supplied

3.30. The Committee have further noted that 42 items mostly representing electrical and instrumentation accessories are yet to be received. They regret that payment of Rs. 1.42 crores for the equipment and material was made by the Government to the collaborators in May, 1967, whereas the joint examination was undertaken in September, 1967. Government should have taken up the matter with the Soviet authorities much before the agreed data of payment particularly when they were aware of the basic flow in the agreement.

3.31. The Committee recommend that the circumstances in which such a clause was inserted in the agreement should be investigated so as to avoid such serious lapses in the future.

3.32. The Committee regret to note that the matter has been allowed to linger for years and no settlement has been reached so far. They recommend that the matter should be finalised without any further delay.

(E) Weight Tolerence Clause

3.33. The Committee enquired as to why it was not considered desirable to insert a clause in the agreement providing for variations in the contract value depending on the actual weight of plant and equipment. It was stated that a clause of the nature was not included in other similar agreements concluded for the supply of plant and equipment from the USSR for the Heavy Machine Building Plant, Ranchi, and the Heavy Electrical Equipment Plant, Hardwar. The desirability of such a clause was not felt as the contract was for the supply of plant and equipment as per specifications detailed in an annexure to the contract. The Committee, however, understand that the agreement entered into by the Bokaro Steel Limited with another Soviet organisation (M|s. Tiajpromexport) for the supply of the plant and machinery contains a weight tolerance clause according to which total weight deviation beyond 3 per cent, between the weight as mentioned in the agreement and the weight of the supplies actually made to be adjusted at notional weight prices subject to the conditions that total price payable shall remain unadjusted if the variation does not exceed $\pm$ per cent.

3.34. The Committee do not agree with the explanation of the Government that the desirability of weight tolerance clause was not felt as the contract was for the supply of plant and equipment as per specifications detailed in an annexure to the contract. They feel that had the terms of the contract been clear there would not have been an occasion for the dispute regarding the shortage of equipment and material by the collaborators in terms of tonnage. The Committee recommend that the need for provision of such a clause should be brought to the notice of all public sector undertakings and administrative Ministries for future guidance.

3.35. The Committee understand that the need for uniformity in contracts executed by the various project authorities has been felt for some time and the Ministry of Finance have been trying to frame a model contract for adoption by all concerned parties. They feel that such a model contract should be framed taking into account the lapses already noticed in different foreign contracts. The Committee feel that such model contract should also be examined and vetted by the Ministry of Law, which should have proper cell to examine and approve such contracts.

IV

PRODUCTION CAPACITY AND PRODUCTION PLANNING

(A) Rated Capacity

On an invitation from Government of India, a Team of USSR Experts came to India to study the level of production and extent of mechanisation in the coal mines and to examine the requirements of additional coal mining machineries required in the context of the coal raising targets fixed for the Second and Third Plan periods. The team came to India in 1956 and recommended for the setting up of a Plant for mining equipment of a capacity of 30,000 tonnes per annum. The Report was published in January, 1957.

4.2. Taking into account the number of mines that were to be opened to achieve the targets of 60 million tonnes in 1960 and 100 million tonnes in 1965 and also the expected mechanisation by 75—80 per cent of coal cutting and requirements towards replacements the team had assessed that the annual requirements for main mining machinery would be to the extent of 30,000 tonnes per annum. This feasibility report was accepted by the Government of India on 14th December, 1957. Formal orders were placed on the Soviet organisation to prepare the Detailed Project Report for the establishment of the Project of the above capacity. The Detailed Project Report was received on the 23rd April, 1959, and the contract for the machinery and equipment was signed on the 12th March, 1960.

(B) Coal Raising Targets

4.3. By the time the Detailed Project Reports were submitted by the Soviet Organisation, the Government of India had made further assessment in regard to the requirements of coal for the Fourth and Fifth Plan Periods. The coal raising targets were assessed at that time at 136 million tonnes and between 180 million to 200 million tonnes for the Fourth and Fifth Plan periods respectively. Re-assessment of the requirements of main mining machinery based on these coal targets was made by a Soviet team.

4.4. In reply to another question it has, however, been stated that the main basis for increasing the capacity of the plant was the then Ministries of Commerce and Industry, Steel Mines and Third Plan period was likely to go upto 200 million tonnes during the Fourth Plan period.

4.5. The Committee regret to note that conflicting statements have been made in regard to the targets of coal production in the country during the Fourth Five Year Plan.

4.6. At one place it has been stated that the capacity of the Project was revised from 30,000 tonnes to 45,000 tonnes on the basis of the coal targets having been fixed at 136 M. tonnes during the Fourth Five Year Plan. Subsequently, however, it has been stated that the coal targets for the Fourth Five Year Plan were fixed at 200 M. tonnes. In the absence of the actual data it is difficult to say how far the revision of the capacity was justified.

C. Revision of Rated Capacity

4.7. A meeting was held in April, 1960, between the officials, of the then Ministries of Commerce and Industry, Steel Mines and Fuel, representatives of N.C.D.C. and Private Sector organisations and the Soviet Team of specialists. It was decided that the capacity originally envisaged for the Coal Mining Machinery Plant should be revised from 30,000 tonnes to 45,000 tonnes per annum straightaway. In accordance with the above directive, the contract for the revised Project Report and the working drawings for the 45,000 tonnes stage was signed between M|s. PROMMASH-EXPORT OF USSR AND M|s. Heavy Engineering Corporation Ltd. on 12th December, 1960. The contract for machinery and equipment for the 45,000 stage was signed on the 30th July, 1962.

4.8. In para 17 of the 51st Report of the Estimates Committee (1963-64) it was mentioned that USSR team had not considered it advisable to set up the Project above 30,000 tonnes capacity due to difficulty in producing wide range of items and long time required to master the techniques. It has further been mentioned there that the Soviet Experts had subsequently agreed to the expansion of the Project to 45,000 tonnes capacity and that the increase was mainly in the number of items already planned.

4.9. Regarding the revision of the Capacity the Estimates Committee has observed as follows:—

> "Considering the revisions and modifications that had to be carried out in the Detailed Project Reports, working Drawings, contract agreements etc. on account of the upward revision of the initial capacities of the various projects, the Committee are unable to appreciate the contention of the representatives of the Corporation and of the Ministry that there has been no extra expenditure and delays on this account. Besides numerous complexities that have been created due to changes in the schedules

of commissioning, cost estimates etc., there is little doubt that if the revised capacities had been planned from the initial stages, various delays and extra expenditure on civil works and other items etc. would have been avoided. It is true that these projects were altogether new in the country, and, therefore, called for a cautious approach but this approach does not appear to have been followed subsequently despite the advice of the consultants. The Committee cannot help regretting that had the original capacities not been interfered with, these units intended for the first stage would have been fully commissioned by now and would have been in the production stage with the additional advantage of production personnel gaining in practical experience and skill."

4.10. Again in Para 180 of the 13th Report (3rd Lok Sabha) on Management and Administration of Public Undertakings, the Committee on Public Undertakings recommended as follows:—

"The Committee would also reiterate the recommendation of the Estimates Committee made in their 51st Report on Heavy Engineering Corporation Ltd. that Government should examine all cases of revisions of capacities of projects during construction with a view to assessing the delays in commissioning and the consequent loss to the national economy apart from any infructuous expenditure involved in such revisions. The Committee believe that such a review would reveal valuable lessons for planning of future projects."

4.11. Government furnished the following reply to observation| recommendation at Paras 20 and 21 of the 51st Report:—

"It has been stated that there has been extra expenditure on modification of the DPR's working drawings additional equipment etc. on account of the upward revision of the capacities of the plants. It may be pointed out that more expenditure would have been incurred than what has been incurred at present, had the Government thought of setting up new units or expansion at a later stage as the charges for preparation of fresh reports or supply of plant and equipment at a later date would definitely have been more. The project was still in the planning stage when the upward revision of capacity was decided upon. No field work had actually been undertaken and so there was no infructuous field work. There has been some economy in machinery on account of the two stages being telescoped.

Upward revisions of capacities were agreed to by the consultants and additional credit of 377.5 million Rouble for expansion of H.M.B.P. and C.M.M.P. and Rs. 23.1 crores Czech credit for F.F.P. (III stage) which were not available earlier were also made available at the time of revision.

With practically no delay in commissioning or extra expenditure the plant would now be able to meet the needs of the fourth and subsequent plans and in view of this, it is considered that a review as proposed is not necessary. The Committee's observations have, however, been noted."

4.12. On this reply, the Committee gave the following comments:—

"The Committee are not satisfied with the reply of Government in this case. They have suggested a review of all cases of revision of capacities of projects during construction in para 180 of their 13th Report (3rd Lok Sabha). They would pursue this matter in their 'Action Taken Report' on that Report."

4.13. No reply was received from Government on the Committee's observation at Para 180 of the 13th Report.

4.14. The Committee enquired from the Ministry whether the appropriateness of the revision of the capacity of the project in the light of the observations in para 180 of the 13th Report (3rd Lok Sabha) of the Committee on Public Undertakings and page 56 of the 7th Report (4th Lok Sabha) had since been examined. The Ministry have replied in the negative.

4.15. The Ministry on the basis of the first estimates that is 60 M. tonnes in 1960 and 100 M. tonnes by 1965 got a Project Report prepared by the Team of Soviet experts and on that basis the annual requirements for the mining machinery were placed at 30,000 tonnes per annum. This feasibility report for the production of 30,000 tonnes per annum of mining machinery as given by the Soviet Team was accepted by the Government on the 14th December, 1957 and

Government placed final orders on the Soviet organisation to prepare the Detailed Project Report for a capacity of 30,000 tonnes. This Detailed Project Report was received by the Government on 23rd April, 1959 and the contract for the supply of machinery and equipment was signed on 12th March, 1960. In April, 1960 i.e. just after about one month after signing this contract Government thought it wise to accept the revised targets for coal producion of 136 M. tonnes and 180 to 200 M. tonnes for the Fourth and Fifth Five Year Plans. Accordingly, they signed a contract for the revised project report and working drawings for 45,000 tonnes capacity on 12-12-60 The Contract for machinery and equipment for the 45,000 tonnes capacity was signed on the 30th July, 1962.

4.16 Thus the previous project report and the contract signed on 12th March, 1960 became redundant and all efforts made on that became infructuous and as a consequence the whole project report and its implementation was delayed. The delay in the construction and commissioning of the Project also resulted in the increase in the cost of the Project. This was adversely commented upon by the Estimates Committee in their 51st Report (1963-64) wherein they have strongly criticised this revision of the contract at so late a stage.

4.17 The Committee regret to note that the Ministry failed to profit by the criticism and the advice of the Estimates Committee contained in their 51st Report. On the other hand they have justified their action and have not cared to examine the appropriateness of the revision of the capacity in the light of the recommendation of the Parliamentary Committee. It has now been proved that the assessment of Government that no delay would occur as a result of the revision has been proved wrong. The Committee strongly feel that if Government had implemented the recommndations of the Estimates Committee and reviewed the rated capacity of this project, it would have been rescued from meeting such a fate. The Committee regret that the Ministry failed to implement the reported recommendations of the Parliamentary Financial Committees.

(D) Long-Term Production Planning

4.18. The table below indicates the build-up rate of production as drawn up from time to time and the actual production there against.

(Figures in M. Tonnes)

Year	Capacity as per tentative programme drawn up in 1963	Capacity as per long term planning formulated in consultation with Russian Specialists in 1965	Estimates drawn by Company in: 1967	1968	Actual Production.
1964-65	10,000	..	..	..	..
1965-66	12,880	5,000	..	..	3,988·97
1966-67	22,565	10,000	10,000	..	4,586·14
1967-68	31,050	17,600	12,000	6,000	5,076·01
1968-69	45,000	26,000	20,000	10,000	4,000·00
1969-70	45,000	34,000	30,000	15,000	..
1970-71	45,000	40,500	40,000	20,000	..
1971-72	45,000	45,000	..	25,000	..

4.19. It is seen that the detailed project report did not lay down the build-up rate of the capacity of the plant. The build-up rate was tentatively assessed in 1963 and provided for the attainment of full production by 1968-69. When the plant was nearing completion and the educational production was to commence, it was noticed that the specifications of the requirement according to the demands of the customers differed appreciable from those laid down in the Detailed Project Report. Accordingly, the build-up rate drawn up in 1963 had to be scaled down in consultation with the Russian specialists in March, 1965. This build-up rate of production was further scaled down in early 1967 and January, 1968. The revision in early 1967, according to the management, was due to sluggish demand for coal mining equipment and the scaling down of the Fourth Plan coal production target.

4.20. It is also seen that the Company could never attain the build-up capacity of production which was brought down gradually. It was explained that the gap between the build-up capacity and the annual production during the previous years was due to delay in preparation of the designs and technology, manufacture of prototypes and adjusting the machine tools for diversified items which were to the extent of 60 per cent in 1965-66, 62 per cent in 1966-67, 87 per cent in 1967-68 and 94 per cent in 1968-69. The bulid-up capacity was based on higher proportion of production for conventional items and absence of adequate information and experience on the requirement of time needed for development and manufacture of new items of machinery. Due to these factors the gap between planning and actual production had been wide.

4.21. During the evidence the Committee were informed that the profitability of the Project had been affected by frequent changes in production and prospective planning. The total loss suffered by the Undertaking so far because of the fixation of lower production capacity year-wise was as under:—

1965-66	Rs. 208·24 lakhs
1966-67	Rs. 471·52 lakhs
1967-68	Rs. 685·5 lakhs
1968-69	Rs. 638·68 lakhs

(E) Unrealistic Assessment of the Coal Raising Targets

4.22. The Committee were told that throughout the planning stage, the requirements of coal mining machinery were estimated on the basis of targets of coal production during the various plan periods. The capacity was fixed on the bais of coal targets as fixed by the Planning Commission in consultation with the Department of Mines and Metals. Every effort was made to be as realistic as possible. However, the estimates made in regard to the coal targets proved unrealistic for reasons beyond control.

4.23. In their 1st Meeting held on the 31st July 1964 the Joint Planning Wing felt that sufficient data was not available as regards the definite targets of coal production during the 4th and 5th Five Years Plans and it was not possible to estimate on definite terms the demand of mining equipment during those periods. It was suggested that Planning Commission should be approached for a realistic assessment in this regard. The Minutes of the meeting of the Joint Planning Wing were forwarded by the Mining and Allied Machinery Corporation Ltd., to the Planning Commission on the 30th August, 1964 with a request for comments regarding realistic assessment of the coal targets. A reply was received in September, 1964 indicating that the coal targets for the Fourth and Fifth Plans would be 125 to 130 million tonnes and 170 to 180 million tonnes respectively.

4.24. It is seen that the statement received from the Coal Controller indicating the tentative requirement of Coal Mining Equipment upto 1970-71 was also discussed in the meeting and it was felt that the statement did not present a realistic assessment as it appeared to be on the high side. The Committee enquired as to what was the reaction of the Ministry to the observations made by the Joint Planning Wing. The Management have stated that "there was no specific reaction."

4.25. The Committee made a reference to the Planning Commission and the Ministry of Petroleum and Chemicals and Mines and Metals (Department of Mines and Metals) requesting them to furnish the targets of coal production in both private and public sectors in the 4th and 5th Plan respectively. The tentative targets of coal production furnished by the Planning Commission are as under:—

1973-74	93.5 M. tonnes
1978-79	130 M. tonnes

4.26. The Management of MAMC informed the Committee that the targets of coal production during the Third Five Year Plan could not be realised due to various reasons. The present coal production is only 68 million tonnes.

4.27. The rated capacity for this Project was related to the development of the coal capacities in the Fourth and Fifth Five Year Plans. The coal raising targets have unfortunately proved to be wrong and that is one of the primary reasons why this project has come to this sad plight. The Committee were told that one of the objective for putting up MAMC was to manufacture mining equipment particularly for opening up new mines which was to take place under NCDC. Since the targets of coal production was drastically revised, NCDC did not go in so extensively for opening up new mines as a result the products manufactured by MAMC could not find a market.

4.28. What surprises the Committee most is that the Ministry failed to take remedial measures the moment they came to know that the coal raising targets are not coming up to original estimation and would be much less than what was anticipated in the beginning. The Committee feel that if the Ministry were alert they would have taken remedial measures in time to revise the rated capacity or take up diversification schemes much earlier than what they have done.

(F) Unrealistic assessment of the Demand of the Mining and Coal Mining Equipment and Machinery

4.29. Demand of mining equipment originally estimated after various studies was as follows:—

	Annual demand of coal Mining Machinery for underground mines
1. Soviet Report on construction of the Coal Mining Machinery Plant in India (1957)—(2nd & 3rd Plan Period)	40,200 tonnes
2. Soviet Long Term Planning Team (March 1965)—(4th & 5th Plan Period)	30,550 tonnes
3. Report of the Working Group for Mining & Drilling Equipment set up by Ministry of Industrial Development and Company Affairs (1968) (4th Plan Period)	2,820 tonnes (Excluding flame proof electricals)

4.30. It is seen that the rated capacity of the Plant was fixed on the basis of the studies undertaken by the Soviet Teams. During evidence, the Secretary of the Ministry stated that the detailed items of equipment were planned initially on the basis of a survey made by the Soviet Team. They proceeded on the basis that for a given coal target, various equipment in such quantities would be required if all the mines were fully mechanised. The witness added that the Soviet Team later took a certain percentage of that and on the basis of presumption that mechanisation would be only 75 to 80 percent, the Russians gave a list of equipment that would be included in the DPR. No assessment was made by any Indian Study Group before 1968 for making a proper assessment of the requirements of mining and coal mining equipment in the country. The Committee were subsequently informed that besides the working group for Mining Drilling Equipment set up by the Ministry of Industrial Development and Company Affairs no other Government agency has made assessment of the requirement of the Mining and Coal Mining equipment in the country.

G. Manufacture of Mining Equipment

4.31 One of the reasons for the poor output of the Plant and consequent losses was stated to be the lack of demand for the type of equipment the plant has been designed to manufacture and the lack of right type of orders to suit the installed machines. The Committee enquired as to what were the types of equipment that are being produced by MAMC but were not in demand by the Mining Industry. It has been stated that:—

> "At present MAMC is producing equipments only against firm orders. At the initial stage of prouction, however, in anticipation of demand for standard mining equipments, MAMC had produced some pumps and conveyors."

4.32. The Management informed the Audit that upto February, 1967 the Company manufactured 102 nos. of centrifugal pumps without receiving any firm order. Upto June, 1968, the Company sold 62 pumps. 123 pumps of various sizes were lying in the shop as semi-finished items as in July, 1968. It has been stated that the pumps could not be completed for want of some vital components such as electrical, motors, etc.

4.33. The Committee enquired as to why the manufacture of pumps was undertaken in the absence of any firm order. It was stated that these pumps were basic equipments in mining operations. As such, these were manufactured for selling ex-stock in anticipation of demand. Such basic items were also taken up for commissioning of production and training of workmen on complex machine tools.

4.34 The table below indicates the annual targets of production of conveyors and their actual production during the last 4 years:

(Figures in M. Tonne s)

Year	Target	Actual production
1965-66	2,030	1,344·740
1966-67	5,145	1,311·00
1967-68	7,129	2,601·60
1968-69	3,595·00	1,159·79

4.35. It is seen that although conveyors form part of the conventional items their actual production during the last four years was abnormaly low as compared to the targets of production. The Committee enquired as to how the management explained their shortage in production.

4.36 The Management have stated as under:

Whether or not conveyors form part of the conventional items would depend on the specifications of the conveyors to be taken up for manufacture. For instance, Belt Conveyors with the following specifications were recommended for manufacture in the DPR:

Capacity	Weight in tons
80—120—180 tons per hours, maximum belt width 90 length 250 cm.	17·42

4.37. Belt Conveyors constitute approximately 50 per cent of the total tonnage of equipment to be manufactured at MAMC according to DPR. It was anticipated that the specifications of the Belt Conveyors indicated in the DPR would be able, by and large, to take care of the entire quantum of conveyors required by the Industry which would have meant bulk manufacture of conveyors on the basis of these specifications. As against the above specifications, orders have to be accepted for a sizeable number of conveyors which varied very widely from the specifications of the standard conveyors in the DPR requiring increased efforts in the technical preparation prior to taking of actual manufacture in the form of technology, tooling, patterns, jigs and fixtures etc. and a large time-cycle for manufacture.

4.38. It may be mentioned here that orders for Belt Conveyors (Non-conventional) secured so far are of varied specifications. In many cases, only one of its kind has to be manufactured. This would mean that technical preparation, tooling etc. would have to be undertaken separately for each Conveyor as against bulk manufacture of Conveyors envisaged in the DPR, thus seriously affecting the volume of output as also the economics of production.

4.39. It was represented to the Committee that the Mining and Allied Machinery Corporation which was set up especially to meet the requirements of the Mining Industry, has so far failed to meet even a small part of the requirement for mining equipment. It has been further represented to the Committee that Mining Industry was grinding to a standstill due to the shortage of capital equipment and due to an extreme shortage of mechanical spares. On the other hand it has been stated by the Corporation that the main reasons for the low rate of productivity is the inadiquate demand of standard mining orders and that the Corporation has had to go in for a considerable measure of diversification. The Committee enquired as to how the Management reconciled these two statements.

4.40. It has been stated that at the initial stage of production, the Corporation had to develop design documentation and technology for the manufacture of prototyes and their testing which had taken considerable time. Only thereafter the Corporation was in a position to take up manufacture of these items on commercial basis. The Corporation is now in a position to take up manufacture of these items on commercial basis.

4.41. As regards spares for mining equipment, which were imported for mining industries from U.K., U.S.A., France, Germany etc. the demand is for a very large number of varieties and a very limited number in each variety and these will require development of drawings, technology, toolings etc. Since batch production cannot be taken up, it will be uneconomical to manufacture most of them in a factory of this magnitude. However, action has already been taken for the manufacture of spares of some of the sophisticated machines that are operating in large number in the country.

4.42. The Committee enquired whether there were certain equipment and machinery which were very much in demand but M.A.M.C. was unable to meet the same; if so, which were those items and why it was not possible for MAMC to produce the same.

The Committee were informed that there was considerable demand for Friction Props and Hydraulic Props. MAMC had already started making Friction Props to meet this demand. Arrangements were also in hand to take up manufacture of Hydraulic Props for which a technical collaboration agreement had been entered into with M/s. Dowty of U.K.

4.43. The Committee were also informed that Mining Industry in India was using and propose to use for quite some time to come Long Wall cum Short Wall Coal Cutting Machines. After market survey and in consultation with Joint Planning Wing it was decided to develop the manufacture of Long Wall cum Short Wall Coal Cutting Machine of U.K. design. Offer of collaboration had already been received from M/s. Mavour & Coulson, U.K. and efforts were being made to finalise this collaboration agreement. Negotiations were also in hand to enter into a collaboration agreement with a U.K. firm for manufacture of Self-priming Snorer type Face Pumps.

4.44. The Committee express their deep concern over the huge losses suffered by the Corporation as a result of gradually scaling down the built up capacity and non-attainment of that capacity of production. The built-up rate was scaled down because of lack of demand of the coal mining equipment for which the plant was mainly set up and also because the 'specification of the requirement according to the demands of the customers differed appreciably from those laid down in the Detailed Project Report.'

4.45. The Committee note with great regret that the Ministry decided to go ahead with this project only on the basis of the feasibility and the Detailed Project Reports made by the foreign experts without having them examined by the Team of Indian experts. It was left to the foreign experts to suggest as to what would be the annual requirements for mining machinery for mechanisation and replacements of the existing machinery in use in the collieries by 1975—80.

4.46. It has come to evidence that the mechanisation to the extent envisaged in the Soviet Team assessment would never come about. The replacement of the labour in the mining industry by highly mechanising the mines may not also be conductive from the employment angle. Therefore, it appears that the whole assessment of the annual requirement of the main mining machinery either at 30,000 tonnes or 45,000 tonnes has proved to be grossly erroneous.

4.47. It was only in the year 1968 that the working group for mining and drilling equipment, set up by the Ministry of drilling

Industrial Development and Company Affairs assessed that the requirement of mining equipment during the Fourth Plan would be only 2820 tonnes. The Committee feel that this tragedy of over assessing the requirement for coal mining machinery about 15 times the actual requirement could have been avoided if the Ministry had thought it wise to get the assessment made by the foreign experts checked up by an Indian Team.

4.48. The Committee further deprecate that the Ministry were not even woken up in the year 1968 to do something drastic about this project after the findings of the working Group were known.

4.49. The Committee have further noted that most of the existing equipment in use in the coal mines is of the Western design and that they had not much experience of the use of the Soviet design equipments. Therefore, they were reluctant to use the new type of machinery that was planned to be produced in this project. About 20 per cent capacity of the Plant was meant for the manufacture of a particular type of belt conveyors of the weight of 17.42 tonnes for which there was no demand in the country. Therefore, MAMC had to design new types of belt conveyors with different sizes and weight which are in use in this country. Because, these new types of conveyors were widely different from the specifications of the standard conveyors in the DPR MAMC had to put in a lot of effort in the technical preparations before the required types of conveyor belts could be produced. Again the Company had to produce long-wall cum-short wall coal cutting machines of U.K. design which were in actual use in this country but MAMC was not equipped to produce the same. Thus on one hand coal industry was starved of these equipments|spares and on the other hand MAMC, which was meant primarily to the needs of the collieries, was not in a position to supply the required equipment and spares.

4.50. As some of the machinery to be produced by this project can never be used for replacement purposes the company is negotiating with the Western countries to produce equipment and spares required by the collieries in India.

4.51. The Committee feel that what MAMC is doing now at this late stage, to get the designs of the manufacture of such equipments from the Western countries, ought to have been done well in time either in late 50's or early 60's. The Committee, therefore, conclude that this project has come to this grief only because of lack of proper forethought and planning at the early stages.

H. Import of Mining and Coal Mining Equipment

4.52. An agreement between the Government and the International Bank for Reconstruction and Development providing for a loan of US $ 35 million *i.e.*, Rs. 16.67 crores to the Government for, meeting the foreign exchange requirements of the private sector of the Coal Industry for its development during the Third Plan period was signed on the 9th August, 1961. The loan amount was to be repaid in instalments, the last instalment being due on November 15, 1977. An amount of Rs. 2.38 crores out of the loan amount of Rs. 16.67 crores was, however, finally surrendered to the World Bank as it could not be utilised by the collieries. The credit against the World Bank loan was utilised during the period April 1961 to December, 1965, except in the case of a small portion of the loan amounting to Rs. 33.6 lakhs allocated to a private party where the validity was extended upto 31st December, 1966.

4.53. As regards the utilisation of credit facilities made available by the World Bank to the Government of India for the import of mining equipment for the development of mining industries the Management informed the Committee, in a written reply, that the private sector coal industry took advantage of this offer and utilised the loan to the extent of approximately Rs. 14 crores. Some of the major developments of mines under private sector which were undertaken or are in progress at present have utilised the imported equipments against the said credit. This had also attributed in a major way to the fall in demand of coal mining equipment from indigenous sources, particularly in the context of recession in the coal industry. It was further stated that in the case of one big project of NCDC namely Sudamdih, the mining equipment are being imported from Poland as per arrangement made in the collaboration Agreement.

4.54. The Committee enquired as to how far it was advisable on the part of Government to accept the credit of Rs. 17 crores from the World Bank for the import of mining equipment when MAMC had already started or was on the verge of starting its own production. In a written reply the Ministry have stated as under:—

> "The decision to avail of the facility of the World Bank Loan Scheme was taken by the Government in consultation with the Planning Commission in the year 1960-61. Considering the ambitious programme of production in the private sector as well as public sector, set for the Third Plan period, it was necessary for the Government to go in for this loan. Further note was taken of the fact that the progress of the project for manufacture of mining

machinery in the public sector included in the Second Five Year Plan, was slow. In drawing up the coal production programme for the Third Plan, it was assumed that:—

(i) The additional production would be obtained partly by increased mechanisation of existing mines—(the level of mechanisation was expected to rise to 75 to 80 per cent by the end of the Third Plan period) and partly by the establishment of new mechanised mines; and

(ii) a certain proportion of the additional production would be obtained by open-cast mining methods. The main items of machinery proposed to be manufactured by MAMC would cover only the requirements of the underground mining operations and include coal cutting, coal loading machines, scraper chain and belt conveyor, electrical mine locomotives and electric winches, haulages and winding engines, ventilation fans and shaft pumps. It was then expected that this plant would be commissioned only by the latter half of the Third Five Year Plan and since it would take sometime to start producing to its capacity, it was not expected to make any substantial contribution towards meeting the requirements of machinery required for the coal production programme during the Third Plan period."

4.55. The Committee enquired whether MAMC was not in a position to meet the demand of the mining industry with regard to the equipment which was imported. It has been stated that "this aspect of the matter was gone into while availing of the World Bank Loan as pointed out in (i) above. The MAMC started production mainly of pumps from 1964-65 and naturally the question of their meeting their requirements of the private sector coal mining industry for the Third Plan did not arise. Besides, it is understood that most of the coal mining equipment imported against this loan are still not manufactured by the MAMC.

It may not be out of place to mention here that the details of the equipment|machinery applied for importation against the World Bank Loan Scheme by the Coal Industry were forwarded to the Senior Industrial Adviser of the then Ministry of Commerce and Industry so as to ensure that imports were restricted to such equipment as were not available from indigenous sources. The recommendations for import licences were issued by the Coal Controller strictly on the basis of Clearance Certificate of non-availability from indigenous sources received from the above authority. It is to be presumed that the impending manufacturing programme of the MAMC and delivery schedule was also taken into consideration by the authority who issued the Clearance certificate from the indigenous angle."

4.56. As regards the import of mining equipment from Poland it has been stated that "the Indo-Polish Credit Agreement under which the development of Sudamdih mine was taken up was signed on 7th May, 1960. It was then envisaged that the coal demand, particularly the demand for coking coal would rise steeply during the Third Five Year Plan. In this context, there was an urgency for increasing the production of coking coal. Poland being an advanced country in deep shaft coal mining, the technical and financial assistance offered by that country was welcomed. The equipment required for deep shaft mining was largely of a specialised nature and was not available indigenously. The contract stipulated the import of only such items and stated that all other equipment would be provided locally. Moreover, before concluding the contract for the import of the equipment the clearance of the DGTD was obtained. It is evident that DGTD had taken into account the possibilities of indigenous manufacture of some of the items. As per his advice, certain items like belt conveyors, required after 1964 were deleted from the import list.

4.57. The Committee enquired whether the Ministry was in agreement with the view that sophisticated mining equipment allowed to be imported during the Third Five Year Plan did not conform to the product pattern of MAMC or whether the imports were allowed because of the inability of MAMC to take up their manufacture due to delayed execution of the project. The Ministry have stated as follows:—

> "It does not appear that Mining and Allied Machinery Corporation Ltd. Durgapur, have expressed the view that sophisticated mining equipment was allowed to be imported during the Third Five Year Plan as it did not conform to the product pattern of MAMC. MAMC had stated that during the early part of the Third Five Year Plan, sophisticated mining equipments were imported in certain cases against collaboration|consultancy agreements as also against World Bank Loans. These imports were apparently allowed as a result of indigenous manufacture not having been established at that time."

4.58. In reply to the recommendation at Serial No. 43 of the 10th Report of the Committee on Public Undertakings on NCDC, the NCDC have justified the imports of major items of equipment for the washery projects by saying that "many of these items are still not being manufactured in India and in a number of cases where we have placed orders with MAMC they have not been able to meet the demand after several extensions of the delivery schedule."

4.59. The Committee note that on 9th August, 1961 Government entered into an agreement with International Bank of Reconstruction and Development for a loan of Rs. 16.67 crores to meet the foreign exchange requirement for the import of machinery for the private sector coal industry. The private sector has imported machinery worth Rs. 14 crores against this credit. The Committee have also noted that the National Coal Development Corporation imported coal mining equipment from Poland for the development of their new mine at Sudamdih, the contract for which was signed on 7.5.1960. Further NCDC imported major portion of their equipment for their washery Project as MAMC was not in position to meet the delivery schedule.

4.60. The Committee feel that if MAMC was put up in time and if forethought had been given on the type of machinery required, probably the foreign currency spent on imports would have been saved and equipment required for the Mining Industry could have been manufactured in India.

I. Future Demand of mining and coal mining equipment

4.61. During evidence the Secretary admitted that there had been mistakes in Planning. According to him latest estimate of 2820 tons of the demand of coal mining machinery was much more realistic.

4.62. He informed the Committee that the target of coal production for the Third Plan which ended two years ago was 97 millions tonnes whereas the current production was only 70 million tonnes. The Fourth Plan Coal Production target was 90 million tonnes. Asked about the additional machinery needed as a result of increase of 20 million tonnes in coal production expected during the 4th Plan, the Secretary replied that Monidih of NCDC will require some machinery and it had been booked with MAMC. As regards small mines in the private sector he said that if they were amalgamated and if they went for deep mining, a considerable amount of machinery would be required. At present these mines were being worked manually with bullocks and things like that. He added that there was scope for mechanisation provided they were amalgamated.

4.63. The Managing Director explained that in a study team it was stated that 70 per cent of the additional output of coal was from underground mines and 30 per cent from open cast mines. He also stated that there was built-in capacity in both the types of mines and only balancing items would be required and there might be some replacements etc. and not any large scale mechanisation. Thus MAMC would not get substantial orders as a result of the additional raising of 20 million tons in coal production. He further added that the Company in 1969-70 was executing orders for 1000 tonnes of mining equipment and it was expecting another 2000 tonnes by the end of the Plan period.

(J) Idle machinery and delay in the commissioning of the machinery

4.64. The Management informed the Audit that 20 machines valued at Rs. 4.10 lakhs and 65 machines valued at Rs. 22.19 lakhs were lying idle as on 30th June, 1968 for more than 1 year and 2 years respectively. 55 machines valued at Rs. 29.18 lakhs remained to be commissioned as on 30th June, 1968. Besides, 97 machines valued at Rs. 136.32 lakhs were commissioned after delays ranging from more than 6 months to more than 2 years.

4.65. The Management informed the Audit (November, 1968) as follows:

> "Since our production is only to the extent of 11 per cent of our rated capacity these factors do not make any adverse contribution. However, these factors will be looked into and corrective action taken as soon as we go in for full production."

4.66. As regards the idle machinery the management informed the Committee that due to Diversification in the production programme of the Project, it has not been possible to utilise all the machine tools and equipment, which were specially installed for the manufacture of certain types of equipment. The utilisation of machine tools had improved. As against 85 machines, which were lying idle as on 30th June, 1968 only 53 machines were awaiting appropriate loading as on 6.9.69, value of which works out to Rs. 11.96 lakhs. An assessment is being made in regard to requirement of some of these machines for programmed diversified items of equipment.

4.67. As regards the delay in the commissioning of 55 machines the Management informed the Committee that excepting 5 machines all the balance 50 machines had been commissioned. These machines were not urgently required by the production department for operation and hence these were delayed in commissioning. The incidence of depreciation on idle machinery as on the 30th June, 1968 has been worked out to Rs. 4.12 lakhs and the incidence of depreciation on account of delay in the commissioning of machines has been worked out to be Rs. 14.6 lakhs.

(K) Future production programme

4.68. According to the latest exercise, the Committee enquired as to what was the build-up rate of production envisaged and when the management expected that the Plant would attain the rated capacity. It has been stated that it was expected that the recession of the Coal Industry would continue for some time more and there would be lack of adequate orders for mining equipments for which the plant was designed. Under the circumstances, attempts were being made to utilise the capacity of the Plant by diversification in a major way. As the conventional items of manufacture cannot be envisaged for a long time to come, selection of diversified items and their programme of manufacture against specific demands were yet to be finalised. Negotiations are in hand with the USSR authorities, with the Ministry and the STC for procuring the orders for manufacture of USSR (Wagon Bogies) on long term basis.

4.69. Similarly, sub-contracting to HMT for Agricultural Tractors is under negotiations. These two items were expected to give consistent load in certain sections of the Plant. But this would require additional investment on special purpose machine tools. Negotiations were also in hand with the Madras Port Commissioners for supply of equipment for bulk handling of raw materials at the ports. After these negotiations and planning were finalised, it would be possible to work out a period by which the plant will have consistent load to its capacity.

4.70. The build-up rate of production as envisaged during the next five years based on fulfilment of long-term manufacturing activities under the programme of diversification would be as follows:—

Year	Tons	Value	Profit/ Loss
		(Rs. in crores)	
1969-70	8,000	4·5	(—) 4·97
1970-71	12,000	7	(—) 3·5
1971-72	18,000	10	(—) 1·5
1972-73 .	23,000	14	(—) 0·5
1973-74	25,000	16	(+) 1·5

4.71. Taking all the above aspects into consideration, it has been stated that it will not be possible to achieve the rated capacity of 45,000 tons per year. After selection of diversified items of equipment for production on a long term basis, an exercise would be undertaken to reach as close to the turn-over of Rs. 37 crores envisaged in the Detailed Project Report as possible. It is expected that it might be possible for the Plant to break even when the production came to a level of Rs. 16 crores per year (about 25,000 tons).

4.72. During evidence the Secretary of the Ministry informed the Committee that so far the Corporation had suffered an accumulated loss of about Rs. 20.15 crores and by 1972-73 it would be about Rs. 30 crores. Asked as to how much time it would take after 1972-73 to pay back that loss the Secretary replied that it might take 10 years.

4.73. He further stated that the most important reason for failure, so far, was the fact that MAMC was designed for certain types of equipment for certain capacities and today there seemed to be no hope for those types, in those quantities, being in demand in the immediate future. Another reason was that the industrial relation specially in that area was difficult. It had not always been happy. Thirdly, there had also been certain managerial failures.

4.74. The Secretary, however, did not feel pessimistic about the future and he informed the Committee about the steps being taken to put the Corporation on sound lines. One step taken, for instance, was that for any thing which was within the capacity of the Corporation after due adjustments, all Government departments, including public sector projects should place orders with the MAMC. The question of price could be mutually settled or in case of disagreement it would be settled at the Government level. This decision had enabled MAMC to accept orders for the handling equipment. The Committee desired to know on what basis the Secretary had concluded that the projections given by him appeared to be reasonable. The Secretary explained that the future projections were reasonable because they showed a gradual increase in production. Much would however, depend, firstly on whether this trend of productivity which was noticeable in the last six months was maintained or not. Secondly, whether the Corporation was able to get orders of a repetitive nature like wagons and tractors and so on.

L. Diversification

4.75. The Coal Mining Machinery Plant was envisaged to manufacture coal mining equipment to the extent of 80 per cent of its capacity allowing 20 per cent for miscellaneous items, including spare parts. The recession in the Mining Industry has been so acute for the past 2/3 years that there is for all practical purposes no demand for coal mining equipment. There was, therefore, urgent necessity to diversify production and accept tailor-made items for manufacture and to ensure maximum loading of the factory and reduce, as much as possible the losses. The possibilities of diversification of production were considered during 1965-66.

4.76. The Committee enquired whether any Committee had been appointed by Government to go into the question of diversification of production in MAMC in 1965-66. In a written reply it has been stated that no such committee had been appointed. During evidence the Secretary informed the Committee that on the suggestion of Government, MAMC had recently appointed a Technical Committee to go into the question of diversification and to recommend as to what types of machinery should be produced by MAMC. The Managing Director assured the Committee that the report of the technical committee on diversification was hoped to be submitted by the end of January, 1970.

4.77. As against the rated capacity of 45,000 tonnes, the actual production of the mining and the coal mining machinery and equipment in MAMC has been:

1600 tonnes in 1965-66

3000 tonnes in 1966-67

650 tonnes in 1967-68 and

240 tonnes in 1968-69

4.78. It is clear that MAMC is not producing the mining machinery and equipment for which this project was primarily established on an investment of Rs. 50 crores. Because of the slackening of demand of mining equipment, MAMC had to resort to diversification. The Committee regret to note that the Management proceeded with the diversification of production in the plant without any blue-print. The future production programme has again been projected on the assumption that the Company would be successful in negotiating with the USSR for the export of wagons and also that its programme of manufacturing tractors will materialise about which Government have failed to take any concrete decision.

4.79. The Committee feel that MAMC has so far failed to produce a comprehensive and convincing scheme for diversification of its production. The diversified items have been produced on the basis of an ad hoc scheme which was prepared by the MAMC technicians themselves. It is hard for the Committee to place any reliance or creditability for such diversification schemes prepared by the company. The Committee wanted to have the Report of diversification

scheme for which a technical committee had been appointed. Although during evidence the Managing Director promised that the Report would be available in January, 1970, it has not been furnished to the Committee. Therefore, the Committee cannot place any reliance upon this diversification scheme. The Committee feel that the Ministry should have appointed a well qualified team of consultants in order to make a correct assessment as to how best the idle capacity could be utilised in a commercial viable way. This ought to have been done at a very early stage when the Ministry came to know that the coal targets had been drastically revised and that the equipment and machinery for which the plant was designed were not having ready market.

4.80. Government have already but in nearly Rs. 50 crore and they are again going ahead with a diversification scheme without properly assessing and approving the estimates for the same. They have allowed the diversification scheme to proceed without knowing what investment will be required to implement it properly. The economics of such a scheme have not been worked out. In such a situation, the Committee are unable to endorse the views of Government for making any further investment.

4.81. It has been stated by the study team appointed by Government that in the present pattern of production the plant could admit diversification upto 30 per cent only. Thus the remaining 70 per cent of the plant capacity will not admit any diversification. The Ministry have, therefore, to examine after proper technical study whether only 30 per cent of the plant which can admit diversification could bear the overheads for the entire plant and could make this plant a commercially viable unit. This has to be examined because the demand of coal mining machinery and equipment is not more than 3000 tons during the 4th Five Year Plan. The other factor that must also be kept in view is that the diversification of production does not lead or cause any idle capacity somewhere else, either in the private or public sector. If it does, it will injure the national economy and creat employment problems somewhere else.

4.82. The Committee were informed that till 1972-73, there will be another loss of Rs. 10 crores provided the production came up according to the anticipated scheme of things. The Committee are convinced that the way things are proceeding, MAMC will never be able to produce 25,000 tonnes at which point break even is expected to be achieved because the factors on which these assumptions have been made are quite unpredictable. The Committee, therefore, feel that the loss in the years to come may be much more than Rs.

10 crores upto 1972-73. It is difficult to forecast what could be the loss in the absence of any properly drawn up feasibility report and the lack of inbuilt flexibility for diversification in this plant.

(M) Manufacture of Tractors

4.83. In pursuance of a decision taken at a meeting of the Cabinet Committee on Industries on the 2nd September, 1966 an Inter-Departmental Committee had been set up to examine the possibilities of manufacturing tractors in the public sector by utilising the existing engineering facilities in the country. The Committee examined this issue and recommended that the manufacture of 20 HP tractors by utilising the spare capacity available in the engineering industry was feasible. According to them the design of a tractor suitable for Indian conditions could be developed by the Mining and Allied Machinery Corporation (MAMC), Durgapur, with the assistance of the Central Mechanical Engineering Research Institute (CMERI). The prototype design was supplied by the CMERI.

4.84. The various components for the first prototype 20 H.P. Agriculture tractor were manufactured and made ready by MAMC by November, 1967. The assembly was completed in December, 1967. The first prototype tractor was put on trial run by the middle of December, 1967. MAMC have in all developed 5 prototype tractors in collaboration with CMERI and have incurred an expenditure of Rs. 2.50 lakhs towards their manufacture. These prototypes had been sent to Budni, Ludhiana and Pantnagar for test and trials. The MAMC desired to take up, the manufacture of this tractor on a commercial scale, as it felt that some of the spare capacity available with them due to lack of demand for coal mining machinery could be utilised profitably for the manufacture of tractors. At about the same time (26th September, 1968) the Hindustan Machine Tools Ltd. also approached Government with a proposal that they could take up the manufacture of tractors at their Pinjore Unit where there was substantial spare capacity. They stated that on account of recession in the engineering industry, it had not been possible to utilise the full installed capacity of their five units for the production of machine tools. HMT, therefore, proposed to diversify their product range by the Pinjore Unit for the manufacture of tractors.

4.85. In the light of the above mentioned developments, it was considered that the MAMC and the HMT could jointly undertake a project for the manufacture of tractors utilising to the maximum extent possible the spare capacity available at Pinjore and Durgapur. The National Industrial Development Corporation was commissioned on 3rd December, 1968, to prepare a project report for such a joint venture. The terms of reference to the NIDC included an examination of the feasibility of taking up the manufacture of Zetor-2011 in the joint venture project and alternatively the Swaraj 20 tractor designed and developed by the MAMC|CMERI. The NIDC was also required to examine and report on the total additional investment required at Pinjore and at MAMC to supplement the capacity already available at the two places. They were further to examine the question whether the final assembly of the tractor should be at Pinjore or at Durgapur or a third location and analyse the comparative technical and financial advantages of the three alternatives. The NIDC submitted their report in April, 1969, to the HMT and the MAMC.

4.86. The NIDC has made a detailed appraisal of the principal specifications of the two models and of the relative merits of the two manufacturing schemes. The Ministry have stated that it is now proposed to discuss proposals of HMT and CMERI at an Inter--Departmental meeting before taking a final decision on the choice of model to be taken up for production.

4.87. The Committee deplore the indecisive attitude of Government and the abnormal delay in coming to a final decision with regard to the manufacture of 20 HP tractors. Diversification programme and the question of utilisation of idle capacity in two big public sector undertakings-HMT and MAMC has been held up for a pretty long time. Both these undertakings are anxiously awaiting the approval of Government with regard to the scheme of manufacturing tractors but the Government have shown utter callousness and carelessenss in dealing with this most urgent problem. ... ..

(N) Exports

4.88. The Committee enquired whether any effort had been made to explore the export possibility of machinery. In a written reply it was stated that "so far, no sustained and systematic efforts have been made to build up exports of the machinery and equipment manufactured by Mining and Allied Machinery Corporation Ltd., primarily because the Company have been pre-occupied with internal problems of production. Unless production build-up is achieved adequately and production is stabilised at a reasonable level, export possibilities would remain very limited".

4.89 The Committee were, however, told that towards the end of 1967, a three member delegation of specialists, of which two were from Mining and Allied Machinery Corporation Limited, was deputed to the United Arab Republic to make a preliminary study of the principal phospherite reserves in that country. This delegation was sent as a part of the Industrial Cooperation Plan between the Government of India and United Arab Republic. The report submitted by this team was forwarded to the Government of the United Arab Republic in June, 1968, for consideration. One of the suggestions of the Team was that India could help the U.A.R. in the field of geological work and mining of phospherite deposits. It suggested supply of equipment from India for mining of phospherite. Another suggestion was that India could help in undertaking the development of modern ports for handling export of bulk materials. Similarly in the field of ore benefication, the Team observed that India was in a position to design manufacture and erect large ore benefication plants for the U.A.R. This matter is still under consideration of the U.A.R. authorities."

4.90. The Committee were further informed that in the context of the substantial production capacity of the Company, which may remain unutilised during the Fourth Plan period, the question of utilising part of the capacity for supply of equipment to the U.S.S.R. and the third countries, where Soviet-assisted projects are being set up, was being considered.

4.91. Initial discussions with the U.S.S.R. authorities had begun and were to be continued for the finalisation of the Trade Plan with that country for the period from 1970 to 1975.

4.92. The Committee regret to note that the Management has done nothing substantial to explore the possibilities of export despite the fact that enormous capacity of the Plant remains unutilised. The Government should have at least made efforts to export such coal mining equipment and machinery as were within the manufacturing capability of MAMC but which were not needed in the country sowing to the slump in coal production. The Committee feel that there should not have been any slackening of effort in the direction of finding possibilities of exports to UAR, USSR and other countries.

V

PRODUCTION PERFORMANCE

(A) Annual Targets and Achievements

The table below indicates the item-wise annual targets of production and achievements there against for the last 4 years.

(Figures in M. tons.

Item	1965-66		1966-67		1967-68		1968-69	
	Target	Actual production	Target	Actual production	Target	Actual production	Target	Actual production
1	2	3	4	5	6	7	8	9
1. Conveyors	2030	1344·740	5145	1311·00	7129	2601·6	3595	1159·79
2. Coal cutter combines & loaders	..	..	122		4	101·0	..	4·00
3. Haulges and winders	13	..	292	..	144	37·1	164	38·81
4. Pumps	429	181·510	516	105·44	32	164·2	85·90	13·28
5. Fans	62	2·160	270	12·50	134	13·6	99·00	36·97
							102	8·97
6. Locomotives	16		160		198		190	72·58
7. Bowing, rigs, roof supports and non-standard equipment	220	0·182	700		1554	255·2	140	28·43
8. Spare Parts	..	..	500	..	..	..	..	..
9. Coal beneficiation equipment	700	101·640	..	316·10	..	317·0	..	..

1	2	3	4	5	6	7	8	9
10. Miscellaneous equipment	2500	2358·740	2295	2841·10	7605	1586·4	774	910·54
11. Rough casting (Iron)	..	..		..			..	20·59
12. Rough casting (Steel)	..	..					500·90	136·54
13. Rough Forging							300	29·96
14. Building structure							2520	1460·47
15. Pontoon		..					875	59·80
16. Sand scraper Installation							250	118·02
17. Salt Scrapper		..					70	
18. Technological Structure	..	..	..	..		..	500	..
TOTAL	5,970	3,988·972	10,000	4,586·14	16,800	5,076	10,164	4,098

NOTES: (i) The target for 1965-66 was drawn up with reference to the orders in hand and the prospective demand.
(ii) The targets for 1966-67, 1967-68 and 1968-69 were mainly based on the specific orders secured by the Company.

5.2. It is seen that the actual production fell short of the annual targets by 33.2 per cent, 54.1 per cent, 69.8 per cent and 60 per cent in 1965-66, 1966-67 1967-68 and 1968-69 respectively.

(B) Shortfall in Production

5.3. The shortfall in production has been attributed by Study Teams appointed by the Ministry from time to time to the following factors:—

(a) Low level of labour productivity.

(b) Delay in the finalisation of annual production programmes.

(c) Preparation of annual production programmes "without the necessary calculation of the loading of the technological equipment of the Plant."

(d) Acceptance of large number of orders for diversified products in excess of the limit of 30 per cent upto which the Plant could admit diversification in the pattern of production, with the result that there was imbalance of load on the individual shops.

(e) Inadequacy of planned and coordinated efforts to process the work-load through the workshops.

(f) Poor housekeeping and accumulation of materials in the shop floor.

(g) Delay in the finalisation of designs and drawings with the customers, resulting in delay in issue of working drawings to the shop floor and evential reduced output.

(h) Non-compilation of long-term prospective plans of production, on the basis of which the design department is to elaborate and develop the design of the machinery.

5.4. Apart from the above, the following factors have also been responsible for the shortfall in production:—

(i) Delay in procurement of materials due to belated finalisation of annual production programmes, lack of planning in indenting the materials required and procedural delays in processing the indents. (In several cases, indents were placed after the delivery date for items to be manufactured was over. No proper records were maintained by the Planning Production or Procurement Department to indicate the material requirement against each work order, the procurement action against the indents placed and the follow up action to procure the items of stores or "brought out" items etc.)

(ii) Delay in certain erection and commissioning of machines. (Originally, all machine tools should have been erected and comissioned by July, 1966. As the foreign supplier failed to supply all the equipment in time, additional capacity which was expected to be established did not materialise).

5.5. The Management informed the Audit (November, 1968) as follows:—

"It is true that achievement both in terms of long-term planning and annual targets has slumped down to an appreciable degree in the year ending 31st March, 1968. This is chiefly due to the fact that there has been considerable amount of labour unrest and it was found very difficult to enforce discipline".

5.6. In a written reply to a question as to which factors were responsible for the continuous shortfall in production as compared to the targets in the year 1965-66 to 1967-68 (year-wise) and to what extent the shortfall in production was attributable to each of these factors, it was stated that at the initial stage of production in a sophisticated engineering plant like MAMC, the shortfall in production was attributed, *inter alia,* to development and stabilisation of production including design, technology, tooling and prototypes; general low productivity and problems of diversification and it was not possible to determine the extent to which each of these factors had contributed to the shortfall in production compared to targets.

5.7. During evidence the Managing Director stated that the shortfall in production was to the extent of 15 per cent due to planning and conventional items and the rest was due to the low productivity. There were certain breakdowns initially. By and large, in 1966-67 and 1967-68, 12 per cent shortfall in production was due to lack of design and diversified items, technology, etc. and 88 per cent was due to low productivity. In 1968-69, no production was undertaken without orders. The shortfall was about 60 per cent.

5.8. The Ministry informed the Audit as follows:—

"The proposed draft review reveals a very disturbed picture about the operation of MAMC. This Ministry is aware that this project has been in serious difficulty in the past for a variety of reasons. Every effort is being made to ensure that production and productivity pick up as rapidly as possible and that the defects of the management brought out in the audit report are speedily rectified."

5.9. The Committee enquired as to when the Ministry became aware of the various difficulties of the Project, What was the nature of these difficulties and what action was taken by them to solve these problems. The Committee were informed that "the Ministry was aware of the difficulties of the Company as and when these arose".

5.10. The basic difficulty of the Company was that the plant was not getting adequate orders for the manufacture of the particular types of equipment for which it had been specially set up. This was as a result of the targets for coal production originally envisaged not having been realised, for reasons beyond control. The other difficulties were defects in the management, labour troubles and the comparatively low productivity of workers.

5.11. Various teams of technical experts, including a team of U.S.S.R. experts, were deputed to the plant to study the nature of the difficulties and make recommendations. In order that the Plant may be loaded with substantial orders, a decision was obtained from the Cabinet that other public sector Undertakings should be directed to obtain such of their requirements as were within the manufacturing capability of MAMC from that Company, without calling for open tenders. The top management of the Company has been changed from time to time.

5.12. The Company have prepared perspective planning for three years, quarterly programme for the production shops and annual programme for some items. Other steps taken are procurement of components and stores and tools and motivation of workmen by introducing incentive scheme and maintaining better industrial relationship and participation of labour in planning of production. The management of operation is being improved by giving specific responsibility to middle supervisory personnel and involving them in planning and execution of production. After a lot of preparatory work, these measures were implemented during the last three or four months."

5.13. The Committee are distressed to note the poor production performance of MAMC. The Company have not been able to do justice to the annual targets of production fixed by it on the basis

of orders secured by the Company. The percentage of shortfall in production to the annual targets is as follows:—

1965-66	33 2%
1966-67	54·1%
1967-68	6) 8%
1968-69	60%

5.14. In the foregoing paragraphs the Company| Ministry have given detailed reasons for the shortfall in production and it is apparent that the primary factor which was responsible for the shortfall was that the management particularly the technical management was not equal to the task and owing to their failure alone the production had been so low.

5.15. In their anxiety to load MAMC with substantial order the Ministry obtained a decision from the Cabinet that "other public sector Undertakings should be directed to obtain such of their requirements as were within the manufacturing capacity of MAMC from that Company without calling for open tenders." This has resulted in abnormal delays in executing the programme of work of public undertakings which had placed orders on MAMC. To give work to MAMC without calling an open tender is also fraught with danger because in that way Government will be saddling other public undertakings to foot the bill of inefficiency and inexperience of MAMC which will amount to veiled .subsidy to MAMC. The Committee feel that if a subsidy was to be given to MAMC it should have been a direct subsidy from the Government so that the Parliament would have known it and sanctioned such grants instead of encumbering other developing and efficient public undertakings.

(C) Delay in the Execution of orders

5.16. It has been stated that in many cases orders required to be executed during the years 1965-66 to 1968-69 could not be delivered in time. It has been conceded that one of the primary reasons for the failure of the Company to book orders to fulfil the target of output and for inadequate output is that there was considerable delay in the execution of orders.

5.17. The cases where orders were delayed for more than six months but less than one year, the cases where orders were delayed for more than one year but less than two years and the cases where the orders were delayed for more than two years are listed in Appendices IA, IB and IC.

5.18. In connection with the delay in the execution of orders, the Commercial Manager observed on 28th December, 1967 as follows:—

> "Our order books reveal that our customers have so far been mostly Government Undertakings. We have earned a bad name everywhere, mainly because of our failure to deliver goods in time. The position is so bad that they do not believe our words regarding "delivery". More and more resistance is growing in every Government Undertaking for placing orders on MAMC, not because of price or quality but because of our poor performance regarding "Delivery". There are so many complaints to Delhi from NMDC, Neyveli, PCDC, NCDC, Defence HEC, JWC etc."

5.19. The Committee enquired as to what was the nature of complaints received by the Ministry from the various undertakings|Ministries|Private bodies regarding delay in the execution of orders by MAMC and what steps had been taken by the Ministry in this regard. It has been stated that the complaints were mainly that MAMC were not supplying the various items of equipment in accordance with the time schedules agreed upon at the time of placing of orders|letters of intent. The complaints were brought to the notice of the top management of the company for taking suitable remedial measures."

5.20. It is seen that the belated execution of the orders by MAMC has affected the production programme of some public undertakings *e.g.* NCDC and PPCL had specifically complained that their production had been hampered due to delays in the supply of equipment. NCDC had complained for delay in the execution of orders for Sudamdih Sand, Fan, Dredger Ponton, and the Sand Scraper for the Banki Project. The PPCL had complained for friction props.

5.21. The Committee were informed that the Civil Construction in Bokaro Steel Plant was delayed because of the delay in the submission of data regarding raw materials plants by MAMC for preparatory drawings.

5.22. The Committee enquired as to what were the reasons for delay in the supply of such data? It was stated that MAMC was in the process of developing the designs for stackers for Bokaro raw material handling system. Bokaro Steel authorities, however, insisted that only an approved design should be adopted and that the design as developed by MAMC would not be accepted. There was therefore a delay in negotiating and making arrangements for an alternative design of proved performance. Although there was slight delay in submission of drawings, this was, to some extent, made good and all the relevant data was sorted out in consultation with Bokaro Steel Authorities.

5.23. The Committee enquired whether the Company was required to pay any compensation|damages for its failure to execute the orders in time. It has been stated that NCDC have indicated their intention to recover the cost of installation of temporary fan at their Sudamidh Mine due to delay in the supply of Main Mine Fan by MAMC. NCDC have not so far indicated any amount to be claimed by them in this respect. It was added that the matter was under discussion.

5.24. An amount of Rs. 1,31,645 had been kept pending from the running bill of MAMC by the Durgapur Steel Plant on the plea of operation of the liquidated damages clause for late delivery. It was, however, stated that MAMC had not accepted the position and the matter was under negotiation. It has been stated that 14 orders valued at approx. Rs. 19.13 lakhs have been cancelled by customers due to non-adherence of original revised delivery schedule.

5.25. During evidence the Committee enquired as to why there was delay in adhering to delivery schedules when the Company was producing only 9 per cent of the rated capacity, the Managing Director stated that there were certain items of machinery which were being developed for the first time. The Secretary of the Ministry stated that each manufacture had to go through various stages, beginning from designs and so on. Some of these stages were not ready, as they were not properly organised which resulted in delays.

5.26. The Committee enquired whether, while accepting the orders from the customers for the items not conforming to the product pattern, the delivery schedule was agreed to, keeping in view the various limitations imposed by the change in the product pattern. It has been stated that an optimistic view was taken in determining the delivery schedule although there was change in the product pattern. It has, however, been conceded that it was not conducive to the built up of the company's clientele."

5.27. The Committee note that a D.O. letter dated the 18th March, 1967 was written by the then Secretary, Ministry of Industrial Development and Company Affairs to the then Managing Director of MAMC regarding considerable delays in the execution of orders placed on MAMC by certain units of the NMDC and PCDC. It is mentioned in this letter that MAMC deliveries of equipment ordered for the Amjhore Pyrites Project and the Khetri Copper Project were not being delivered in time by MAMC, and that the delivery periods agreed upon were being extended from time to time. In some cases these delays had the effect of throwing out of schedule the progress on the Pyrites Project and the Copper Project Again PCDC had been assured by MAMC that they would be able to manufacture and deliver certain equipment to the time schedules of PCDC. Orders were accordingly placed with MAMC. MAMC informed PCDC that the deliveries would be delayed by many months; an instance was where the delay in the delivery of a mine ventilation fan, had forced PCDC to look elsewhere for the equipment. PCDC had said generally that the delays had "a disturbing effect."

5.28. It was further stated in the letter that on the one hand the Industry Ministry had been trying to draw up orders for MAMC on the other hand they had the picture that orders placed by other Public Sector Units were not being executed in time. They asked the Managing Director to give his comments on the delays alongwith the reasons for the same. He also enquired whether there are any more such instances of important orders which were delayed.

5.29. In his reply dated the 25th March, 1967 the then Managing Director stated that practically every order was being delayed by MAMC and that the list where orders were delayed was pretty long. Complaints from customers were numerous. Promises of many types had been made but practically invariablly these were not kept. According to him the entire organisation was in a bad shape.

5.30. According to him the Plant suffered from the following maladies:—

(i) A lot of officers had been taken in but many were either immature or inexperienced in factory production methods and they were not pulling their weight.

(ii) Procedural aspects which are inherent in a production organisation have not been dealt with adequately.

(iii) Far too many people have been recruited and not at all commensurate with the activity. Many people were virtually sitting idle. This had resulted in low productivity, labour trouble and lowering morale generally.

(iv) There is a serious bottleneck in the preparation section. The hold up is so large that in many cases where promised delivery dates had already expired, 'preparation' had not been completed.

(v) The loading of machinery was inadequate and was not done scientifically. Few of even the senior executives have either the experience or the aptitude for production planning and control.

(vi) The red tape of technology-design, preparation, tooling and production is far too much.

(vii) The proliferation of specialists (from Russia) is making the Indian Engineers more dependent and contributing to lack of self-reliance and confidence.

(viii) Production Programme for 1967-68 was unrealistic which presented rosy picture but just could not be achieved.

5.31. The Committee enquired as to what action was taken by the Minstry on this report. The Ministry stated that no action was taken as none was specially called for.

5.32. The Committee are unhappy to note that the delay in execution of orders has acted as an inhibiting factor in getting fresh orders from customers. Production programme of some undertakings (e.g. NCDC, Bokaro, PPCL) was held up, due to delay in adhering to the delivery schedule by the Company. The Committee are convinced that MAMC had booked orders on a doubtful time schedule when it was fully conscious of the fact that most of the items did not conform to MAMC's production pattern. In a few cases claims for compensation have been lodged against the Company for its failure to execute the orders in time. A few orders had to be cancelled due to non-adherence of the original or even the revised schedules. The Committee strongly deprecate this type of salesmanship.

5.33 The Committee are unhappy over the serious delay in the execution of orders particularly in view of the fact that small percentage of the rated capacity of the Plant was utilised and production was undertaken on the basis of the orders secured by the Company. For the delays in the execution of orders the Company 'earned a bad name everywhere'.

5.34. It is all the more distressing to note that no remedial measures have been taken since 1965-66., although the previous Managing Director and the Commercial Manager have brought

these facts to the notice of the Government. The Committee feel that MAMC could have secured far more orders to load it with work, if the management of this undertaking had been improved so that it could meet the promised delivery schedules. The Committee feel that no such improvement was brought about during the last five years nor there is any prospect that improvements would be effected in the near future.

(D) Rejections

5.35. The following table indicates the percentage of rejection to total production during the last four years:—

Name of the foundry	Percentage of rejection to total production			
	1965-66	1966-67	1967-68	1968-69
Iron foundry .	12 to 28	10 to 35	8·66 to 15·40	17·5
Steel foundry	1 to 5	6 to 13	7·00 to 22·00	19·5

5.36. The loss on account of rejections during the years 1966-67, 1967-68 and 1968-69 was Rs. 8.70 lakhs, Rs. 10 lakhs and Rs. 15.64 lakhs respectively.

5.37. An analysis of the cases where rejections occurred showed that in a number of items such as, cover, housing, forging rim, buffer, etc., the rejections, ranged between 25 per cent and 100 per cent of the total production of a particular item.

5.38. The Committee enquired as to what were the items where the rejections were upto 100 per cent and how could the company explain these rejections. It was stated that "These had occurred in cases where sample castings were made. In such cases, a few castings were made. In such cases, a few castings of a type are produced for testing and for checking dimensions and examining the necessity of improving the technology."

5.39. The Management informed the Audit (November, 1968) as follows:—

> "By and large the rejections have arisen due to considerable time lag between casting and fettling. To avoid such drawbacks in future system was introduced for fettling and inspection of first casting of all items to take timely action for rectifying the pattern techniques in cases of any deviations."

5.40. The Committee were informed that rejection norms were not yet officially adopted but the inspection practice was to take into account rejections about 10 per cent both for cast iron and cast steel items. This system was introduced from the middle of 1968. The Committee were further told that norms for rejections would be officially adopted before the end of this financial year.

5.41. The Committee are perturbed to find such a high percentage of rejections (in certain items rejection was 100 per cent). They regret that no norms for rejections have so far been laid down by the Undertaking nor Government took any interest to study this problem with a view to taking remedial action.

(E) Coal Washery at Sudamdih

5.42. In November, 1965 the Company entered into an agreement with M/s. Centrozap of Poland for collaboration in the setting up of an organisation at Durgapur for the design, manufacture and installation of coal preparation plants including washeries. In pursuance of this agreement, a contract for the preparation of Project Report for a washery with a capacity of 600 tons per hour to be set up at Sudamdih for the National Coal Development Corporation Limited was signed on 23rd June, 1966. Before signing the contract, no firm order was, however, obtained from the National Coal Development Corporation Limited.

5.43. The Project Report was submitted to the National Coal Development Corporation Limited in the 2nd week of February, 1967 (technical part) and the last week of April, 1967 (economic part). The NCDC, however, informed MAMC on the 18th November, 1967 that the Sudamdih Coal Washery Project had been deferred.

5.44. It is seen that an expenditure of Rs. 3,78,563 has been incurred by MAMC in the preparation of the Project Report for the washery. The Committee were informed that MAMC had raised a bill on NCDC covering all the costs incurred in the preparation of the Project Report. The claim was preferred in March, 1969.

5.45. The Committee enquired as to whether the amount recoverable from National Coal Development Corporation Ltd. was booked under sundry debtors and if not, what were the reasons for the same. In a written reply it has been stated that as the assignment was not covered by a firm order against the quotation and acceptance of the customer had not been obtained, the amount had not been booked under the Sundry Debtors account against the customer, *i.e.* NCDC.

5.46. The Committee further enquired whether it was not necessary for the management to have the firm commitment of National Coal Development Corporation Ltd. before signing the agreement for collaboration with a Polish firm for the preparation of the Project Report and whether any responsibility has been fixed for ignoring the pre-requisite. It has been stated as follows:—

"The project report prepared by MAMC in collaboration with M|s. Centrozap of Poland is not a Detailed Project Report, but a report which any commercial organisation has to submit against tenders. An expenditure incurred on this account normally has to be accounted for while negotiating for the preparation of Detailed Project Report, supply of equipment and erection. Even before that stage came, the project was deferred. Proper care was, however, taken before entering into an agreement with the Polish collaborator to intimate to NCDC, their liability of Rs. 1.6 lakhs towards the consultancy service that was to be rendered by the collaborators. This has reference to MAMC's letter No. 35(1)|MD|MAMC dated 5th June, 1966 addressed to NCDC. The amount claimed for preparation of Project Report by MAMC is Rs. 3,78,563 which includes the collaborator's fees of Rs. 2.52 lakhs (pre-devaluation figure of Rs. 1,60,000), expenditure on deputation of Polish Experts and expenses incurred by MAMC Design Department.

The claim is still pending with NCDC and is being vigorously pursued.

In view of what has been stated above the necessity of fixing responsibility does not arise."

5.47. The Committee enquired as to whether it was binding on the part of NCDC to pay the collaborators fee as well as expenditure on deputation of Polish experts and expenses incurred by MAMC on Design Department in accordance with letter No. 35(1)|MD|MAMC dated the 5th June, 1966 addressed to NCDC and whether they had agreed to pay the amount. It has been stated that "In accordance with the letter, it is binding on the part of NCDC to pay the cost of the project report of Rs. 2.52 lakhs (Rs. 1.6 lakhs pre-devaluation). The payment by NCDC against the expenditure on deputation of Polish experts is also obligatory. As regards the expenditure incurred by MAMC (Rs. 38,000) for Design Department, a small percentage of it is also payable. The actual amount on this account has to be negotiated. The above claims are based on the understanding that Sudamdih Coal Washery Project is to be done by MAMC. As this Project has been indefinitely deferred by NCDC, there is a justifiable claim by MAMC to recover the entire amount of Rs. 3,78,563 from NCDC."

5.48. The Committee regret that MAMC signed an agreement with the Polish firm for the preparation of a DPR for the Sudamdih washery without first obtaining firm commitment from the NCDC and that it took the Management more than 1½ years to prefer claim against the former. The Committee feel that undertaking of work without firm orders was a serious lapse on the part of concerned officers. As a result of this lapse the company has suffered a loss of Rs. 3,78,563 for which now they have raised a claim against NCDC.

5.49. The Committee find that the issue regarding this claim has not been settled so far. They feel that Government should intervene and settle the case without any further delay.

(F) Labour Efficiency

5.50. The table below indicates the actual shopwise output per worker during the 3 years as compared with the output per worker envisaged in the Detailed project Report:

Shop	Output per worker per year as per Detailed Project Report (In M. Tons)	Actual output per worker per year (In M. Tons)					
		1965-66	Percentage of efficiency	1966-67	Percentage of efficiency	1967-68	Percentage of efficiency
Iron foundry	77·2	7·5	9·7	8·4	10·9	8·6	11·1
Steel foundry	50·8	8·9	17·5	9·3	18·3	5·8	11·4
Forge Shop .	62·5	12·4	19·8	16·9	27·0	14·5	23·2
Fettling Shop . . .	141·5	22·3	15·8	11·8	8·3	12·7	9·0
Structural Shop .	96·0	4·5	4·7	6·0	6·3	7·2	7·5
Machine Shop:							
Block I . .	16·3	1·5	9·2	0·9	5·5	0·9	5·5
Block II .	43·0	2·2	5.1	2·7	6·3	3·4	7·9
Block III . . .	55·2	9·1	16·5	3·1	5·6	3·7	6·7

5.51. It will be seen that the labour output was abnormally low in all the shops of the Plant. In terms of value (i.e. wages paid but not backed by output) the shortfall in output of labour amounted to Rs. 25.98 lakhs, Rs. 35.5 lakhs, Rs. 39.14 lakhs and Rs. 47.84 lakhs in 1965-66, 1966-67, 1967-68 and 1968-69 respectively.

5.52. According to the statistical report prepared by the Finance Department of the Company as against an annual payment per employee (on average) of Rs. 4,687.04 the annual production for employee works out to Rs. 3,210.63. In reply to a question in the Lok Sabha the Minister of Steel and Heavy Engineering stated that the annual production per employee was arrived at by dividing the value of sales including stock transfer plus increase in stock of finished products and works in progress, during 1968-69 by the total number of workers of the Company, on production as well as non-production jobs. Similarly the payment per employee was worked out by dividing the expenditure on employees by the total number of employees.

5.53. According to the same Report 69 per cent of the total man-hours are lost on account of (i) late start and early stoppage of work (27 per cent), (ii) workmen standing idle or away from place of work (32 per cent), (iii) waiting for materials, tools, equipment, drawings and|or instructions (6 per cent), (iv) machine breakdowns (1 per cent), and (v) no work available (3 per cent). The Minister of Steel and Heavy Engineering has, however, clarified that these were based on certain assessments made by a firm of consultants in November, 1965 and relate to only one of the many shops of the Corporation. He stated that the position had since improved.

5.54. The Study Team of the Ministry of Industrial Development and Company Affairs which visited the Company in January, 1968, observed that the low output per worker "was partly due to lack of skills and experience in the labour force and partly due to the unrest and unwillingness of labour to give its best" and that "added to this was inexperience at the supervisory levels and their general inadequacy to lead the labour force."

5.55. The Ministry informed the Audit (January, 1969) as follows:

> "Production norms prescribed in the Detailed Project Report were very high as compared to the actual output. Full allowance does not also appear to have been made for the gradual build up of expertise and efficiency over a period of time. This is a complex heavy engineering

unit and it is only over long period of time that experience can be built up....While a review of the norms could undoubtedly make up for part of the shortfall in efficiency the fact remains that Productivity in this plant, continues to be low by any standard and the fact of the special difficulties of Durgapur in the matter of labour efficiency cannot be ignored."

5.56. It was further stated that in preparing the Detailed Project the Soviet authorities presumably took into consideration the norms as applicable in their country but which had little application in India.

5.57. The Committee enquired whether any detailed study had been made into the question of labour efficiency, if so, to whom such study was entrusted and the main features of the Report. In a written reply, the Committee were told that "no detailed study was made by any outside agency into the question of labour efficiency. Detailed studies are now being conducted on the shop floor by M|s. Ibcon to work out synthetic data for compilation of job Standards. The ultimate aim of these studies is to determine the present rate of labour productivity with a view to inrtoduce scientific incentive scheme."

5.58. The Committee feel that if Government|Company felt that the production norms laid down in the DPR were not susceptible for adoption to Indian conditions owing to their being framed by the foreign experts, the Government should have represented this fact to the experts in time. In the event of their inability to agree, the Government/Company should have made their own assessment. Owing to this negligence on the part of the Government an erroneous impression about the production norms has come to stay.

5.59. The Committee also understand that abnormally low output by workers was due to 'lack of skills and experience in the labour force and in-experience at the supervisory level and their general inadequacy to lead the labour force. The Committee are of the opinion that both these causes could be remedied had the Government taken due care at the appropriate time—a lapse for which they do not deserve to be excused.

G. Incentive Scheme

5.60. In order to improve productivity and create more interest in work among the workers, M|s. IBCONS recommended in December, 1965 the introduction of a suitable incentive scheme in the various production shops and charged Rs. 30,000 for the same. The Scheme was not, however, implemented.

5.61. The Committee enquired as to what were the circumstances which led to the non-implementation of the incentive scheme recommended by M|s. IBCONS. It has been stated that the study of M|s. Ibcon was confined only to Structural shop and the incentive scheme was to be applicable to that shop. The management was anxious at that time to improve the overall productivity of the plant at the earliest possible and as such, adopted an *ad hoc* incentive scheme covering some of the important shops. It was felt that introduction of an incentive scheme only to the Structural shop would not be helpful to improve the overall productivity of the plant.

5.62. In May, 1967 an interim scheme to be operative from 19th May, 1967 was formulated by the Management. This scheme was also not implemented as the workers raised certain objections to the terms and conditions of the scheme. The scheme was, therefore, modified after discussion with the worker's Union and a production scheme was introduced in Fettling shop, Structural shop and Machine shops with effect from 3rd July, 1967, 1st September, 1967 and 1st December, 1967 respectively.

5.63. The scheme provided for payment of bonus at slab rates for production beyond the minimum level which was based roughly upon the average monthly production during the past six months. The following points relating to the scheme deserve mention:

(i) No work study of the various jobs undertaken in the shop was conducted before determining the minimum production level for the purpose of eligibility to bonus. Productivity analysis conducted by the consultants in respect of certain sections of Structural shop indicated that the productivity index was as low as 15 per cent in one of the sections and never exceeded 22 per cent in other sections of the shop. It thus appears that the basis for fixing the minimum level of output (which is based on the average monthly production during the past 6 months) beyond which the incentive payment becomes due, has been fixed at an extremely low level.

(ii) The scheme is based upon *ad hoc* average activity covering the shops as a whole. It does not take into account standard of skills required for the fulfilment of each group, *viz.* building structures, simple technological structures and complicated technological structures.

(iii) There was no appreciable rise in the overall productivity of the Plant. In this connection, the Board of Directors observed on 23rd February, 1968 as follows:

"The Board views with considerable concern the Lowerring of production—particularly in the Fettling and structural shops. The Board was of the considered view that the position should not be allowed to deteriorate further and, if necessary, adequate steps be taken, which might not exclude lay-offs, to improve discipline and productivity.

Simultaneously, the Board desired that existing productivity schemes be reviewed and adjustments made as necessary."

5.64. The Ministry informed Audit (January, 1969) as follows:—

"The *ad hoc* scheme introduced for this purpose was not based on any detailed jobing evaluation and production norms. This exercise has been taken up in some detail now and should be completed shortly. It is only after this that a scientific incentive scheme which could be more realistic would be prepared."

5.65. The Committee enquired as to what special advantage was contemplated by the Management in introducing a production bonus scheme which was not based on any detailed job evaluation and production norms and how far the object was achieved. In a written reply it has been stated that the Management introduced the *ad hoc* incentive scheme to achieve a quick improvement in the stagnant low level of production. This was not based on work measurement. The scheme was, however, easily understandable to the workmen and it was able to motivate them with immediate effect. It was expected that the scheme would not be effective as a long term measure. The intention was to motivate the workmen to produce more and earn more and make them ready to accept any incentive scheme based on work measurements.

5.66. The Committee were informed that the work study of the various shops has again been entrusted to M|s. Ibcon with effect from October, 1968. So far, they had completed studies in respect of three shops and that the studies were in progress for two more shops. It was expected that the job will be completed by December, 1969. It has been stated that total amount of Rs. 1.5 lakhs would be paid to M|s. Ibcon. The Management expected that the incentive scheme would be introduced progressively during the current financial year.

5.67. The Committee enquired as to what was the utility of the appointment of M|s. Ibcons when the earlier scheme recommended by them was not implemented. It has been stated that Management was satisfied with the services rendered by M|s. Ibcons although their scheme could not be implemented.

5.68. It is seen that the Management paid Rs. 30,000 to M|s. Ibcons in 1965 for recommending an incentive scheme. But after receipt of their report it was felt by the Management that the introduction of such a scheme would not be helpful to improve the overall productivity of the Plant. Thus the money spent on the report became more or less infructuous. Thereafter the Management introduced in 1967 another interim incentive scheme without determining the minimum production level for the purpose of eligibility to bonus.

5.69. According to the productivity analysis conducted by M|s. Ibcons, the productivity index was as low as 15 per cent in one of the sections and never exceeded 22 per cent in other sections of the shops. The Committee are of the opinion that it was highly improper on the part of the Management to link the payment of incentive to a low level of productivity achieved prior to introduction of incentive bonus scheme without defining the minimum output to be given by a worker. Having once introduced an ad hoc **incentive scheme on the basis of a low level of productivity it is very difficult to introduce any incentive scheme setting higher norms of production. The Committee feel that the incentive scheme should have been based on a scientific detailed study.**

VI

COST OF PRODUCTION AND COSTING SYSTEM

The coparative yearwise statement of percentage composition of different elements of cost to the total cost of production is given below:

Year	Labour	Material	Overhead
1966-67	12%	27%	61%
1967-68 .	11%	20%	69%
1968-69	15%	16%	69%

6.2. It is seen that the cost of production of various items of production is very high owing to high incidence of fixed overheads. The Company, has therefore, to control its prices to the level of "what the market can bear." The Company has fiexed certain norms (based on rough estimated manufacturing costs) for some of the items of production for guidance at the time of quoting prices. Majority of the customers are Government Undertakings (Sales to Government|Government Undertakings constituted 91.3 per cent to 97.2 per cent of total sales during the years 1965-66 to 1967-68) and prices are generally negotiated to a level where the agreement can be reached.

6.3. During evidence the Secretary informed the Committee that there was a decision of Government that the price charged would not exceed the local market price if it was indigenously produced or the landed price if it had to be imported, unless Government were satisfied on special reasons being adduced and the project was able to convince Government about the special reasons for a departure from this. He added that normally these levels were not exceeded.

6.4. According to the annual accounts of the Company the value of production for the years 1966-67 to 1967-68 worked out as follows:—

(Rupees in lakhs)

	1966-67	1967-68
Sales	78·86	83·97
Plus: Closing stock	124·83	188·59
Stock Transfers	5·38	2·56
	209·07	275·12
Less: Opening stock	95·05	124·83
Value of Production	114·02	150·29

6.5. It is understood from Audit that the value of production did not cover the cost of materials and components consumed, value of consumption of loose tools, power fuel and water (excluding the amount relating to construction accounts and township) and total direct wages backed by output of the various shops as indicated below:—

(Rupees in lakhs)

	1966-67	1967-68
(1) Material and components consumed (As per annual Accounts)	89·47	117·96
(2) Power, fuel and water (excluding relating to construction accounts & towns ship) as per annual Accounts	32·58	26·26
(3) Loose tools (As per Annual Accounts)	16·51	14·45
(4) Total wages of the various shops on the basis of capacity utilised. (As ascertained from the Management)	3·46	3·85
	142·02	162·52

6.6. According to the system of costing followed by the Company the cost per M. ton of total production of each shop is worked out irrespective of the nature of the jobs undertaken in the shops. The following features of the system were noticed by the Audit:—

(a) The Company undertakes standard jobs. In order to find out the cost of these jobs, it is essential to instal batch/job costing system, but this is not being followed by the company. A procedure for collection of cost data for each work order was finalised in July, 1966, but it has not been implemented so far (November, 1968).

(b) No manual of costing procedure has been prepared so far (November, 1968).

(c) There is no periodical reconciliation between the cost accounts and the financial accounts.

(d) There is no system for ascertaining the idle time of labour and machinery.

(e) There is considerable time lag in the preparation and submission of cost reports to the Management. The cost sheets relating to the period from May, 1966 to August, 1967 were submitted to Management after a time lag ranging from 3 months to 5 months.

(f) No standards or norms have been laid down for consumption of materials, utilisation of labour rejections, wastages, etc.

(g) Indirect expenses are not separated into "fixed" and "variable", with the result that adequate control cannot be exercised over the incidence of variable expenses.

(h) As there is no proper system of working out cost of end products, the cost of production of the various items could not be compared with the cost indicated in the Detailed Project Report.

6.7. The Committee enquired whether there was any recognised or definite principle followed by the Corporation in working out and determining the actual cost of production of various items or complete jobs. The Management informed the Committee that at present the costing system covered Iron and Steel foundries, Fettling shop and Forge Shop. The costing system for other shops and departments were being introduced on the basis of the report and the recommendations received from National Productivity Council.

6.8. During the period from May, 1965 to August, 1967 the Company supplied 10 nos. of conveyor to National Coal Development Corporation Limited and 12 nos. to Singareni Collieries Company Limited. The selling prices recovered from the above customers amounted to Rs. 1,13,500 and Rs. 1,62,000 per conveyor respectively as against the cost of Rs. 2,27,960 per conveyor incurred by the Company. In the case of supply to the National Coal Development Corporation Limited, the selling price did not cover even the direct cost of material (Rs. 1,48,324 per conveyor). The Company incurred a total loss of Rs. 19.36 lakhs (approximately) in this deal. The analysis of the total loss in regard to the supply of 22 nos. of Conveyors (BK-KL-50) to NCDC and Singarer. .re indicated below:—

	(Rs. in lakhs)
1. Cost of Production	
(a) Material	34·21
(b) Labour & Overheads	15·94
TOTAL	50·15
2. Sale value	30·79
LOSS . . .	19·36

6.9. The loss as revealed, without finalisation of neotiation with NCDC and Singareni is Rs. 3.42 lakhs towards materials and Rs. 15.94 lakhs towards labour and overheads. Realistic analysis of the loss can only be made after concluding the negotiations that are going on with NCDC and Singareni. The Committee were, however, informed that MAMC had taken up the matter with NCDC and Singareni Collieries for making good the loss to some extent and that negotiations were in progress.

6.10. Up to February, 1967 the Company manufactured 102 nos. of centrifugal pumps. As against the cost of Rs. 29,233 per pump the selling price was fixed at Rs. 23,000 per pump. It has been stated that MAMC had sold 68 pumps. Since the selling price was worked out on the basis of the ruling market price the total commulative loss based on the notional estimated cost works out to Rs. 4,23,844. The Committee enquired whether an estimate indicating the likely cost of these pumps was drawn up and approved by the competent authority. It has been stated that an estimated cost was prepared in May, 1964 on the basis of broad details then available and it worked out to Rs. 22,260. Subsequently more details were available and the estimate was revised upward to Rs. 29,233.

6.11. A tender was submitted by MAMC for the supply of ore and coal handling plant comprising wagon tipplers, stackers, Techlaimers, Conveyors, ship loaders for the Haldia Port Project. The value of the original quotation was Rs. 4.19 crores. Subsequently, however, it was found that the Corporation submitted an estimate which was lower than the ruling market price. The total revised estimate works out to Rs. 6.95 crores. It has been stated that the matter was taken up with the Calcutta Port Commissioner and Government for revision of the rates to fall in line with the market price. The Committee were further informed that the Port Commissioners had agreed to consider the revised estimate on item to item basis. According to the information furnished by Audit this estimate was further revised to Rs. 9.37 crores.

6.12. The Committee regret to note that the cost of production of machinery and equipment manufactured by MAMC is more than their selling price. The three cases cited in the foregoing pages clearly demonstrate that throughout the past years the Company did not observe any fixed pricing policy with the result that the Company had to suffer a huge loss. The revision of the price later on does not give any credit to the Company for it creates a very bad impression in the minds of customers. The recovery of the excess amount also creates numerous complications.

6.13. The Committee regret to note that because of the defective estimates the Company has lost heavily both on account of quoting far below the cost of production and at times below the market price. It appears they are operating in a blind alley as they have no system of estimating. The Committee feel that the cases where the prices were quoted below the market price deserve thorough investigation in order to find out the deficiencies in the system of estimating and with a view to fix responsibility.

VII

MATERIAL MANAGEMENT

(A) Stock Position

The table below indicates the opening stock, receipts, issues and closing stock of stores and spares during the years 1965-66 to 1967-68 (year-wise):

(Value in lakhs of Rupees)

	1965-66	1966-67	1967-68
(i) Opening stock	292·77	284·10	269·52
(ii) Receipts during the year	172·68	125·55	297·34
(iii) Issues during the year	147·04	140·13	185·64
(iv) Closing stock	318·41	269·52	381·22

NOTE: (a) The difference of Rs. 34·31 lakhs between the closing stock of Rs. 318·41 lakhs as at the end of 1965-66 and the opening stock of Rs. 284·10 lakhs as at the beginning of 1966-67 represents the discrepancies between the price stores ledger balances and numerical in card balances which were transferred from the stores account to stores suspense account on 1st April, 1966.

(b) The issue figures for 1967-68 include sales of Rs. 22·77 lakhs.

7.2. The stock as at the end of 1965-66, 1966-67 and 1967-68 represented 26th months', 23 months and 28th months' consumption requirement respectively.

7.3. The break-up of raw materials stores and spares as on 31.3.69 was as under:

(a) Raw material other than steel components and consumable stores	Rs. 1·56 crores
(b) Steel	Rs. 1·31 ,,
(c) Spares	Rs. 0·85 ,,
(d) Construction stores . .	Rs. 0·28 ,,
TOTAL	Rs. 4·00 ,,

7.4. It has been stated that the raw materials are expected to be consumed by the middle of 1970-71 and plant spares would cater for a longer period.

7.5. Stores to the extent stated below were not physically verified during the last four years:

(Rs. in lakhs)

Year	Stores
1965-66	133·54
1966-67	117·94
1967-68	141·35
1968-69	248·79

7.6. The Company Auditors have pointed out that the determination of surplus and serviceable stores after investigation by survey committee was time consuming and that the system of physical verification was unsatisfactory as all the items were not verified in a year.

7.7. The Committee recommend that all the items of stores should be thoroughly verified in a year so that assessment of surplus stores could be made within a reasonable time. They regret to note that the stocks of stores and spares are very high and these have been increasing year to year. The stock at the end of the years 1967-68 and 1968-69 represented 28 months' and 44 months consumption requirement which was abnormally high.

B. Purchasing and Procurement Procedures

7.8. In para 60 of their Fifty-first Report on Heavy Engineering Corporation Ltd. (C.M.M.P. was at that time under the control of HEC) the Estimates Committee (1963-64) recommended that "the Corporation should streamline its purchasing and procurement procedures so that the inventory was not unduly heavy at any time. It is desirable to avoid unnecessary locking of working capital in the inventories and stock piling of scares materials which would otherwise become available to other industries."

7.9. Despite the above recommendation of the Estimates Committee, the Company Auditors have commented on the lack of inventory control in the Company as indicated below:

(i) No maximum-minimum ordering levels have been fixed for direct and other materials.

(ii) The system of procurement of stores does not appear to be satisfactory. The procurement is not only vitiated on account of large gap between the budgeted and actual out-put but also on account of initiating action on the basis of verbal orders which did not finally materialise or failure to restrict the purchases where work orders had been cancelled by the customers.

(iii) In the absence of any material schedule the procurement action is taken piece meal mostly on the ground of urgency, thus eliminating the question of most competitive rates.

(iv) Under broad Categories substantial purchases of materials and spares were made during the year in spite of the fact that there were heavy stocks in hand.

7.10. **The Committee are unhappy to note that despite the recommendations of the Estimates Committee in 1963-64 no effort has been made by the Corporation to streamline its purchase and procurement procedures for the reduction of inventories. The Committee are compelled to observe that the management has not treated the recommendations of the Estimates Committee with the attention they deserve. The deficiencies pointed out by the Company's Auditors clearly indicate that inventory control has not received the due attention of the management.**

7.11. The Committee reiterate the recommendations of the Estimates Committee and stress that some set procedure should be laid down regarding procurement of material to prevent the inventory from exceeding its prescribed norms.

(C) Ill Planned Purchases

(i) *Purchase of spares from USSR*

7.12. On the basis of an assessment made regarding the requirement for spare parts for 1966-67, the Company forwarded in December, 1966, to M|s. Prommashexport a detailed list of spares required to be imported from the U.S.S.R. immediately and requested the supplier to quote the price for each item with indication of delivery and to send the draft contracts.

7.13. The supplier forwarded three draft contracts in respect of spares worth Rs. 13.95 lakhs, Rs. 7.65 lakhs and Rs. 7.34 lakhs to be made in February, March and April, 1967 respectively. After a preliminary examination of the first two draft contracts, the Management informed (April, 1967) the supplier that they were willing to sign the contracts provided the ball bearings and some electrical items were excluded from these contracts. No acceptance regarding the third draft contract was, however, sent.

7.14. The Committee enquired on what basis the ball bearings and the electrical items were originally included in the list of spares which were required to be imported from USSR and on what basis it was concluded that these were not needed. In a written reply it has been stated that an assessment of requirement of spares was made in 1966 and the items of Bearing and 202 electrical items were included. This assessment was made keeping in view the procurement cycle involved *i.e.* arranging of exchange allocations and import licence. After the receipt of draft contracts, it was observed on scrutiny that the items of Bearings were not required to be imported as the indigenous manufacturing capacity had been developed for most of the bearings by that time. It was, therefore, decided to drop the import of bearings. It was also observed that the electrical items were not immediately required and it was decided to defer the procurement. As such, these items were deleted.

7.15. It has been further stated that no separate value of these items were indicated in the contract originally but subsequently the supplier informed that the value of bearings was Rs. 238365. The electrical items work out to Rs. 10 lakhs on the basis of national value.

7.16 The supplier accepted the proposal regarding cancellation of the supply of all bearings but did not agree to modify the contracts in respect of 202 electrical items on the ground that, according to item 26 of the minutes of the discussion held in Moscow on 17th August, 1965 between the representatives of the Company and the supplier, the latter had already placed orders for the manufacture of spare parts on the USSR Industry and that a portion of the spares had already been manufactured and delivered to the ports.

7.17. According to the assessment made by the management in June, 1968 about 76 per cent of the spares valued at Rs. 10.93 lakhs would not be required in the context of the present level of activities in the plant. The Committee enquired on what basis the original assessment regarding the requirement of the spares was made and why it was not found feasible to use the spares later on and whether the requirement of spares has been reviewed. In a written reply it has been stated that an assessment was made on the basis of machine utilisation according to anticipated build-up of production capacity. Since this anticipation did not materialise it was felt that MAMC should not carry larger inventory. While reviewing, it was found that some of the spare parts could be sold to other Soviet aided Projects. As a result of the review a portion of the spares worth about Rs. 10 lakhs is proposed to be offered to other projects. Action has already been taken in this regard and a demand from Heavy Engineering Corporation for about Rs. 3.60 lakhs has been received.

7.18. **The Committee regret to note that before placing the orders for spares the management did not make any proper study of the actual requirement. Orders for electrical items and bearings were deleted as they were found to be either indigenously available or were not required. The Committee recommend that the Management should investigate the circumstances under which orders for the different items, which were not required, were pleced. Responsibility should be fixed for not making a proper study of the actual requirements before placing the orders.**

7.19. Regarding the import of spares from USSR the Management informed the Audit (November, 1968) that "this seems to be a case of complete misunderstanding most probably due to language difficulties and varying commercial procedures in the two countries." According to the management "there was no obligation on the part of the Corporation to accept the spare parts received at the Calcutta Port through M|s Prommashexport against the draft contract." In view, however, of the representations received on behalf of U.S.S.R. authorities and to maintain good business relations with the collaborators on whom the Company would have to depend for technical assistance and future supplies of spare parts, components, etc., the Board decided to accept the consignments already received and signed a contract in January, 1968 covering spares valued at Rs. 14.43 lakhs already shipped.

7.20 Item 26 of the minutes of the discussions held between the representatives of the Company and the supplier, however, reads as under:

> "In individual cases at the request of the customer the supplier will be able to distribute orders on the industry in the Soviet Union for the supply of the accessories, parts, spare parts, special tools etc. before the signing of the relevant contract by both sides.
>
> In case supplies are effected before signing the contract the customer must pay the supplier the cost of the materials by opening a letter of credit for the sum requested by the supplier.

In the event of cancellation of any orders for parts, units, spare parts etc. the customer must remimburse the supplier all the expenses actually incurred by him in their manufacture."

7.21. According to the Management, the minutes of the discussion were to cover the negotiations for which MAMC, representatives visited Moscow in 1965 and should not be valid for all times to come contrary to normal commercial practice. It has been stated in the minutes that at the request of the customer, in individual cases, advance manufacture could commence. In this particular case there was no specific request frm MAMC for any individual items to be processed pending execution of formalities for the contract as the enquiry was limited only to delivery date and prices for spares. It was not oblibatory on the part of MAMC to accept the spares received at Calcutta Port on the basis of discussions recorded in the minutes. Regarding the signing of the agreement the Ministry have furnished the following information:

"On the 12th April, 1967, the management of the company intimated to the Ministry that certain consignments of spare parts had been shipped by Messers Prommashexport to the M.A.M.C. for approval. The case was discussed by the M.A.M.C. with the suppliers and was also taken up by the Ministry. The U.S.S.R. authorities agreed that the shipments had been made without a valid contract but pleaded that the manufacture and shipment had been undertaken in good faith on the basis of the requirements indicated by the company. In view of the repersentations received on behalf of the U.S.S.R. authorities and to maintain good business relations with the collaboratcrs on whom MAMC would have to depend for technical assistance and future supplies of spare parts, components, the Company were advised to accept the consignments alredy received and sign the contract."

7.22. The Committee are surprised to note the unusual terms contained in item 26 of the minutes of discussion wherein it is stated that the collaborator can start the manufacture of spares and equipment before signing the contract for their supply. As a consequence of which MAMC has been saddled with unwanted spares and stores valued at Rs. 14.43 lakhs. The Committee strongly urge that the implications for such an extraordinary provision be re-examined to avoid difficulties in future.

7.23. The consignments of spares started arriving at Calcutta port in April, 1967, but as import licences had not been obtained nor letters of credit opened, the consignments could not be got released in time, with the result that wharfage charges amounting to Rs. 70,000 had to be paid during the period from April to May, 1968 on a total consignment valued at Rs. 13.01 lakhs.

7.24. Information regarding the arrival of the equipment was received by the Management on 31-3-1967 through their shipping department. The matter was referred to the Ministry on 6-4-1967. The licence was cleared by the Ministry on 25-1-1968 and the letter of credit was opened in May, 1968.

7.25. The Ministry have, however, stated that there was no delay on the part of the Ministry. No import licence was issued as none was applied for. MAMC were initially not willing to accept the consignment which had been shipped without a valid contract. As soon as the decision was taken the consignments should be accepted as a special case, the company applied for the import licence and this was granted without any unreasonable delay.

7.26. Asked as to why the payment of demurrage was not recovered from the foreign supplier specially when the materials were shipped by them in the absence of any agreement. It has been stated that the matter of recovery of the demurrage charges was taken up with M|s Prommashexport. But subsequently in view of the decision to accept the consignment as a gesture of goodwill and understanding between the Corporation and the Soviet Agencies, the matter was not pursued.

7.27. Asked whether the question of waiver of demurrage charges had been considered by the Ministry and if so what was the outcome thereof. In reply it has been stated that this question was taken up with the Calcutta Port Commissioner who advised that the charges should be paid first and an application made for refund later. This would be considered sympathetically. The Port Commissioner later regretted their inability to agree to any refund.

7.28. **The Committee are sorry to note that the Management have laid blame on the Ministry for taking undue time in granting the necessary import licence and the Ministry have in turn blamed the Management for the late submission of application for the licence. The delay in taking delivery has resulted in the wharfage charges amounting to Rs. 70,000. The Committee would like the cause of delay to be investigated and responsibility fixed.**

7.29. They also fail to understand as to why the question of recovering demurrage charges from the foreign supplier was not taken up, when the material was shipped by them in the absence of any agreement.

(ii) *Purchase of OMKT Mechanised Coal Winning System*

7.30. In January, 1967 the Company entered into a contract with M|s. Prommashexport for the import of one set of OMKT mechanised coal winning system (explosive proof manufacture) at a cost of Rs. 16,37,431.60. According to the terms of the contract the delivery of the equipment was to be made by June, 1967 an indication was received from the supplier that it could deliver an improved model of the OMKT coal winning system without any additional cost. The Company accepted this offer on 11th August, 1967 and applied for the necessary import licence.

7.31. However, considering that owing to the effect of recession in engineering industries and sluggish demand of coal in the country there would not be any demand for this type of equipment within the next 3 to 4 years, the Company decided in March, 1968 not to buy this equipment and request the supplier to cancel the order. It has been stated that M|s. Prommashexport have since agreed to treat the order as cancelled. They have, however, requested MAMC to accept the electrical items of the equipment valued at Rs. 30,000|- (CIF Value) which were specially designed for tropical conditions. The prospects of utilising the electrical items in the other equipments are being examined by the Design Department. It has been added that there will be no loss on this account if the electrical items can be put to alternative use.

7.32. In a note submitted to the Board of Directors in 26th meeting held in January, 1969, it was stated as follows:

> "the opportunity which came to MAMC as early as 22.8.67 to reconsider the entire question of procuring such sophisticated equipment at such a high price, when M|s. Prommashexport offered an improved type of OMKT complex, not made use of in cancelling the order, although it was was clear to MAMC by that time that there was considerable recession in the Coal Industry and utilisation of such equipment was doubtfut."

7.33. In view of the above the Committee enquired as to how the Management held that in August, 1967 as in January, 1967 the

Management had contractual obligations to accept the machine. Besides, as the recession in Coal Industry was well known even at the time of placing the initial order in January, 1967 why this order was placed at all without having any firm commitment for its utilisation.

7.34. It has been stated that the contract for purchase of OMKT Mechanised Coal Winning system was entered into in January, 1967, and as such MAMC was under contractual obligation to accept the supply even in August, 1967 when the suppliers intimated MAMC the specifications of an improved model of the equipment compared to that offered by them in January, 1967. In August 1967, the suppliers did not offer the equipment anew with any special terms and conditions but they only had suggested the latest model of that kind. It was felt necessary to procure prototype mining equipment of USSR make for development purpose as also to make Indian Coal Industry familiar with sophisticated equipment of Soviet design and specification. It was felt that OMKT mechanised coal winning system is very modern mining process and that this process would also be introduced in India and for that it would be necessary to start development and familiarisation work in consultation with the industry. As has been stated earlier, the prototype machines were not procured on the basis of any firm order but purely with a view to demonstrate the performance to the customers to develop such machines and creat demands from the prospective customers.

7.35. The Committee regret to note that the prototype of the OMKT Mechanised Cool Winning System worth Rs. 16,37,431.60 was ordered without assessing the actual demand of such machines in the country. Even when it had come to notice that there was no demand, no step was taken to cancel the order. The Committee feel that the collaborators should have been approached for cancellation of the order the moment it was known that the machines were no longer needed even as a Prototype. This is an example how careless the Company has been in dealing with public money entrusted to its care.

(iii) *Purchase of Coal Cutters and Loaders*

7.36. In June, 1965 the Company purchased 7 numbers of coal cutters and 3 numbers of loaders from USSR at a cost of Rs. 5.32 lakhs (including spares worth Rs. 2.12 lakhs). These machines have been laying in the shop since the date of their receipt in December, 1965. One set of coal loader was tried by the Pyrites and Chemicals Development Company Limited in Amjhore Sulphide Ore Mines, but did not prove to be suitable. One set of coal cutter was sent in August, 1968 to Pyrites and Chemical Development Company

Limited for trial. It has been stated that the mining condition at PPCL's Amjhore mines were not suitable for the operation of coal cutting machines.

7.37. In view of the fact that there was slump in the coal market during the Third Plan period, the Committee enquired as to how it was advisable on the part of the company to import the coal cutters and loaders even as prototypes, in the absence of any firm orders for this type of equipment. The Management have stated that since mining equipment of USSR make was new to the Indian coal mining industry, it was felt necessary that these items of equipment should be imported to make the coal mining industry in India familiar with these equipments as also to prove their performance and enable MAMC to develop these items for manufacture. It was added that it was general commercial practice to arrange field testing of prototypes of new equipments with a view to create demands for the same from prospective customers.

7.38. The Committee feel that before importing any prototypes it should have been ensured that such machines were suitable for the industry in this country and that there was sufficient demand for the same. In this case Coal Cutters and Loaders were purchased as prototypes for Rs. 5.32 lakhs for which there was no demand in the country. The Committee recommend that such a serious lapse should be enquired into and responsibility fixed.

7.39. It is seen that the coal cutter machines were imported without the gate-end boxes. It was explained to the Audit by the Management (June, 1968) that gate-end boxes will be imported from Russia shortly to complete the coal cutters and loaders and that thereafter aproval from Director General, Mines and Safety will be obtained to sell them to collieries.

7.40. As regards the reasons for importing the coal cutter machines without the gate-end boxes the Management explained to the Audit that "Organisations like National Coal Development Corporation normally purchase such equipment without gate-end boxes and trailer cables and make bulk purchase of these items separately for reasons of economy. There have been attempts by firms for indigenous manufacture of gate-end boxes. These are the reasons that guided to import coal cutter machines without gate-end boxes."

7.41. The Committee enquired as to what was the basis of the Company's expectation that gate-end boxes would be manufactured indigenously and why it took 3 years to know that no indigenous manufacture for this item could be located. It was further enquired as to when the order for the import of gate-end boxes was placed. The Management have furnished the following information:—

"On the basis of discussions held with manufacturers of electrical equipments, it was understood that some of them had be manufacturing licence for indigenous production of flame-proof gate-end-boxes. It was, however, subsequently found that the development of these products did not come up as was expected.

After a decision was taken that the gate-end-boxes would be imported from USSR, the foreign suppliers were requested to quote for these items giving details of price, delivery specifications, etc. On receipt of these details from USSR, the matter was taken up with DGT and D in April, 1969 and the matter is being pursued. The order for import of the items would be placed immediately on receipt of DGT and D's clearance and Import Licence."

7.42. **The Committee regret that the Coal Cutter Machine having been purchased in 1965, the question of import of gate-end-boxes for the machines was taken up with the DGTD in April, 1969 *i.e.* after a lapse of 4 years. The Committee fail to appreciate the reasons put forward by the management for such an abnormal delay. It should not have taken 4 years for the management to know whether or not such gate-end-boxes could be manufactured in India. The Committee feel that it is a fit case for investigation and fixation of responsibility.**

(iv) *Coal Combine and Coal Plough Complete with Armoured Chain (Coal Planning Machines)*

7.43. These machines were imported from Russia in July, 1967 at a cost of Rs. 17.10 lakhs against an order placed with U. S. S. R. in May, 1966.

7.44. It has been stated that these items were also imported to serve as prototype for trails under actual Indian mining conditions as suggested by the Members of the Joint Planning Wing. Due to the recession in the coal industry there was no demand of these items of equipment. It has also been stated that due to lack of demand the immediate manufacturing progarmme for these items was not contemplated.

7.45. The coal combine valued at Rs. 3.10 lakhs was tried by Chinakuti Colliery of Bengal Coal Company, but was returend to the Company after the trial run was over. They have not so far indicated any willingness to purchase this equipment. It has been stated that no machines have been sold to any other organisation.

7.46. Regarding coal plough, it may be stated that this machine is suitable for operation on 660 volts supply and as the collieries in India either use 500|550 volts or 400|440 volts supply, a suitable transformer will have to be arranged before these can be offered for sale. The Management explained to the Audit (November, 1968) as follows:

> "This is a prototype procured by the Corporation for purposes of assessment of its productivity and its installation in coal mines in India and thereby to develop market. The USSR authorities offered their standard voltage 660 volts applicable to such high productive units. For coal face mining such equipments will always be required to be backed by a transformer from 3,300 volts. Transformers of 3,300|600 volts are within the range of production of indigenous manufacturers and will not therefore present any difficulty for our customers in procuring the same."

7.47. The Committee enquired whether any order had been received by the Company for the purchase of coal plough and whether the prototype was procured by the company after assessing its demand in India. It was also enquired whether the suppliers were informed about the voltage available in the Indian collieries. The Management have stated that no order was received for the coal plough. The prototype was prepared in anticipation of mechanisation of coal mines. Since this was the only unit of its kind to be procured as a prototype the USSR collaborators supplied the equipment with the standard voltage operating in their country. However, transformers are indigenously available to make them suitable for working in Indian mines.

7.48. The Armoured Chain has been sold to PPCL. It has been stated that since armoured chain conveyor is a part of the coal plough and coal combine, the notional estimated price on the basis of total tonnage of equipment has been indicated to PPCL which works out to Rs. 14,08,300|—.The final price is being negotiated with PPCL. The approximate notional CIF value of the coal combine and coal plough which is still lying with the Corporation works out to Rs. 9,00,000|-. The Committee were informed by the Audit that the price of Rs. 14,08,300 quoted by PPCL for armoured chain conveyor includes handling charges, interest, customs and port charges and profit element of 100 per cent. The CIF value on tonnage basis works out to Rs. 7.9 lakhs approximately. According to customer [letter No. PPC 15(152)68/1788 dated 23-4-69] similar type of equipment is available for Rs. 1.5 to Rs. 2 lakhs.

7.49. The Committee enquired whether the facts of recession in the coal industry and the absence of any order were considered by the Management before importing the coal combine and coal plough complete with armoured chain even to serve as prototype and was the recommendation of the Joint Planning Wing obligatory and if not, what conditions prompted the Management to import this equipment.

7.50. The Management have stated that it was felt necessary to import a few items of coal mining equipment of USSR make for development of these items at M. A. M. C. and also to make Indian Coal Mining Industry familiar with these items and to create demand from prospective customers. The recommendations of the Joint Planning Wing were not obligatory on the part of the Management, but since the Wing represented all the important coal producers in the country, both private and public sectors and they felt that a Coal combine should be imported in the interest of coal industry, MAMC accepted the recommendations of the Joint Planning Wing.

7.51. **This is another case where orders worth Rs. 17 lakhs were placed without assessing the requirement and this amount has become a dead loss. The Committee are surprised that the coal plough imported was suitable for operation on 660 volts supply although it is well known that collieries in India either use 500/550 or 400/440 volts supply This is another example of negligent way of placing orders.**

D. Surplus Stores

7.52. As on 25th November, 1968, Company was holding the following surplus stores:

Sl. No.	Items	Value of material declared surplus Rs.	Stock position of surplus material as on 25th November, 1968 Rs.	Remarks
1	2	3	4	5
1	Structural steel . .	34·17	14·43	Material worth Rs. 19·74 lakhs has been disposed of at a loss of Rs. 1·08 lakhs. The remaining material is proposed to be disposed of at lower rates.

1	2	3	4	5
2	G.I. Pipes . .	8·02	..	Pipes have been disposed of at loss of Rs. 1·16 lakhs.
3	Electricals . . .	5·08	3·72	Electrical goods worth Rs. 1·36 lakhs have been sold at a loss of Rs. 1·03 lakh. For the remaining materials a list had been sent to the Bureau of Public Enterprises for circulation among other Government Undertakings.
4	Phos Bronze .	3·40	3·40	A list has been sent to the Bureau of Public Enterprises in March, 1968, for circulation among other Government Undertakings.
5	Hardware . . .	3·29	1·42	Hardware worth Rs. 1·87 lakhs has been sold at a loss of Rs. 4,691. For the remaining material a list has been sent to the Bureau of Public Enterprises for circulation among other Government Undertakings.
6	Paints . . .	1·69	..	Paints have been sold at a loss of Rs. 38,450.
7	Building material . .	0·85	0·60	Material worth Rs. 0·25 lakhs has been sold at a profit of Rs. 0·03 lakhs. No action has, however, been taken to dispose of the material worth Rs. 0·60 lakh after May, 1967.
8	Transport spares .	0·12	0·12	
9	Construction equipment	1·24	1·06	Material worth Rs. 0·18 lakh has been sold at a profit of Rs. 432.
10	Electrodes . . .	0·40	0·39	Material worth Rs. 870 has been sold at a profit of Rs. 58.
11	Sultarn Oil B-6 . .	0·19	0·19	..
12	Chilled Iron shot . .	0·09	0·09	..
	TOTAL . . .	58·54	25·42	

7.53. The Management informed the Audit that according to an assessment made by the Management in June, 1968, stores valued at Rs. 45 lakhs (Rs. 30 lakhs on account of steel, Rs. 8 lakhs on account of hardware and Rs. 7 lakhs on account of electrical and civil items) would be further added to the above list of surplus stores.

7.54. The total stores declared surplus amounted to Rs. 55 lakhs, during the financial year 1968-69 out of which stores of value of about Rs. 35.37 lakhs were disposed of. In the process of such disposal a net loss of Rs. 1.29 lakhs was suffered. The Committee were informed that as on 31st March, 1969 surplus store was of a value of about Rs. 20 lakhs which consisted of Rs. 6 lakhs of construction stores and Rs. 14 lakhs of raw materials and spares.

7.55. The Company Auditors have commented that the disposal of surplus stores was not done timely and required further improvement.

7.56. **The Committee are disappointed to find that during the financial year 1968-69 the total stores declared surplus amounted to Rs. 55 lakhs out of which stores worth Rs. 35.37 lakhs were disposed of, in the process of which a net loss of Rs. 1.29 lakhs was suffered. Further as on 31st March, 1969 surplus stores lying with the Company worth Rs. 20 lakhs—Rs. 6 lakhs of construction stores and Rs. 14 lakhs of raw materials and spares. As pointed out by the Company auditors the disposal of Surplus Stores was not done timely and required improvement. The Committee recommend that immediate review of surplus stores should be carried out followed by periodical reviews and the surplus stock should be disposed of.**

7.57. **The Committee regret to note that the Company have incurred huge losses in the disposal of surplus stores. They are further intrigued to find that even material like G.I. pipe which are in short supply in the country have been disposed of at a loss of Rs. 1.16 lakhs.**

E. Sale of Surplus Stores

7.58. A Russian heavy truck with Trailer was procured by the Corporation at the price of Rs. 65,986.00 but was sold later at a price of Rs. 16,600 to a private party. In this regard the Management have stated that with a view to reduce the inventory of vehicles of the Corporation a number of vehicles were disposed of by inviting tenders through newspapers. As the maintenance cost of the Russian Truck was considered heavy and the vehicle was having frequent breakdown, it was included in the list of vehicles to be disposed of. It has, however, been stated that the case regarding the disposal of the truck at such a low price is under investigation.

7.59. Sale of 48.70 cm of teak wood was finalised by the Tender Committee at a tendered rate of Rs. 2650 for the lot inclusive of sales tax to a local firm. The sale was, however, withheld when it was detected that the book value of stores worked out to Rs. 1,06,000 approx. and the quantity was 48.70 cm and not 48.70 cft. The case has been made over to CBI for investigation. The investigation is in progress.

7.60. The Committee enquired whether the Management initiated departmental proceedings against the officials concerned. It has been stated that the matter has been referred to CBI and preliminary investigations are being made by them. On receipt of their preliminary report departmental proceedings would be constituted.

7.61. **The Committee feel that as soon as such gross irregularities came to the notice of the management, departmental enquiry should have been instituted and suitable action taken against corrupt officials.**

The Committee recommend that responsibility should be fixed in the above two cases without any further delay.*

*At the time of factual verification the Ministry gave the following information:

'The Company has intimated that it checked up with the Central Bureau of investigation and was informed that the departmental enquiries could be started after the CBI had completed its own preliminary enquiries'.

F. Semi-finished Items lying in the Shop

7.62. The table below indicates the quantity and value of semi-finished products lying in the various shops as in July, 1968 and the reasons for their non-completion:

Sl. No.	Item	Quantity	Value	Since when lying	Remarks
1	2	3	4	5	6
			(Rs. in lakhs)		
1	Pumps of various sizes	123 Nos.	14·44	February, 1965 to September, 1967	The Pumps could not be completed for want of some vital components such as electrical motors, etc.

1	2	3	4	5	6
2	Drive Unit BKU-5-150	15 Nos.	3·13	1965-66 to 1966-67	The conveyor parts were manufactured as standard products. There was, however, no demand for the specification for which these items have been manufactured
3	Drum (KK-KL 50)	35 Nos.	0·92		
4	Gear boxes .	12 Nos.	1·62		
5	Conveyor structure	6 sets	3·60		
6	Idlers and rollers	22900 Nos.	18·09		
7	Casting . .	1,000 M.Tons	20·00	..	The larger accumulation is mainly due to extremely poor output of workers.

7.63. The management have now stated that the pumps are complete in all respects excepting bought-out flame-proof electricals which are required to effect sale. The electrical items are to be imported and it is felt that no further investment should be made on bought-out items without receiving firm orders for the pump sets.

7.64. As regards the conveyor parts worth Rs. 27.36 lakhs it has been stated that "these are components of standard conveyors to be manufactured under the Detailed Project Report. These were also recommended to be produced for the coal industry by a team of Soviet Experts which visited India in 1964-65. The manufacture of these conveyors was also included in the production programme of the Corporation in anticipation of demand. The conveyors are basic items for mining operations.

7.65. So far, orders for conveyor components of a value of about Rs. 10 lakhs have been secured. Sales advertisements for these components have been released to the Press. Efforts are also being made through personal contacts with prospective customers to secure orders for these components."

7.66. The Committee regret that the manufacture of certain items was taken up without simultaneously making arrangement for the procurement of components required for the completion of those items. They hope immediate efforts would be made to clear the accumulated semifinished products.

(G) Theft of Stores

7.67. The value of stores stolen, the value of goods recovered and the amount written off during the last four years (year-wise) is as under:

Sl. No.	Year	Value	Amount written off	Value of property recovered
		Rs.		
1	1965-66	8604·00		Nil
2	1966-67	8570·00	..	Rs. 800/-
3	1967-68	217978·00	(i) Original value Rs. 90,657/- (ii) Written down value of Rs. 58,462/-	Rs. 65,915
4	1968-69	43609·00		Rs. 5240

7.68. It has been stated that all the cases of theft were reported to the Police. The total number of such cases is 138. The Police investigations had since been concluded in respect of 23 cases and no materials had been recovered nor any persons have been apprehended so far except in the case of theft of tool crib. For the remaining cases the final reports from the Police were still awaited. Departmental investigations were undertaken in respect of the cases where employees were involved. The number of such cases was twelve. In five cases the persons found guilty were removed from the services and in one case fines were imposed and for the rest where charges could not be fully established, the persons concerned were censured. A few cases were still under investigation.

7.69. As regards the theft of tools from tool crib, it has been stated that tools valued at Rs. 1,56,572 were stolen on 5th June, 1967, from the Tool Crib, Machine Shop Block No. I. Subsequently, however, tools worth Rs. 69,915 were recovered. The loss on account of theft amounting to Rs. 90,657 had been written off in the accounts for 1967-68. The Management have stated that a departmental investigation was undertaken into the theft of tools. One security inspector and five security guards who were involved in the theft were removed from the services of the Corporation. The investigation by the police had been completed and charge sheets had been submitted against all the accused persons including the security personnel involved in this case. The case was *sub-judice* and several hearings have already taken place.

7.70. The Committee have noted with great concern that between 1965-66 and 1968-69 there were 138 cases of theft which were reported to the Police involving theft of the value of Rs. 2,78,761. Against this loss, property worth Rs. 71,955 was recovered and the loss of Rs. 1.49,119 had to be written off. These were the cases which were reported to the Police. The Committee are afraid that there may be more cases of theft which have not been detected.

7.71. The Committee regret to note that there had been so many cases of theft in the Corporation. That shows that the Company had not ensured proper security measures to safeguard its property. There were only 12 cases where departmental enquiries were held in which employees were involved. The Committee feel that in all the cases of theft there ought to have been departmental investigations and stern action should have been taken against those who were found guilty and who were held responsible for dereliction of duty.

VIII

FINANCIAL MATTERS

A. Capital Structure

As on 31st March, 1968, the authorised capital of the Company was Rs. 2,000 lakhs (divided into 2,00,000 equity shares of Rs. 1,000 each) and the paid-up capital was Rs. 1905.5 lakhs. In addition Government have from time to time granted long-term loans which stood at Rs. 2,975.57 lakhs as on 31st March, 1968. The debt equity ratio in 1967-68 was 1.56:1.

8.2. In para 136 of the fifty-first report, the Estimates Committee (1963-64) observed that in view of the nature of the industry and the long gestation period involved, it might be necessary to vary the pattern of loan, equity parity in respect of the Projects under the Heavy Engineering Corporation (CMMP was at that time under HEC). They hoped that Government would examine the matter carefully and arrive at a suitable decision.

8.3. In reply to this recommendation the Ministry of Industry and Supply stated in November, 1965 as follows:—

> "Approval of the capital costs has been taken up. After these are determined, the question of varying the existing pattern of loan, equity parity in respect of these projects will be taken up for consideration."

8.4. The Committee were informed that the question of re-organisation of the capital structure of MAMC was still under the consideration of the Government.

8.5. The Committee enquired as to what were the reasons for the delay and what was holding up the approval of capital costs so far. It was also enquired as to why the question of pattern of financing was being linked up with the approval of capital costs. Government have furnished the following information:—

> "The reply referred to above was with reference to the recommendation of the Estimates Committee that Government should examine the desirability of varying the existing pattern of financing of Government companies (50 per

cent equity capital and 50 per cent loan capital) taking into account the nature of the industry and the long gestation period involved. As the normal principle was that the capital cost of Public Sector Projects should be financed in the form of equity and loan in equal proportion, it was considered that the capital cost of the project should be finalised first.

However, the proposal from the Company for reorganisation of capital structure, submitted in December, 1968 involves such questions as write off of the losses suffered by the Company and grant of moratorium on the repayment of loans and payment of interest. It has been considered that before these questions are examined, the company should review carefully their production programme during the next few years so that whatever decisions are taken now, can be applied over a period of time and that a further reorganisation does not become necessary soon thereafter. The results of the Company's re-examination are awaited."

8.6. The Committee find that the proposal regarding the organisation of the capital structure of MAMC is pending with Government since its inception. The reasons advanced for delay in the reorganisation of the capital structure are far from convincing and cast a sad reflection on the manner in which important financial matters are being dealt with by the Ministry.

8.7. The Committee consider that the debts of the Company are on the high side. Normally total debts should not exceed the amount of paidup capital. While expressing deep disappointment at the attitude of the Ministry, the Committee urge that Government should examine the financial matters and finalise the capital structure without any further loss of time.

B. Financial Results

8.8. The table below summarises the financial position of the Company under broad headings for the years 1965-66 to 1967-68.

(Rupees in lakhs)

	1965-66	1966-67	1967-68
Liabilities:			
(a) Paidup capital (including advance received for share capital)	112·00	1,880·00	1,905·50

	1965-66	1966-67	1967-68
(b) Reserves and surplus	..	..	9·89
(c) Borrowings			
(i) From the Government of India (including interest due thereon)	488·00	2,537·65	2,995·72
(ii) From Heavy Engineering Corporation Limited	2,910·30	..	..
(d) Current liabilities and provisions	288·72	220·42	635·73
TOTAL	3,799·02	4,638·07	5,546·84
Assets:			
(e) Gross block	1,386·87	1,879·55	2,550·94
(f) Less: Depreciation	138·64	262·85	463·77
(g) Net fixed assets	1,248·23	1,616·70	2,087·17
(h) Plant and Machinery pending erection/commissioning (including fee for Project Report, working drawings and expenses on foreign experts)	873·58	968·45	505·55
(i) Expenditure during construction pending allocation.	496·03	83·25	..
(j) Current assets, loans and advances	844·99	1,077·85	1,276·19
(k) Deferred revenue expendituse	93·27	176·32	277·22
(l) Preliminary expenses	1·52	1·21	0·91
(m) Loss	241·40	714·29	1,399·80
TOTAL	3,799·02	4,638·07	5,546·84
Capital employed	1,804·50	2,474·13	2,727·63
Net worth	(—)224·19	988·18	227·57

NOTE: 1. Capital employed represents net fixed assets plus working capital.

2. Net worth represents paid-up capital less intangible assets.

8.9. The net loss during the year 1968-69 was Rs. 638.69 lakhs.

8.10. It is seen that the paid-up share capital of the Corporation is Rs. 1905.50 lakhs, whereas the total loss incurred by it upto 1968-69 is Rs. 2015.68 lakhs.

8.11. The Committee are deeply concerned at the huge loss suffered by the Corporation since its birth. Upto the end of 1968-69 the Company has suffered losses amounting to Rs. 20.16 crores against its paid up capital of Rs. 19.06 crores. It will be noted that the loss

suffered completely wipes out the paid up capital. It has been stated by the Secretary of the Ministry that the Company would continue to incur losses in near future. According to him the loss would be Rs. 30 crores by 1972-73 and the break even point would only be reached, if the Company produced about 25,000 tons of machinery and equipment worth Rs. 16 crores per year. This is expected to be attained by the year 1973-74 provided all the presumptions made turn out to be reliable and true. The Committee have serious doubts achieving the target of production of 25,000 tons by 1973-74. They feel that the operational losses might be much more that what has been anticipated.

8.12. The Committee have examined "Notes on Important Projects and Schemes" included in the Demands for Grants of the Ministry since the year 1966-67 and have noticed that the Government have justified the huge losses incurred by the Corporation in the following words:—

> "The types of losses suffered by the Company are not unusual during the initial stages in capital intensive heavy engineering projects of specialised nature, as it takes some years before batch production of sophisticated machinery items can be started."

8.13. The Committee is of the opinion that it is better for the Government to give a true and correct picture of the affairs of a project to the Parliament.

C. Internal Audit

8.14. The Management informed the Audit that there was no manual outlining the scope and programme of work for internal audit. The Company was having a small cell, called the Internal Audit Section. This cell works under the control of Financial Adviser and Chief Accounts Officer and its activities were confined only to liaison work between Government Audit and the other departments of the Company.

8.15. The Management, however, informed the Audit (November, 1968) as follows:—

> "We have recently recruited one Senior Internal Audit Officer in the scale of Rs. 700—1150 and he is at present engaged in devising a manual outlining the scope and programme

of work for Internal Audit. Hence a beginning has been made in this direction and it is expected that the system of Internal control will be very much tightened and properly directed."

D. Accounting Manual

8.16. There is no accounting Manual laying down the detailed procedure for the maintenance and compilation of accounts, the duties and responsibilities of various officials and the delegation of financial powers to them.

8.17. The Committee enquired as to what were the reasons for this lapse and whether any action was being taken in completing the accounting Manual and the manual of internal audit; and if so, what was the progress. The Management stated as under:—

> "The draft accounting manual has since been prepared and the manual for Internal Audit is under preparation. Although no formal accounting and internal Audit manual is in existence, there are clear cut procedure orders, forms and organisation charts and allocation of duties and functions for guidance and proper functioning of Finance and Accounts Division. Officers have also been delegated with appropriate powers."

E. Budgetary Control

8.15. The Company prepares Capital and Revenue budgets on the basis of certain estimates and forecasts. The budget figures are not, however, compared with the actuals at periodical intervals to ascertain the variations and their causes.

8.19. The Management have, however, stated that the National Productivity Council had suggested a system of budgetary control. The recommendations of the N.P.C. were under examination and that the system would be introduced during the current financial year. A total sum of Rs. 28,680 has been paid to N.P.C. for their services.

8.20. The Committee regret that the Corporation did not have any manual for internal audit and the accounting manual. There also did not exist proper Budgetary Control.

F. Failure to Invest Surplus Funds

8.21. It was noticed by Audit in May, 1968 that the Company had no system of preparing statement of daily ways and means position indicating cash balance in hand and probable receipts and payments so as to ascertain the position regarding availability of surplus funds for the purpose of investment. A review of monthly balances held by the Company in its current account with the State Bank of India during the years 1966-67 and 1967-68 indicated that the Company was having the following minimum monthly balances which could have been invested in short-term deposits with the bank or in the treasury bills:—

	1966-67	1967-68
	Rs.	Rs.
April	22,30,649	1,19,42,594
May	7,87,946	74,31,480
June	20,56,691	33,30,555
July	14,14,459	30,01,596
August	39,15,846	80,77,627
September	31,86,834	41,75,746
October	52,15,786	32,77,001
November	18,54,430	56,88,268
December	54,59,486	35,08,666
January	58,70,339	[illegible]
February	53,11,782	69,46,706
March	34,12,108	21,56,476

8.22. The failure of the Company to invest the surplus funds resulted in a loss of revenue amounting to Rs. 1.89 lakhs (worked out on the basis of minimum balance in a quarter which could have been invested for a period over 91 days).

8.23. The Management informed the Audit (November, 1968) as follows:—

> "In the past Corporation had not developed the system of preparing periodical ways and means statement to ascertain the position of surplus funds and to invest the same.

However, necessary steps have already been taken from April, 1968 and surplus funds are being invested in Short Term Deposit regularly. We are also preparing ways and means statements regularly."

8.24. The Committee enquired whether the quarterly report of Financial Adviser dealt with the ways and means position of the Company, and if so, how the fact of surplus funds was ignored. In their reply, the Management have admitted that the quarterly report of F.A. dealt with the ways and means position of the Corporation and that the information on surplus funds was available from the quarterly reports. It has been stated that it was, however, not the practice of the Corporation to invest such funds which were available only for a very short period.

8.25. The Committee have noted with regret that the Corporation incurred a loss of revenue amounting to Rs. 189 lakhs in the years 1966-67 and 1967-68 on account of their failure to invest their surplus funds in short term deposits with a Bank. It is seen that conflicting statements have been made by the Management with regard to ascertaining the ways and means position of the Corporation.

8.26. The data given in the Audit Report (Commercial), 1969 clearly indicates that the Company was having surplus funds for months together. It has now been admitted by the Management that inadequate attempts were made in the past to ascertain the position of expected surplus funds which could have been invested even for a short period.

8.27. The Committee feel that no surplus funds should be kept uninvested. They would like the Company to investigate as to why the funds had not been invested and fix the responsibility for the loss suffered on that account.

IX

ORGANISATION

A. Managing Director

On the 20th August, 1968, in reply to a question in the Lok Sabha it was stated that when the present Managing Director of MAMC was an employee of NCDC certain allegations were made against him and were enquired into in 1964-65 by the C.B.I. However, the Government found no case against the Officer. He resigned from NCDC on the 30th April, 1968 on personal grounds and joined MAMC as Managing Director from the 1st August, 1968.

9.2. During evidence the Committee were informed by the Secretary, Ministry of Steel and Heavy Engineering, that an SPE enquiry was held in 1964-65 about the allegation that the present Managing Director of MAMC had constructed a house at Ranchi and had let it out at an exhorbitant monthly rent to the Sales Manager of Messrs Continental Machinery Co. The Secretary in reply to a question stated that he did not have the C.B.I. report but had a letter from the Department of Mines and Metals, under which NCDC function, and where the Managing Director was employed.

9.3. Subsequently in a written note the Ministry stated:—

> "In the year 1964-65, the S.P.E., Patna made a confidential check of an allegation that Shri Murthy had constructed a house at Ranchi worth about Rs. 41,000 and had let it out on an exhorbitant monthly rent of Rs. 500 to the Sales Manager of M|s. Continental Machinery Co. with whom Shri Murthy had official dealings. It was alleged that Shri Murthy had misused his official position to secure such a high rent for his house. In this connection, the immovable property returns of Shri Murthy were also checked by the S.P.E. The S.P.E., thereafter held that there was nothing suspicious about the construction of the house and that there was no basis for holding that the rent charged for it was exhorbitant. The only point noticed by the S.P.E. against him was that he had rented his house to the

representative of a firm with whom he had official dealings at that time. This was brought to the notice of the Managing Director, N.C.D.C. for such action as they desired fit."

9.4. In reply to another question in the Lok Sabha on the 22nd August, 1969, it was stated that the Central Bureau of Investigation registered a case on the charge of criminal conspiracy and corruption against Shri V. B. Murthy, formerly Chief Engineer (E&M), National Coal Development Corporation, Ranchi (at present Managing Director of Mining and Allied Machinery Corporation, Durgapur) and others. The case was registered on the 24th February, 1969. It was stated that the investigation was nearing completion.

9.5. The Committee enquired during evidence about the details of charges of criminal conspiracy and corruption, registered by the C.B.I. They also enquired whether the investigations had been completed by the C.B.I. and what action had been taken by Government on that report. The Committee desired to be furnished with a copy of the C.B.I. Enquiry Report.

9.6. The Secretary of the Ministry informed the Committee that the case was registered by the C.B.I. or the Delhi S.P.E. sometime on the 29th November, 1968. This was about making purchase of spare parts of some engines for the NCDC against emergent indent at very exhorbitant rates from the suspect firms namely M|s. Premier Agencies, Ranchi, and M|s. Enclind of Princep Street, Calcutta, with whom Shri Murthy was reported to have partnership interest through his relation. The case was registered by the SPE on the 24th February, 1969.

9.7. Subsequently in a written reply the Ministry furnished the following First Information Report of the Special Police Establishment.

"Information was received from reliable source that S|Shri V. B. K. Murthy, Chief Engineer (E&M) NCDC Ranchi, S. B. Ghoshal, Chief Purchase Officer; NCDC, Ranchi, K. N. Banerjee, Dy. Financial Adviser, N.C.D.C., Barkakhana in agreement with each other purchased spare parts of Cumins Engines from M|s. Premier Agencies of Ranchi and M|s. Uklid Kolman of Calcutta at exhorbitant prices and thereby caused wrongful loss to the N.C.D.C. The information was verified and it transpired that the aforesaid officers of N.C.D.C. while they were posted as such during March and April 1968 entered into a criminal conspiracy among themselves as well as with the accused firms namely Premier Agencies of Ranchi and Uklid Kolman of Calcutta and in pursuance of this said conspiracy accused No. 1 to 4 by manipulation purchased as many as 10 items of cumins spare parts namely Liner (132830), Bearing Main Ltd. (BM 28978), Piston/Assij (BM 517207), Ring set (BM 38700), etc. from accused No. 5 and 6 at exhorbitant prices knowing or having reasons to believe that these materials were available at other places at lower prices and thereby, by corrupt and illegal means or by otherwise abusing their official position as public servants, obtained pecuniary advantage for M/s. Uklid Kolman and M/s. Premier Agencies with whom accused No. I is reported to have partnership interest through his relations and/or for themselves and thus they caused wrongful loss of about Rs. 42,000 to the N.C.D.C.

The costs aforesaid of the accused persons constitute offences punishable U|S 120B IPC, r|w 420 I.P.C. and 5(2) of Act II of 1947 and this R.C. is therefore registered for investigation."

9.8. The Committee were informed that the results of the investigation were still awaited.

9.9. During evidence in reply to the Committee's query as to under what circumstances Shri Murthy was appointed as Managing Director of Mining and Allied Machinery Corporation Limited, Durgapur, the Ministry have furnished the following information:—

"Early in 1968, the then Ministry of Industrial Development and Company Affairs were on the look out for a suitable successor to Shri N. K. Sengupta, then Managing Directors, Mining & Allied Machinery Corporation Limited. Shri Sengupta had been functioning as Managing Director of the Company from the 29th January, 1967. He had a severe heart attack in October, 1967 and was out of action for a few months thereafter. Though he rejoined duty with effect from the 27th December, 1967, he was not able to bear the full strain of the job and in view of the numerous problems of the Company it was decided that another officer should be appointed in his place. In March, 1968 the Bureau of Public Enterprises in the Ministry of Finance was requested to suggest a panel of names from amongst those found fit for Schedule C (Rs. 2500—100—3000) posts in top undertakings (The post of Managing Director of M.A.M.C. carried the scale of pay of Rs. 2500—100—3000). On the 20th March, 1968, the Bureau suggested the following names for consideration:—

1. Shri A. Krishnan, Chief Engineer Executive Bird Heilgers Group of Cos., Calcutta.	Non-Official—Engineer.
2. Shri A. K. Gupta, Managing Director & Vice-Chairman Blundell Eorite Paints Ltd. Bombay.	Non-Official—General Manager
3. Shri V. B. K. Murthy, Chief Engineer (Elec. & Mech.), National Coal Development Corpn.	Public Enterprises.
4. Shri Mantosh Sondhi, General Manager, Heavy Vechicle Factory, Avadi.	I.M.P.
5. Maj. Gen. K. K. Bhandari G.O.C. 101 Commn Zone Area	Defence Services.
6. Shri B. R. Kinra, Member-Secretary, Committee on Sotes, Bureau of Public Enterprises, Ministry of Finance.	Railways.

As it was considered desirable to explore a wider field of selection for this important post, the Ministry of Railways were also requested to suggest a few names for consideration. They had suggested the names of a few mechanical engineers who in their view might be considered ripe for an assignment of this nature. However, on scrutiny of the confidential reports of these officers, it was considered that they might not make the grade. The Ministry of Railways were therefore requested to suggest a few more names including those of experienced Civil Engineers who might be considered suitable for this assignment. In response they had sent the character rolls of a few officers. After carefully scrutinising the back-ground qualifications, experience and the confidential

rolls of all the persons, the following officers were considered most suitable:—

(1) Shri Mantosh Sondhi.

(2) Shri R. K. Ganguli.

However, the Ministry of Defence were not agreeable to relieve Shri Sondhi from his assignment. Shri Ganguli expressed his inability to take up the assignment. After considering various other names including the one or two from the private sector, it was found that no suitable person could be located, who would fit into the post, except Shri V. B. K. Murthy who had recently resigned as Chief Engineer of the N.C.D.C. Shri Murthy had extensive background of mining machinery and equipment. Both the Chairman and the Managing Director, NCDC who were consulted about Shri Murthy's suitability confirmed that his performance during his tenure in the N.C.D.C. was sound and creditable. It was understood that Shri Murthy had resigned from the NCDC some months back purely on personal grounds but was not released by that organisation till recently.

The approval of the Appointments Committee of the Cabinet was therefore obtained to the appointment of Shri V. B. K. Murthy as Managing Director of Mining and Allied Machinery Corporation Limited, and Shri Murthy took over as Managing Director on the afternoon of the 31st July, 1968."

9.10. The Committee fail to appreciate the circumstances under which the present Managing Director of MAMC was appointed. He had earlier resigned from the NCDC on personal grounds, when certain charges against him had been made and investigated. They feel that appointment to a top post like this should be viewed from various angles. The person appointed to such a post, should not only possess technical and managerial skill but should also be above board so far his integrity and public dealings are concerned.

(B) Man-power analysis

9.11. The table below indicates the estimated requirement of personnel for operation and maintenance as recommended in the

Detailed Project Report for the plant at 45,000 tons stage of production and the actual staff strength as at the end of 1965-66, 1966-67 and 1967-68:—

Sl. No.	Category of Staff	Staff as per detailed project report for 45000 tons stage	Actual strength		
			As on 31-3-66	As on 31-3-67	As on 31-3-68
1.	Workers	3,411	2,580	3,345	3,519
2.	Engineers and technicians . . .	415	840	879	772
3.	Office staff, clerks etc. inside the Plant .	242	127	120	111
4.	Service Personnel and guards	176	403	541	507
5.	Others	..	1,427	1,455	1,564
		4,244	5,377	6,340	6,473

9.12. It will be seen that, although the Plant achieved only 11 per cent. of the rated capacity till the end of March, 1968, the strength of the staff actually employed during the past 3 years was in excess of that provided for the Detailed Project Report for 45,000 tons stage of production.

9.13. The Committee enquired as to how far the present strength of staff under various categories was in excess of the actual requirement. It has been stated that the staff rendered surplus with the tapering of construction activities were absorbed in regular and production shops. The assessment of requirement of staff in the various departments was in progress and in the process inter-departmental transfers are being effected.

9.14. Asked what were the reasons for the employment of excessive staff, the Management have stated as follows:—

> "Due to tapering of work load in the construction departments, certain categories of personnel were rendered surplus to the requirements of these departments. While a number of these staff was absorbed in the production set up against specific requirements after inservice training, where necessary, there are yet some excess left over, an assessment for which is in progress. It may also be stated that certain re-arrangements in the grouping of

various sections are being made to provide for diversion of staff from sections where surplus are deemed to be existing to sections where augmentation is necessary."

9.15. Keeping in view the level of production achieved and the staff required therefor, the Management was asked to indicate the incidence of the employment of excessive staff on the profitability of the Project. In reply it has been stated as follows:—

"Keeping in view the anticipated build up of productions, staff were brought in position in advance to provide them sufficient time for training on imported sophisticated machine tools and to commission the machines. In the context of sluggish demand of coal mining equipment, the optimum utilisation of men and machines has not been possible. Manufacture of tailor-made items requires more time on preparation and manufacturing work including design, technology, tooling, etc. Under such a situation, there has been an imbalance in the ratio of output and the quantum of work force which cannot be quantified. This position, however, would improve substantially with the recent trend in higher output as seen during the months of July, 1969 and August, 1969".

9.16. The Committee have noted with great concern that MAMC have given employment indiscriminately. They have employed persons in some categories far in excess than what is prescribed in the Detailed Project Report for a production of 45,000 tons per year, although the capacity utilised is only 9 per cent of the rated capacity. The former Managing Director in a note to the Ministry dated the 25th March, 1967 has commented regarding the employment of staff and workers as follows:—

"(i) A lot of officers had been taken in but many were either immature or inexperienced in factory production methods and they were not pulling their weight.

(ii) Far too many people have recruited and not at all commensurate with the activity. Many people were virtually sitting idle. This had resulted in low productivity, labour trouble and lowering morale generally."

9.17. The Committee regret to note that although the position was known to the Corporation and the Government as early as 25th March, 1967 no remedial measures were taken to rectify the situation and bring down the staff strength to the required level which according to the Managing Director would have improved efficiency. The excess staff employed has not only meant payment of excessive wages and salaries but, to quote the words of the former Managing Director "had resulted in low productivity, labour trouble and lowering morale generally."

C. Voluntary Retirement Scheme

9.18. In order to reduce the surplus staff, the Company introduced with effect from 3rd July, 1967 a voluntary retirement scheme. The Scheme was extended to all the employees of the Company. As a result of free choice, the personnel who would have left the Company in normal circumstances and in their own interest have left the Company after taking full advantage of the scheme. Under the scheme, 11 persons had been retired on a payment of total compensation of Rs. 48,000. The scheme was withdrawn with effect from 1st January, 1968.

9.19. In this connection, the F.A.&C.A.O. of the Company made the following observations in his Financial Review which was placed before the Board on 6th April, 1968.

"Although the Board approved of this scheme in principle, the manner in which it has been published has raised controversies and discontentments. In the absence of certain safeguards the unintended benefits have accrued to the beneficiaries who quitted the Corporation after having better starts in other jobs. In view of the lacuna which persists in the scheme, the officers who would have left the Corporation in normal circumstances and in their own interest and preferring claims and a large sum of Corporation money may be drained out.

9.20. The Committee have noted with regret that the voluntary retirement scheme introduced by the Corporation was ont only ill-conceived but was given effect to in a manner which has proved detrimental to the interest of the company instead of proving to be beneficial. The Committee feel that first the Corpoartion ought to have determined and identified the surplus staff in each category and then alone such a voluntary retirement scheme ought to have been introduced.

(D) Irregular Appointments

9.21. It was represented to the Committee that Officers with specialised knowledge and experience are being used in unrelated fields and are not being properly utilised. The Committee enquired as to the number of such cases detected as a result of any systematic survey and what steps have been taken by the management to place the right man in the right place. The management have stated as follows:—

> "It is a general policy of the Corpoartion to recruit and deploy officers on the basis of their experiences and specialisation. In some cases, however, officers have been deployed in places not strictly related to their fields of specialisations in the officials exigencies and in consideration of their performances. With the gradual tapering of construction load some officers particularly civil engineers have also been absorbed in production organisations and in departments like Stores, Purchase, Sales against specific requirement, where it was thought, their experiences could be utilised. The services of engineers who have been trained in USSR are being utilised mostly in their fields of specialisations. Review of deployment of officers is taken up from time to time to determine the placement of personnel commensurate with their acquirements and adoptabilities and the needs of the Coropartion, as a result of which further streamlining are effected. On an analysis of the posting of the engineers trained in USSR it has been seen that only 11 out of a total number of 64 engineers have been engaged in allied jobs considering their engineering background and not strictly on the basis of their training in USSR."

9.22. The Committee find that qualified engineers have been placed in situations where knowledge acquired by them in training is not being properly utilised. The Committee feel that the Management should have made a systematic survey and efforts should have been made to place the right man in the right place.

(E) Labour Relations

9.23. The table below indicates the number of cases involving "bundhs", demonstrations, "gheraos," partial stoppage of work, hunger strikes etc. during the last four years (year-wise) and the total loss sustained by the Corpoartion in terms of produtcion as a result of such strikes during these years:

	1965-66	1966-67	1967-68	1968-69
Bundh	1	4	5	
Strike	..	1	..	..
Gherao	..	..	1	1
Demonstration	..	..	10	48
Partial stoppage	1	2	..	19
Hunger strike	..	..	1	..
Total mandays lost	5,880	23,100	24,600	16,810
Production loss	17 T.	95 T.	98 T.	57 T.

9.24. It has been stated that a tripartite memorandum of settlement was signed with two registered trade unions in July, 1969. In terms of this settlement attempts have been made defining promotion policy, channel of promotion and to rationalise the scales of pay in the lower categories of posts on the basis of possible adjustments which will have to be made with the implementation of the Engineering Wage Board Award. Cases of promotion and removal of anomalies in the scales of pay in certain categories of posts had also been settled by this memorandum. As a package deal certain amenities were surrendered by workers. The settlement is related to appreciable increase in the level of production.

9.25. A tripartite agreement was signed with one of the registered trade unions in May, 1968 to improve industrial relations in the context of lock out notice issued by the Corporation following certain rowdy and unconstitutional demonstrations, threats of assaults, stoppages of works, gheraos, etc. Another tripartite memorandum of settlement was signed in July, 1968 with one of the registered trade unions settling the disputes in relation to certain facilities granted to the workers in the industrial canteen.

9.26. During evidence, the Managing Director informed the Committee that industrial relationship in MAMC had improved as a result of conclusion of the agreement with both the Unions on identical terms. According to him the Production has shown improvement as a result of improved relations with the employees. As compared to the average monthly production of Rs. 13 lakhs in 1968 in the month of July, the production was Rs. 30 lakhs in July, 1969. The Committee enquired whether according to him the non-co-operation of the employees has been the only cause of the losses or there have been other causes also and whether with the improvement of management labour relations other causes will also disappear. The Managing Director replied that the main cause and the entire thing was resting on the labour problem. The other problems had not affected.

9.27. The Committee note that the management have taken steps to solve the basic problem of labour relations. The production in the Plant cannot improve unless labour do not feel their active participation and put their zeal in the work. The Committee recommend that the management should set up a permanent body to keep a constant watch on the labour relations in the company.

X

TOWNSHIPS

A. Expenditure on Township

According to estimates approved by the Board in June, 1964, the expenditure on Township was expected to be Rs. 9.11 crores. According to the latest revised estimates of the Corporation the total capital outlay of the township comes to Rs. 664 lakhs out of total capital cost of the Project at Rs. 3760 lakhs, *i.e.* approx. 17 per cent.

10.2. The total expenditure incurred on township upto 31st March, 1969 is Rs. 481.08 lakhs. The expenditure incurred on residential buildings and non-residential buildings in township works out to Rs. 363.71 lakhs and Rs. 14.42 lakhs respectively. In addition to this expenditure incurred on Development of Land, Roads, Electricity, Water & Sewerage etc. for Township amounts to Rs. 102.95 lakhs.

10.3. An amount of Rs. 29,50,575 has been received from the Government of West Bengal as subsidy.

B. Provision of Accommodation

10.4. Residential accommodation to various categories of employees has been provided in the township as below:

Employees of different categories	Percentage of accommodation provided
Employees of different categories drawing pay less than Rs. 110/- .	17%
Employees of different categories drawing pay from Rs.110/- to 399/-	60%
Employees drawing pay from Rs. 400 to Rs. 849/- . .	90%
Employees drawing pay from Rs. 850 and above . . .	100%

10.5. In addition, seat accommodation has been provided to about 100 employees as a stop-gap measure. Construction of 240 quarters of the lowest plinth area (365 sq. ft.) is now in progress. An approach has also been made to the Government of West Bengal to get from them on rent industrial tenaments under the subsidised industrial housing scheme at Durgapur to provide accommodation to some of the remaining employees.

C. Maintenance Expenditure and Income from Township

10.6. The details of expenditure (excluding depreciation and interest) and Income from Township during the last four years was as under:—

	1965-66	1966-67	1967-68	1968-69
			(Rupees in lakhs)	
Expenditure . . .	14·74	20·32	20·61	24·69
Income	8·06	10·93	13·27	15·23

D. Improper Maintenance of Estate Office Records

10.7. The Company is not maintaining proper records for watching the recoveries of rent from the employees as well as from the outsiders. It was noticed by Audit that dues and realisation were not noted regularly in the demand registers, with the result that proper watch over the recoveries was not being kept.

10.8. The Management informed the Audit (November, 1968) that "constant efforts are being made to complete demand registers, etc." and that "steps have been taken to tighten up the existing system by introducing mechanised accounting for rent recoveries."

10.9. The Committee hope that the discrepancies pointed out by the Audit in regard to the improper maintenance of Estate Office records will be removed by the Management.

E. Avoidable Expenditure on the Purchase of Water Meters

10.10. The Management informed the Audit that in February, 1964 the Company decided to recover from its employees occupying A,B, C, D, E and F type quarters charges for water used in excess of the prescribed free quantity. Accordingly 2099 water meters at a cost of Rs. 1.39 lakhs were purchased in July, 1965. Out of these, 636 meters were installed at a total cost of Rs. 57,502 upto 9th May, 1967 when the Management decided to abandon the scheme of installation of water meters and remove the meters already installed on the ground that the scheme was uneconomical and difficult to operate.

10.11. The Committee were, however, informed that the decision to instal water meters in the townships of the HEC at Ranchi and Durgapur (CMMP was then a Project under HEC) was taken by the HEC in May, 1962.

10.12. The total cost incurred in the installation of meters was Rs. 60,402. An amount of Rs. 2900 was spent on the removal of 167 meters. It has been stated that so far 186 meters have been removed through departmental labour and that no extra cost was incurred on the removal of the remaining 9 meters. As regards the disposal of these meters it has been stated that efforts were being made to dispose of these meters through advertisements in the Press, circulation of specifications of the meters to other Public Sector Undertakings and Government agencies and through Auction.

10.13. The Committee observe that the Company incurred an avoidable expenditure of Rs. 1.39 lakhs on the purchase of 2099 water meters. Out of these only 636 meters were installed at a cost of Rs. 60,402 and out of these 636 meters already installed 186 meters have been removed at a cost of Rs. 2900. The Management has yet to remove the remaining 450 meters. Because of the abandonment of the scheme all the 2099 meters are yet to be disposed of.

10.14. The Committee desire that the case regarding the purchase of meters should be investigated in order to find out the circumstances in which meters were purchased without making a detailed study about their utility. Efforts should be made to dispose of the meters without any further delay.

XI

CONCLUSION

The detailed examination of Mining and Allied Machinery Corporation reveals that this Plant was set up on the basis of faulty planing and unrealistic assessments. The Plant was mainly set up to manufacture mining and coal mining machinery and equipment and its rated capacity was fixed at 45,000 tonnes. It is alarming to note that the actual production of the mining equipment and machinery was only 240 tones during 1968-69 *i.e.* ½ per cent of the rated capacity of the Plant. The huge losses suffered by Corporation as a result of gradually scaling down the built up capacity of the Project were mainly due the following factors:—

11.2. Firstly the data supplied by the Planning Commission with regard to the coal raising targets during the Third, Fourth and Fifth Five Year Plans proved to be totally unrealistic. Subsequently the coal targets were considerably lowered and the actual production of coal was very much below the targets originally fixed with the result that there was lack of demand of coal mining equipment and machinery in the counrty. As anticipated there was no extensive opening of the new mines and thus the products to be manufactured by MAMC could not find market. Secondly, Government did not make any scientific study regarding the actual requirements of the mining and coal mining machinery and equipment both with regard to the total quantity as well as the type of machinery actually needed in the country.

11.3. In the year 1968 Working Group for the Mining and Drilling Equipment set up by the Ministry of Industrial Development and Company Affairs found that the actual requirement of mining equipment during the Fourth Plan period would be only 2820 tonnes whereas the Soviet Team of experts had earlier placed the requirement at 30,550 tonnes during the Fourth and Fifth Plan periods. Again the Committee find that "when the plant was nearing completion and educational production was to commence, it was noticed that the specifications of the requirement according to the demands of the customers differed appreciably from those laid down in the Detailed Project Report." Most of the existing equipment in use in the coal mines is of the Western design and the coal mines did not have much experience of the use of the Soviet design equipment. Therefore, they were reluctant to use the new type of machinery that was planned to be produced in this project. Thus MAMC was not equipped to produce the types of equipment actually needed by the existing collieries. During evidence it was explained that MAMC would not get substantial orders during the Fourth Five Year Plan as a result of the additional raising of 20 million tonnes in coal production because 70 per cent of the additional output of coal was from underground mines and 30 per cent from open cast mines. There was built-in-capacity in both the types of mines.

11.4. The tragedy of over-assessing the requirement for coal mining machinery about 15 times above the actual requirement and utter ignorance about the type of equipment actually needed in the country could have been avoided if the Ministry had thought it wise to get the assessment made by the foreign experts checked by an Indian Team. The Committee feel that the Ministry committed a cardinal blunder in not getting the feasibility and the Detailed Project Reports properly checked by a well qualified Indian Team. The foreign experts cannot be blamed for making the faulty assessment as they were guided by the experience of their own country and had no knowledge of the conditions obtaining in India.

11.5. The Committee note that the private sector mining industry, imported machinery worth Rs. 14 crores against the credit given by the International Bank of Construction and Development. They have also noted that the National Coal Development Corporation imported equipment for the development of their new mine at Sudamdih. The Committee feel that if MAMC was put up in time and if forethought had been given on the type of machinery required, probably the foreign currency spent on imports would have been saved and equipment required for the Mining Industry could have been manufactured in India.

11.6. The Company imported machinery, equipment and spares worth about Rs. 37.15 lakhs without making any proper study about their actual requirement. There was no demand of the machinery which was imported to serve as a prototype.

11.7. The Committee further note that Government ignored the vital and important recommendations made by the Parliamentary Committees. The Estimates Committee (1963-64) expressed their regret at the revision of the capacity from 30,000 tonnes to 45,000 tonnes at so late a stage. The Commitee on Public Undertakings (1967-68) also suggested review of all cases of revision of capacities of the projects. The Estimates Committee (1963-64) had also recommended that "the final estimates of various projects be immediately placed before Parliament." They also suggested that the pattern of loan, equity parity in respect of the projects under the Heavy Engineering Corporation should be varied. As regards the delay in the construction and commissioning of the project the Committee observed that 'it is essential for proper planning and execution that definite time schedules of construction and commissioning of projects are prepared as early as possible and adhered to'. Despite Government's assurances no concrete efforts were made to implement the recommendations of the Parliamentary Committee.

11.8. The actual production performance of MAMC has been far from satisfactory. The Company has not been able to do justice to their annual targets of production fixed by it on the basis of orders secured. As against the annual targets of production fixed at 5,970; 10,000; 16,800 and 10,164 tonne during the years 1965-66, 1966-67, 1967-68 and 1968-69 the Company could produce only 3,988, 4,586, 5.076 and 4,098 tonne respectively. This was mainly because of the fact that the management particularly the technical management was not equal to the task and owning to their failure alone, the production has been so low. For the delays in the execution of orders the company earned a bad name everywhere. The delay in the executation of orders acted as an inhibiting factor in getting fresh orders. Production programme of some undertakings (*e.g.* NCDC, Bokaro and PPCL) was held up due to delay in adhering to the delivery schedule by the Company. In some cases the Company was forced to pay compensation. The percentage of rejection of the items produced by MAMC was very high. In some cases it was 100 per cent. Due to lack of skills and inexperience at the supervisory level and their general inadequacy to lead the labour force the output by workers was abnor. mally low. Due to the failure of the Company to introduce the proper system of estimating the company lost heavily both on account of quoting far below the cost of production and at times below the market price. The Company throughout these past years was operating without a proper system of costing and pricing.

11.9. The Committee have noted with great regret that even the Ministry failed to take remedial measures when they came to know that the coal raising targets were not coming up to original estimates and would be much less than what was anticipated in the beginning. The Ministry did not take any steps to do something drastic about the project when it was known that the actual requirement of mining equipment during the Fourth Five Year Plan would be 2820 tons only.

11.10. The Company proceeded with the diversification of production without any blue print. The diversified items had been produced on the basis of an *ad hoc* scheme prepared by the MAMC technicians. The Technical Committee having Managing Director as the Chairman was supposed to submit the Report in January, 1970 but the same has not been furnished to the Committee. Since 1964-65 Government allowed the diversification scheme to proceed without knowing what investment will be required to implement it. The study team appointed by Government held that in the present pattern of production the Plant could admit diversification upto 30 per cent only. Thus the remaining 70 per cent capacity of the Plant will not admit diversification.

11.11. The future production programme has been projected on the assumption that the Company would be sucessful in negotiating with the USSR for the export of wagons and also that its programme of manufacturing tractors will materialise about which Government have failed to take any concrete decision. The Government's assumption that the Plant will reach break-even stage in the year 1973-74 when it attains 25,000 tonnes of production valued at Rs. 16 crores appears to be totally unrealistic.

11.12. The overall picture that emerges out of the study of the project is highly depressing and it presents a very sad commentary on the entire way in our planning and the way the projects are being put up and executed. The entire organisation of the project is in a bad shape. Upto 31st March, 1969 the Company suffered a loss of Rs. 29.16 crores, against its equity investment of Rs. 19 crores and Rs. 33.69 crores loan, totalling an overall investment of Rs. 49 crores. In reply to a question in the Lok Sabha on the 10th March, 1970, the Minister of Steel and Heavy Engineering revealed that MAMC is losing Rs. 2.20 lakhs every day. The Commitee are convinced that the huge losses suffered by the Corporation are due to faulty and unrealistic planning, mismanagement and lack of proper execution of production programme and the absence of even the minimum interest of the Government in the working of this undertaking. During evidence, the Government could not convince the Committee that in the coming years the Corporation will be able to show any hopeful results. There was no blue-print which could carry conviction with the Committee that MAMC will be able to become a commercial viable unit. The assumption that upto the year 1972-73 the Corporation will incure a total loss of Rs. 30 crores and that it will reach the breag-even stage by 1973-74 is totally undependable as it is not based on any scientific study. The Committee feel that the losses are expected to be much more.

11.13. In view of above, Committee have come to the conclusion that it would be wise if this undertaking is wound up to avoid further drain on the public exchequer. The Company has already exhausted the paid up capital and is in the process of consuming the loans and credits taken by it.

NEW DELHI;

April 20, 1970.

Chaitra 30, 1892 (S).

M. B. RANA,

Chairman,

Committee on Public Undertakings.

APPENDIX IA

(Para 5·17, page 103 of the Report)

Orders delayed for delivery for more than six months but less than one year.

Sl. No.	Customer	Item	Qty.	Value
1	N. C. D. C. (G) Suda & Sura.	Pontoon Mounted Sand Dredger	1	Rs. 6·30 lakhs
2	N. C. D. C. . .	Direct Haulage, 11·5 KW	1	Rs. 1·15 „
3	F.C.I. (G) . .	Salt Scraper	1	Rs. 6·59 „
4	Barbil (Idcol) .	Conveyor spares . .		Rs. 0·27 „
5	B.E.M. (G/L) .	Komatsu Tractor components		Rs. 13·28 „
6	R.S.P. . .	Loading Wheel (Forge and Machining)	200 Nos.	
7	D.S.P. . . .	Top Bottom Forging (C/M)	8 sets	Rs. 1·72 „
8	Do. . .	Bush for Inner Link, (Min. St. & Machining)	50 Nos.	Rs. 0·028 „
9	G.R.W. . .	Ball & Socket Joint (St. Cast. & M/c.ing)	50 sets	Rs. 2·98 „
10	Hindustan Cables .	Leading Melting Kettle, (St. Casting)		Rs. 0·14 „
11	R.S.P. . .	Spur Wheel (St. Cast & Machining)		Rs. 0·055 „
12	D.S.P. . .	2nd Motion Shaft (Forg. & Machining)	6 Nos.	Rs. 0·12 „
13	H.C.L. . . .	RCP type Tyre (Forg., Ht. treatment, M/s.ing)	4 Nos.	Rs. 0·027 „

APPENDIX IB

(Para 5·17, page 100 of the Report)

Orders delayed for delivery for more than one year but less than two years

Sl. No.	Customer	Item	Qty.	Value
1	N.C.D.C. (Jharangdih) (G)	Auxiliary Fan	4 Nos.	Rs. 0·38 lakhs
2	A.R.T.C. (P) . .	Do.	2 Nos.	Rs. 0·20 ,,
3	K.C.T.(P) .	Do.	3 Nos.	Rs. 0·39 ,,
4	N.C.D.C. (G) .	Diesel Loco .	1 set	Rs. 0·70 ,,
5	H.E.L. (Khetri (G)	Do. . . .	2 sets	Rs. 1·46 ,,
6	N.C.D.C. (G), Sudchal, Sura.	Sand Scraper Installation ,	4 sets	Rs. 9·12 ,,
7	Tatas (P) . .	Do., 100KW Haulage only.	1 set	Rs. 0·95 ,,
8	N.C.D.C. (G) Suda. and Sura.	Pontoon Mounted Sand Dredger	1 set	Rs. 6·30 ,,
9	N.C.D.C. (G) Sile .	Endless Haulage, 37 KW	2 Nos.	Rs. 0·90 ,,
10	H.C.L. (G) Khetri .	Spares for stage Hoist .		Rs. 0·009 ,,
11	N.C.D.C. (G)	Winder Spares		Rs. 0·07 ,,
12	N.M.D.C. (G)	Do.		Rs. 0·07 ,,
13	N.L.C. (G) . .	Gear Box .	9 Nos.	Rs. 1·55 ,,
14	B.H.E.L. (G)	Belt Conveyor . .	5 Nos.	Rs. 2·27 ,,
15	N.C.D.C. (Path) (G)	Belt Conveyor and Drive Head.	3+1	Rs. 4·79 ,,
16	P.C.D.C. .	Belt Conveyor	6 Nos.	Rs. 22·00 ,,
17	F.F.P. (C) .	Belt Conveyor	9 Nos.	Rs. 9·43 ,,
18	H.M.B.P. .	Belt Conveyor	7 Nos.	Rs. 8·75 ,,
19	B.H.E.L. (Thermal)	Belt Conveyor . .	3 Nos.	Rs. 3·10 ,,
20	H.M.B.P. . .	Guide Bracket (St. Cast)	316 Nos.	
21	H.S.L. (CWP) .	Inner Fittings of cone (Mn. St. Casting & Machining)	8 Nos.	Rs. 0·014 ,,

Sl. No.	Customer	Item	Qty.	Value	
					Lakhs
22	H.S.L.(CWP) .	. Magnetic separator Drum (Fab & M/c.ing)	2 Nos.	Rs. 0·10	,,
23	A.S.P.	. C.I. Guide Box (C.I. & St. Casting & M/c.ing)	260 Nos.	Rs. 0·41	,,
24	Do.	. Casting for Amco Furnace C.I.	136 Nos.	Rs. 0·05	,,
25	R.S.P. .	. Tooth Sproket (Cast steel machining)	1200 Nos.	Rs. 0·84	,,
26	H.S.L./F.P. .	. M.S. Pulley for 24" Belt Conveyor	8 Nos.	Rs. 0·06	,,
27	D.S.P.	. Flange Coupling (St. Cast M/c.ing)	102 sets	Rs. 0·94	,,
28	D.S.P. .	. Cutter for charging bar (forging)	100 ,,	Rs. 0·13	,,
29	D.S.P. .	. Runner for striper, chain (St. Cast & M/c.ing)	24 ,,	Rs. 0·33	,,
30	D.S.P.	. Half Coupling .	6 ,,	Rs. 0·08	,,
31	D.S.P. .	. Nozzle Plate (St. Cast) .	30 ,,	Rs. 0·46	,,
32	D.S.P. .	. Nozzle Trap (St. Cast. M/s.)	500 ,,	Rs. 3·03	,,
33	D.S.P. .	. Nozzle Trap Seat (do) .	20 ,,	Rs. 0·18	,,
34	D.S.P. .	. Gross Travel Wheel	20 ,,	Rs. 0·21	,,
35	D.S.P. .	. Elbow (Do.). .	18 ,,	Rs. 0·26	,,
36	D.S.P. .	. Cast, & M/c.ing Bracket for Clamp Plate	2 ,,	Rs. 0·04	,,
37	D.S.P. .	. Clutch Sliding Half, (Forg. & M/c.ing)	1 ,,	Rs. 0·02	,,
38	D.S.P. .	. Track Wheel (G.S. & M/C.)	1000 ,,	Rs. 1·00	,,
39	D.S.P. .	. Hammer for Hammer Mills, (Mn.St. Cast)	168 ,,	Rs. 0·07	,,
40	D.S.P. . .	. Template . . .	2 ,,	Rs. 0·08	,,
41	H.E.L.	. Magnet Frame (St. cast)	10 ,,	Rs. 0·67	,,
42	Jessop & Co. .	. Machining Frame (I.C.)	2 ,,		
43	K.E.W. .	. Shaft (Forg & M/c.) .	4 ,,	Rs. 0·27	,,
44	T.E.W.L. .	. Teeth Cutting of Gear .	5 ,,	Rs. 0·31	,,

Sl. No.	Customer	Item	Qty.		Value		
							Lakhs
45	F.C.I. (Nangal) .	Piston (For M/c.) .	12	Nos.	Rs.	0·10	,,
46	D.P.L. . . .	Gear Goupling for F.D. Fan (Cast & M/c.)	2	,,	Rs.	0·001	,,
47	N.L.C. . .	Forged Steel Blank (Forg)	8	,,	Rs.	0·05	,,
48	Keymer Bagshawe .	Shafts (Forg. & M/c.) .	4	,,	Rs.	0·20	,,
49	U.M.L. . .	Lower & Upper Grinding Ring (M/c. & Ht. treatment)			Rs.	0·55	,,

APPENDIX IC

(Para 5·17, page 100 of the Report)

Orders delayed for Delivery for more than Two years

Sl. No.	Customer	Item	Qty.	Value
1	P.P.C.L. (G) . .	Priction Props and Bars .	500 sets	Rs. 1·64 lakhs
2	N.C.D.C. (G) (Kar-gil)	Do. . . .	400 „	Rs. 2·00 „
3	Andrew Yule (P) .	Do. . . .	12 Nos.	Rs. 0·052 „
4	N.C.D.C. (G) Sudam-dih	Main Fan . .	2 Nos.	Rs. 29·42 „
5	N.C.D.C. (G) Sudam-dih	Battery Loco .	5 „	Rs. 10·00 „
6	N.C.D.C. (G), Suda, Chal, Sura	Sand Scraper Installation	5 „	Rs. 11·40 „
7	N.C.D.C., Suda & Sura	Pontoon Mounted Sand Dredger	5 „	Rs. 31·50 „
8	Singareni	Belt Conveyor	24 „	Rs. 50·40 „
9	H.M.B.P.	Bleak Drum (St. Casting)	36 „	
10	Do.	Bearing Body (Do.)	154 „	
11	Do.	Half Coupling (Do.)	36 „	
12	Do.	Half Coupling (Do.)	164 „	
13	Do.	Side Wall (Do.) . .	..	
14	Do. . .	Forging Spares Sprocket (Forging)	48	0·44/Ton
15	H.M.B.P. .	Forging spares inter Shast (Do.)	1	0·04/Ton
16	Do. .	Forging spares Foundation Bolts	4	0·117/Ton
17	B.S.P. . .	Hammer for Hammer Crasher (St. Cast & M/c)	2000	1·60
18	R.S.P. .	Base Plate & Chain Unit	90	
19	A.S.P. . . .	Ingot Mould . .	70	0·97

Sl. No.	Customer	Item	Qty.	Value		
20	D.S.P. . .	Second Motion Pinion, (Forge & M/c.)	30	Rs.	0·06	lakhs
21	C.S.T.C. .	Lay Shaft (m/c.) . .	300	Rs.	0·61	,,
22	H.E.L. . .	Axle Cap (St. Cast) .	24	Rs.	0·12	,,
23	N.N.C. . . .	Track Wheel (Cast & M/c.)	60	Rs.	0·99	,,
24	Jessop & Co. . .	Steel Casting . .		Rs.	1·84	,,
25	Do. . .	Road Roller (Steel) .	524	Rs.	1·53	,,
26	Meamco . .	Spur Pinion & 1 Bevel Pinion (Forg. & M/c)	9	Rs.	0·08	,,
27	Meamco .	Bevel Wheel & Splined Shaft (Forg. & M/c)	3			

APPENDIX II

Summary of observations|Recommendations of the Committee on Public Undertakings contained in the report

S. No.	Reference to para No. in the Report.	Summary of observations|Recommendations
1	2	3
1	2.18 to 2.21.	The Committee find that upto 31st March, 1969, Rs. 35.10 crores have been spent on this project. They regret that the project estimates have not been approved by the Ministry in spite of the fact that the Estimates Committee (1963-64) in their 51st Report had recommended that "the final estimates of various projects be immediately prepared and placed before the Parliament". In November, 1965, the Ministry in reply to the above recommendation of the Committee stated that "the capital costs of the Heavy Engineering Corporation's projects have been obtained and these are being examined. A decision is expected to be taken shortly." The Committee take a very serious note that the Ministry have shown a scant regard to an important recommendation of the Committee referred to above and have not implemented the categorical assurance given by them to the Committee on Public Undertakings. They would like to re-emphasise and reiterate what has been stated in the 51st Report that "the total commitments on such projects should be prepared as realistically as possible in the beginning and should be available to Government and Parliament before a project is approved.

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		The Committee regard it highly improper that Government proceeded with the setting up of a project of this dimension without a clear idea as to what the project would ultimately cost. It is unfair to the Parliament and to the country to make them commit to a project on piece-meal basis from year to year without giving a true and realistic picture of the final cost of the project. Government presents before the Parliament the expenditure already incurred on the Project as *fait accompli.* The final sanction and approval of the estimates or its revision is the responsibility of the Government on the basis of which the budgeting and incurring of expenditure should take place. The Committee feel that it is the Ministry that should blame itself for inefficient management and non-sanction of the project estimates for the last 10 years. The Committee feel that it is highly improper to incur expenditure in excess of the amount provided for under a particular head and to adjust the same according to convenience under another head. They also deplore the creation of a new head, *i.e.* "deferred revenue expenditure" which, they feel, is one of the back-door method of increasing the estimated expenditure.
2	3.5	The Committee regret that no definite schedules of construction and commissioning of the Project were drawn up. First, the general indication was that the Project would be commissioned by the end of 1964, and later the Russian Team indicated end of 1966 as the period for the completion of the main units of the Project. In August, 1969, there were 21 machine tools and components of the Project still to be completed and so to say the erection is still in progress. The completion of the erection has been delayed by nearly five years. The Committee deplore

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		the inordinate delay in the completion of the Project and regret that no heed was paid to the recommendations of the Estimates Committee contained in their 51st Report (1963-64) wherein they had stated, "It is essential for proper planning and execution that definite time schedules of construction and commissioning of Project are prepared as early as possible and adhered to." Even the Ministry did not show any concern in regard to the delay in the construction and commissioning of the Plant and have failed to analyse the causes for the same and fix responsibility for the various lapses committed by those who were incharge of the execution of work.
3	3.15 to 3.21	The Committee are unhappy that no provision was made in the agreement with the foreign collaborators, M/s. Prommashexport, to ensure timely and an agreed sequence of the supply of 23,363 tons of machinery and equipment which were to come from the Soviet Union. The main Contract No. 624/4, dated 30-7-62 has only on omnibus stipulation of delivery period as 1960—65. The Committee feel that the delivery of the various items and its sequence of shipment ought to have been explicitly and specifically provided to enable the Company to draw up an efficient and orderly sequence of its erection schedule and dovetail it with the indigenous supply and civil construction. In the absence of such a schedule of shipment from the collaborators it could not be possible to draw up an erection schedule of the project.
		The Ministry agreed for an extension of the delivery period to March, 1967, without carefully examining its financial repercussions on the cost of the Project and without even asking the collaborators to make good the loss on account of delay in the shipment according to

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		the original stipulation. Further, no demand on the foreign supplier was made when the equipments were not supplied even within the extended period of March, 1967. The Committee regret to note that the Project cost has gone up by Rs. 157.47 lakhs plus the escalation in the cost of indigenous materials as a result of delay in the supply of materials and equipment by collaborator. The delay in the supply of equipment and material also resulted in delay in the construction and commissioning of the Project.
		It has been stated that the delay in Commissioning of the project did not materially effect the production programme of the Corporation. It has, however, been pointed out by the Audit [Audit Report (Commercial), 1969, p. 23] that one of the reasons for the shortfall in production was "the delay in the erection and commissioning of machines (originally, all machine tools should have been erected and commissioned by July, 1966). As the foreign supplier failed to supply all the equipment in time, additional capacity which was expected to be established did uot materialise".
		The Committee feel that no serious effort has been made by the Management|Ministry to assess the actual loss suffered by MAMC as a result of delay in the construction and commissioning of the Project. The Committee are of the opinion that the question of extending the delivery schedule deserves to be enquired into by Government.
		The Committee feel that a penalty clause, which is a usual feature of an agreement of supplies, to ensure timely delivery, ought to have been provided in agreement of this nature. The Committee regret that "at no stage, the

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		question of incorporation of the penalty clause was considered by the Government" and put to the collaborators. Owing to the non-existence of the penalty clause in the agreement with the USSR the question of extra expenditure incurred on the project as a result of delay in the supply of equipment and materials could not be taken up with the suppliers. The Committee feel that the delay in the supply of vital equipment should not have been condoned so easily but should have been viewed seriously. The Committee recommend that the question of providing a penalty clause in all such agreements needs to be examined with a view to bind the supplier to an agreed schedule.
4	3.24, 3.25	The Committee are of the opinion that the agreement regarding the sequence of delivery of equipment and machinery should form a part and parcel of the contract regarding the supply of such machinery. In this case, the collaborators were informed about the sequence of supply of machinery and equipment orally at meetings held with them, which have no legal binding. The Committee regret that no Minutes of the meetings with the representatives of the supplier regarding the sequence of delivery of plant and machinery were kept. It is surprising that the vital communications relating to sequence of delivery of plant and equipment are not available. In their absence how the Corporation has been able to verify that a particular equipment has been received according to laid down schedule, is beyond anyone's comprehension. The Committee feel that the loss of such an important communications should be investigated by the Ministry followed by fixation of responsibility.

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5	3.29 to 3.32	The Committee are surprised to note that the agreement for the supply of equipment and material contained a clause according to which full amount of Rs. 10,33,24,977 had to be paid even if the actual net weight of the equipment and material fell short of the total net weight of 23,363 tons specified in the agreement. The Government was forced to make the full and final payment although about 8 per cent of the contracted quantity still remained to be supplied. The Committee have further noted that 42 items, mostly representing electrical and instrumentation accessories, are yet to be received. They regret that payment of Rs. 1.42 crores for the equipment and material was made by the Government to the collaborators in May, 1967, whereas the joint examination was undertaken in September, 1967. Government should have taken up the matter with the Soviet authorities much before the agreed date of payment particularly when they were aware of the basic flaw in the agreement. The Committee recommend that the circumstances in which such a clause was inserted in the agreement should be investigated so as to avoid such serious lapses in the future. The Committee regret to note that the matter has been allowed to linger for years and no settlement has been reached so far. They recommend that the matter should be finalised without any further delay.
6	3.34, 3.35	The Committee do not agree with the explanation of the Government that the desirability of weight tolerance clause was not felt as the contract was for the supply of plant and equipment as per specifications detailed in an

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		annexure to the contract. They feel that had the terms of the contract been clear there would not have been an occasion for the dispute regarding the shortage of equipment and material by the collaborators in terms of tonnage. The Committee recommend that the need for provision of such a clause should be brought to the notice of all public sector undertakings and administrative Ministries for future guidance.
		The Committee understand that the need for uniformity in contracts executed by the various project authorities has been felt for some time and the Ministry of Finance have been trying to frame a model contract for adoption by all concerned parties. They feel that such a model contract should be framed taking into account the lapses already noticed in different foreign contracts. The Committee feel that such model contract should also be examined and vetted by the Ministry of Law, which should have proper cell to examine and approve such contracts.
7	4.5, 4.6	The Committee regret to note that conflicting statements have been made in regard to the targets of coal production in the country during the Fourth Five Year Plan.
		At one place it has been stated that the capacity of the Project was revised from 30,000 tonnes to 45,000 tonnes on the basis of the coal targets having been fixed at 136 M. Tonnes during the Fourth Five Year Plan. Subsequently, however, it has been stated that the coal targets for the Fourth Five Year Plan were fixed at 200 M. Tonnes. In the absence of the actual data it is difficult to say how far the revision of the capacity was justified.

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		The Ministry, on the basis of the first estimates that is 60 M. Tonnes in 1960 and 100 M. Tonnes by 1965, got a Project Report prepared by the Team of Soviet experts and on that basis the annual requirements for the mining machinery were placed at 30,000 tonnes per annum. This feasibility report for the production of 30,000 tonnes per annum of mining machinery as given by the Soviet Team was accepted by the Government on the 14th December, 1957 and Government placed the final orders on the Soviet organisation to prepare the Detailed Project Report for a capacity of 30,000 tonnes. This Detailed Project Report was received by the Government on 23rd April, 1959 and the contract for the supply of machinery and equipment was signed on 12th March, 1960. In April, 1960 *i.e.*, just after about one month after signing the contract Government thought it wise to accept the revised targets for coal production of 136 M. Tonnes and 180 to 200 M. Tonnes for the Fourth and Fifth Five Year Plans. Accordingly, they signed a contract for the revised project report and working drawings for 45,000 tonnes capacity on 12th December, 1960. The contract for machinery and equipment for the 45,000 tonnes capacity was signed on the 30th July, 1962. Thus the previous project report and the contract signed on 12th March, 1960 became redundant and all efforts made on that became infructuous and as a consequence the whole project report and its implementation was delayed. The delay in the construction and commissioning of the Project also resulted in the increase in the cost of the Project. This was adversely commented upon by the Estimates Committee in their 51st Report (1963-64) wherein they have strongly criticised this revision of the contract at so late a stage.

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		The Committee regret to note that the Ministry failed to profit by the criticism and the advice of the Estimates Committee contained in their 51st Report. On the other hand they have justified their action and have not cared to examine the appropriateness of the revision of the capacity in the light of the recommendation of the Parliamentary Committee. It has now been proved that the assessment of Government that no delay would occur as a result of the revision has been proved wrong. The Committee strongly feel that if Government had implemented the recommendations of the Estimates Committee and reviewed the rated capacity of this project, it would have been rescued from meeting such a fate. The Committee regret that the Ministry failed to implement the repeated recommendations of the Parliamentary Financial Committees.
9	4.27 4.28	The rated capacity for this Project was related to the development of the coal capacities in the Fourth and Fifth Five Year Plans. The coal raising targets have unfortunately proved to be wrong and that is one of the primary reasons why this project has come to this sad plight. The Committee were told that one of the objectives for putting up MAMC was to manufacture mining equipment particularly for opening up new mines which was to take place under NCDC. Since the target of coal production was drastically revised, NCDC did not go in so extensively for opening up new mines and as a result the products manufactured by NAMC could not find a market. What surprises the Committee most is that the Ministry failed to take remedial measures the moment they came to know that the coal raising targets are not coming up to original estimation and would be much less than what

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		was anticipated in the beginning. The Committee feel that if the Ministry were alert they would have taken remedial measures in time to revise the rated capacity or take up diversification schemes much earlier than what they have done.
10	4.44 to 4.51	The Committee express their deep concern over the huge losses suffered by the Corporation as a result of gradually scaling down the built-up capacity and non-attainment of that capacity of production. The built-up rate was scaled down because of lack of demand of the coal mining equipment for which the plant was mainly set up and also because the 'specification of the requirement, according to the demands of the customers differed appreciably from those laid down in the Detailed Project Report.' The Committee note with great regret that the Ministry decided to go ahead with this project only on the basis of the feasibility and the Detailed Project Reports made by the foreign experts without having them examined by the Team of Indian experts. It was left to the foreign experts to suggest as to what would be the annual requirements for mining machinery for mechanisation and replacements of the existing machinery in use in the collieries by 1975-80. It has come to evidence that the mechanisation to the extent envisaged in the Soviet Team assessment would never come about. The replacement of the labour in the mining industry by highly mechanising the mines may not also be conducive from the employment angle. Therefore, it appears that the whole assessment of the annual requirement of the main mining machinery either at 30,000 tonnes or 45,000 tonnes has proved to be grossly erroneous.

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		It was only in the year 1968 that the working group for mining and drilling equipment, set up by the Ministry of Industrial Development and Company Affairs assessed that the requirement of mining equipment during the Fourth Plan period would be only 2820 tonnes. The Committee feel that this tragedy of over-assessing the requirement for coal mining machinery about 15 times the actual requirement could have been avoided if the Ministry had thought it wise to get the assessment made by the foreign experts checked up by an Indian Team.
		The Committee further deprecate that the Ministry were not even woken up in the year 1968 to do something drastic about this project after the findings of the Working Group were known.
		The Committee have further noted that most of the existing equipment in use in the coal mines is of the Western design and that they had not much experience of the use of the Soviet design equipments. Therefore, they were reluctant to use the new type of machinery that was planned to be produced in this Project. About 20 per cent capacity of the Plant was meant for the manufacture of a particular type of belt conveyors of the weight of 17.42 tonnes for which there was no demand in the country. Therefore, MAMC had to design new types of belt conveyors with different sizes and weight which are in use in this country. Because, these new types of conveyors were widely different from the specifications of the standard conveyors in the DPR. MAMC had to put in a lot of effort in the technical preparations before the required types of conveyor belts could be produced. Again the Company had to produce long-wall cum-short-wall coal cutting machines of U.K. design which were in actual use in this country but MAMC

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		was not equipped to produce the same. Thus on one hand coal industry was starved of these equipments|spares and on the other hand MAMC, which was meant primarily to meet the needs of the collieries, was not in a position to supply the required equipment and spares.
		As some of the machinery to be produced by this project can never be used for replacement purposes the Company is negotiating with the Western countries to produce equipment and spares required by the collieries in India.
		The Committee feel that what MAMC is doing now at this late stage, to get the designs of the manufacture of such equipments from the Western countries, ought to have been done well in time either in late 50,s or early 60,s. The committee, therefore, conclude that this project has come to this grief only because of lack of proper forethought and planning at the early stages.
11	4.59 4.60	The Committee note that on 9th August, 1961 Government entered into an agreement with International Bank of Construction and Development for a loan of Rs. 16.67 crores to meet the foreign exchange requirement for the import of machinery for the private sector coal industry. The private sector has imported machinery worth Rs. 14 crores against this credit. The Committee have also noted that the National Coal Development Corporation imported coal mining equipment from Poland for the development of their new mine at Sudamdih, the contract for which was signed on 7.5.1960. Further NCDC imported major portion of their equipment for their Washery Project as MAMC was not in a position to meet the delivery schedule.
		The Committee feel that if MAMC was put up in time and if forethought had been given on the type of machinery required, probably the foreign currency spent on imports would have

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		been saved and equipment required for the Mining Industry could have been manufactured in India.
12	4.77 to 4.82	As against the rated capacity of 45,000 tonnes, the actual production of the mining and the coal mining machinery and equipment in MAMC has been: 1600 tonnes in 1965-66 3000 tonnes in 1966-67 650 tonnes in 1967-68 and 340 tonnes in 1968-69. It is clear that MAMC is not producing the mining machinery and equipment for which this project was primarily established on an investment of Rs. 50 crores. Because of the slackening of demand of mining equipment, MAMC had to resort to diversification. The Committee regret to note that the Management proceeded with the diversification of production in the Plant without any blue-print. The future production programme has again been projected on the assumption that the Company would be successful in negotiating with the USSR for the export of wagons and also that its programme of manufacturing tractors will materialise about which Government have failed to take any concrete decision. The Committee feel that MAMC has so far failed to produce a comprehensive and convincing scheme for diversification of its production. The diversified items have been produced on the basis of an *ad hoc* scheme which was prepared by the MAMC technicians themselves. It is hard for the Committee to place any reliance or creditability for such diversification schemes prepared by the Company. The Com-

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mittee wanted to have the Report of diversification scheme for which a technical committee had been appointed. Although during evidence the Managing Director promised that the Report would be available in January, 1970, it has not been furnished to the Committee. Therefore, the Committee cannot place any reliance upon this diversification scheme. The Committee feel that Ministry should have appointed a well qualified team of consultants in order to make a correct assessment as to how best the idle capacity could be utilised in a commercial viable way. This ought to have been done at a very early stage when the Ministry came to know that the coal targets had been drastically revised and that the equipment and machinery for which the plant was designed were not having ready market.

Government have already put in nearly Rs. 50 crores and they are again going ahead with a diversification scheme without properly assessing and approving the estimates for the same. They have allowed the diversification scheme to proceed without knowing what investment will be required to implement it properly. The economics of such a scheme have not been worked out. In such a situation, the Committee are unable to endorse the views of Government for making any further investment.

It has been stated by the study team appointed by Government that in the present pattern of production the plant could admit diversification upto 30 percent only. Thus the remaining 70 per cent of the plant capacity will not admit any diversification. The Ministry have, therefore, to examine after proper technical study whether only 30 per cent of the plant which can admit diversification could bear the overheads for the entire plant and could make this plant a

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		commercially viable unit. This has to be examined because the demand of coal mining machinery and equipment is not more than 3000 tons during the 4th Five Year Plan. The other factor that must also be kept in view is that the diversification of production does not lead or cause any idle capacity somewhere else, either in the private or public sector. If it does, it will injure the national economy and create employment problems somewhere also. The Committee were informed that till 1972-73, there will be another loss of Rs.10 crores provided the production came up according to the anticipated scheme of things. The Committee are convinced that the way things are proceeding, MAMC will never be able to produce 25,000 tonnes at which point break even is expected to be achieved because the factors on which these assumptions have been made are quite unpredictable. The Committee, therefore, feel that the loss in the years to come may be much more than Rs. 10 crores upto 1972-73. It is difficult to forecast what could be the loss in the absence of any properly drawn up feasibility report and the lack of inbuilt flexibility for diversification in this Plant.
13	4.87	The Committee deplore the indecisive attitude of Government and the abnormal delay in coming to a final decision with regard to the manufacture of 20 HP Tractors. Diversification programme and the question of utilisation of idle capacity in two big Public Sector Undertakings—HMT and MAMC has been held up for a pretty long time. Both these Undertakings are anxiously awaiting the approval of Government with regard to the scheme of manufacturing of tractors but the Government have shown utter callousness and carelessness in dealing with this most urgent problem.

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14	4.92	The Committee regret to note that the Management has done nothing substantial to explore the possibilities of export despite the fact that enormous capacity of the Plant remains unutilised. The Government should have at least made efforts to export such coal mining equipment and machinery as were within the manufacturing capability of MAMC but which were not needed in the country owing to the slump in coal production. The Committee feel that there should not have been any slackening of effort in the direction of finding possibilities of exports to UAR, USSR and other countries.
15	5.13 to 5.15	The Committee are distressed to note the poor production performance of MAMC. The Company have not been able to do justice to the annual targets of production fixed by it on the basis of orders secured by the Company. The percentage of shortfall in production to the annual targets is as follows:— 1965-66—33.2% 1966-67—54.1% 1967-68—69.8% 1968-69—60.0% In the foregoing paragraphs the Company/Ministry have given detailed reasons for the shortfall in production and it is apparent that the primary factor which was responsible for the shortfall was that the management particularly the technical management was not equal to the task and owing to their failure alone the production had been so low. In their anxiety to load MAMC with substantial order the Ministry obtained a decision from the Cabinet that "other public sector Undertakings should be directed to obtain such of their requirements as were within the manufacturing capacity of MAMC from that Company

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		without calling for open tenders". This has resulted in abnormal delays in executing the programme of work of public undertakings which had placed orders on MAMC. To give work to MAMC without calling an open tender is also fraught with danger because in that way Government will be saddling other public undertakings to foot the bill of inefficiency and inexperience of MAMC which will amount to veiled subsidy of MAMC. The Committee feel that if a subsidy was to be given to MAMC it should have been a direct subsidy from the Government so that the Parliament would have known it and sanctioned such grants instead of encumbering other developing and efficient public undertakings.
16	5.32 to 5.34	The Committee are unhappy to note that the delay in execution of orders has acted as an inhibiting factor in getting fresh orders from customers. Production programme of some undertakings (e.g. NCDC, Bokaro, PPCL) was held up, due to delay in adhering to the delivery schedule by the Company. The Committee are convinced that MAMC had booked orders on a doubtful time schedule when it was fully conscious of the fact that most of the items did not conform to MAMC's production pattern. In a few cases the claims for compensation have been lodged against Company for its failure to execute the orders in time. A few orders had to be cancelled due to non-adherence of the original or even the revised schedules.
		The Committee are unhappy over the serious delay in the execution of orders particularly in view of the fact that only small percentage of the rated capacity of the Plant was utilised and production was undertaken on the basis of the orders secured by the company. For the delays in the execution of order the Company 'earned a bad name everywhere.'

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		It is all the more distressing to note that no remedial measures have been taken since 1965-66 although the previous Managing Director and the Commercial Manager have brought these facts to the notice of the Government. The Committee feel that MAMC could have secured far more orders to load it with work, if the management of this undertaking had been improved so that it could meet the promised delivery schedules. The Committee feel that no such improvement was brought about during the last five years nor there is any prospect that improvements would be effected in the near future.
17	5.41	The Committee are perturbed to find such a high percentage of rejections (in certain items rejection was 100 per cent). They regret that no norms for rejections have so far been laid down by the Undertaking nor Government took any interest to study this problem with a view to taking remedial action.
18	5.48 5.49	The Committee regret that MAMC signed an agreement with the Polish firm for the preparation of a DRP for the Sudamdih Washery without first obtaining from commitment from the NCDC and that it took the Management more than 1½ years to prefer claim against the former. The Committee feel that undertaking of work without firm orders was a serious lapse on the part of concerned officers. As a result of this lapse the company has suffered a loss of Rs. 3,78,563 for which now they have raised a claim against NCDC. The Committee find that the issue regarding this claim has not been settled so far. They feel that Government should intervene and settle the case without any further delay.

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19	5.58 5.59	The Committee feel that if Government/Company felt that the production norms laid down in the DPR were not susceptible for adoption to Indian conditions owing to their being framed by the foreign experts, the Government should have represented this fact to the experts in time. In the event of their inability to agree, the Government/Company should have made their own assessment. Owing to this negligence on the part of the Government an erroneous impression about the production norms has come to stay. The Committee also understand that abnormally low output by workers was due to 'lack of skills and experience in the labour force and inexperience at the supervisory level and their general inadequacy to lead the labour force.' The Committee are of the opinion that both these causes could be remedied had the Government taken due care at the appropriate time—a lapse for which they do not deserve to be excused.
20	5.68 5.69	It is seen that the Management paid Rs. 30,000 to M/s. Ibcons in 1965 for recommending an incentive scheme. But after receipt of their report it was felt by the Management that the introduction of such a scheme would not be helpful to improve the overall producticity of the Plant. Thus the money spent on the report became more or less infructuous. Thereafter the Management introduced in 1967 another interim incentive scheme without determining the minimum production level for the purpose of eligibility to bonus. According to the productivity analysis conducted by M/s. Ibcons, the productivity index was as low as 15 percent in one of the sections and never exceeded 22 percent in other sections of the shops. The Committee are of the opinion

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		that it was highly improper on the part of the management to link the payment of incentive to a low level of productivity achieved prior to introduction of incentive bonus scheme without defining the minimum output to be given by a worker. Having once introduced an *ad hoc* incentive scheme on the basis of a low level of productivity it is very difficult to introduce any incentive scheme setting higher norms of production. The Committee feel that the incentive scheme should have been based on a scientific detailed study.
21	6.12 6.13	The Committee regret to note that the cost of production of machinery and equipment manufactured by MAMC is more than their selling price. The three cases cited in the foregoing pages clearly demonstrate that throughout the past years the company did not observe any fixed pricing policy with the result that the company had to suffer a huge loss. The revision of the price later on does not give any credit to the Company for it creates a very bad impression in the minds of customers. The recovery of the excess amount also creates numerous complications. The Committee regret to note that because of the defective estimates the company has lost heavily both on account of quoting far below the cost of production and at times below the market price. It appears they are operating in a blind alley as they have no system of estimating. The Committee feel that the cases where the prices were quoted below the market price deserve thorough investigation in order to find out the deficiencies in the system of estimating and with a view to fix responsibility.
22	7.7	The Committee recommend that all the items of stores should be thoroughly verified in a year so that assessment of surplus stores could be made within a reasonable time. They regret to

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		note that the stocks of stores and spares are very high and these have been increasing year to year. The stock at the end of the years 1967-68 and 1968-69 represented 28 months' and 44 months consumption requirement which was abnormally high.
23	7.10 7.11	The Committee are unhappy to note that despite the recommendations of the Estimates Committee in 1963-64 no effort has been made by the Corporation to streamline its purchase and procurement procedures for the reduction of inventories. The Committee are compelled to observe that the management has not treated the recommendations of the Estimates Committee with the attention they deserve. The deficiencies pointed out by the Company's Auditors clearly indicate that inventory control has not received the due attention of the management. The Committee reiterate the recommendations of the Estimates Committee and stress that some set procedure should be laid down regarding procurement of material to prevent the inventory from exceeding its prescribed norms.
24	7.18	The Committee regret to note that before placing the orders for spares the management did not make any proper study of the actual requirement. Orders for electrical items and bearings were deleted as they were found to be either indigenously available or were not required. The Committee recommend that the Management should investigate the circumstances under which orders for the different items, which were not required, were placed. Responsibility should be fixed for not making a proper study of the actual requirements before placing the orders.
25	7.22	The Committee are surprised to note the unusual terms contained in item 26 of the minutes of discussion wherein it is stated that the collaborator can start the manufacture of spares and

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		equipment before signing the contract for their supply. As a consequence of which MAMC has been saddled with unwanted spares and stores valued at Rs. 14.43 lakhs. The Committee strongly urge that the implications for such an extraordinary provision be re-examined to avoid difficulties in future.
26	7.28 7.29	The Committee are sorry to note that the Management have laid the blame on the Ministry for taking undue time in granting the necessary import licence and the Ministry have in turn blamed the Management for the late submission of application for the licence. The delay in taking delivery has resulted in the wharfage charges amounting to Rs. 70,000. The Committee would like the cause of delay to be investigated and responsibility fixed. They also fail to understand as to why the question of recovering demurrage charges from the foreign supplier was not taken up, when the material was shipped by them in the absence of any agreement.
27	7.35	The Committee regret to note that the prototype of the OMKT Mechanised Coal Minning System worth Rs. 16,37,431.60 was ordered without assessing the actual demand of such machines in the country. Even when it had come to notice there was no demand, no step was taken to cancel the order. The Committee feel that the collaborators should have been approached for cancellation of the order the moment it was known that the machines were no longer needed even as a Prototype. This is an example how careless the company has been in dealing with public money entrusted to its care.
28	7.38	The Committee feel that before importing any prototypes it should have been ensured that such machines were suitable for the industry in

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		this country and that there was sufficient demand for the same. In this case Coal Cutters and Loaders were purchased as prototypes for Rs. 5.32 lakhs for which there was no demand in the country. The Committee recommend that such a serious lapse should be enquired into and responsibility fixed.
29	7.42	The Committee regret that the Coal Cutter Machine having been purchased in 1965, the question of import of gate-end-boxes for the machines was taken up with the DGTD in April, 1969 i.e. after a lapse of 4 years. The Committee fail to appreciate the reasons put forward by the management for such an abnormal delay. It should not have taken 4 years for the management to know whether or not such gate-end boxes could be manufactured in India. The Committee feel that it is a fit case for investigation and fixation of responsibility.
30	7.51	This is another case where orders worth Rs. 17 lakhs were placed without assessing the requirement and this amount has become a dead loss. The Committee are surprised that the coal plough imported was suitable for operation on 660 volts supply although it is well known that collieries in India either use 500/550 or 400/440 volt supply. This is another example of negligent way of placing orders.
31	7.56 7.57	The Committee are disappointed to find that during the financial year 1968-69 the total stores declared surplus amounted to Rs. 55 lakhs out of which stores worth Rs. 35.37 lakhs were disposed of, in the process of which a net loss of Rs. 1.29 lakhs was suffered. Further as on 31.3.69 surplus stores worth Rs. 20 lakhs-Rs. 6 lakhs of construction stores and Rs. 14 lakhs of raw material and spares, were lying with the Company As pointed out by the Company auditors the disposal of Surplus Stores was not done timely and

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		required improvement. The Committee recommend that immediate review of surplus stores should be carried out followed oy periodical reviews and the surplus stock should be disposed off. The Committee regret to note that the Company have incurred huge losses in the disposal of surplus stores. They are rather intrigued to find that even materials like G.I. pipe which are in short suply in the country have been disposed of at a loss of Rs. 1.16 lakhs.
32	7.61	The Committee feel that as soon as such gross irregularities came to the notice of the management, departmental enquiry should have been instituted and suitable action taken against corrupt officials. The Committee recommend that responsibility should be fixed in the above two cases without any further delay.*
33	7.66	The Committee regret that the manufacture of certain items was taken up without simultaneously making arrangement for the procurement of components required for the completion of those items . They hope immediate efforts would be made to clear the accumulated semi-finished products.

*At the time of factual verification, the Ministry gave the following information:—

"The Company has intimated that it checked up with the Central Bureau of Investigation and was informed that the departmental enquiries could be started after the C.B.I. had completed its own preliminary enquiries."

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34	7.70 7.71	The Committee have noted with great concern that between 1965-66 and 1968-69 there were 138 cases of theft which were reported to the police involving theft of the value of Rs. 2,78,761. Against this loss, property worth Rs. 71,955 was recovered and the loss of Rs. 1,49,119 had to be written off. Those were the cases which were reported to the Police. The Committee are afraid that there may be more cases of theft which have not been detected. The Committee regret to note that there had been so many cases of theft in the Corporation. That shows that the Company had not ensured proper security measure to safeguard its property. There were only 12 cases where departmental enquiries were held in which employees were involved. The Committee feel that in all the cases of theft there ought to have been departmental investigations/and stern action should have been taken against those who were found guilty and who were held responsible for dereliction of duty.
35	8.6 8.7	The Committee find that the proposal regarding the organisation of the capital structure of NAMC is pending with Government since its inception. The reasons advanced for delay in the reorganisation of the capital structure are far from convincing and cast a sad reflection on the manner in which important financial matters are being dealt with by the Ministry. The Committee consider that the debts of the Company are on the high side. Normally the total debts should not exceed the amonut of paid up capital. While expressing deep disappointment at the attitude of the Ministry, the Committee urge that Government should examine the financial matters and finalise the capital structure without any further loss of time.

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36	8.11 to 8.13	The Committee are deeply concerned at the huge loss suffered by the Corporation since its birth. Upto the end of 168-69 the Company has suffered losses amounting to Rs. 20.16 crores against its paid up capital of Rs. 19.6 crores. It will be noted that the loss suffered completely wipes out the paid up capital. It has been stated by the Secretary of the Ministry that the Company would continue to incur losses in the near future.
		According to him the loss would be Rs. 30 crores by 1972-73 and the break even point would only be reached if the Company produced about 25,000 tons of machinery and equipment worth Rs. 16 crores per year. This is expected to be attained by the year 1973-74 provided all the presumptions made turn out to be reliable and true. The Committee have serious doubts about achieving the target of production of 25,000 tons by 1973-74. They feel that the operational losses might be much more than what has been stipulated.
		The Committee have examined "Notes on Important Projects and Schemes" included in the Demands for Grants of the Ministry since the year 1966-67 and have noticed that the Government justified the huge losses incurred by the Corporation in the following words:—
		"The types of losses suffered by the Company are not unusual during the initial stages in capital intensive heavy engineering projects of specialised nature, as it takes some years before batch production of sophisticated machinery items can be started."
		The Committee is of the opinion that it is better for the Government to give a true and correct picture of the affairs of a project to the Parliament.

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37	8.20	The Committee regret that the Corporation did not have any manual for internal audit and the accounting manual. There also did not exist proper Budgetory Control.
38	8.25 to 8.27	The Committee have noted with regret that the Corporation incurred a loss of revenue amounting to Rs. 189 lakhs in the years 1966-67 and 1967-68 on account of their failure to invest their surplus funds in short term deposits with a Bank. It is seen that confiicting statements have been made by the Management with regard to ascertaining the ways and means position of the Corporation. The data given in the Audit Report (Commercial), 1969 clearly indicates that the Company was having surplus funds for months together. It has now been admitted by the Management that inadequate attempts were made in the past to ascertain the position of expected supply of funds which could have been invested even for a short period. The Committee feel that no surplus funds should be kept uninvested. They would like the Company to investigate as to why the funds had not been invested and fix the responsibility for the loss suffered on that account.
39	9.10	The Committee fail to appreciate the circumstances under which the present Managing Director of MAMC was appointed. He had earlier resigned from the NCDC on personal grounds, when certain charges against him had been made and investigated. They feel that appointment to a top post like this should be viewed from various angles. The person appointed to such a post, should not only possess technical and managerial skill but should also be above board so far his integrity and public dealings are concerned.

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		The Committee feel that no surplus funds should be kept uninvested. They would like the Company to investigate as to why the funds had not been invested and fix the responsibility for the loss suffered on that account.
40	9.16 9.17	The Committee have noted with great concern that MAMC have given employment indiscriminately. They have employed persons in some categories far in excess than what is prescribed in the Detailed Project Report for a production of 45,000 tons per year, although the capacity utilised is only 9 per cent of the rated capacity. The former Managing Director in a note to the Ministry dated the 25th March, 1967 has commented regarding the employment of staff and workers as follows:— "(i) A lot of officers had been taken in but many were either immature or inexperienced in factory production methods and they were not pulling their weight. (ii) Far too many people have been recruited and not at all commensurate with the activity. Many people were virtually sitting idle. This had resulted in low productivity, labour trouble and lowering morale generally." The Committee regret to note that although the position was known to the Corporation and the Government as early as 25.3.1967 no remedial measures were taken to ractify the situation and bring down the staff strength to the required level which according to the Managing Director would have improved efficiency. The excess staff employed has not only meant payment of excessive wages and salaries but, to quote the words of the former Managing Director "had resulted

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		in low productivity, labour trouble and lowering morale generally."
41	9.20	The Committee have noted with regret that the voluntary retirement scheme introduced by the Corporation was not only ill-conceived but was given effect to in a manner which has proved detrimental to the interest of the company instead of proving to be beneficial. The Committee feel that first the Corporation ought to have determined and identified the surplus staff in each category and then alone such a voluntary retirement scheme ought to have been introduced.
42	9.22	The Committee find that qualified engineers have been placed in situations where knowledge acquired by them in training is not being properly utilised. The Committee feel that the Management should have made a systematic survey and efforts should have been made to place the right man in the right place.
43	9.27	The Committee note that the management have taken steps to solve the basic problem of labour relations. The production in the Plant cannot improve unless labour do not feel their active participation and put their zeal in the work. The Committee recommend that the management should set up a permanent body to keep a ocnstant watch on the labour relations in the company.
44	10.13 10.14	The Committee observe that the Company incurred an avoidable expenditure of Rs. 1.39 lakhs on the purchase of 2099 water meters. Out of these only 636 meters were installed at a cost of Rs. 60,402 and out of these 636 meters already installed 186 meters have been removed at a cost of Rs. 2900. The Management has yet to remove the remaining 450 meters. Because of the aban-

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		donment of the scheme all the 2099 meters are yet to be disposed of. The Committee desire that the case regarding the purchase of meters should be investigated in order to find out the circumstances in which meters were purchased without making a detailed study about their utility. Efforts should be made to dispose of the meters without any further delay.
45	11.12 11.13	The overall picture that emerges out of the study of the project is highly depressing and it presents a very sad commentary on the entire way in our planning and the way the projects are being put up and executed. The entire organisation of the project is in a bad shape. Upto 31st March, 1969 the Company suffered a loss of Rs. 20.16 crores, against itse equity investment of Rs. 19 crores and Rs. 30 crores of loan, totalling an overall investment of Rs. 49 crores. In reply to a question in the Lok Sabha on the 10th March, 1970 the Minister of Steel and Heavy Engineering revealed that MAMC is losing Rs. 2.20 lakhs every day. The Committee are convinced that the huge losses by the Corporation are due to faulty and unrealistic planning, mismanagement and lack of proper execution of production programme and the absence of even the minimum interest of the Government in the working of this undertaking. During evidence the Government could not convince the Committee that in the coming years the Corporation will be able to show any hopeful results. There was no blueprint which could carry convinction with the Committee that MAMC will be able to become a commercial viable unit. The assumption that upto the year 1972-73 the Corporation will incur a total loss of Rs. 30 crores and that it will reach the break-even stage by 1973-74 is totally undependable as it is not based on any scientific

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	study. The Committee feel that the losses are expected to be much more. In view of above Committee have come to the conclusion that it would be wise if this undertaking is wound up to avoid further drain on the public exchequer. The Company has already exhausted the paid up capital and is in the process of consuming the loans and credits taken by it.

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