

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1973-74)**

**(FIFTH LOK SABHA)**

**FORTY-FOURTH REPORT**

**Action taken by Government on the Recommendations  
contained in the Eighteenth Report of the Committee  
on Public Undertakings (Fifth Lok Sabha)**

**HEAVY ENGINEERING CORPORATION  
LIMITED**

**( Ministry of Heavy Industry )**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*December, 1973/Agrahayana, 1895 (S)*

*Price Rs. 2.95*

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to

Forty-fourth Report of the Committee on Public Undertakings on Action Taken by Government on the Recommendations contained in the Eighteenth Report of C.P.U. (Fifth Lok Sabha) on Heavy Engineering Corporation Limited.

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**COMMITTEE OF PUBLIC UNDERTAKINGS  
(1973-74)**

**CHAIRMAN**

**Shrimati Subhadra Joshi**

**MEMBERS**

2. Shri Dinen Bhattacharya
3. Shri T. H. Gavit
4. Shri K. Gopal
5. Shri J. Matha Gowder
6. Dr. Mahipatray Mehta
7. Dr. Sankta Prasad
- \*8. Shri Nawal Kishore Sharma
9. Shri Ramavatar Shastri
10. Shri R. P. Yadav
11. Shri M. S. Abdul Khader
12. Shri Lal K. Advani
13. Shri U. N. Mahida
14. Shrimati Purabi Mukhopadhyay
15. Shri Suraj Prasad

**SECRETARIAT**

Shri M. A. Soundararajar—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

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\*Appointed to Act as Chairman from 16-5-73 to 11-7-73 during the absence abroad Shrimati Subhadra Joshi.

COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN  
REPORTS AND GENERAL MATTERS.

1. Shrimati Subhadra Joshi—*Chairman*
2. Shri Nawal Kishore Sharma—*Alternate Convener*
3. Shrimati Purabi Mukhopadhyay
4. Dr. Mahipatray Metha
5. Shri Lal K. Advani
6. Shri U. N. Mahida

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Forty-Fourth Report on the Action Taken by Government on the recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Heavy Engineering Corporation Ltd.

2. The Eighteenth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Heavy Engineering Corporation Ltd. was presented to Lok Sabha on the 27th April, 1972. The replies of Government to all the 58 recommendations contained in the Report were received by the 6th March, 1973.

3. Further information in respect of recommendations at Serial Nos. 2, 5, 6, 12, 18, 23, 24, 25, 27, 41, 42, 46, 47, 48 and 54 was called for on the 29th December, 1972. The requisite information was received by the 5th July, 1973.

4. The replies of Government to the recommendations contained in the aforesaid report were considered by the Committee on Public Undertakings (1973-74) at their sitting held on the 31st July, 1973. The Committee desired that further information may be called for in respect of recommendation at Serial No. 48. The desired information was furnished by Government by the 12th September, 1973.

5. The replies of Government were again considered by the Committee on Public Undertakings (1973-74) on the 20th November, 1973 and the Chairman was authorised to finalise the report on the basis of the decisions of the Committee.

6. The Report has been divided into the following four chapters:

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of the Government replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

7. An analysis of the action taken by Government on the recommendations contained in the Eighteenth Report of the Committee is given in Appendix XII. It would be observed, therefrom that out of the total number of recommendations made in the Report 55 per cent have been accepted by Government. The Committee do not desire to pursue 38 per cent of the recommendations in view of Government's replies. Replies of Government in respect of 7 per cent recommendations have not been accepted by the Committee.

NEW DELHI;  
December 19, 1973.  

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Agrahayana 28, 1895 (S).

SUBHADRA JOSHI,  
Chairman,  
Committee on Public Undertakings

## **CHAPTER I**

### **REPORT**

#### **A. Agreement for Supply of Plant and Equipment Foundry Forge Plant**

##### **Recommendation (Serial No. 2)**

In paragraphs 3.8 and 3.9 of their Eighteenth Report (Fifth Lok Sabha), the Committee on Public Undertakings (1971-72) had noted that spares worth more than two crores of Rupees were received much before the receipt of plant and equipment for which the spares were required. The spares rusted in the stores till the plant and equipment arrived. The capital remained blocked. The loss of interest had not been calculated. In their explanation for the loss, the Corporation merely stated "presumably it was considered that the spares would be supplied along with the equipment." In the opinion of the Committee, the huge loss suffered by the Corporation was due to utter lack of coordination.

The Committee, therefore, recommend that the Ministry should re-examine the whole matter and fix responsibility for this serious lapse.

In their reply the Ministry have stated that the case was re-examined by an Enquiry Committee comprising GM/FFB, Chief Engineer (HQrs.) and Additional Controller of Finance and Accounts (HQrs.) set up by the HEC. The Enquiry Committee after careful consideration of the entire case has come to the following conclusions:

"On scrutiny of the available records and other papers the following facts are reasonably established:

- (i) There are indications that HEC took some definite steps for the deferment of supply of equipment and spares.
- (ii) The equipment worth about Rs. 3.5 crores ordered for the first stage of FFP was received one year after the due date but before the request for deferment was made.
- (iii) Some of the deliveries of spares were in fact made later than the original dates of delivery thereby resulting in deferment of supplies.
- (iv) As spares were not received earlier than the equipment there was no loss of interest on the value of spares received.

- (v) Spares worth about Rs. 2 crores were not received earlier than the equipment as has been indicated in the 18th Report of C.P.U.

The time lag between the receipt of the equipment and the actual start of erection was about 21 months and this time lag does not appear to be due to lack of coordination.

Since all the senior officers who have dealt with the case have since left the Corporation, it is not possible at this stage to fix up responsibility".

The Committee are surprised as to how the Enquiry Committee have come to the conclusion that the spares worth about Rs. 2 crores were not received earlier than the equipment when the Chairman, HEC himself had endorsed the facts in this regard as stated in Paragraphs 3.1 to 3.7 of the Report. The contention that the responsibility for the lapse cannot be fixed because senior officers who dealt with the case have left the corporation is totally unacceptable.

The Committee, therefore, reiterate their earlier recommendation and urge that the matter should be re-examined.

#### **B. Manufacture of Derrick Mast**

##### **Recommendation (Serial No. 23)**

The Committee expressed their regret that the Corporation proceeded with the manufacture of 100 Ton Derrick Mast without proper examination of its necessity. The Derrick Mast which was completed at a cost of Rs. 1.17 lakhs was not sold to the Rourkela Steel Plant on the plea that it would be utilised in the plant itself. But actually the Mast was not utilised and lent on hire to Rourkela Steel Plant without settling the terms and conditions therefor. Failure to supply the detailed drawings alongwith the Derrick Mast and to settle the terms of hire initially resulted in short recovery of hire charges to the extent of Rs. 57,513. The Derrick Mast had been lying in dismantled condition alongwith accessories in stores since 3-9-1966. The Committee deprecated that no efforts had been made to utilise the Derrick Mast which was manufactured at a considerable cost. The Committee recommended that the case regarding unwanted manufacture of Derrick Mast should be investigated. The Management should take appropriate steps so that such lapses do not recur.

In their reply, Government have stated that "The events leading to the manufacture of the Derrick Mast have been investigated by

the Heavy Engineering Corporation and it has been found that the then Dy. C.E.(Mech.) (who is no longer in the service of the Corporation took up the manufacture with the best of intention to expedite the erection of the COT cranes in HMBP, when the Corporation did not have any crawler crane. It appears he wanted to avoid any possible delay in the erection of the machines in HMBP for want of suitable equipment. He took action to manufacture the Derrick Mast after consulting the Soviet Experts.

It has been added that "there was lack of coordination regarding the supply of detailed drawings alongwith the Derrick Mast to Rourkela Steel Plant. It is however felt that if the Derrick Mast had been given to Rourkela Steel Plant on hire, only after settling the Terms and conditions of hire, it would have taken considerable time and the Derrick would have remained unutilised with the HEC for a longer time.

HEC has circulated particulars of the Derrick Mast to almost all the public sector undertakings with a view to expediting its disposal. No response has been received by the HEC so far."

The Committee feel that the reasons given by the Government for the manufacture of the Derrick Mast in HEC are not convincing. It would have been better had the manufacture of Derrick Mast not been undertaken before getting a proper and a definite order or exploring the definite possibilities of its use in the shops. This has put HEC to unnecessary loss. The Committee need hardly stress that such lapses should be avoided in future. The Committee also urge that more serious efforts should be made to dispose off the Derrick Mast without further delay.

### C. Rejections

#### Recommendation (Serial No. 30)

The Committee on Public Undertakings (1972-73) noted that the Detailed Project Report had prescribed norms of rejection for shaped castings, ingot moulds, G. I. rolls and on the basis of these norms, it has been worked out that the excess rejections for the year 1964-65 to 1968-69 amounted to Rs. 22.44 lakhs. In view of the heavy amounts involved in these rejections, the Committee stressed the need for taking remedial measures to see that the percentage of rejections



was immediately brought down within the norms envisaged in the Detailed Project and in fact it should be possible to further reduce the incidence of these rejections by improving quality of materials and production and by imparting training to workers and supervisors at all levels.

The Committee noted that the Detailed Project Report did not lay down the percentage of rejections for several other categories of manufacture which are now being undertaken in the Corporation. The Committee desired the Corporation to lay down strict norms for these rejections so that it is possible to evaluate the performance and take necessary remedial measures to reduce losses on account of rejections.

The Committee found that the Corporation were not maintaining record of the cost of salvaging repairable rejections, as proper time booking system had not been enforced. The Committee recommended that proper record of the cost of salvaging repairable rejections should be maintained and analysed contemporaneously in the interest of taking timely remedial measures.

In their reply the Ministry have stated as follows:—

"The detailed Project Report for the Foundry Forge Project prepared by M/s. Technoexpert of Czechoslovakia had prescribed norms of rejections for shaped grey iron casting, ingot moulds and G. I. rolls on the basis of long experience in Czechoslovakia and also on the assumption of a certain product mix. The levels of rejections indicated in the Detailed Project Report show that the control of foundry processes in India conditions of work to close scientific and qualitative limits is difficult. Had this not been so, there would have been a certainty in operation of the statistical level of sigma 3 i.e. 99.5 per cent. Even the attainment of the lower level of certainty (of the order of sigma 2) demands technological discipline of a high order. Such discipline can only be bred into an organisation on the basis of an overall industrial culture and climate. Efforts are however being made by HEC to bring discipline and order into all levels of work.

The Detailed Project Report did not lay down the percentage of rejections for several other items. Tentative targets of rejection

percentages for various products fixed in November, 1971, and the current level of rejections are given below:

	Target rejection	Current level of rejection (1971-72)
G. I. Castings . . . . .	10%	16%
Ingot Moulds . . . . .	5%	4%
G. I. Rolls . . . . .	20%	27%
Steel Castings . . . . .	5%	5%
Steel Rolls . . . . .	10%	15%
Forgings . . . . .	9%	6%

An Incentive Scheme has been introduced in certain Sections in each plant. The scheme is proposed to be extended, in a phased manner, to cover all the sections.

Simultaneously, action is being taken by HEC to issue separate job cards for rectification works on the basis of which the cost of salvaging repairable rejections will be available. This will put effectively into practice the provisions of the earlier circular of 30th August, 1969 (mentioned in para 6.278 of the Report) relating to separate bookings for rectifiable rejections."

**The Committee note that the Management have fixed tentative targets of rejection percentages for various items. They, however, find in certain cases the current level of rejections (1971-72) is on the high side as compared to the targets then fixed. The Committee, therefore recommend that attempts should be made to bring down the percentage of rejections and ensure that they are within the targets.**

#### **D. Defective and III Planned Purchases**

##### **Recommendation (Serial No. 48)**

The Committee on Public Undertakings (1971-72) found that in 1964 the Corporation purchased 12,614.25 Kgs. of continuous wire electrodes valued at Rs. 32,712 from a Bombay firm. The payment was made on the basis of an inspection certificate issued by DGS&D. DGS&D carried out only sample test although they were required to test all the electrodes. In July, 1965 the electrodes were found to be

unsuitable. Further tests were carried out after about one and half years. A repeat order was placed by the Foundry Forge Plant in June, 1964 on the same firm for a quantity of 12006.25 Kgs. Payment for quantity of 1157.8 Kgs. was made without the receipt of inspection certificate from the inspection authority and payment for 6895.5 Kgs. was released on the basis of an inspection certificate without proper tests. No certificate receipt voucher was obtained from the stores department before making the payment. The Committee expressed their regret that due to lack of coordination between the two plants of the Corporation and due to the issue of inspection certificates without proper tests and payment without inspection had resulted in the purchase of electrodes of substandard quality. Even after about 7 to 8 years of the purchase of the defective material the Corporation had not been able to start any investigation in order to find out flaws in procedure and for fixing responsibility.

The Committee felt that the whole matter smacked of serious irregularities in the purchase procedure. They also deprecated that the matter had been allowed to linger on for years without fixing responsibility for such gross lapses. The Committee recommended that the Corporation should pin point irregularities in the transactions, fix responsibility and take remedial measures to obviate recurrence.

The Committee were greatly distressed to find that such a large number of cases of defective and ill-planned purchases should have occurred resulting in loss of several lakhs of rupees to the Corporation. Apart from the loss, the Committee were greatly exercised about the procurement and purchase procedure in the Corporation which had made possible such gross irregularities. The Committee, therefore stressed that this and all other cases of irregularities in stores should be closely analysed with a view to identify the shortcomings and deficiencies in the procedure and to rectify the same without delay.

In their reply dated the 2nd July, 1973, the Ministry have stated as follows:—

“The case has been examined by an Enquiry Committee comprising Chief Commercial Manager, Materials Manager and Controller of Finance & Accounts, Heavy Machine Building Plant set up by HEC. After a thorough enquiry the Committee have drawn the following conclusions regarding the purchase of 12614.25 Kgs. of continuous Wire electrodes at a cost of Rs. 32,712/-.

The present Enquiry Committee had to carry out investigation in this case under a major handicap, namely that the original files dealing with this transaction were not made available to them. The Committee had, therefore, to piece together the salient facts by remmaging through part files and shadow files obtained from different sources. The Enquiry Committee did not have also the benefit of obtaining oral evidence from the principal witnesses in this case viz. the then Project Officer, the then Superintending Engineer (Mech.) Production, the then Superintending Welding and the then Controller of Stores and Purchase as all these officers have left the Corporation. Nevertheless based on the records available the Enquiry Committee have come to the following conclusions:

- (i) Admitting, that the question of purchase of welding wires relates to the period 1963-64, when HMBP was still in the construction stage and the welding Department and other Departments like the Purchase Department were in the initial stage of formation and procedures were not clearly established as observed by the then General Manager/HMBP, yet one important aspect of the matter which cannot be glossed over is that the original specifications contained in the indent and even later clarifications furnished regarding specifications for the Electrode wires were most incomplete and lacking. The only indication given in these indents was that the welding wires should be able to give a sound welded joint for mild steel structurals and the I. S. I. specifications quoted was for steel and not for welding wires. As also pointed out in earlier enquiry reports of Shri M. M. Bhatnagar, the then Deputy Commercial Manager, dated 15-2-68 and Shri K. P. Tandan, the then Deputy Chief Engineer (B&M)/FFP, dated 6-12-68 both the indentors viz. the then Superintending (Mech.) Production and the then Project Officer, HMBP failed to clearly specify in their indents the precise physical properties and chemical composition of the welding wires acceptable. Even when the suppliers asked for clarifications whether the carbon percentage should be 0.10 per cent or higher carbon of 51 per cent contents 20 to 28 per cent, 27 to 32 per cent would meet HMBP's requirements, the then Project Officer gave his comments specifying the carbon content as 0.12 per cent which "must necessarily

yield results as stipulated in the specification schedule." This was the only mentioned regarding chemical composition. Apparently, even subsequently, the chemical composition was not given as much significance as physical properties of ultimate Tensile strength, the Yield stress, Elongation and Izod value etc., which was intimated to the supplier by the then COSP/HMBP. This query should have convinced both the indenter as well as HMBP purchase that, at least to this particular supplier, the specifications, given in this order were unintelligible and/or incomplete.

- (i) Further, from the facts of the case enumerated earlier, it is also evident that the indents were faulty and were not based on proper study/assessment of the requirements. This is obvious from the opinion expressed by the then Project Officer namely that "Sizes indented for by the then Superintending Engineer (Mech.) Production viz. 3/32" and 3/64" would be little used for fabrication of HMTP structurals" and hence the necessity of placement of another indent by the then Project Officer. It is also note-worthy that the then Project Officer, who had earlier stressed the urgency of the supply of these welding wires subsequently lost the sence of this urgency, when once the welding wires started arriving. His indent placed on 17-7-63 demanded the supply of the materials by 21-8-63 i.e. within 1 month and 4 days of the placement of the indent. The urgency displayed by the then Project Officer is inexoliable particularly in view of the fact that the automatic welding machine was taken over by maintenance on 22/23rd September, 1964 while the indent for the welding wires was placed on 17-7-63. Surely, the then Project Officer must have known in July, 1963 that the machine would not be ready for operation for a long time to come. Further, had the indentors required the material so urgently i.e. after 2 months and 18 days of the then Superintending Engineer (Mech.) Production's indent within 1 month and 4 days of placement of the then Project Officer's indent, they should have taken action to ensure that the inspection and testing was properly and promptly done on receipt of the material and the material issued for consumptions soon thereafter. This was not done. On the contrary it was the purchase Department which repeatedly pressed the indenter, the then Project Officer and subsequently

the Superintendent Mechanical and the Superintendent Welding for getting the material tested and to furnish test report about the quality. It follows from the above that the assessment of requirements was not realistic, untimely and not properly scheduled to meet the production requirements.

- (iii) For the deficiencies mentioned in paras (i) and (ii) above the Enquiry Committee holds the two indentors viz. the then Suprintending Engineering (Mech.) Production and the then Project Officer responsible. However, as both the individuals are no longer in the service of the Corporation no action can be taken against them.
- (iv) The Tender Committee comprising the then Project Officer, the then Controller of Stores and Purchase, the then Accounts Officer and the then Assistant Purchase Officer/HMBP, which met on 14-2-63 to consider the various offers received for the supply of the materials, lacked in technical expertise for deciding the case in as much as it did not include any representative of the Welding Department. As a result, the lowest quotation of this particular supplier was accepted without establishing the fact whether this was a technically suitable offer. Further, the party selected was a practically unknown firm in the welding field. The Tender Committee do not appear to have verified whether this particular supplier was himself manufacturer or was simply stockist and ignored the offers from firms like Messrs. Indian Oxygen Ltd., who are reputable and well known in the welding field. For these lapses, the main responsibility, devolves on the then Controller of Stores and Purchase who, as convener of the Tender Committee should have taken care to cover these important aspects. However, since he has left the Corporation and retired from service, no action can be taken against him.
- (v) To add to the confusion, a study of the supply order shows that the then concerned Assistant Purchase Officer failed to incorporate in the supply order even the meagre specifications viz. the physical properties that the weld metal should have, as specified by the indenter, the then Project Officer, regarding Ultimate Tensile Strength, Yield stress, Elongation and Izod value etc. required. However, the explanation of the concerned officer has already been obtained. The competent authority has

decided that this was a minor technical omission and has exonerated him.

- (vi) After the placement of supply order on the particular supplier, and once the supplies started coming in, the most crucial event which proved decisive in the acceptance of sub-standard materials from the suppliers was the first test report dated 4.11.1964 from the then Superintendent. Welding Department/HMBP which confirmed the suitability of the Welding wires supplied for use in the Steel Structural Shop of HMBP. It was on the basis of this test report, that the then Controller of Stores and Purchase/HMBP instructed the then Assistant Purchase Officer to ask Inspection to issue Inspection Note and Stores the Certificate receipt voucher, and accordingly the then Assistant Purchase Officer wrote to the then Inspecting Officer that the wires supplied by the firm may be accepted and the inspection note issued at an early date, so that the Stores Officer may raise CRVs with a copy endorsed to the then Stores Officer/HMBP. General Stores to raise the CRVs as soon as the Inspection Note was received and send the same along with the bills received from the supplier to the Accounts Officer, Stores Bills for payment action. Subsequently, in less than four months, the events started taking a different turn. Serious Complaints started coming in from A/B Bay (Steel Structural Shop II) stating that there were weld cracks in automatic welding. The then weld crack-ing due to the wires and fluxes in a meeting held in the then Chairman's Chamber on 14-5-65, wherein the Chairman orally asked the then Superintendent Welding to investigate into the matter. It was on this basis, that after testing more samples drawn at random from the wires supplied by the suppliers, that he sent a second test report on 16-7-65 to the effect that the wires belonging to this particular supplier, were not acceptable. While fully appreciating, the circumstances justifying the second test report dated 16-7-65 the then Superintendent Welding, rejecting welding wires supplied by this particular suppliers as unacceptable, still the fact remains that it was on the basis of his first test report dated 4-11-64 which unequivocally and without any reservations, whatsoever, approved suitability of welding wires for use in the steel structural shop/HMBP, that led to a succession of quick events which eventually

enabled the supplier to lift the payment. However, as the then Superintendent Welding is no more in the service of the Corporation, no action can be taken against him.

(vii) Based on the first test report the then Superintendent Welding dated 4-11-1964, while issuing instructions to the Inspection to accept the material and issue the Inspection Note and to the Stores to raise CRVs the then Controller of Stores and Purchase and the then Assistant Purchase Officer/HMBP failed to ensure that the terms and conditions of the supply order were complied with by the supplier. For example, they failed to prevail on the supplier to furnish test certificate with each consignment of the stores, despatched as per Note 4 of the Purchase Order. Secondly, instructions regarding the raising of CRVs were issued to the Stores Department without insisting on the compliance of the conditions of the supply order regarding inspection by the Director of Inspection, DGS&D, Bombay and without calling for test reports from the welding Department on representative samples drawn from the bulk supplies. Thirdly, instructions for raising of CRVs should have been issued after proper amendment of the payment and inspection clauses of the concerned supply order. For these lapses the then Controller of Stores and Purchase/HMBP is principally responsible. However, as he is no longer in the service of the Corporation no action can be taken against him. So far as the Assistant Purchase Officer is concerned since he was only a junior officer functioning under the directions of then Controller of Stores and Purchase and his explanation has already been called and the competent authority has exonerated him for the technical omission on his part, as such no further action need be taken against him.

(viii) From the study of the case the Enquiry Committee cannot but conclude that throughout the entire transaction, the Inspection Department of HMBP "acted behind the scene" and was a silent spectator as far as the actual test was concerned. In a test for acceptance of material, they should have associated themselves actively; more so, because it was they who had to decide on the method of instruction i.e. 100 per cent inspection or statistical quality control based on representative random sampl-



ing. Further the then concerned Inspecting Officer, HMBP before releasing the Inspection Note failed to ensure that the bulk supply of the material supplied by the supplier, conformed to the samples supplied by the firm prior to the bulk supply. However the original test report of the then Superintendent Welding dated 4-11-64 seems to have clouded the minds of the concerned departments unduly, as a result of which procedural lapses have occurred.

- (ix) As FFP was informed about the sub-standard quality of the welding wires supplied by this particular supplier, only in August, 1965, the placement of repeat order on the supplier by FFP in June, 1964, could not have been avoided. In fact, repeat order was placed on the supplier to take advantage of the rates and other terms and conditions on which HMBP had contracted with the firm for supply of the stores and thereby avoid the normal procedural delays involved in the purchase. By the time, FFP was made aware of the supply of sub-standard quality of Electrodes by the suppliers viz. August, 1965, the supplier had already lifted payment for 8053.3 Kgs. of Welding wires amounting to Rs. 30,254.55. In view of the above, the Enquiry Committee is unable to find any lack of coordination between the two plants of the Corporation.
- (x) The Committee is glad to note that the Corporation had now prepared its own Purchase Manual based on the recommendations of the Bureau of Public Enterprises on the subject and on policies adopted by the Corporation from time to time. It is expected that the procedures prescribed in the manual will effectively obviate recurrence of irregularities in the purchase of stores by the Corporation in the future.
- (xi) There is urgent need for drawing up an inspection manual laying down principles of inspection at various stages specifying individual powers of the inspectors for supplies effected, contracts executed, etc.

The above findings of the Enquiry Committee have been accepted by the Management of HEC.

[Ministry of Heavy Industry, O.M. No. 2-21/70-HEP-I Vol. IV, dated 2-7-1973].

The Committee on Public Undertakings (1973-74) desired the following further information from the Government:—

- (a) On what date the Enquiry Committee was set up by HEC and on what date the Committee submitted their report?
- (b) On what date did the Government initiate action on the findings of the Enquiry Committee?
- (c) On what dates the officers who have been held guilty/negligent by the Enquiry Committee for various lapses left the service of the Corporation?
- (d) In which Departments/Ministries/Undertakings the said officers are working at present?

(e) In their reply the Ministry have stated as follows:

- (a) Enquiry Committee was set up on 16-6-72. The Committee submitted their report on the 21-3-73.
- (b) Since the Government accepted the view taken by the HEC on the findings of the Enquiry Committee set up in respect of these recommendations, the question of Government initiating action on the findings of the Enquiry Committee does not arise.
- (c) The dates on which the officers who had been held negligent by the enquiry committee left the service of the Corporation are given below:—

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Superintending Engineer: (Mech.)	Resigned on 8-1-68.
Project Officers	Left HEC on 26-6-64.
Superintendent (Welding)	Resigned on 30-8-69. He was on deputation from DGS&D and reverted to the DGS&D on 10-5-65.
Controller of Stores and Purchase	He has since retired.

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As these officers had already left the services of the HEC much before the enquiry committee was set up, no action can be taken against them.

- (d) The position about the Controller of Stores and Purchase has been given above. In respect of the remaining three officers, it is not known where they are working at present.

**The Committee feel that Government should have taken appropriate action to fix responsibility immediately after they came across cases of defective and ill planned purchases involving loss of lakhs of rupees to the Corporation instead of allowing the matter to linger on for years.**

**The Committee are surprised to find that even after the findings of the enquiry Committee, Government have not been able to take any action at this stage against the officers found responsible for such irregular action as such officers are reported to have left the service of the Corporation.**

**The Committee recommend that Government should take steps to find out if these officers continue to be in service either with the Government or in other Public undertakings, so as to take suitable action against them.**

## **CHAPTER II**

### **RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation (Sr. No. 3)**

The Committee regret that what the Corporation themselves feel as 'desirable' has not been done in practice. HEC Plants are not the only plants set up with the collaboration of East European Countries. Heavy Engineering Corporation should have consulted other similar undertakings and should have tried to correlate the booking in accounts with the actual consumption in order to have a proper control to consumption of stores/spares.

The Committee recommend that the Ministry/Bureau of Public Enterprise should issue guidelines making it obligatory on all Public Undertakings to insist that the price and weight of each individual spare/equipment to be imported is mentioned in a statement attached to each agreement, with foreign collaborators. (Para 3.12 and 3.13)

#### **Reply of Government**

It would be advantageous to have the price and weight of each individual spare/equipment. The East European suppliers in general and the Soviet suppliers in particular do not furnish separately the price and weight of each individual spare/equipment. The usual practice is to give the price per tonne of spares equipment.

Steps are being taken to persuade the East European suppliers to give itemwise price and weight for spare parts and equipment imported from them.

The question of issuing guidelines making it obligatory on all public undertakings to insist that the price and weight of each individual spare/equipment to be imported is mentioned in a statement attached to each agreement with foreign collaborators has been considered by the Government. Instructions have been issued to all Ministries/Departments of Government of India and

the Public Sector Undertakings in this regard by the BPE *vide* their O.M. No. 3/3/72-P dn. dated 18th November, 1972. (Appendix I).

[Ministry of Steel and Mines Department of Steel O.M. No. 2-21/70-HEP-I, Vol. III, dated 13-12-1972]

#### **Recommendation (Sl. No. 4)**

The Committee are happy that the doubts about the payments to the collaborators for doubtful periods of leave, journey, etc. have since been cleared. The Corporation have received clarification from Government that "the doubtful periods are not doubtful and that the payment has to be made." But the fact remains that the doubts arose only because uniform procedure was not adopted even after September, 1960, then principles to govern fixation of remuneration and fee for consultancy services were laid down by the Government in accordance with the recommendations of the Estimates Committee. The Committee reiterate that in future the procedures laid down by the Government in regard to such matters should be strictly adhered to by the Undertakings while entering into agreements with foreign countries (Para 3. 18)

#### **Reply of Government**

The recommendation has been noted.

[Ministry of Steel and Mines (Deptt. of Steel), O.M. No. 2-21/70-HEP-I, Vol. III, Dated 21-11-1972]

#### **Recommendation (Sl. No. 6)**

The Committee consider that before taking decision to purchase equipment required for construction etc. it was but proper that the management should have carried out proper opportunity cost study and kept the facts on record for future reference and guidance. The Committee suggest that the Bureau of Public Enterprises should issue general guidelines on the subject to obviate such lapses in future.

The Committee also recommend that after the construction of other equipment are found surplus to the requirements of a public undertaking, these should be notified without delay to the Bureau of Public Enterprises as well as other Public Undertakings so that those could be put to effective use. The Committee would like the Bureau of Public Enterprises to issue necessary directions in the matter.

The Committee would also like the Corporation as well as the Bureau to make continuous efforts for the deployment/disposal of equipment which are now found surplus to the requirement. The Committee would like to be informed urgently of the action taken in the matter. (Paras 4.29 to 4.31).

### **Reply of Government**

The Bureau of Public Enterprises have already issued general guideline regarding procurement of construction equipment *vide* their O.M. No. 110-Adv(c) Cir-67/70 dated 17-1-70 (Appendix II). These guidelines provide that before procuring specialised construction equipment a careful study of the actual need of the equipment should be made by the concerned public sector undertaking. The guidelines further state that it should also be considered whether the construction work cannot be got executed in the traditional method or with the contractors' equipment and only after it has been established that neither of these two alternatives is feasible, procurement of construction equipment should be resorted to.

The Recommendations of the Committee have been noted by HEC for future guidance.

The Bureau have also issued necessary instruction *vide* their O.M. No. 18/1/70-BPE/MM dated 26-11-70 (Appendix III) regarding cataloguing of surplus items of machinery and equipment in public sector undertakings for the purpose of circulating these to other undertakings with a view to possible utilisation by them. Accordingly a list of equipments permanently surplus to the requirements of HEC which also includes some of the surplus equipment listed in the statement under para 4.23 was forwarded to the BPE by HEC on 31-3-71, *vide* Annexure A. This list has been circulated to other public sector undertakings and Government of India enterprises and has been published in the "Lok Udyog". Out of 20 items of equipment detailed in Annexure A, 11 items have since been disposed of. A list of the residual 9 items of construction equipment left over from this list is at Annexure B.

The items of surplus machinery at S. Nos. (1) and (2) of the statement under para 4.23 have been disposed off, 3 Nos. of Kirloskar Brownwade Air Compressors out of the 4 mentioned at SI. No. 3 have also been disposed of. This leaves only one Air Compressor yet to be disposed off.

Certain other items of construction equipment have since been declared surplus. The details of these are given in Annexure 'C'. These equipments have been circulated to all Government Department and public Sector Undertakings in June, 1972. A list of these equipment has also been forwarded to BPE for publication in the 'Lok Udyog'. Action is also being taken by the HEC for issue of an advertised tender for the sale of the equipments detailed in Annexure 'B' and 'C' so that, if any of these items are not taken by Government Department/Public Sector Undertakings, these may be sold to the Public, provided offers received are commensurate with HEC reserve prices. If the results of these measures are not favourable (to be determined in about three months' time) these equipment would be put up for public auction by HEC.

\*[Ministry of Steel and Mines, Department of Steel, O.M. No. 2-21/70-HEP-I Vol. III Dated 28-7-72].

### **Further Information Called for by the Committee**

(a) Kindly furnish details of the financial implications in regard to the disposal of surplus construction and other equipments. What has been the total loss suffered by the Corporation on this account?

(b) It has been stated that the construction machinery and equipment given in Annexure 'C' was circulated to all Government Departments and Public Sector Undertakings in June, 1972. What are the reasons for delay in furnishing the list to the Bureau of Public Enterprises? [Lok Sabha Sectt. O.M. No. 24-PU/72-Dated 29-12-72]

### **Reply of Government**

(a) A statement showing the purchase price reserve price, sale realisation and loss occurred in respect of the three items of equipment disposed of is enclosed (Appendix IV).

Construction equipment usually has a life of five to ten years depending upon the type of equipment. The reserve price of each item of equipment in the instant case was fixed by a duly constituted survey Committee which consisted of senior officers of the construction Equipment Division, Stores Division, Planning Division and a representative of Finance. The Survey Committee fixed the price after physical examination of the equipment and after taking into account factors such as the number of years for which

the equipment had been used, the availability of spare parts and the original purchase price. The disposal action is however taken only after the recommendation of the Survey Committee has been accepted by the competent authority.

(b) The construction machinery and equipment referred to in Annexure 'C' to the Government's reply to this recommendation were declared surplus by the Heavy Machine Building Plant on 27-5-1972. The list of items was circulated to all Government Departments and public sector enterprises by the HEC on the 17th June, 1972. The List was also forwarded to the Bureau of Public Enterprises in June, 1972 for publication in the "Lok Udyog".

There has, therefore, been no delay in circulating the list of surplus machinery and equipment to the Bureau of Public Enterprises.

\*[Ministry of Heavy Industry O.M. No. 27-121/72-HEP-I, dated 3rd March, 1972].

#### **Recommendation (Sl. No. 7)**

The Committee find that the Heavy Engineering Corporation has been able to reach no more than 19 to 20 per cent of its rated capacity in 1970-71 and with "greatest of efforts" it may be able to achieve this year 30 per cent of the rated capacity. The Committee are constrained to observe that Heavy Engineering Corporation have not even been able to meet in full orders for equipment and machinery required for the Bokaro Steel Plant. The Committee understand that in taking a decision on the further expansion of Bokaro, one of the considerations was to ensure that the Heavy Engineering Corporation have adequate load of work. The Committee also find that Government have sanctioned construction of three steel plants besides expansion of Bhilai and other steel plants. The Committee see no reason why in this context Heavy Engineering Corporation should not be able to pick up the work to its full capacity to the next two or three years and provide to the maximum extent possible indigenous equipments and machinery for the meeting the expansion requirements of Bokaro and other steel plants and the setting up of three new Steel Plants. The Committee find that the Ministry have already taken action in organising Task Force to tackle systematically and earnestly the problems of Heavy Engineering Corporation. While the Committee appreciate the determination with which the problem of putting to full utilisation the capacity in Heavy Engineering Corporations is being



tackled, of late, they feel that these efforts would have to be sustained over a number of years till all the teething troubles of the plants are overcome. Above all, the management and workers should show a sense of unity of purpose and dedication in stepping up productivity a production of this crucial heavy engineering sector project. The Committee recommend that Government should keep an unremitting watch on the utilisation of capacity of the plant from quarter to quarter and year to year so as to ensure that there is no slackening of effort at any time and at any level so that the full rated capacity of the Corporation which has been set up with such large investment of the nation, is put to effective use at the earliest. (Para 5.25).

### **Reply of Government**

A number of measures have already been initiated to improve the working of Heavy Engineering Corporation. These are:

1. The requisite organisational changes have been made. New General Managers for Heavy Machine Bldg. Plant and Foundry Forge Plant have already joined.
2. Management at plant level is being strengthened.
3. Consultancy services of the Administrative Staff College, Hyderabad, have been commissioned for study in following areas:
  - (i) Maintenance.
  - (ii) Material Handling and Planning.
4. Detailed itemised plan has been made for each shop and is being closely followed.
5. Time keeping with the aid of time punching clocks have been introduced.
6. Double/Triple shift working in identified areas is being introduced progressively.
7. Incentive schemes have been introduced in certain sections of the plants.
8. An experimental Reward Scheme has also been introduced.

As a result of these measures, production in HMBP during 1971-72 has been higher by about 31.4 per cent as compared with that in 1970-71. Similarly the production in FFP was higher by about 30.8 per cent although there was a fall in production during 1971-

72 as compared to in 1970-71 in the HMTP as far number of machine tools is concerned, there was improvement by 20 per cent as far as tonnage is concerned. The value of production in HMTP during 1971-72, was higher by about 20 per cent than during 1970-71. The HEC as a whole was able to achieve a rated capacity of 26 per cent during 1971-72—an increase of 6 per cent over the figure for 1970-71. It is expected that there will be further significant improvement in production during 1972-73.

A Task Force has been constituted in the Department to keep an unremitting watch on utilisation of capacity and other problems faced by HEC.

[Ministry of Heavy Industry, O.M. No. 2-21/70-HEP-I,  
dated 4-12-1973].

#### **Recommendation (Sl. No. 8)**

The Committee regret to note that the Project Report did not indicate the build-up of capacity from year to year. The Committee find that almost every a new exercise is being done to determine the build up of capacity. The various exercises made by different agencies are substantially at variance with each other. There has been no consistency in assessing the build up of capacity of the Undertaking from time to time and the Corporation has been making downward revision of the capacity developed or likely to be developed. The Committee are of the opinion that a realistic assessment of build up of capacity should have been done at the very inception and if it was revised subsequently, the reasons therefore and concrete action taken to obtain the rated capacity should be contemporaneously brought on record in the form of memorandum for the consideration of Board of Directors. Government should be kept contemporaneously informed of the position. The Committee recommend that Government should ensure that the Project Reports for plants to be set up in future should indicate the gradual build up of the capacity of the Plants from year to year (Para 5.36).

#### **Reply of Government**

The recommendation has been noted for future guidance. Instructions in this regard have been issued by the Bureau of Public Enterprises to all Ministries/Departments of the Government of India and all the Public Sector Undertakings vide O.M. No. 3/3/72-Pdn., dated 18th November, 1972 (Appendix V).

[Ministry of Steel and Mines, Department of Steel O.M.  
No. HEP-2-21/70-HEP-I, Vol. II, dated 21-11-1972].

### **Recommendation (Serial No. 9)**

The Committee are forced to the conclusion that the Heavy Engineering Corporation have suffered mainly because they have lacked an organisational set-up which could bring up in an integrated manner the three complexes of Foundry Forge Plant, Heavy Machine Building Plant and Heavy Machine Tools Plant which constitute the Heavy Engineering complex.

As already pointed out by the Committee in their earlier Report [14th Report (1967-68) Para 52], the delay in setting up the Foundry Forge Plant and bringing up its production capacity have acted as a serious constraint on the development of manufacturing capacity in Heavy Machine Building Plant and Heavy Machine Tools Plant. The Committee have elsewhere in the Report highlighted the deficiencies noticed in the working of the Foundry Forge Plant and other plants and desire that immediate action should be taken by Government to set right these short-comings in the interest of achieving production according to the installed capacity.

As regards other constraints on production such as inadequate supply of raw materials, under-utilisation of men and machinery, the Committee have no doubt that these difficulties are not insoluble and can be resolved by skilled management and advance planning.

The Committee are much impressed by the systematic approach which is being followed in recent months by Government in tackling some basic issues like standardisation of machinery and equipment required for steel plants, which are to be manufactured in the Heavy Engineering Corporation constitution of task forces to resolve problems and bottlenecks in the interest of smoother functioning of the plants and above all, a determination to improve the existing low utilisation. The Committee have no doubt that if such sustained efforts continue to be made, the Heavy Engineering Corporation should before long be able to deliver the machinery and equipment for steel plants in time and thus put to productive use the built up capacity. (Paras 6.18 to 6.21).

### **Reply of Government**

The recommendation has been noted.

### **Recommendation (Serial No. 10)**

The Committee are concerned to find that only 10 to 25 per cent of the capacity of the plants had been utilised. They are surprised to note that even those percentages had been worked out only after taking into account the work off-load to ancillary industries|sub-contractors. In spite of the fact that 75 to 90 per cent of the capacity of the plants remained unutilised, the Corporation off-loaded equipments, components structurals and castings, etc. Worth about 19.5 crores of rupees during 1967-68 to 1970-71. Although the targets of production envisaged off-loading of certain quantities, it was noticed that the actual production quantities off-loaded were much more than that envisaged. The off-load of works showed also an upward trend upto 1968-69 because of low productivity efficiently. It has been admitted by the Management that "had the efficiency been higher it might not been necessary to off-load at all or to off-load to a lesser extent." Off-loading had also to be resorted to because of delay in the construction and commissioning of the Foundry Forge Plant.

In an effort to meet the requirements it was considered expedient to off-load certain quantum of work to other suppliers.

The Committee have already stressed that the production in the Foundry Forge Plant should be geared up on a priority basis so that the production in the other two plants does not suffer on account of failure of FFP to meet the requirements in full and in time.

While the Committee feel that it might be economical to off-load certain similar items to ancillaries so that the production capacity of the plants could be utilised on the manufacture of complicated and heavier, items, the Committee are unhappy that because of organisational failure crisis action had to be taken off-load even heavy structurals, castings and forging in order to meet the commitments already made.

The Committee note that as a result of certain steps taken by the Management, off-loading of works has been considerably reduced during the year 1970-71. They desire that constant efforts should be made to see that off-loading is avoided as far as possible and only such items are off-loaded which are clearly outside the profits of HEC or where it is in the overall interest of the Corporation and industrialisation policy to get them manufactured in ancillary units. (Paras 6.31 to 6.33).

### **Reply of Government**

The recommendation of the Committee has been noted.

Project Officers to look after individual projects have been appointed. It is felt that with this measure and with setting up of more ancillaries by the HEC, off-loading on private parties will be avoided to a considerable extent.

Government are considering the criteria which should be followed by the Public Sector Undertakings for off-loading of work. On finalisation of the procedure for off-loading guidelines will be issued to the public sector undertakings.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 2-21/70  
HEP-I, Vol. III dated 20-12-1972].

### **Recommendation (Serial No. 11)**

The Committee regret that the management did not follow the procedure which they themselves had decided to adopt for the off-loading of castings. Though according to the procedure the preliminary selection of prospective tenderers for giving a particular work should have been made by a Committee formed by the General Manager including a representative of Finance, they, however, find that the Finance Branch in the plant was not associated in the preliminary selection of prospective tenderers for drawing up of a panel of probable suppliers. Again, tenders were invited from 4/5 firms only on the plea of availability of limited number of drawings, whereas according to the procedure prescribed a selection of 5/6 firms at a time was to be made in such a way so that all firms could get the opportunity for quoting for orders.

The Committee feel that the benefit of greater competition should have been secured by making arrangements for duplication of drawings and inviting larger number of firms for giving quotations instead of showing drawings to a limited number of parties at the plant.

The Committee stress the need for strict observance of a procedure for off-loading of works which would make for the widest possible competition. (Paras 6.44 & 6.45)

### **Reply of Government**

Procedures prescribed for this purpose are strictly being followed now by the HEC.

The recommendation has been noted.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 2-21/70  
HEP-I, Vol. III dated 21-11-72].

### **Recommendation (Serial No. 13)**

The Committee regret to note that the prices for a quantity of 13,987.544 M. tons of equipment off-loaded to Garden Reach Workshops Ltd., and Central inland Water Transport Corporation Ltd., two Undertakings in public sector relating to Bokaro Steel Ltd. and Bhilai Steel Plant in the year 1969 have not been settled so far. One of the main reasons for delay in the settlement of price was that the collaborators had not given itemised cost or price for the equipment. The collaborators charged by tonnes for the entire plant and machinery without making distinction between intricate and similar parts of manufacture. The Committee have elsewhere recommended that the Ministry/Bureau of Public Enterprises should issue guidelines making it obligatory on all public undertakings to see that the price of main items of equipment and machinery supplied by collaborators is mentioned in a statement attached to each such agreement.

The Committee desire that the Ministry/Bureau of Public Enterprises should evolve a well-defined procedure so as to ensure expeditious settlement of prices between public undertakings. (Paras 6.65 and 6.66).

### **Reply of Government**

The Bureau of Public Enterprises to whom the question of fixation of prices in respect of products off-loaded on Garden Reach Workshop Ltd., had been referred, appointed a Committee to go into the matter and make recommendations for a fair and reasonable price for the products off-loaded. The Committee recommended a price of Rs. 11.70 crores for 11,107 tonnes of competitive items of the Bokaro order off-loaded by the HEC on Garden Reach Workshop. With regard to pricing of 1640 tonnes of non-competitive items, which matter had also been referred to the Committee, GRW and HEC have mutually agreed by bilateral negotiations, to fix a price of Rs. 11,855/- per tonne to be paid to GRW. The Department of Defence Production has accordingly requested the Bureau of Public Enterprises on 1-6-73 to treat the reference in respect of the pricing of non-competitive items as withdrawn.

The report of the Committee was accepted by the Government, in October, 1972. Based on the pricing recommended in the report, an additional amount of Rs. 1.83 crores is due to GRW from Heavy Engineering Corporation for supplies made upto June, 1972. Necessary payments are being made by the Heavy Engineering Corporation to the GRW. As quantum of equipment off-loaded on the

Central Inland and Water Transport Corporation was much less than that off-loaded on Garden Reach Workshop, a settlement for price for the quantity supplied by them had to await finalisation of prices in respect of supplies made by GRW.

The Bureau of Public Enterprises have already evolved a procedure under which if there is a difference of opinion between two public sector undertakings regarding pricing, the matter should be referred to the Bureau for a decision. It was under this provision that the dispute regarding settlement of prices in respect of orders off-loaded on the GRW by the HEC was referred to the Bureau.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 2-21/70  
HEP-I dated 4-12-1973].

#### **Recommendation (Serial No. 14)**

The Committee feel that as pattern making is a very intricate and specialised job, earnest efforts should be made to develop self-reliance.

The Committee consider that, where it becomes inescapable to off-load pattern making to outsiders, the Heavy Engineering Corporation should draw up, after careful investigation, a panel of reliable firms who can do the job so that the Corporation has the benefit of competitive quotations in placing orders. (Paras 6.74 and 6.75).

#### **Reply of Government**

Heavy Engineering Corporation have developed expertise for meeting their present requirements from the fourth quarter of 1970, off-loading of patterns has stopped.

The recommendation has been noted for future guidance in the event of any necessity to off-load at a later date.

[Ministry of Steel and Mines (Deptt. of Steel) O.M. No. 2-21/70  
HEP Vol. III Dated 21-11-1972]

#### **Recommendation (Serial No. 15)**

The Committee express their deep concern about the delay in the execution of orders by HEC which has resulted in "serious delays in commissioning of various projects" both in the public and private sectors. What surprises the Committee most is that "no assessment of the exact impact of such delays has been made" either by the Ministry or by the Management. With a view to improve

the situation, the Committee on Public Undertakings (1967-68) had recommended that the Corporation should take immediate steps to ensure adherence to the delivery dates. A team of Technical experts pointed out various deficiencies such as inadequate coordination, planning and supervision, quotation of arbitrary delivery dates to customers, absence of information about the availability in different sections, purchase action for stores not being initiated in advance, lack of coordination between stores and purchase organisations, absence of a programme for preventive maintenance, etc. The Management admitted that there were still delays in the execution of orders because of low productivity, poor maintenance and unsatisfactory supply of materials.

The Committee note that delay in execution of work in Foundry Forge Plant is the major contributory factor for the delay in the execution of orders in HEC. The Committee note that in spite of the recommendations of the technical experts to improve the working of the Foundry Forge Plant the position has not substantially improved. As the Foundry Forge Plant holds key to production in the entire complex, the Committee feel compelled to recommend that the position should be reviewed at the highest level and a task force entrusted with the responsibility of bringing up the production in FFP to the level required for meeting adequately and in time the requirements of forging and castings, etc. The Committee would like to be informed of the improvements effected within three months. (Paras 6.94 and 6.95)

#### **Reply of Government**

A task Force on Heavy Engineering Corporation was set up in Department of Steel in April, 1971 with a view to indentifying the problems faced by HEC and suggesting solutions. So far seven meetings of the Task Force have been held. A number of measures have already been initiated to improve the workings of HEC in general and Foundry Forge Plant in particular. These measures are:—

1. The requisite organisational changes have been made. A new General Manager for F.F.P. also joined recently.
2. Management at plant level is being strengthened.
3. There has been distinct improvement in the procurement of materials. Stock outs have been largely eliminated.
4. Consultancy services of the Administrative Staff College, Hyderabad, have been commissioned for study in following areas;

(i) Maintenance.



(ii) Material Handling and Planning.

5. Detailed itemised plan has been made for each shop and is being closely followed.
6. Time keeping with the aid of Time punching clocks has been introduced.
7. Double/Triple shift working in identified areas is being introduced progressively.
8. Incentive schemes have been introduced in certain sections of the plant.
9. An experimental Reward scheme has also been introduced.

As a result of these measures, production in Foundry Forge Plant during 1971-72 has been higher by about 32 per cent as compared with that in 1970-71. It is expected that there will be further significant improvement in production during 1972-73.

\*[Ministry of Steel & Mines (Department of Steel) O.M. No. 2-21/70-HEP. Vol. III dated 28th July, 1972].

**Recommendation (Serial No.17)**

The Committee find that out of the total order of 99,979 M. tons of equipment and structurals received from the Bokaro Steel Limited, the Heavy Engineering Corporation Ltd., off-loaded 32,620 M. tons of equipment and structurals to outside agencies. In order to meet the delivery schedule Heavy Engineering Corporation had to import 13,760 M. tons of equipment from USSR, Off-loading had to be done "both on account of low production efficiency and consequent overloading of work on certain load centres."

The Committee further note that the delay in the execution of orders was not only caused due to defective production planning in HEC but also due to failure on the part of private producers. The Committee regret to note that the corporation has not finalised any contract with such firms so far, nor taken any action against them for

not adhering to the delivery schedule. The Committee desire that responsibility for delay in finalising the contracts should be fixed. Time being the essence of contracts, the Ministry/Management should ensure that contracts with sub-contractors when work is off-loaded are finalised without any delay and hereafter specific time schedule for delivery of equipment should be provided therein.

The Committee view with concern that extremely unsatisfactory trends in the supply of equipment and structurals to Bokaro Steel Limited by the Heavy Engineering Corporation Limited seriously affected the erection programme of the Bokaro Steel Limited and recommend that Government should immediately make an overall assessment regarding the actual supplies made by HEC *vis-a-vis* those scheduled for delivery and take appropriate steps either for the manufacture of the components in the country or for importing them consistent with the production capacity of the HEC (Paras 6. 124 & 6. 126)

### **Reply of Government**

The orders received by Heavy Engineering Corporation (HEC) from Bokaro Steel Limited (BSL) were off-loaded on units both in the private and public sectors. In the Private Sector the orders were off-loaded on Mukand Iron & Steel Works, Associated Cement Co. Ltd. and Chitran and Co. In respect of these orders the normal purchase procedures were followed by HEC. After negotiating the prices with the parties concerned, orders were placed and contracts were signed.

The position was different in the case of public sector units. Most of the equipment was being manufactured for the first time in the country and the units in the public sectors were not in a position to give a precise indication of the prices of different items of equipment. The prices offered to them by HEC were not acceptable to them and the prices quoted by them could not be accepted by HEC as they were disproportionate to the prices which HEC was getting from BSL. In order to obviate delay, HEC asked the public sector units concerned to take up the production of different of equipment in anticipation of settlement of the prices. This decision was taken by HEC in good faith and with a view to reducing the lead time in the supply of equipment to Bokaro. As the other units were also in the public sector, no difficulty was envisaged in the settlement of prices.

The procedure for settlement of disputes between the public sector units regarding price has now been finalised. According to this pro-

cedure in the event of settlement on price not being raised it is to be referred to the Bureau of Public Enterprises for settlement. Accordingly, the disputes between HEC on the one side and GRW and Jessops on other were referred to Bureau of Public Enterprises. The decision of the Bureau in the dispute between HEC and GRW has already been accepted and implemented.

It will thus be seen that the delay in finalising the contracts with the Sub-contracts was due to circumstances beyond the control of HEC. However, every effort is now being made to ensure that in future whenever work is off-loaded the contracts are finalised without delay.

It is true that there have been delays in the supply of equipment to Bokaro. Government is fully sized of this matter. In order to ameliorate the position the supply of equipment by HEC to Bokaro is reviewed every month and measures to speed up supplies are formulated to enable Bokaro to maintain the erection of commissioning schedules. The subject is also discussed in the meetings of the Task Force of HEC. As a result of periodical reviews, the import content in the supply of an equipment is also being altered. Additional import of 5000 tonnes of equipment was arranged in 1971-72 to make good the shortfalls in supplies by HEC to Bokaro. In the current year additional import of about 800 tonnes is being arranged.

It will be assured that the supply of equipment by HEC to Bokaro is kept under constant review in order to identify and implement measures to ensure that the erection and commissioning schedules of Bokaro are not dislocated.

[\*Ministry of Steel & Mines Department of Steel, O.M. No. 2-21/70-HEP-I-Vol. III dt. 22nd December, 1972].

#### **Recommendation (Serial No. 19)**

The Committee consider that the double incidence of sales-tax could have obviously been avoided if the orders or machinery and equipment required by Bokaro Steel Limited were arranged to be placed directly on Garden Reach Workshops Limited and the Central Inland Water Transport Corporation Limited, after due consultation with the Heavy Engineering Corporation Limited. The Committee would like Government even now to see whether the incidence of

double sales could be avoided by arranging for bills being directly raised by the Garden Reach Workshops Limited and the Central Inland Water Transport Corporation Limited on Bokaro Steel Limited, instead of routing them through the Heavy Engineering Corporation Ltd. The Committee would also like Government/Bureau of Public Enterprises to issue suitable guidance on the subject so as to obviate incidence of double sales tax in future. (Para 6.140).

### **Reply of Government**

Bureau of Public Enterprises to whom the question of fixing the process in respect of products off-loaded on G.R.W. had been referred, have recommended to Government that the contractual obligations among HEC, BSL and GRW should be suitably redrafted in order to avoid the incidence of double sales-tax on the same item of supplies.

With regard to supplies in the future, arrangements have been made for supplies by the GRW to Bokaro Steel Limited direct. As regards the past supplies, HEC propose to prefer a refund claim with the Government of Bihar.

As recommended by the Committee, the Bureau of Public Enterprises have issued general guidelines to all Ministries/Departments of the Government regarding avoidance of incidence of double sales tax by the Public Sector Undertakings in future (Appendix VI).

[\*Ministry of Steel and Mines (Department of Steel) O.M. No. 2-21/70-HEP-1, Vol. III dated 13-12-1972].

### **Recommendation (Serial No. 21)**

The Committee have been informed that the manufacture of excavators was undertaken after assessment of the demand. It was visualised by the corporation that 30 excavators would be required per year. The Committee, however, find that only 9 excavators had been supplied by the Corporation since 1965. There had been considerable delay even in the supply of these excavators. The Corporation had to reject orders because they could not meet the demand. NCDC had to import 9 excavators because the Corporation could not comply with the order. The delay in the supply of excavators resulted in the cancellation of orders. The Committee deplore that due to low productivity and management deficiencies, there had been delay in the compliance of orders.

The Committee recommend that the delivery for the orders in hand should be expedited so as to attract more orders.

The Committee take a serious view of the fact that approval of the Board of Directors was not obtained for the import of components for 9 excavators. Orders were also placed on the Bharat Heavy Electricals Ltd. for the supply of electrical components for the excavators on 2-11-1965, whereas the approval of the board was taken on 28-5-1970 after a gap of nearly 5 years. The committee are of the opinion that the approval of the Board of the Directors should have been taken at the time of taking the decision to manufacture/import the excavators components and before issuing the letter of intent on BHEL for the electrical components. The Committee would like Government/Heavy Engineering Corporation to look into the matter to obviate recurrence of such instances. (Paras 6.175 to 6.177).

### **Reply of Government**

The recommendation of the Committee have been noted.

Instructions have been issued by the HEC Management to the concerned officers to the effect that specific approval of competent authority should be taken before purchase of any material is made. A circular has been issued by the HEC in this regard (Appendix VII).

[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. III dated 13-12-1972].

### **Recommendation (Serial No. 22)**

The Committee regret to note that the manufacture of 20 charging box cars, 12 Nos. HMB-DR-15 water drilling rigs and 20 Nos. UR. B-3AM rigs was taken up without any specific orders in hand and without any precise estimate of cost thereof, and drilling pipes, tools and imported equipments worth several lakhs of rupees were purchased and they were all remaining idle. The production of these items was taken up merely "with a view to give some loading to the shops" and in order to utilise the capacity of the plant which undoubtedly involved "commercial risks."

Even when orders for 5 Nos. DR-15 Rigs and 7 Nos. US B-3 RAM Rigs were received, their manufacture was not started. The Committee further note that the Corporation received an order for

supply of 3 complete 3-D type drilling rigs from ONGC. Although the rigs were to be supplied by the end of 1967, HEC had supplied so far only one rig to ONGC and that two could not be put to use as some of the components were still to be supplied. The Management have admitted that there has been serious delay in the manufacture of rigs.

The Committee stress that the Corporation should not take up manufacture of items without any accurate assessment demand and existing sources of supply or firm order. The delay in the supply of machinery and equipment as compared to delivery schedule is reprehensible as it drives away potential customers.

The Committee further deplore that although the cost of production of DR-15 Rigs has not been worked out so far, the price of Rs. 6 lakhs per rig was fixed in 1967 even though the landed cost was Rs. 6.41 lakhs. The net loss in the manufacture of first ton UR B-3 AM rigs was Rs. 17,865 lakhs. The Committee would like Heavy Engineering Corporation to work out invariably costs before agreeing to sale price so that the Management know full financial implications of execution of an order. (Paras 6.194 to 6.197)

#### **Reply of Government**

The recommendation has not been noted.

[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol III, dated 21-11-1972]

#### **Recommendation (Serial No. 25)**

The Heavy Engineering Corporation incurred an expenditure of Rs. 11.23 lakhs by way of engaging two foreign consultancy firms to prepare quotations for Bailadila and Kiriburu projects on turn key basis. The Committee note that ultimately the decision at Government level was that the role of Heavy Engineering Corporation should be limited to that of supply of equipment and machinery only. While it is true that by preparing comprehensive schemes for these projects, Heavy Engineering Corporation were able to secure orders for machinery and equipment to the extent of Rs. 4.48 crores, the Committee feel that if it was Government's intention that the role of Heavy Engineering Corporation should be limited to that of supply of equipment and machinery only, there might have been no need for entering into consultancy agreements with foreign firms at a heavy cost of Rs. 11.23 lakhs. The Committee would like Government/Heavy Engineering Corporation to learn a lesson from these

instances and lay down clear guidelines so that no premature action is taken to engage the services of foreign consultants at heavy cost when in the last analysis their services are hardly required resulting in unfruitful expenditure. (Para 6.230).

### **Reply of Government**

The recommendation has been noted. The BPE have been requested to formulate guidelines for engaging the services of foreign consultants, which will be communicated to all the undertakings under the control of this Department.

[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-1, Vol. III, dated 20-12-1972].

### **Further information called for by the Committee**

Whether the Bureau of Public Enterprises have issued guidelines for engaging the services of foreign consultants? If so, please furnish a copy of guidelines issued to the various undertakings.

[Lok Sabha Secretariat O.M. No. 24-PU/72 dated 29-12-72].

### **Reply of Government**

Bureau of Public Enterprises have issued guidelines *vide* their O.M. No. 33/72 Prodn. dated 5-1-73 a copy of which is enclosed (Appendix VIII).

[Ministry of Heavy Industry O. M. No. 27-121/72-HEP-I Dated 3-3-1973.]

### **Recommendation (Serial No. 26)**

The Committee regret to note that only 42 per cent of the total quantity requiring rough machining could be handled by the Rough Machine Shop and that there is considerable shortfall in the quantity of castings and forgings rough machines in the Rough Machine Shop. One of the reasons advanced for the inadequacy in handling the required quantity of rough castings and forgings is that all the machines have not been manned so far. The Committee recommend that immediate steps should be taken to fully utilise the capacity of the Rough Machine Shop so that the Heavy Machine Building Plant and the Heavy Machine Tools Plant are not unduly strained for finishing the castings. The Rough Machine Shop should be manned suitably to undertake the rough machinery work without delay. (Para 6.236).

### Reply of Government

Arrangements have been made to run the rough machine shop in two shifts and in certain areas in three shifts.

Regarding the Committee's suggestion for manning of the Shop adequately, effective steps are being taken. The required manpower requirements have already been assessed. A total strength of 678 men has been sanctioned. 550 men have been brought into position as against 450 men in position three months back.

[\*Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. VIII dated 20-12-1972].

### Recommendation (Serial No. 29)

The Committee find that the Detailed Project Report fixed a norm of 22-21 per cent for scrap in equipment structurals. The management have, however, not fixed norms for scrap arising, taking into account the changed product-mix (equipment and Building Structurals).

The Committee recommend that in the light of experience gathered so far, the Corporation may fix norms for scrap arising keeping in view the changed product-mix. The Committee would also stress the need for contemporaneous watch being kept on scrap arisings so that remedial action can be taken without any loss of time whenever there is any variation as compared to the norms laid down.

The Committee trust that Corporation would maintain separate records for scrap arising in respect of blast furnace structurals and building structurals so as to compare that actual scrap arising with norms indicated in the Detailed Project Report fixed by the Corporation on the basis of its experience. (Paras 6.258 to 6.259).

### Reply of Government

The following norms have been fixed for scrap Arisings on the basis of past experience and studies made in this regard:

	Sections	Plates
1. Equipment Structurals	5% Maximum	15% Maximum
2. Technological Structurals	5% Maximum	15% Maximum
3. Building Structurals	5% Maximum	8% Maximum

\*Reply not vetted by Audit.



In order to further reduce scrap arisings HEC will maintain records of scrap arisings. In the light of experience gained the norms would be modified further.

[\*Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. III dated 16-11-72].

### **Recommendation (Serial No. 31)**

The Committee recommend that the quality control and inspection in all the units should be improved so as to obviate the Complaints from customers regarding the quality of products manufactured by the Corporation. The Committee need hardly stress that the Corporation should spare no efforts to win the confidence of their customers by supply flawless quality equipment and machinery. (Para 6.87).

### **Reply of Government**

The recommendation has been noted.

Constant efforts are being made by the HEC to improve the quality of their products. The following steps have been taken in this regard:—

- (i) Generation of Heavy Steel Scrap by blasting is being processed by HEC to ensure good quality melting scrap. This is being done with a view to obviate dependence on heterogeneous market scrap wholly.
- (ii) Regular sampling of 'Toofa' burnt lime (Low Silica) has been started.
- (iii) All refractory materials are being tested.
- (iv) All the blooms and billets (Cast-Wise) are being analysed to cut down rejection on this count.
- (v) The Steel Foundry melting and pit side inspection cell has been strengthened in all the three ships.
- (vi) Stricter control on inspection of steel scrap has been undertaken.

[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. III dated 13-12-72].

### **Recommendation (Serial No. 32)**

The Committee take a serious note of the fact that no record was maintained to indicate the utilisation of machines and labour in any of the main production shops of the Foundry Forge Plant. As regards the reasons for not maintaining records it has been stated that there were certain difficulties as the production facilities has not been established as yet and that the construction work was still in progress in some shops. The Committee fail to understand as to how the construction work obstructed the maintenance of idle time record as the Committee find that under similar circumstances, when the construction work was going on in the Heavy Machine Tools Plant during 1968-69, the idle time record was being maintained. In the case of H.M.T.P. also no record of idle labour and machines was maintained till 1st April, 1968 although the production in this plant started in January, 1967.

The Committee further find that in the case of Heavy Machine Building Plant no reasons for idle time to the extent of 70.8 per cent, 25.5 per cent, 40.4 per cent and 65.9 per cent have been indicated by the management for the years 1967-68, 1968-69, 1969-70, 1970-71 respectively. Other reasons account for 9.8 per cent, 18 per cent, 17.1 per cent and 13.1 per cent of the idle time. No reasons for the idle machines to the extent of 29.8 per cent, 14.1 per cent, 19.6 per cent and 36.2 per cent have been given for above years whereas the 'other reasons' account for 10.4 per cent, 6.9 per cent, 12.7 per cent and 13.7 per cent of idle machinery. This clearly indicates that no proper records were being maintained by the management during all these years.

The Committee are left with the impression that such gross omission in the maintenance of records of idle manpower and machinery could not take place without the knowledge of management. The Committee cannot too strongly stress that not only proper records should be kept of idle labour hours and idle machine hours but that these should be systematically analysed with a view to take timely action to eliminate such wastage of productive resources.

The Committee would like to be informed the detail of the arrangements made in this behalf (Paras 6.320 to 6.325).

### **Reply of Government**

As requested by the Committee, a Scheme for proper recording of idle time is being introduced by the HEC in all the shops.

The success of a scheme for recording idle time depends to a great extent on the motivation of the workers and supervisory staff. In order to develop proper motivation an Incentive Scheme is being introduced in a phased manner. The scheme has been introduced in some of the shops and is being extended to all the shops.

The main features of the scheme are:—

- (a) Recording in the job cards actual time taken for each operation against the estimated time.
- (b) Recording of idle time of men and machines resulting from No work, No Material, Lack of Tools, No Power, Break down, No crane facilities etc.

When a job is completed and a worker is required to remain idle, the job card is punched 'OFF', and a labour idle time card is punched 'ON'. When the idle time is over, idle time card is punched 'OFF' and next job card is punched 'ON'. Whenever a machine is idle, a machine idle, time card is similarly punched to record the idle time of machine.

On occasions when both the operator and the machine are idle, both idle time labour and idle time machine a card are punched. The job cards and idle time cards are kept by the Time Keepers and are handed over to workers for punching 'OFF' and 'ON'. Workers are allowed to punch idle time cards only on the authority of idle time slips issued by the Chargeman concerned. At the end of the month, the idle time cards are countersigned by the sectional chargeman before passing these on to the costing Section for further analysis. The quantum of idle time under various courses is scrutinised section-wise for further investigation and suitable remedial action.

Labour idle time cards and machine idle time cards have been reprinted in different colours for easy identification.

The incentive scheme is expected to be in operation on all direct production work by June, 1974.

\*[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. III dated 20-12-72].

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\*Reply not vetted by Audit.

### **Recommendation (Serial No. 33)**

The Committee note the efforts which are being made for diversification of production in Heavy Engineering Corporation. The Committee need hardly stress that diversification programme should be most carefully devised after mature consideration so that it fits in with the main objective of the Corporation which is to produce machinery and equipment for setting up steel plants in the country. (Para 6.327).

### **Reply of Government**

The recommendation has been noted.

[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. III dated 21-11-72].

### **Recommendation (Serial No. 34)**

The Committee note that the Heavy Engineering Corporation have so far been able to secure only one order for the supply of 500 numbers of Cast Iron Frames and covers to Jordan at a value of £13,500 C.F. Aquaba. In view of the fact that a large percentage of the capacity available in the Heavy Engineering Corporation continues to remain unutilised, the Committee would stress the need for exploring all avenues for export, after meeting the internal demand, so that the Corporation can reap the benefit of production on large scale and also contribute its share in the earning of foreign exchange. (Para 6.336).

### **Reply of Government**

The recommendation of the Committee has been noted, Heavy Engineering Corporation are making efforts to export fully machined, bed plates, grey iron casting, Steel Castings, G.I. Castings, Container Cranes, Reduction Gear Boxes etc., to Czechoslovakia, USSR, U.K., and other countries. An order from Czechoslovakia for supply of bed plates has been secured recently.

The Engineering Projects (India Limited) a consortium of eight Public Sector Undertakings including the Heavy Engineering Corporation will submit a turn-key tender for setting up of an integrated Steel Mill in Iraq. Subject to their tender being accept-

ed, Heavy Engineering Corporation will be required to manufacture and supply a substantial quantity of equipment.

[Ministry of Steel and Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. III dated 21-11-72].

**Recommendation (Serial No. 35)**

The Committee are greatly concerned to note that the Heavy Engineering Corporation particularly the Foundry Forge Plant and Heavy Machine Building Plant are still lacking in firm orders on long term basis which alone can assure development and production on an assured and rational basis.

The Committee note that the target for production of steel in the country as well as the capacity have remained static for several years at about 9 million tonnes. It is only now that Government have taken some concrete measures to expand the capacity by 10 million tonnes by the end of the 5th Plan period and have sanctioned the setting up of new steel plants at Visakhapatnam and Hospet with a capacity of 2 million tonnage each and expansion at Bokaro to 4 million tonnes. A special steel plant of 2,50,000—5,00,000 tonnes capacity has been sanctioned for Salem.

The Committee welcomes the steps taken recently by Government to standardise the machinery and equipment required for setting up new steel plants and for expansion of the existing steel plants. With the standardisation of machinery and equipment, it should be possible to make use of the capacity available in the Heavy Engineering Corporation to the maximum extent in the interest of achieving self-reliance. Considering the fact that the responsibilities for steel plants as well as for Heavy Engineering Corporation are placed under the same administrative Ministry, the Committee have no doubt that Government would take necessary measures including the setting up of the Task Force to sort out in detail, the requirements of machinery and equipment for the new steel plants and expansion of existing ones in order to place long term firm orders on Heavy Engineering Corporation.

The Committee need hardly stress that once orders are placed on Heavy Engineering Corporation, the Corporation should spare no efforts to see that machinery and equipment of guaranteed quality which would make for most efficient production are turned out and delivered according to schedule. The sale price for these machinery and equipment should become increasingly competitive with increased turnover.

The Committee would like to be informed within three months, of the action taken in pursuance of the above recommendations, as they feel that there is no time to be lost evolving an integrated programme for creation of additional steel making capacity and utilisation of capacity of Heavy Engineering Corporation. (Paras 6.345 to 6.349).

### **Reply of Government**

The present position with regard to orders relating to expansion of Steel Plants received by Heavy Engineering Corporation Limited., is given below:—

- (1) Letters of Intent for supply of about 49,000 tonnes of equipment and structurals in respect of expansion of Bokaro Steel Plant from 1.7 million tonne to 4.0 million tonne capacity have been received by H.E.C. Bokaro Steel Ltd., is also placing orders on H.E.C. for all equipment which can be manufactured by the Corporation for Steel Melting Shop II of Bokaro Steel Plant.
- (2) A letter of Intent has been received for supply of all equipment which HEC can manufacture in respect of expansion of Bhilai Steel Plant.

The feasibility reports for the New Steel Plants at Visakhapatnam, Vijayanagar and Salem have made recommendations for provision of standardized equipment for the steel plants. The reports are under the consideration of the Government. However, action has already been initiated for placement of orders for manufacture and supply of standardized equipment for Visakhapatnam and Vijayanagar Steel Plants on the Heavy Engineering Corporation.

It is estimated that approximately 2,55,000 tonnes of equipment can be manufactured by the Heavy Engineering Corporation for the two new steel plants at Visakhapatnam and Vijayanagar and for the Bhilai expansion scheme and Bokaro (4 million ton-stage) over the next 7 to 8 years.

The Government had set up a panel of Experts in June, 1971 for standardisation of equipment for the two New Steel Plants at Visakhapatnam and Vijayanagar. The report of the panel has been approved by the Government. It will not, therefore, be necessary to set up another Task Force as recommended by the Committee in para 6.347 of the Report. As already stated action has also been initiated for placement of orders for requirements of machinery and

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equipments for expansion of the existing Steel Plants, and for manufacture and supply of standardized equipment for Visakhapatnam and Vijayanagar steel plants on the Heavy Engineering Corporation.

The recommendation made by the Committee in para 6.348 of the Report has been noted and a series of measures have been initiated by Heavy Engineering Corporation in this regard.

\*[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol. III dated 28-7-72].

### **Recommendation (Serial No. 36)**

The Committee find that in 61 per cent cases the Company had to reject the orders during the period from August, 1967 to January, 1969 as the Corporation was not in a position to supply the products according to the requirements of the customers. In about 10 per cent cases, not even a regret letter was sent. In majority of cases where quotations were sent, no follow up action was taken after despatch of quotations. The Committee regret to note that the Commercial Division of the Corporation proved inadequate to deal with enquiries from customers. The proposal to reorganise the department has been pending for quite some time. The Committee recommend that the Commercial Department should be reorganised in such a way that HEC can discharge its responsibilities as an industrial and commercial enterprise. The best way the HEC can win and retain the confidence of the customers is through guaranteed quality of machinery and equipment, efficient sales service, adherence to the delivery schedules and readiness to respond to customers' requirements promptly. (Para 6.355).

### **Reply of Government**

Noted. The Chief Commercial Manager has been appointed. He joined HEC on 8th February, 1972. Action is being taken to strengthen and reorganize the Commercial Department.

2. With the strengthening and reorganization of the Commercial Department, it is expected that HEC would deal with the enquiries from the customers on sound commercial lines.

[Ministry of Heavy Industry, O.M. No. 2-21/70-HEP-I dated 4-12-1973].

### Recommendation (Serial No. 37)

The Committee find that the costing system followed by the Corporation suffered from various deficiencies. They find that no cost accounting manual had been prepared and cost accounting was done through periodical circulars and procedure orders. No detailed cost estimates were being prepared before undertaking the job and it was, therefore, not possible to exercise effective control on costs. Fixed and variable expenses were not recorded separately. It was, therefore, not possible to exercise effective control on costs. Fixed and variable expenses were not recorded separately. It was therefore, not possible to determine whether any sales were made below the marginal cost. No job analysis had been made to fix the norms for labour requirement. In these circumstances, the Committee feel that the system of cost accounting and cost control as prevailing during the last 8 years or so was neither scientific nor effective.

The Committee have been informed that Cost Consultant has since been appointed and comprehensive accounting manual has been prepared. The Committee however, understand that no accounting manual has been prepared so far. In the preface to the accounting manual on HMBP, it is stated that a suitable costing system is being drafted in consultation with the Cost consultants. The Committee have also been informed by the management that the basic procedures for the various aspects and cost accounting have already been laid down in the case of all the plants. In the case of HMBP these have been incorporated in the accounts manual which has been extended to the other two plants also. The Committee, however, understand that the accounts manual of HMBP relating to costing is not being followed by FFP and HMBP which are following the procedure laid down earlier. The Committee also understand that in the Foundry Forge Plant, a Committee was formed on 1-1-72 to draft the costing manual of the plant and the work is expected to be completed by June, 1972. The Committee recommend that a comprehensive accounting manual including the cost accounting should be prepared without any loss of time, so that the different shops may follow the correct and scientific procedures for costing. The Committee also hope that steps will be taken to effect improvements in regard to collection of data and introduce effective reporting systems. The Committee also hope that the time booking by clocks would very soon become effective so that the labour and consequently, the overheads on it become accurate. Introduction of a system of shop floor discipline, correct recording of basic data at that level and a regular flow of documents



from the shops to the Accounts Department are some of the steps, suggested by Audit. The Committee hope that with the effective implementation of these measures the costing of the Corporation will become what costing ought to be. (Paras 7.12 and 7.13)

### **Reply of Government**

An Accounts Manual for HMBP has already been prepared. This has been made applicable in general to all the other plants and the Head Quarters with effect from 1st May, 1971.

A Computer has now been installed and all the accounting work is being computerised. Incentive Schemes with operation-wise job cards are being introduced in a phased manner. As a result of these developments certain changes are being made in the detailed procedures, account-head classifications, department|Cost Centre Numbers etc., with a view to introduce uniformity in all the plants. After these procedures are finalised, an up-to-date Accounts Manual incorporating all the changes is proposed to be brought out. This is expected to be completed by March, 1973.

[Ministry of Heavy Industry, O.M. No. 2-21/70-HEP dated 4-11-73].

### **Recommendation (Serial No. 38)**

The Committee find that the actual cost of production in all the plants of HEC was considerably in excess of the estimates given in the DPR. In the case of several items, the actual cost of production is more than 100 per cent of the landed cost derived from DPR (post devaluation) estimates. Low productivity high cost of materials and wage rise without commensurate rise in productivity are given as some of the reasons which have resulted in the high cost of production. The Committee further note that except in the case of a few items, the cost of production in the case of major items of production exceeded even the sale price. The cost price in the case of several items was more than 100 per cent of the sale price. It is significant to note that in the case of well Drilling Rigs type DR-15, the cost of production was even more than 25 per cent of the sale price. What surprises the Committee most is that the Corporation accepted jobs at prices which did not cover even the cost of direct materials. This it has been stated was done with the intention of getting the shops fully loaded. The Committee further note that, in making the cost analysis, overhead expenditure as applied to various jobs had only been taken into consideration leaving substantial portion of overheads unabsorbed. The actual expenditure was much in excess of the overhead actually applied. Such unabsorbed

expenditure has not been taken into consideration in comparison of cost with selling prices. The Committee find from the review of some of the cases like oil drilling rigs, slag ladle cars, cold blast valves, water well drilling rigs that the Corporation incurred a substantial loss as a result of quoting prices much below the cost of production. Total loss sustained by the Corporation by selling its products at sale prices lower than the cost of production upto the 31st March, 1971 works out to be Rs. 72.48 crores.

According to the Pricing Policy of Government selling price had to be fixed at rates which the market could bear or the landed cost. This clearly indicates that in case the Corporation has to be a viable unit it must reduce substantially its cost of production. The Committee on Public Undertakings (4th Lok Sabha) in their 14th Report on Heavy Engineering Corporation had recommended that "Concerted efforts should be made by the management to reduce the cost of production through improved productivity and reduction of inventories, wastages of materials and better utilisation of men and machinery". The Committee deplore that nothing substantial has been achieved by the Corporation in this direction.

The Committee stress that there is need for sustained efforts and constant vigilance to ensure increased production through better utilisation of men and machinery. This would help the Corporation in reducing the overheads and thereby reduce the cost of production. (Paras 7.59 to 7.61)

### **Reply of Government**

Following steps have been taken by the HEC with a view to achieve increase in production and reduction in cost.

#### **(i) Introduction of Incentive Scheme**

An incentive scheme has been introduced in certain sections of all the plants. This was introduced in some shops in HMBP. Subsequently it was gradually extended together areas. This is being gradually extended to cover all the production activities in a phased manner.

#### **(ii) High performance reward|Ad-hoc reward Scheme**

Pending introduction of incentive scheme in all the production areas, high performance reward and ad-hoc reward schemes have also been introduced, on a temporary basis with a view to increase the tempo of production. The high performance reward scheme was introduced in HMBP and FFP from 1.6.72 and in HMTF from 1-10-72.

(iii) *Double shift|Treble shift working*

More machines have been brought into double shift working. Some machines in key areas are also working in treble shift.

(iv) *Improved production planning|scheduling*

Activities relating to production planning and scheduling are gradually being computerised. This will facilitate prompt location of bottlenecks and enable timely remedial action.

(v) *Material Management:*

Activities relating to procurement of materials issues, accounting etc., are also being improved by computerisation. This will eliminate hold up of work for want of materials.

(vi) *Consultancy services:*

The consultancy services of the Hyderabad Staff College are being utilized from 17-4-72. Certain exercises relating to management by objectives are in hand.

As a result of these steps, the output of the plants is expected to increase, with consequent reduction in the cost of production.

[Ministry of Heavy Industry, O.M. No. 2-21/70-HEP-I dated 4-12-73].

**Recommendation (Serial No. 39)**

The Committee are surprised to find that the Corporation has not prepared its own purchase manual though it has gone into production in 1964-65. Till recently, the Corporation had no list of its own, of suppliers and depended upon the lists available with the Director General, Supplies and Disposals and Director General, Technical Development.

The Ministry have admitted that such a 'position is not satisfactory'. The Committee are convinced that if the Ministry had been vigilant, these shortcomings in stores procurement work would have come to notice much earlier. The Committee hope that the compilation of the purchases manual and the publication of list of suppliers will now be completed without any further delay.

The Committee also find that the maximum, minimum and ordering levels had not been fixed in the case of all items. The Committee note that there is also no system in vogue by which the items of stores procured for specific works could be located in a consolidated manner.

The Committee have been told that limits have now been fixed for 7,112 items. The Committee feel that the Corporation should complete the process expeditiously in the case of remaining such items which can be converted as 'stock items' so that duplication of orders and unnecessary purchases are avoided.

The list of stores procured for cancelled work orders had not been prepared for a long time and consequently the action for their alternative use or disposal had not been taken. Out of the 498 cancelled work orders lists of stores procured for only 55 work orders had been prepared till July, 1970. Another list of 417 cancelled work orders has been prepared now. Out of these no details are available in respect of 45 work orders as regards procurement and disposal of stores.

The Committee recommend that all the cases where records are not available with regard to the procurement or disposal of materials should be investigated in order to fix responsibility therefor. The list of Stores procured for work orders cancelled should be completed without delay and surplus stores identified with a view to avoiding further procurement of the same materials.

The Committee would like the Corporation to evolve a procedure by which the contingency for cancellation of orders is minimised and in any case where an order is cancelled no time should be lost in ensuring that stores ordered for it are not procured to the extent feasible. (Paras 8.12 to 8.18).

#### **Reply of Government**

Action has been taken by Heavy Engineering Corporation in the following lines:—

##### **(i) Purchase Manual**

Compilation of Purchase Manual by Heavy Engineering Corporation is in hand. Seven chapters out of a total of nine chapters, covering subjects relating to Organisation of the Purchase Department, its Scope and Functions, Purchase Powers and Purchase of indigenous stores; import of Raw Materials, Components, Capital Goods, Spare part etc., Progressing of supplies, and Registration of suppliers have been prepared and circulated to the various departments for comments. The remaining two chapters relating to the Operation of Rate and Running Contracts and Reports and Returns are under preparation. The Manual is expected to be completed by March, 1973.

*(ii) Approved List of Suppliers*

This work was undertaken by the Heavy Engineering Corporation in 1969-70. Advertisements were released twice. The response to the advertisement was not adequate. Application forms have been issued to the firms who had made supplies to H.E.C. earlier and whose performance was satisfactory. In this manner 1200 firms have taken forms for registration with H.E.C. (*vide* our letter of 5-7-73). Scrutiny of the firms in the list of Director of Industries, Bihar is also being made with a view to select reputable firms. H.E.C. expects to have comprehensive list of suppliers by September, 1973.

*(iii) Fixation of Maximum, minimum and ordering levels*

All the stores items are reviewed periodically with a view to bringing more and more items under the Automatic Replenishment Scheme with Maximum, Minimum and Reordering levels. So far 7,201 items have been declared as stock items. To facilitate efficient functioning of the scheme, rate contracts with suppliers with phased deliveries of materials are being entered into .

*(iv) Cancellation of Work Orders*

The position of the materials relating to the remaining cancelled work orders has since been scrutinised. Some of them have been delivered for use against other work orders. In some cases no procurement action was taken at all. The remaining items have been declared surplus and disposal action is in hand.

The procedure regarding opening of work order has since been modified. The current procedure is that work orders are opened only against specific orders from outside parties, except in the case of Government Undertakings, in which case work orders are opened against letters of intent/prospective orders. A suitable clause for recovery of cancellation charges in the event of cancellation of a work order is also incorporated in all the accepted orders. This procedure is designed to minimize to the maximum extent possible materials being rendered surplus as a result of cancellation of work orders.

*(v) Surplus Stores*

All slow moving and non-moving items are regularly surveyed by a Survey Committee consisting of representatives of the Stores, Technical and Finance Departments. Based on the recommendations of the Survey Committee, further action is taken for disposal

of surplus stores by public auction or on the basis of tenders. Lists of surplus items are also circulated to other public undertakings and Government departments or exploring possibilities of their utilisation.

(vi) *Location of Materials*

The location of materials is determined by the nature of each item. Materials of different types (i.e., steel items, electrical items, fasteners, instruments, gaskets etc.) may be required against one work order. They are, however, required to be stored in different locations for the purpose of proper storage, maintenance, accounting etc. Suitable records are maintained from which the location of the stores can be easily ascertained.

(vii) *Computerised Inventory Control*

All the stores transactions are being computerised. Stores have been classified into three categories. Category C represents a large number of items but low in value and Category B represents the items, the requirement of which in terms of number is not high and their value is also not high. As a result of these steps and with the system of Computerised inventory control, the position relating to material control, is expected to improve in the near future.

This will also facilitate the ascertainment of the up-to-date position of all the materials relating to each work order at any time (vide item No. (ii) above.

\*[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP-I, Vol III dated 22nd December, 1972].

**Recommendation (Serial No. 49)**

According to the Management, the ideal stock holding in the Corporation should cover the requirement for 6-12 months. The Committee, however, find that the actual value of stores in stock as at the end of year 1967-68, 1968-69, 1969-70 and 1970-71, represented 34 months', 28 months', 21 months' and 15 months' requirements respectively. Although the ratio of inventory to consumption is showing a downward trend, as a result of efforts made by the Corporation, the present stocks with the Corporation is still on the high side. The Committee recommend that concerted efforts

should be made to bring down inventories to reasonable limits so as to avoid unnecessary locking up of working capital in inventories and considerable loss to the Corporation resulting in high cost of production. (Para 8.116)

### **Reply of Government**

Steps are being taken by HEC to reduce its stock level. In view of the heavy inventories which HEC has been carrying a sudden and drastic reduction to optimum levels is not possible. The objective fixed is to reduce the inventory level to 14 months' consumption by 31-3-73 and to 13 months' consumption by 31-3-74.

In order to achieve the above targets, following steps are being taken by the HEC:

- (i) Stores items are being reviewed periodically with reference to past consumption and anticipated future requirements, so as to bring more and more items under the category of 'stock items', so that procurement of materials can be made under automatic replacement scheme without waiting for specific indent. Stores have also been classified into three categories. Category A represents a limited number of high value items. Category C represents a large number of items but low in value and category B represents the items the requirement of which in terms of numbers is not high and their value is also not high. More care is exercised in purchasing high value item under category A so that funds are not unnecessarily locked up.
- (ii) An all-out effort is being made to increase production to 80 per cent of the rated capacity by 1974. With higher production, the consumption of inventories will rise progressively, giving a better turn-over.
- (iii) Continuous review of non-moving and slow-moving inventories is being carried out to identify surplus stores and to arrange for their disposal with a view to reducing unwanted inventories.

The processing of all stores transactions is being computerized, with a view to collecting up-to-date data of inventories. This will facilitate prompt utilisation of available materials and also better follow up action in case of delay in supplies.

[Ministry of Steel and Mines (Department of Steel) O.M. No. 2-21/70-HEP-I, Vol. III dt. 13-12-1972].

### **Recommendation (Serial No. 51)**

The Committee regret to note that the question of changing the equity debt ratio has been pending with the Government for about 8 years. The Estimates Committee in their fifty first Report on HEC Ltd. presented to the Lok Sabha on the 3rd April, 1964, had asked the Government to examine the matter regarding re-organisation of the capital structure. In their reply dated 8th November, 1965, the Government stated that the question of varying the existing pattern of loan equity parity in respect of these projects would be taken up for consideration after the capital cost are determined.

The Committee do not find any reason as to why the question of pattern of financing was linked up, with the approval of capital costs. The Committee regret to note that even after the approval of the capital costs, the question of revision of the capital structure, in order to reduce the financial burden on the Corporation, still remains to be finally decided. The Secretary of the Ministry admitted during evidence that one of the main reasons for high cost of production was the huge interest on loans which the Corporation was required to pay every year.

The Committee recommend that after examining all the financial implications the Government should finalise the capital structure of the Corporation without any loss of time. (Paras 9.11 and 9.12).

### **Reply of Government**

The question of changing the Debt Enquiry ratio has been under consideration of the Government for some time. Orders re-organising the capital structure of the Corporation were issued in February, 1972 on the following lines:

- (i) The Authorized Capital of the Company has been raised from Rs. 100 crores to Rs. 175 crores w.e.f. 1-4-1971.
- (ii) The paid up Capital of the Company has been raised from Rs. 100 crores to Rs. 159.5045 crores by converting Rs. 59 crores out of the loan outstanding as on 31-3-1971 into equity and by paying Rs. 50.45 lakhs in cash.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 2-21/70-HEP-I, Vol. III dated 21-11-1972].

### **Recommendation (Serial No. 52)**

The Committee on Public Undertakings during their examination of Heavy Engineering Corporation Ltd., in 1967-68 were informed that by 1970-71 there would be an accumulated loss of about



Rs. 20 crores and it would take the Corporation about 3-4 years to wipe off the losses. The Committee felt unhappy and observed that the expected profitability of the plants was very low. The Committee now find that even the low expectation of the Ministry have been totally proved to be erroneous. The actual accumulated losses (Rs. 73 crores) by 1970-71 are three and half times more than that earlier expected.

The Committee are deeply concerned at the huge loss suffered by the Corporation since its inception. According to the forecast furnished by the management the Corporation is likely to suffer losses to the tune of Rs. 23.5 crores during the next two years, although these forecasts are only tentative. The actual losses are likely to be much more as according to the latest assessment of the Ministry, the year of break even point has been shifted from 1973-74 to 1974-75. The Committee feel that at this rate the Corporation is likely to wipe out all its paid up capital in the next two years.

The Committee highly deplore that the Project Report does not include any realistic assessment as to when the Corporation was likely to break-even. All the exercises made so far differ widely from each other. The break-even point is being shifted from year to year, by bringing down the likely production and the sale value thereof. From the studies made so far it is difficult to know as to what are the actual orders anticipated and whether the Corporation would really break-even within any reasonable measures of time.

The Committee have been informed that the Ministry|Management have taken number of measures such as reorganisation of the management at the higher level, introduction of Incentive Scheme, improvement in Costing System etc. The Committee would suggest that the management should intensify the effort to increase production, ensure timely delivery and reduce their costs and overheads by improving productivity and effecting economy. (Paras No. 9.39 and 9.40).

### **Reply of Government**

The recommendation of the Committee has been noted for guidance.

A High Performance Reward Scheme has been introduced with effect from 1st June, 1972 in the Heavy Machine Building Plant and the Foundry Forge Plant. This was considered necessary as incentive scheme to cover the entire plant would take time. All-out efforts are being made to extend the incentive scheme which is

being progressively introduced since April, 1972 in the entire plants in shortest possible time. This, however, cannot be rushed through as all the pre-requisites have to be completed for making it a success. Double/tripple shifting is being organised in a phased manner.

It is necessary to load HEC with adequate orders. This will help to improve its output. With this end in view a number of steps have been taken. These are:

- (i) Letters of intent for supply of about 49,000 tonnes of equipment and structurals in respect of expansion of Bokaro Steel Plant from 1.7 million tonne to 4.0 million tonne capacity have been received by HEC. Bokaro Steel Ltd. is also placing orders on HEC for equipment which can be manufactured by the Corporation for Steel Melting Shop II of Bokaro Steel Plant.
- (ii) A letter of intent has been received for supply of equipment which HEC can manufacture in respect of expansion of Bhilai Steel Plant.
- (iii) Action has been initiated for placement of order for manufacture and supply of standardised equipment for Visakhapatnam and Vijayanagar Steel Plants on the Heavy Engineering Corporation. It is estimated that approximately 2,55,000 tonnes of equipment can be manufactured by the HEC for the two steel plants at Visakhapatnam and Vijayanagar and for the Bhilai expansion scheme and Bokaro (4 million ton stage) over the next 7 to 8 years.

Government anticipate that with the long term and short term measures enumerated above, HEC should reach the break-even stage during 1974-75.

[Ministry of Steel & Mines (Department of Steel) O.M. No. 2-21/70-HEP-I, Vol. III, dated 21-11-1972].

#### **Recommendation (Serial No. 54)**

The Committee regret to note that due to frequent changes in the top-Management, the production in the plant suffered considerably. The Committee, therefore, recommend that as far as possible there should be continuity in the top-Management. Now that the Government have a full time Managing Director, Government should consider whether he should also be vested with the duties of Chairman. (Para 10.8).

### **Reply of Government**

The recommendation regarding continuity in the top-Management has been noted.

The Board of Directors of Heavy Engineering Corporation have since delegated suitable powers to Managing Director *vide* their resolution adopted at the 93rd Board Meeting held on 6-3-1972 (*vide* extract enclosed—(Appendix-IX).

[Ministry of Steel & Mines (Department of Steel) O.M. No. 2-21/70-HEP, dated 21-11-1972].

### **Further Information Called for by the Committee**

It has been stated that the Board of Directors of Heavy Engineering Corporation have delegated suitable powers to Managing Director. How are these an improvement over the powers that he already had?

[Lok Sabha Secretariat O.M. No. 24-PU/72 dated 29th December, 1972].

### **Reply of Government**

The post of a full time Managing Director was created and filled in July, 1971. In addition a part time Chairman was appointed in 1972. Before July, 1971 there was no full time Managing Director in the Heavy Engineering Corporation and the full time Chairman had been discharging the functions of the Chief Executives in the Corporation since the inception of Heavy Engineering Corporation. The question of any improvement over the earlier powers of the Managing Director does not, therefore, arise.

[Ministry of Heavy Industry O.M. No. 27-121/72-HEP-I, dated 10th April, 1973].

### **Recommendation (Serial No. 56)**

The Committee understand that the multiplicity of trade union has led to inter-union rivalries adversely affecting industrial relations. The Committee also find that for quite some time the labour management relations had not been cordial. There had been frequent demonstrations, leading to work stoppage and gherao, etc., and as such the industrial relation and hence the production in the plants had been affected. The Corporation had lost 2172 man-days in 1968, 36973 man-days in 1969 and 3226 man-days in 1970.

The Committee have dealt at length with the problem of management workers relations in their Report on 'Personnel Policies and Labour Management Relations in Public Undertakings' and would like to reiterate that the Corporation should spare no efforts to give the workers in the Undertakings a sense of participation and involvement in the challenging task of greater production for the good of the country. All disputes should be resolved through mutual discussion in order to come to an agreement. (Paras 10.27 to 10.28)

### Reply of Government

There are 10 registered trade unions functioning in the HEC., the details of which are given below:—

Name of the Union with affiliation if any	Date of registration	Remarks
1. Hatia Projects' workers Union (INTUC)	24-11-1959	Recognised by the Management.
2. Heavy Engg. Corpn. Employees Union	25-6-1962	
3. Heavy Engg. Mazdoor Union (UTUC)	9-11-1963	
4. Hatia Mazdoor Union (CITU)	16-11-1967	
5. Hatia Shramik Sangh (BMS)	9-12-1967	
6. HEC Employees Welfare Association, Calcutta.	7-11-1968	Recognised by the Management.
7. Chotanagpur Industrial Workers Union.	5-2-1971	
8. Hatia Kamgar Union	6-9-1971	
9. Jharkhand Mazdoor Sangh	25-1-1972	
10. Heavy Engg. Artisans Asson.	17-5-1972	

Out of these registered unions, Hatia Projects Workers Union at Panchi and HEC Employees Welfare Association, Calcutta, have been recognised by the Management. Other registered unions can take up individual grievances with the Management whereas the grievances problems of a general nature are to be discussed with the recognised union only. Apart from these registered trade unions there are a large number of Associations also functioning in HEC which are mostly based on trades.

HEC Management have taken note of the suggestion of the Committee in regard to participation of labour in Management and settlement of disputes. Works Committees and Canteen Managing Committees are functioning in the HEC plants. A suggestion scheme is also in force whereby suggestions from workers are called for and rewards are given for good suggestions.

[Ministry of Steel and Mines, (Department of Steel) O.M. No.2-21|  
70-HEP-I, Vol. III Dated 20-12-1972.]

## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURPOSE IN VIEW OF GOVERNMENT REPLIES

#### Recommendation (Serial No. 1)

The Committee take a serious note that it took the Corporation and the Ministry almost ten years to finalise the capital estimates of the various projects of HEC. The estimates for Township and 'common charges' are yet to be finalised by them. It is unfair to the Parliament and to the country to make them commit to a project on a piecemeal basis from year to year without giving a true and realistic picture of the final cost of the project.

The Committee would like to strongly re-emphasise and reiterate what has been stated in the 51st Report of the Estimates Committee (1963-64) 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, so that there is proper and effective control on the finances of the Company. The Committee recommend that all the procedural delays should be investigated and responsibility fixed for the various lapses which have caused the delay in the sanction of the estimates. (Paras 2.13 and 2.14)

#### Revised Reply of Government

The matter has been examined thoroughly and the position with regard to the sanction of estimates for the HEC Plants, Township and 'common charges' is given below:—

##### (i) HEC Plants:

Government sanctions to the estimates of the three plants were issued on the following dates:—

Founrty Forge Plants	.	.	.	16-5-68
Heavy Machine Building Plants				9-4-70
Heavy Machine Tool Plant	.	.	.	18-6-69

It cannot be gainsaid that considerable time was taken in finalisation of the estimates after they were originally received from the HEC. This resulted from the need to carefully scrutinise the

various items included in the cost estimates with a view to determine their reasonableness. In order to keep down the estimates to the minimum possible, clarifications had to be sought from the Corporation on several occasions. In view of the magnitude of the cost estimates, the need to consult HEC from time to time, the complex nature of the estimates, and the fact that this was the first project of its kind in the public sector, and the DPR was not complete in all respects, some time lag between receipt of the estimates and the final approval was unavoidable.

(ii) *Township:*

The main reason for the delay in the finalisation of the project cost estimates for the township has been the time taken in finalisation of the amount of compensation to be paid for the lands acquired by the Government of Bihar on behalf of the HEC. Another factor which contributed to the delay in finalization of estimates was the divergent views in respect to the number of quarters which needed to be constructed and the facilities which needed to be provided. It will be appreciated that the number of quarters to be constructed was subject to the construction of houses under the Industrial Housing Scheme, setting up of the Industrial Co-operation Society and the development of the Ranchi Town. 10,747 quarters had already been constructed by the HEC by the end of 1967-68. The management put up a proposal for the construction of 3,000 additional quarters to the Board of Directors. However, the Board of Directors, with a view to economy, felt that only 300 additional quarters need be constructed and wanted the matter to be re-examined.

A Cooperative Housing Society was approved on 7-2-1972 which will undertake construction of over 300 quarters. The Corporation would now be constructing additional 800 quarters. Provision of facilities including a hospital, market centres, etc., has also been approved by the HEC.

(iii) *Common Charges*

The Government sanction to the estimates for common charges was issued on 12-2-1973. The estimates had been received on 27-12-1971. Considering the fact that certain clarifications had to be obtained from the HEC with regard to the scope of items included in the common charges and the estimates had then to be processed, there has been no appreciable delay in the sanctioning of the estimates.

The delay in according approval to estimates for the plants resulted from the factors enumerated above. In the circumstances, it would be appreciated that responsibility for the delay cannot be pinpointed on any individual or group of individuals.

[Ministry of Heavy Industry O.M. No. 2-21/73-HEP-I Dated 4-12-73]

### **Recommendation (Serial No. 5)**

The Committee feel that the delay in the erection and commissioning of the project has considerably lengthened the gestation period of HEC resulting in considerable loss in production. The cost of construction went up as a result of delays. The rate of build up of production capacity in the Heavy Machine Building plant and Heavy Machine Tools plant and also the production in FFP had been affected due to delay in the erection and commissioning of the Foundry Forge Plant. Forgings and Castings worth about Rs. 3.5 crores had to be procured from other sources including imports as a result of delay in the commissioning of this Plant. The Secretary of the Ministry admitted during evidence that "the delay in completing the project certainly affects the return on capital as well as the cost of production of the items which are manufactured in the project." It also result in loss of efficiency and profitability. The Secretary of the Ministry further admitted that they could gather the information with regard to commissioning through periodical reports on the progress of construction and through quarterly financial reviews. The Committee regret that although the information about delay came to the Ministry through these reports, they did not take any effective action.

The Committee take a serious note that neither the Corporation nor the Ministry have assessed the total loss suffered by the Corporation as a result of delays in the erection and commissioning of the Plant. Inadequate initial soil investigation, delays in securing steel, working drawings and other material, etc. have resulted in delays. In the circumstances, therefore, it is important to find out as to what extent the delay was avoidable and to ascertain as to the precise causes responsible for not taking timely action. The Committee recommend that the Ministry|Undertaking should assess the total loss incurred by the Corporation as a result of delays and the extent to which delay could have been avoided. Such a detailed and scientific study will help in avoiding the pitfalls in the future. (Paras 4.16 to 4.18)



### Reply of Government

From available records, it has not been found possible to separate the loss due to delays in construction from the loss due to other causes, such as low productivity, lack of orders, non-utilisation of equipment etc. although it is admitted that delay in construction had resulted in slow build-up of over-all capacity utilisation. On an overall basis, it may be mentioned that upto 31st March, 1972, the HEC had supplied equipment and other items worth Rs. 93.3 crores to outside customers. The HEC incurred a loss of Rs. 89.19 crores till this date. The year-wise break-up of the loss is given below:—

(Rs. in crores)		
Upto 1967-68 For the year		Rs. 26.07
	1968-69	14.66
	1969-70	18.18
	1970-71	14.43
	1971-72 (provisional)	35.85
Rs.		<u>89.19</u>

\*Includes a credit of Rs. 3.8 crores in respect of prior period adjustment.

[Ministry of Steel & Mines (Department of Steel O.M. No. 2-21/70-HEP-I, Vol III Dated 20-12-72)]

### Further Information Called for by the Committee

The Committee had recommended that "the Ministry Undertaking should assess the total loss incurred by the Corporation as a result of delays and the extent to which delay could have been avoided. Such a detailed and scientific study will help in avoiding the pitfalls in the future."

In reply to this recommendation, it has been stated that "it has not been found possible to separate the loss due to delays in construction from the loss due to other causes." It has not been stated as to what extent the delay could have been avoided and whether any detailed study has been made in this regard? Please furnish your comments in regard to points noted above.

[Lok Sabha Secretariat O.M. N. 24-PU/72 dt. 29-12-72]

### Reply of Government

The primary reason for delay in the construction schedule of Heavy Engineering Corporation was the necessity to have extra

pile foundation for the Foundry Forge Plant. The necessity to have extra pile foundation had arisen on account of poor soil conditions in the area. This factor was beyond the control of the HEC's management. As such the delay involved was unavoidable.

No study has, however, been undertaken with regard to the loss incurred by the Heavy Engineering Corporation as a result of the delays in the completion of the construction work.

[Ministry of Heavy Industry O.M. No. 27-121/72-HEP-I dated 3.3.73]

### **Recommendation (Serial No. 12)**

The Committee find that although 3,415 m. tons of structurals were got fabricated from private firms at the cost of Rs. 11.79 lakhs on the plea that Heavy Machine Building Plant was not in a position to deliver the building structurals to the HMTP and FFP by the stipulated time; actually there was time gap of about 6 months between the delivery and consumption of the structurals in the initial stages of erection.

The Committee further note that whereas the manufacturing work order for a quantity of 2,290 M tons of structurals for the 6th Blast Furnace Complex, Bhilai, was opened in April, 1965, without calling for tenders on the plea of urgency there had been a delay in the fabrication of structurals.

It appears to the Committee that the plea of urgency for off-loading the work of structurals can hardly hold good in all cases. It would have obviously been in the interest of Corporation to examine each case more thoroughly with reference to its own capability and the realistic delivery schedule for each work so as to undertake the fabrication to the maximum possible extent in the Corporation itself.

The Committee are at a loss to understand why the Corporation kept on off-loading fabrication of structurals even after commissioning of the new steel fabrication shop in November 1966 on the plea that they did not have adequate Cranage facilities. The Committee have pointed out elsewhere in the Report that the Heavy Engineering Corporation have an excess number of cranes and many of them are not being utilised at all. Even if these existing cranes were not suitable for the work required, the Committee cannot understand why it was not found possible to arrange either for the indigenous manufacture of the requisite cranes or their import, in the interest of production.

The Committee are also concerned to note that a private firm is being allowed to do fabrication work within the premises of the Corporation by using the facilities made available to them by the Corporation. It is not clear, if a private party can at all be allowed to undertake such work within the premises of a public undertaking; the more pertinent question is as to why the Corporation could not put its own resources to use in fabricating job.

The Committee would like Government to look into the matter immediately and inform them of the action taken within three months.

(Paras 6.56 to 6.61)

### **Reply of Government**

Off-loading of work is a common device to increase the overall output of work in any organisation. Off-loading becomes objectionable when due to off-loading the concern which does the off-loading becomes underloaded or idle.

The fact that structurals could not be erected for six months after delivery does not show that the decision to off-load was wrong. The delay in their utilisation in the Heavy Machine Tools Plant was due to lack of proper planning and coordination.

Delays in fabrication have occurred even after the procedure in connection with the manufacturing work order for structurals for the sixth Blast Furnace complex at Bhilai was short-circuited. It is felt that if open tenders had been invited, there would have been further delays in the fabrication of structurals.

In regard to Para 6.59, it may be stated that the cranes in question were already under manufacture in the Heavy Machine Building Plant and import of those cranes at a later stage would not have been desirable.

As to why the HEC did not put its own resources to use in fabrication of structurals, it may be stated that the Corporations' own resources were already employed fully and the build up of additional resources by way of manpower supervision, etc. by the Corporation would have led to inordinate delays. Besides, as the work was brought to be of a temporary nature, it was considered desirable to permit a private contractor to use the open area and facilities available in the HEC for manufacture of structurals in order to augment the output. The Corporation would not have been able to take on the manpower as well as to provide the facilities

necessary for undertaking this work without long delays. The Corporation would also have been saddled with the subsequent problem of absorbing additional hands on the close of the work.

The present contract with the fabricators will be expiring in December, 1972.

\*[Ministry of Steel & Mines (Department of Steel), O.M. No. 2-21/70-HEP. I Vol. III dated 28th July, 1972.]

#### **Further Information Called for by the Committee**

(a) It has been stated that the Corporation would not have been able to take on the manpower as well as to provide the facilities necessary for undertaking this work without long delays.

How is it that a private contractor could undertake the job and execute the work in time utilising the premises of HEC, whereas with all the resources and supervision HEC could not do it?

(b) Whether it has been thoroughly examined that the Corporation's own resources were fully utilised and whether the work could not be actually done by HEC more economically and within the stipulated time.

(c) In regard to para 6.59 it has been stated that the cranes in question were already under manufacture in the Heavy Machine Building Plant.

Please state why adequate crane facilities could not be provided in time in order to avoid off-loading of structurals?

(d) When were the cranes actually manufactured in the Heavy Machine Building Plant?

(e) Whether the Corporation continued off-loading of structurals even after adequate crane facilities were available and if so, what are the reasons therefor?

[Lok Sabha Secretariat, O.M. No. 24-PU/72 dt. 29-12-1972.]

#### **Reply of Government**

(a) As already pointed out in Government's reply to the recommendation, it would have taken considerable time for the Heavy Engineering Corporation to recruit the personnel for doing fabrication work and put them into position. The procedures prescribed

for recruitment of personnel by the Government Undertakings are time consuming. Apart from this, as already explained in para 5 of the Government's reply, recruitment of personnel by the Heavy Engineering Corporation would have created difficulties with regard to permanent absorption of termination of services on the close of the work, or these persons.

(b) As explained in para 5 of the Government's reply the Corporation resources were fully utilised and it would not have been possible for the Corporation to do the work economically and within the stipulated time.

(c) The cranes in question were already under manufacture by the Heavy Machine Building Plant and under these circumstances adequate crainage facilities could not be provided the manufacture of cranes by the plant could not keep pace with the requirements.

(d) Out of 11 cranes, 9 were installed during the period from 1966-67 to 1970-71. The work on the remaining 2 cranes is nearing completion.

(e) Off-loading of structures by the Heavy Engineering Corporation is now restricted to the ancillary industries only. No work is off-loaded to contractors within the premises of the HEC Plants.

\*[Ministry of Heavy Industry, O.M. No. 27-121/72-HEP-I dated 10th April, 1973.]

#### **Recommendation (S. No. 16)**

The Committee are surprised and regret to note that upto March, 1969, as many as 498 orders were cancelled in the Heavy Machine Building Plant. Cancellation had to be done as some orders were opened initially without firm orders from the parties or due to inordinate delay in supplies or even for that matter due to a later decision to import additional equipment to meet the delivery target. All these indicate that the procedure in vogue for opening the work orders and their actual execution is not a rational one nor is there adequate planning, with the result that in the case of some orders taken up for Bokaro and Bhilai and expenditure of Rs. 5.82 lakhs incurred by the Corporation for conversion charges and overheads has been rendered infructuous. The Committee have elsewhere deprecated the delay in the execution of orders by the Corporation and desire that effective remedial action should be taken to have a realistic delivery schedule and adhere to it.

The Committee failed to understand how manufacture of some

items was taken up without any firm orders resulting in infructuous efforts and expenditure. The Committee hope that effective action would be taken to avoid the recurrence of such infructuous efforts.

(Paras 6.104 to 6.105)

### **Reply of Government**

It is correct that taking up the manufacture of certain items without firm orders might result in infructuous efforts and expenditure.

2. Steps are being taken by HEC to introduce production planning and forecasting of deliveries on a scientific basis. This is designed to obviate the eventuality of cancellation of orders on account of delay in deliveries.

3. It is not always possible to wait for formal orders before commencing manufacture. Most of the customers of HEC are Government Departments or Public Sector Undertakings. With a view to reduce the lead time for manufacture of certain items in anticipation of formal orders from the customer preliminary work, such as, ordering raw-materials and bought out items, arranging design documentation, etc. is taken up. In case of dispute between HEC and other public sector or Government organisations regarding prices, the procedure laid down by Government, viz. reference of the dispute to the Bureau of Public Enterprises is usually followed.

4. While efforts are being made to ensure that firm orders are placed after prices have been settled, sometimes in order to reduce the lead time initiative of preliminary steps is unavoidable. Cases, where action is taken by HEC in anticipation of formal orders, are always brought to the notice of the Board of Directors as well as the Government.

\*[Ministry of Steel & Mines (Department of Steel) O.M. No. 2-21/70-HEP-I, Vol. III.]

### **Recommendation (S. No. 18)**

The Committee regret to note that loss/profit incurred by the Corporation in respect of equipment supplied to Bokaro Steel Ltd. could not be ascertained on account of non-availability of the cost of production (in the case of equipment) and the source of supply i.e.

whether out of Plant's own production or out of the contractor's supplies (in the case of structurals). The Committee recommend that the management should work out the financial results of transactions with Bokaro Steel Ltd. without any delay.

The Committee further find that although Government have fixed the prices for supplies to Bokaro, but the prices payable in respect of quantities off-loaded to the Garden Reach Workshops Ltd., and Central Inland Water Transport Corporation Ltd., which are also Government of India Undertakings, have not been settled so far.

The full financial implications of off-loading these equipment cannot obviously be known till prices are finally settled. The Committee desired that the prices should be settled expeditiously by the Bureau of Public Enterprises to whom the case stands referred.

The Committee are greatly concerned to note the inordinate delay in settling prices for machinery and equipment to be supplied by Public Undertakings to another Public Undertaking in the Government Sector. The Committee stress that the Ministry| Bureau of Public Enterprises should evolve a well defined procedure in order to eliminate delays that occur due to differences among the public sector undertakings regarding settlement of prices. Whenever two or more Government Undertakings cannot come to an agreement, they should avail of this procedure and have the matter decided without delay, so that the financial implications of each transaction become known in time to all concerned. (Paras 6.134 to 6.137).

### **Reply of Government**

The value of the order of Bokaro Steel Plant, for the first phase, is Rs. 102.89 crores. This figure was decided upon by the BPE. The break up of this is:

- (i) Rs. 102.35 crores for supply of 72,534 tonnes of equipment, and 26,467 tonnes of structurals by HMBP.
- (ii) Rs. 0.54 crores for supply of 19 machine tools by HMTP.

The order was accepted in the year 1967-68. Subsequent to the acceptance of the order, the quantum of import content increased beyond what was originally anticipated. Similarly, the quantum of items to be sub-contracted or off-loaded to other agencies false went up, on account of the output of the plants not increasing at the anticipated rate.

The sale value of production and supplies relating to BSL upto 31st March, 1972 works out to Rs. 66.68 crores. This has resulted in a loss of Rs. 18.18 crores, as per the following figures:—

	(Rs. crores)
HMBP-Sales value . . . . .	66.19
Cost of production . . . . .	76.52
Loss . . . . .	10.33
HMTP-Sales value. . . . .	0.49
Cost of production . . . . .	0.82
Loss . . . . .	0.33
FP-Proportionate loss in respect of castings and forgings supplied by FFP to HMBP and HMTP . . . . .	7.52
<b>TOTAL LOSS</b>	<b>18.18</b>

A major portion of off-loading was done on M/s. GRW, Calcutta. The question of price payable to M/s. GRW for their equipment was referred to the Bureau of Public Enterprises, who constituted a Committee to go into this matter. The Committee submitted their recommendations to the Government. The recommendations have been accepted by the Government. The rates recommended by the BPE have, been taken into consideration by the HEC for working out the financial results indicated above.

The question of settlement of prices regarding equipment off-loaded on Central Inland Water Transport Corporation Ltd. is under consideration.

For supplies to Bokaro the prices fixed by the Government were on a notional basis. In respect to mechanical items one rate was fixed for competitive items and another for non-competitive items. In respect to structural items the distinction in the rates was for technological structurals and other structural items. However, the actual cost of production of items of equipment supplied by HEC is higher than the price fixed by BPE. This varies according to the complexity, quantum of import content, purchase prices of materials, etc.

The Bureau of Public Enterprises have evolved a procedure under which if there is a difference of opinion between two Public Sector Undertakings about pricing, the matter has to be referred to the Bureau for a decision. It was under this procedure that the case relat-



ing to pricing of items of Bokaro order off loaded by the HEC on M/s. GRW was referred to the Bureau.

[Ministry of Steel & Mines, Department of Steel O.M. No. 2—21/70  
HPE—I, Vol. III Dated 20-12-1972]

### **Further Information Called for by the Committee**

(a) What are the reasons for delay in the settlement of prices regarding equipment off-loaded in Central Inland Water Transport Corporation Ltd?

(b) Whether the procedure evolved by the Bureau of Public Enterprises to avoid delays has not been applied in this case?

(c) What is the present position regarding the settlement of prices?

(d) It has been stated that the actual cost of production of items of equipment supplied by HEC to BSL is higher than the price fixed by BPE.

What steps have been taken to remedy this situation? Have the pricing policies been rectified?

[Lok Sabha Secretariat O.M. No. 24-PU/72, dt. 29-12-72]

### **Reply of Government**

(a) As the quantum of equipment off-loaded on the Central Inland and Water Transport Corporation was much less than that off-loaded on Garden Reach Workshops Ltd. a settlement of price for the quantity supplied by Central Inland Water Transport Corporation had to await finalisation of price in respect of supplies made by the Garden Reach Workshops Ltd.

(b) The procedure evolved by the Bureau for settlement of prices in such case was followed in making a reference to the Bureau in the case supplies made by Garden Reach Workshops.

(c) The Prices are being negotiated by the Heavy Engineering Corporation with Central Inland Water Transport Corporation with a view to early finalisation.

(d) The actual cost of production of the items of equipment to be supplied by HEC to Bokaro Steel Ltd. is higher than the prices fixed by the Bureau of Public Enterprises primarily for the reason

that the HEC's current production is considerably lower than the rated capacities of HEC Plants. A number of steps (enumerated on Govt.'s reply to recommendation No. 38) have been taken by the HEC with a view to raising production, as a result of which the cost of production should come down.

The pricing policy of HEC is under constant review by the Board of Directors of the Company. While every effort is being made to keep the price of equipment within the landed cost for similar imported equipment, the Board of Directors have decided that the management could accept orders even if the direct material and labour costs and 50 per cent of the overheads are covered. For accepting orders which cover less than 50 per cent of the overheads, the specific approval of the Board of Directors would be required.

\*[Ministry of Heavy Industry, O.M. No. 27-121/72-HEP-I dated 10-4-73]

#### **Recommendation No. 20**

The Committee are surprised to find that a sum of Rs. 286.33 lakhs has been paid to Bokaro Steel Limited in respect of design documentation without even ascertaining whether the cost is payable at all. The Committee also find that out of the total sum of Rs. 286.33 lakhs debited to the account of the Corporation for the receipt of design documentation from the Bokaro Steel Ltd., a total expenditure of Rs. 122.94 lakhs was incurred for design documentation which were either already in possession of the Corporation or which were not at all utilised as components/completing equipments for which the design documentations were meant, were actually imported from Russia. The Committee are of the opinion that the loss incurred by the Corporation on the procurement of design documentations was due to lack of adequate coordination between the Bokaro Steel Ltd. and Heavy Engineering Corporation Limited.

The Committee feel that the Bokaro Steel Limited went in for the import of design documentations without finding out whether or not these were available with the HEC and as they could not get out of the commitments, the design documentations imported by them were thrust upon HEC. The justification given by the Management that the new drawings will be useful for future expansion appears to be an after-thought.

3. The Committee would like Government to probe into the matter in order to find out the extent to which the import of design docu-

ments for which large amounts have been paid, was avoidable and has proved infructuous. The Committee recommend that Government should take steps to avoid such losses in future. The Committee would also like Government to issue detailed instruction to Public Undertakings in the light of this experience so that no omnibus commitment in respect of design documents is entered into which obliges an undertaking to import design and drawings irrespective of their need. The Committee would like to be informed of the action taken within three months. (Paras 6. 161 to 6.163)

### **Reply of Government**

Discussions between Bokaro Steel Limited and Heavy Engineering Corporation in regard to import of design documentation started in March 1966 and the contract between Bokaro Steel Limited and M/s. Tiajpromexport was signed on 23.1.1967. During this period the Heavy Engineering Corporation had been kept advised of the various developments with regard to the proposal for import of design documentations by Bokaro Steel Limited. The Bokaro Steel Limited informed the Heavy Engineering Corporation on 31.8.1966 that the cost of the drawings and design documentations to be paid by Bokaro Steel Limited to M/s. Tiajpromexport will have to be reimbursed to Bokaro Steel Limited by Heavy Engineering Corporation. This is substantiated by the minutes of the meeting held on 7-9-1967 at Ranchi which was attended by the representatives of the Department of Iron and Steel, Bokaro Steel Limited and Heavy Engineering Corporation. The relevant extract of the minutes is reproduced below:

“Regarding charges for the drawings which are being supplied by the Bokaro Steel, it was agreed that the price would be paid by HEC to Bokaro Steel Limited.”

It may be mentioned in this connection that the fact the HEC had paid for the designs to Bokaro Steel Limited had been taken into consideration by BPE when fixing prices for the equipments supplied to Bokaro Steel Limited.

During the course of discussions between Heavy Engineering Corporation Limited and Bokaro Steel Limited prior to the signing of the contract on 23.1.1967, the Heavy Engineering Corporation pointed out to Bokaro Steel Limited that in respect of 9,000 tonnes of equipment, Heavy Engineering Corporation did not need drawings. This position was brought to the notice of M/s. Tiajpromexport by Bokaro Steel Limited. The advice of the M/s. Tiajpromexport, however, was:

- (a) for about 2,700 tonnes of equipment, the Heavy Engineering Corporation could go ahead with the drawings available with them;
- (b) for 6,000 tonnes of equipment, the drawings in possession of HEC were old in design and required incorporation of the latest technological developments and modifications and consequently it would not be advisable to work on the basis of the drawings available with the Heavy Engineering Corporation Limited.
- (c) In respect of drawings for 300 tonnes of equipment, orders had already been placed in USSR and hence could not be cancelled.

Import of the design documentation was resorted to after the position as indicated by HEC and the advice given by Bokaro Steel Limited's consultants had been fully taken into account.

The Import of the design documentation for a quantity of 29,188,763 tonnes of equipment and components at a total cost of Rs. 122.94 lakhs falls into two parts:

- (i) Documentation for a quantity of 13,760.163 tonnes of equipment and components at a cost of Rs. 56.12 lakhs.
- (ii) Documentation for quantity of 15,428.60 tonnes of equipment at a cost of Rs. 66.82 lakhs in respect of which the Heavy Engineering Corporation had the design documentation already with them.

The documentation relating to 13,760.163 tonnes of equipment consists of two parts:

- (a) drawings for 8,125.603 tonnes of equipment for which components were imported and
- (b) drawings for 5,634.56 tonnes of equipment which was fully imported.

As regards 8,125.603 tonnes of equipment for which both drawings and components/parts were imported, it is necessary to import the drawings for the complete equipments, as without these drawings the manufacture of other components and assembly work cannot be undertaken. In these circumstances, the expenditure on import of documentation relating to 8,125.603 tonnes of equipment was unavoidable.

As regards drawings for 5,634.56 tonnes of equipment which was imported, the position is that this equipment was originally proposed to be manufactured by HEC. However, at a later date, when it was found that HEC would not be in a position to keep to the schedule of deliveries to Bokaro, it was decided that this equipment should be imported. By that time, the documentations had already been received.

Normally specifications of documents obtained for equipment for Stage I of a Project are not changed for utilisation for Stage II. It may be mentioned that out of design documentation for 5,634.56 tonnes of complete equipment obtained for Bokaro Stage I documents relating to 3,215 tonnes i.e. 57.1 per cent have already been used for supply of equipment for Bokaro Stage II. The documentation relating to the remaining 2,419.56 tonnes for equipment is likely to be utilized in future.

Regarding the import of design documentation for a quantity of 15,428.60 tonnes of equipment, the position is that HEC was capable of supplying equipment (cranes) to its own design for a total weight of 10,600 tonnes. After detailed technical scrutiny of HEC's offer, the Bokaro Steel Limited advised HEC that cranes weighing 8,873.41 tonnes should be supplied as per Society designs already indicated by them.

In regard to 6,556.19 tonnes of equipment (15,428.60 minus 8,873.41) the design available with the HEC were for equipment which was old in design. In the circumstances, the drawings available with Bokaro Steel Limited had to be used.

The question of issuing general instructions, on the subject as recommended in para 6.163 of the recommendations, has been considered by the Government. Instructions have been issued to all the Ministries and Departments of the Government of India by the Bureau of Public Enterprises vide their O.M. No. 3|3|72-Pdn. dated the 4th August, 1972. (Appendix X)

\*[Ministry of Heavy Industry No. 2-21|70-HEP-I dated 28-2-1973]

#### **Recommendation S. No. 24)**

The Committee regret to note that the Corporation decided to manufacture vertical type continuous casting machines without any

order in hand and without making any market survey to ascertain its demand. The Committee also note that the manufacture of this item was taken up when the expansion programme had not been finally decided upon and the programme had reached only conceptual or feasibility consideration stage. It is quite surprising that no order for any type of machine has been finalised so far. The contract entered into with a foreign firm for obtaining technical know-how and documentation, etc. had to be amended as it was decided later to manufacture only radial type continuous casting machine. Initial expenditure of Rs. 7.5 lakhs incurred for the vertical type of machine thus proved to be infructuous.

All the cases discussed under the heading 'Defective Production Planning' indicate that the Corporation decided to undertake the manufacture of some of the major items without any proper planning. The ill planned production has resulted in considerable loss to the Corporation. The Committee view with concern the lack of planning and undue haste in taking up manufacture operations and sinking large amounts without a proper market survey of potential customers, resulting in blocked capital and losses to the Corporation.

The Committee recommend that all such cases where manufacture of items had been taken up in anticipation of orders or grossly in excess of orders in hand, should be carefully investigated and responsibility fixed. The Committee suggest that Government should also issue suitable guidelines so as to avoid such lapses in future.

(Paras 6.214 to 6.215)

#### **Reply of Government**

The decision to get the know-how for vertical type continuous casting machine was taken by Heavy Engineering Corporation in 1966. At the time of this decision, only the technology for vertical continuous casting machine had been fully established. The know-how for radial and curvilinear type continuous casting machine had not been fully established. In 1966, 59 vertical machines were working in different parts of the World as against 21 radial and curvilinear machines. HEC, therefore, decided to get the know-how for the vertical continuous casting machine.

Subsequent technological developments established the superiority of radial and curvilinear type continuous casting machine. The Management of HEC realised that in future the radial and curvilinear continuous casting machine would replace the vertical type; therefore, as a major producer of steel manufacturing equipment it should keep abreast with the latest technological developments. In view of this, it was decided that HEC should acquire

the know-how for the radial and curvilinear type continuous casting machine. It will thus be clear that the management of HEC took a deliberate decision in 1966 to get the know-how for the vertical type continuous casting machine. Subsequent technological developments had established the superiority of radial and curvilinear type continuous casting machine. In view of these circumstances, Government feel that as the management of HEC had taken the decision in respect of continuous casting machine in good faith and on the basis of information available with them in 1966 no individual responsibility can be fixed. It is therefore suggested for the consideration of the Committee that this matter may be treated as closed.

However, HEC is now exercising greater caution in obtaining foreign know-how. It is being ensured that no payment is made to the foreign collaborator unless firm orders are secured for those items for which the collaboration agreement had been entered into.

All cases regarding procurement of foreign technology are also being put up to the Board of Directors of the Company for decision.

\*[Ministry of Steel & Mines (Department of Steel) O.M. No. 2-21/70-HEP--I, Vol. III, dated 22-12-1972]

### **Further Information Called For By The Committee**

Please furnish your comments to Paras 6.215 and 6.216 of the Report.

[Lok Sabha Secretariat O.M. No. 24-PU/72 dt. 29-12-72]

### **Reply of Government**

The main reasons for the HEC undertaking the manufacture of these items in anticipation of firm orders from customers were:

- (a) HEC had a very inadequate market survey organisation during the period from 1965 to 1968 with the result that full market intelligence was not available to the HEC.
- (b) Surplus capacities in the various shops of the HEC existed and the manufacture of these items was taken up with a view to utilising as much spare capacity as possible.

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\*Reply not vetted by audit.

Adequate care is , however, being taken by the HEC now regarding procurement of foreign technology and all cases involving such procurement are now put up to the Board of Directors of the Corporation for decision.

\*[Ministry of Heavy Industry O.M. No. 27-121/72-HEP-I, dt. 3-3-73].

### Recommendation (S. No. 27)

The Committee find that the five auxiliary units constructed at the total cost of about Rs. 6 crores to cater to the needs of the three plants of HEC remained under-utilised due to low level of production in the Foundry Forge Plant and Heavy Machine Building Plant. Acetylene Plant could be utilised only to the extent of only 15 per cent during 1969-70 and 1970-71. The Committee find that the service facilities in Auxiliary units have now been provided for full production capacity. The Committee express the hope that with the increase in production in the three plants of HEC, the production capacity of the auxiliary units would also be fully utilised. (Paragraph 6.239)

### Revised Reply of Government

Production capacity of the auxiliary units is being utilised to the extent of demands from various production shops. The utilisation is increasing with the increase in production in various shops.

The extent of utilisation of capacities of five Auxiliary during 1971-72 as compared with the previous year as well as production in the three units of the HEC during these years are given below.

Auxiliary Unit	Production in DPR consumption NM <sup>3</sup>	Auxiliary Units of HEC	
		1970-71	1971-72
1. Producer Gas in 100 m <sup>3</sup>	3,11,338	2,30,146	1,95,983
2. Acetylene in m <sup>3</sup>	2,59,400	42,703	47,764
3. Oxygen in m <sup>3</sup>	11,14,000	10,57,488	13,47,593
4. Compressed air in 1000 m <sup>3</sup>	1,01,370	87,112	1,00,281
5. Steam	2 Boilers	2 Boilers	2 Boilers

\*Reply not vetted by audit.



*Production in three Units of HEC*

	1970-71 (in tonnes)	1971-72 (in tonnes)
1. H.M.B.P. . . . .	23,109	30,468
2. F.E.P. (Saleable) . . . . .	16,020	20,954
3. H.M.T.P. . . . .	618	741

[Ministry of Heavy Industry O.M. No. 2-21/70—HEP-I, dated 4-12-73].

**Recommendation (Serial No. 28)**

The Committee regret to note that due to the delay in finalisation of the proposal for installing another compressor in the Oxygen Plant and thereby increasing its filling capacity the Corporation could not earn a revenue of Rs. 32,760 per month in 1968-69 and Rs. 13,722 per month in the year 1969-70. The objective of the Committee in mentioning this instance is to impress that the Corporation should not lose any opportunity to increase its revenue and cut down losses. (Paragraph 6.244)

**Reply of Government**

The Oxygen Plant of Foundry Forge Plant has been primarily installed to cater to the demand of oxygen for the HEC. The detailed Project Report did not envisage sale of oxygen to outside parties and, as such, a cautious approach had to be made by the HEC so that any deviation from the Detailed Project Report did not to any harm in the long run. Possibilities of selling the surplus oxygen to outside parties have been explored since 1966. Unfortunately the prices offered by the outside parties were very low compared to HEC's cost of production. It was therefore after prolonged efforts that it was possible to conclude contracts for sale of surplus oxygen.

Due to lack of storage capacity and bottling facilities all the surplus oxygen could not be bottled and sold out. Attempts made to obtain one additional filling compressor from indigenous sources were not fruitful. Action had, therefore, to be taken to import the equipment. An order has already been placed on an East German firm for supply of the equipment. An order has also been placed on M/s. Bharat Heavy Plates and Vessels for supply of two numbers of Pressure Storage Vessels for storing the surplus oxygen. Sale contracts already exist with outside firms for the sale of surplus oxygen. It is felt that with these arrangements, the sale of surplus oxygen to outside parties will go up.

[Ministry of Steel and Mines, Deptt. of Steel No. O.M. 2-21/70-HEP-I,  
Vol. III dt. 13-12-1972]

### **Recommendation (Serial No. 40)**

The Committee find that the Corporation purchased 5 cranes in 1963 at a cost of Rs. 32,230 each.

The management claimed that 2 cranes were used for some time in the Heavy Machine Building Plant. No records were, however, shown to Audit regarding the utilisation of these two cranes. All the cranes are laying unutilised in the stores as there is not much use for them. What is more surprising is that after 8 years of purchase of these cranes, the matter is still under investigation.

The Committee suggest that the investigation should be completed without delay and they should be informed as to why cranes were purchased without making sure of their utility to the Corporation. The Committee would also like the Corporation to intimate after investigation, whether any of the cranes is defective and, if so, fix responsibility for not detecting the same at the time of inspection and payment (Paragraph 8.26 and 8.27)

### **Reply of Government**

The case has been investigated by the Heavy Engineering Corporation.

The facts of the case and the findings are as under:

The proposal for purchase of these cranes was initiated by the then Chief Controller of Stores and Purchase for material handling in the Stores Department. It was approved by the then General Manager of the Heavy Machine Building Plant and also by the then Director (Construction) of the Heavy Engineering Corporation.

The cranes are not defective. They were in conformity with the specifications indicated in the offer made by the Supplier. The question of their rejection at the time of inspection did not, therefore, arise. Nor did HEC in receiving these cranes accept any sub-standard equipment.

The cranes could not be utilised with advantage in a large manufacturing unit like the HEC. In fact, these cranes are a very useful equipment for utilisation in small garages and workshops. The main drawback in this type of crane is that it requires motive power to move it from one place to another. This aspect apparently did not receive due consideration at the time of initiating the proposal.

The investigation into the case does not reveal any *malafide* intention on the part of any officer. The Director (Construction) and the

General Manager, HBMP, who approved of this proposal, are no longer in service. It is, therefore, felt that it is not possible to take action against either of these officers.

Two of these cranes were notified to the BPE and public sector undertakings by the HEC on 31-3-1971 with a view to ascertaining whether these could be utilised by the Government Department| Public Sector Undertakings. A tender notice regarding their sale has false now been issued by the HEC. In respect of the remaining three cranes, the Survey Committee of the HEC is examining the matter with a view to determine how best they could be utilized| disposed.

All purchases of capital items are now thoroughly screened by HEC before a decision for the purchase is taken. Therefore, the cases of the nature referred to by the Committee are not likely to occur in future.

In view of the explanation given above, it is suggested for consideration of the Committee that the case may be treated as closed.

[Ministry of Steel & Mines, Deptt. of Steel O.M. No. 2-21/70-HEP-I,  
Vol. III Dated 28.12.72]

### **Recommendation (Serial No. 41)**

The Committee find that the Corporation purchased 4 tower cranes at a total cost of Rs. 5.42 lakhs in 1962-63 merely on the advice of the collaborators, without finding out whether these could be used by the Indian erection contractors. Except for one or two cranes, which were put into operation after 5 years the remaining cranes had not been put to any use. The Committee deprecate that the cranes were not declared surplus to the requirement and no efforts were made to dispose them of as soon as it was known that these were no longer required. The Committee would like that the matter regarding the unnecessary purchase of cranes and the delay caused in their disposal should be investigated and responsibility fixed for such costly lapses. Remedial measures should also be taken to see that such lapses do not recur.

The Committee would like Government/HEC to review the position and take appropriate action for either pressing into service the cranes|disposing them to other public undertakings who could put them to productive use. (Paragraph 8.32).

### Revised Reply of Government

A Committee comprising the Chief Commercial Manager, Materials Manager, Controller of Finance and Accounts HMBP was set up by the HEC to examine the case. After careful consideration, the Enquiry Committee came to the following conclusions:

(a) The procurement of Cranes was a case of advance purchase for:

- (i) Carrying out the work of a departmental nature;
- (ii) owning certain essential and costly equipment which, in the judgement of the technical officers of the Corporation, the contractors were not likely to possess; and
- (iii) occasionally loaning these equipment to the contractors in time of emergency on hire charge basis so as to keep up to the time schedule.

(b) Amongst other construction equipment, the purchase of tower cranes was based on a suggestion of the Soviet Experts and as per the Project Reports for HMBP and FFP at Ranchi and CMMP at Durgapur and after review of the requirements by the Project engineers. The authorities who decided the purchase of these cranes in 159 did not have an opportunity to consult the erection contractors, as the purchase was arranged much in advance of awarding the construction work of the factory buildings.

(c) In view of the situation as explained above, the Enquiry Committee are of the view that though there was an error of judgement with regard to the type of equipment purchased. There was no mala fide intention on any officer's part nor any carelessness with regard to the purchase of the tower cranes.

The above findings of the Enquiry Committee have been accepted by the HEC management.

Out of the 4 cranes, one had already been put in use in the Heavy Machine Building Plant as indicated in the Recommendation itself. Out of the remaining three, the sale of two cranes is under negotiations with Bharat Heavy Electricals Ltd. Tiruchi. The sale of the third crane is under negotiation with Hindustan Housing Factory, New Delhi.

In view of the findings of the Enquiry Committee, it is suggested for the consideration of the Committee on Public Undertakings that the case may be treated as closed.

\*[Ministry of Heavy Industry O.M. No. 2-21/70-HEP-I, Vol. IV  
Dated 2-7-73.]

### **Recommendation (Serial No. 42)**

The Committee find that the Corporation purchased two used cranes at a total cost of Rs. 1.67 lakhs. The cranes were used after necessary overhauling for 1063 hours and 300 hours, only as against their available life of 1900 hours and 9676 hours respectively. The Committee note that the cranes could not be brought into use even after extensive repairs and had to be disposed of ultimately at a loss of Rs. 16,800.00. The Committee felt that the matter regarding purchase of used cranes needs a further probe with a view to fixing responsibility. (Paragraph 8.35).

### **Reply of the Government**

This case was examined by an Enquiry Committee comprising Chief Commercial Manager, Materials Manager and Controller of Finance & Accounts|HMBP set up by HEC. After thorough enquiry the Enquiry Committee have come to the following conclusions regarding the purchase of the two used cranes at a cost of Rs. 1.67 lakhs:—

- (a) One 20 ton capacity Crawler Mounted Crane and another 5 Ton Truch Mounted crane were purchased by the Heavy Engineering Corporation in 1961 in order to meet HEC's immediate needs for lifting the plant and equipment arriving from abroad and storing them in suitable godowns.
- (b) This was necessary in view of the fact, that the construction equipment which the Corporation had contracted for supply from the USSR was to take quite some time to come, and since other plant and equipment had started arriving in large quantities, the Corporation could not afford to waste any time in acquiring some mobile cranes for lifting purposes.

- (c) Keeping in view this pressing urgency, and as the requirement was for a limited duration a decision was taken to obtain on loan, the two cranes, in question from BSP, knowing fully well in advance that there were inherent troubles with these cranes, that their performance had not been quite satisfactory and also that complete trials of these cranes could not be taken at the time of inspection as the cranes had not been in use for a long period. As would appear from the inspection report of S.E.(Mech.) HMBP the cranes were not defective but required certain repairs to be carried before putting them in use, as is common with used equipment.
- (d) As the Management of Bhilai Steel Plant was not prepared to give these cranes on loan, there was no other alternative left but to purchase these cranes out-right.
- (e) It was envisaged at the time of purchase that these used cranes of Bhilai were to be put to use in HEC for a few months only until the lifting tackle ordered from USSR arrived. They were not meant to be used for the balance life of these cranes, and as such a calculated decision appears to have been taken not to spend more money in overhauling these cranes, but to dispose them of when these were no longer required.
- (f) In view of the circumstances as explained above, since the cranes were meant for limited use to tide over the HEC's immediate requirements for material handling equipment and the cranes performed this limited task, no one can be held responsible for any lapse. Moreover, the loss incurred as a result of the sale of these cranes is Rs. 16,800 only, and with reference to the purchase price of the cranes, viz. Rs. 1.67 lakhs works out to about 10 per cent only, which is negligible. The HEC management have accepted the findings of the enquiry Committee.

In view of the position brought about, it is suggested for the consideration of the Committee on Public Undertakings that the case may be treated as closed.

\*[Ministry of Heavy Industry O.M. No. 2-21/70-HEP-I, Vol. IV  
Dated 2-7-73.]

### **Recommendation (Serial No. 43)**

The Committee find that the Corporation purchased 67 one ton pillar type jib cranes during January, 1965 to February '66 at a cost of Rs. 8.36 lakhs even though a defect in design was noticed when the drawings were approved in 1964. The Committee have now been informed that necessary modification will now be carried out with the help of 'Taper Roller Bearings' which are being imported from USSR and the Cranes will be put to use in about two months time after receipt of the bearings.

The Committee considered that the delay caused in carrying out necessary modification in the Cranes is hardly justified. The Committee desire that the matter regarding purchase of defective cranes in advance of actual requirement and for not carrying out the modifications within a reasonable limit of time resulting in blocking of capital and loss of interest thereon need further examination with a view to fix responsibility for the lapses, if any. (Paragraph 8.46 and 8.47).

### **Reply of Government**

The case was examined by an Enquiry Committee set up by Heavy Engineering Corporation comprising the Managing Director, the Materials Manager and Special Officer (Inventory Control).

The Enquiry Committee have come to the conclusion that the assessment of the Cranes as made by the then Deputy Project officer was in accordance with the recommendations of M/s. Prommash-export, the Soviet Collaborators, and was approved by the Management. The cranes formed a part of the plant and equipment required for the Heavy Machine Building Plant as pointed above, were as per the Detailed Project Report prepared by the HEC's Soviet Collaborators. Action to procure the cranes was, therefore, in conformity with the Detailed Project Report.

Certain defects were noticed in the design of the Cranes in August, 1964 and it appeared that these defects could be overcome by providing sufficient lubrication in the bearings and CI blocks of the cranes. It was subsequently felt that certain modification would have to be made to the cranes.

15 of these cranes have already been put to use. 5 more are under modification. The remaining Cranes will be modified on receipt of imported bearings from the USSR and put to use. The bearings are awaited. HEC is expediting the despatch of these bearing from the USSR.

The Enquiry Committee was of the opinion that since the action taken to procure jib cranes was in conformity with the Detailed Project Report and the assessment of the Cranes was in accordance with the recommendations of M/s. Prommashexport, no responsibility could be fixed on any officer of the HEC. It is therefore, suggested for consideration of the Committee on Public Undertakings that the case may be treated as closed.

\*[Ministry of Steel and Mines, Department of Steel O.M. No. 2-21/70-HEP-I, Vol. III Dated 6th Jan.73.]

#### **Recommendation (Serial No. 44)**

The Committee are surprised to note that the Corporation purchased 2 numbers of 5 ton winches and 6 numbers of 3 ton winches in 1964 although 21 numbers of 5 ton winches and 13 numbers of 3 ton winches were already in stock, and were lying unutilised since August 1962. In addition, the Corporation purchased 2 numbers of 8 ton winches during 1963 and 1964. As on date, there are in all 25 winches in stock. Although the winches were purchased as far back as in 1962, 1963 and 1964, an enquiry Committee has been appointed only recently to investigate in detail about the unnecessary purchase of winches and it is still to submit the report. The Committee would like to be informed about the findings of the investigating Committee. They would also like to be furnished with a statement indicating the period for which each of the winches was lying unutilised and what had been the estimated loss on account of such an ill-planned purchase. (Para 8.55).

#### **Reply of Government**

The case regarding purchase of winches has been carefully examined by an Enquiry Committee comprising the Managing Director, Materials Manager and Special Officer (Inventory Control), HEC. The Committee in their Report have held the three officers viz. The Deputy Chief Engineer (Mechanical), the Controller of Stores and Purchase and the Purchase Officer responsible for the purchase of winches.

This matter was also referred to Central Bureau of Investigation, who after investigations, also held these officers responsible for the purchase.

The case against the Deputy Chief Engineer (Mechanical) was however dropped on subsequent advice by the Central Bureau of

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\*Reply not vetted by Audit.



Investigation. Proceedings were started by the Department of Supply against the Controller of Stores and Purchase, who was a deputationist from the Directorate General of Supply and Disposal. He was, however, exonerated of the charges by the Department of Supply. The Purchase Officer is no longer in the service of Heavy Engineering Corporation. He is working now in the Hindustan Aeronautics Ltd. and the matter has been referred to the Hindustan Aeronautics Ltd. for taking necessary action against him.

The Committee in their report have also stated that suppliers cannot be held responsible for the events leading to the purchase of winches. The Committee, therefore, recommend that:—

- (i) two numbers of 5 ton winches may be taken on charge and payment released to the firm.
- (ii) action for disposal of the surplus electrical winches should be taken in hand immediately and efforts made to sell them at profit.

Regarding the loss involved in the purchase of the winches, it may be stated that 9 numbers of 3 ton winches and 16 numbers of 5 ton winches, which were received in 1965, have remained unutilised. The estimated loss due to locked up investment during the past 7 years works out to Rs. 63,616 (at 7 per cent per annum).

\*[Ministry of Steel and Mines, Department of Steel, O.M. No. 2-21/70-HEP-I dt. 25th January, 1973.]

#### **Recommendation (Serial No. 45)**

The Committee are intrigued to find that it has not been found possible to dispose of the surplus 13,024.02 meters of hose pipes even by public auction. This raises some doubts about the genuineness of the quality of the hose pipes purchased. The Committee would therefore suggest that the entire transaction should be thoroughly investigated to determine how such excessive purchase, far in excess of the requirements was made and whether the normal procedure of calling for tenders, placing of orders, inspection, purchase and careful storage was followed. Responsibility should be fixed for the lapses and remedial measures taken to ensure that it does not recur.

The Committee need hardly add that efforts should continue to be made to dispose of the balance surplus hose pipes without delay. (Paras 8.62 and 8.63).

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\*Reply not vetted by Audit.

### Reply of Government

As suggested by the Committee, the purchase and disposal of hose pipes has been investigated by a Committee comprising the Chief Commercial Manager, the Materials Manager, and the Controller of Finance and Accounts, HMBP. The salient features of the finding of the Committee are as follows:—

- (i) In the absence of any reliable data of past consumption, an assessment of requirement of hose pipes was made purely on an *ad hoc* basis, and the indenting officer relied merely on the estimates furnished by the various departments and shops. As the Plant was in the initial stage of production and as there was no past consumption data available, the different Departments and shops too estimated the requirements on a purely *ad hoc* basis. As there was no alternative to this approach in the prevailing circumstances then and in as much as no *mala-fide* intention has been established, it is considered that no responsibility can be fixed on any particular individual for an error of judgment in making an assessment of requirements.
- (ii) The normal procurement procedures prescribed for calling of tenders, placing orders, inspection and storage were followed in this case.
- (iii) Out of 37,641.84 metres of Hose Pipe purchased originally, only a quantity of 4,327.70 metres is still in stock, the rest of the pipes have been disposed of. The quantity of 4,327.70 tonnes is required by the HEC for future use. No further disposal action is therefore considered necessary.

Under these circumstances, it is suggested for consideration of the Committee that the case may be treated as closed.

\*[Ministry of Steel & Mines Department of Steel, O.M. No.2-21/70  
-HEP-I, Vol. III Dated 22-12-1972]

### Recommendation (Serial No. 46)

The Committee find that the purchase of components (with oval covers for ladle cars) in anticipation of specific order resulted in an unnecessary accumulation of Capital to the extent of Rs. 68,346. The Committee have been informed that there is no prospect of their utilisation and it is proposed to dispose of these oval covers.

The Committee also note that the Corporation had placed an order for 379 induction motors, out of which 330 motors evaluated at Rs. 5,14,197 were received. Order for 47 motors had to be cancelled after paying a compensation of Rs. 1900 to the suppliers as by that time balance quantity had already been received. 29 motors were sold to other Government undertakings 263 motors valued at Rs. 4,03,045. were lying in the stock.

The Committee were informed that an Enquiry Committee was set up to find out the circumstances leading to the placing of orders for induction motors and also to consider the question of utilisation or disposal of the motors lying surplus in stock. In accordance with the measures suggested by the Enquiry Committee action was taken to approach other Public Undertakings including the Bokaro Steel, Garden Reach Workshops and Bharat Heavy Electricals Ltd. for the sale of the motors but without any result. An advertised tender was also issued towards the end of last year but the response has been poor.

The Committee are of the opinion that undue haste was shown in placing the orders for induction motors without examining their actual requirements.

The Committee, therefore suggest that the matter should be investigated further and responsibility for the lapses, if any, should be fixed, *inter alia* finding out the reasons for the non-disposal of the motors. (Paras 8.76 to 8.80)

#### **Revised Reply of the Government**

The case relating to the purchase of induction motors was examined by the Enquiry Committee comprising CCM, MM and CFA/HMBP set up by the HEC management. After careful consideration of the case, the Enquiry Committee came to the following conclusion:

- (i) As the cranes of 5 to 50 tonnes capacity were within the manufacture range of HMBP, a decision was taken by the then management of HEC to undertake the manufacture of 120 Nos. of these cranes even though there were no confirmed orders for the same in the expectation that these cranes could be readily offered for sale against anticipated demand.
- (ii) Keeping this fact in view the then Chairman HEC accepted at the first instance the advice of the CFA/HMBP that the motors to be procured for the cranes should be so phased that their delivery synchronised with the actual production programme.

- (iii) This decision was, however, changed by the then Chairman who ordered immediate procurement of all items so that the items could be kept in stock with a view for cranes to be delivered in the shortest possible time. This decision of the Chairman was contrary to the earlier decision. The Enquiry Committee has not been able to determine the reasons for change in this decision particularly as the then Chairman is no longer in the service of the HEC.
- (b) The Enquiry Committee has found that while the delivery programme for the supply of motors was 10 pieces in 3 months i.e. delivery to be over a period of 5 years, the delivery schedule was changed by the then Purchase Officer to be at the rate of 40 pieces or more in 3 months and the entire supply completed by November, 1967. The Enquiry Committee has not been able to gather any evidence why the delivery was changed and under whose authority. Since the concerned officer is also no longer in the service of the HEC, the Enquiry Committee have not been able to gather any information at first hand. From the records it is also seen by the Enquiry Committee that even Audit were not able to secure this information at an earlier stage.
- (c) The enquiry Committee is of the view that the then Chairman of the Corporation who had originally agreed to the phased delivery of the motors on 18-11-65 ordered subsequently in December, 1965 that procurement of all the items should be carried out immediately without co-relating the decision to this earlier order or the production programme.

The facts of the case brought about also reveal that towards the end of November, 1966 a decision was taken by the Corporation to abandon the entire project and not to go in for manufacture of cranes of 5 to 50 tonne capacity. From this it could be concluded that the then Chairman of the HEC did not follow consistent policy in this regard.

The Enquiry Committee is also of the view that the then Purchaser Officer showed undue haste in changing the delivery schedule and authorising the supply in a year's time which should normally have been received in five years. Since the officer is no longer in the service of the Corporation the Enquiry Committee did not have the benefit of evidence of this officer and as such have been constrained to come to the above conclusion without any cross examination.

All the surplus motors have either been disposed of or have been earmarked for utilisation. The above recommendations of the Enquiry Committee have been accepted by the HEC management.

Since the Purchase Officer is no longer in the service of the Corporation and since all the surplus motors have either been disposed of or earmarked for utilisation it is suggested for the consideration of the Committee on Public Undertakings that the case may be treated as closed.

\*[Ministry of Heavy Industry O.M. No. 2-21/70-  
-HEP-I, Vol. IV dated 2.7.73]

#### **Recommendation (Serial No. 47)**

The Committee find that in 1965 the Corporation purchased 4,846 Kgs. of Manila Ropes valued at Rs. 18,173. Out of these 4500 Kgs. were rejected by an Inspecting Officer because of inferior quality. The Committee are surprised that the same inspecting Officer accepted the rejected ropes and recommended 80 per cent payment. The Committee are informed that the inspecting Officer did so on the basis of the recommendation of a Committee consisting of 3 Senior Officers who were asked to inspect the material. The ropes were got tested in Government Alipore Test House in 1966 and found to be far below the required specifications and on this basis the same had been rejected by the same inspecting officer in August 1966 and the entire quantity is stated to be lying in stores.

The Committee consider that neither the inspecting officer nor the Committee of 3 senior officers have acted with a full sense of responsibility and this resulted in an injudicious purchase of Manila Ropes which could not be disposed of.

The Committee are constrained to find how these ropes came to be later accepted and paid for and how the sample of the rope was not sent promptly to the Government Alipore Testing House. The Committee would like these aspects to be enquired into and responsibility fixed for the lapses. (Paras 8.87 to 8.89)

#### **Revised Reply of Government**

The case has been examined by an Enquiry Committee comprising Chief Commercial Manager, Materials Manager & Controller

of Finance & Accounts HMBP set up by the HEC. The Enquiry Committee have come to the following conclusions:—

- (i) The Inspecting Officer recorded his opinion correctly while rejecting the ropes for the first time. On the second occasion while provisionally accepting the ropes and authorising 80 per cent payment he acted on the instructions of his superior concerned officer. While rejecting the ropes for the third time he acted on the test results of the National Test House, Alipore. The Enquiry Committee, therefore did not find any lapse on the part of the Inspecting Officer.
- (ii) The present Enquiry Committee have not been able to determine the authority which constituted the Committee of the 3 senior Officers in 1965 but are convinced that such a Committee did carry out the inspection of the Manila Ropes, although only one member signed the Inspection Report. As the materials were accepted provisionally and 80 per cent payment made on the basis of this Committee's advice, the Enquiry Committee have come to the conclusion that the Committee of the senior officers was responsible for authorising payment of 80 per cent of the value of the ropes. One of the members of the Committee has pleaded complete lack of knowledge whether such a Committee of the senior officers was constituted at all; whether he was a member of the Committee and whether he participated in the joint inspection. It is seen from the notes in the relevant file that the concerned G.M. had subsequently ordered in February, 1967, the reconvening of the previous Committee for suggesting the course of action to be taken after the National Test House results were made known. This Member participated in this Committee and has also given certain recommendations on 21-2-1967 under his signatures.
- (iii) The recommendations of the Senior Officers' Committee regarding provisional acceptance and release of 80 per cent payment should have been submitted to the competent authority for his orders before acting on these recommendations. This does not seem to have been done.
- (iv) The question regarding the delay in the despatch of the samples of Manila Ropes to the N.T.H. Alipore has already been investigated earlier by one man Committee consisting of Shri G. Singh, Purchase Officer, HMBP. His report says that the delay in sending the Manila ropes for test

was on the part of the then Assistant Purchase Officer and the concerned Storekeeper. The Assistant Purchase Officer has left the services of the Corporation and the Storekeeper has since expired. No action can therefore be taken against them in this regard.

The management of the HEC have accepted the report of the Enquiry Committee with the following observations:

"Collective responsibility of the three technical Officers for giving an injudicious decision may be deemed to have been established. In view of the fact that the case is an old one and as since then the officers have been working well and as no *malafide* intentions have been provided or even hinted at, the ends of justice will be met by recording Management's displeasure in writing to them."

In view of the facts as stated above, it is recommended for the consideration of the Committee on Public Undertakings that the case may be treated as closed.

\*[Ministry of Heavy Industry O.M. No. 2-21/70  
-HEP-I, Vol. IV Dated 2-7-73.]

#### **Recommendation (Serial No. 50)**

The Committee would also like the Corporation to analyse in detail the reasons which have led to the accrual of surplus stores of this high value. The Committee consider that if provisioning of stores is done on realistic and sound lines there should not arise occasions for such large quantities of stores to be having declared surplus resulting in loss. The Committee would, therefore, like the Corporation to take necessary remedial measures to see that stores are ordered and provisioned on rational basis to obviate such losses. (Para 8.119).

#### **Reply of Government**

The inventory holdings of the HEC, as on 31-3-72, were to the tune of approximately Rs. 49 crores. Viewed against these inventory holdings, the value of surplus stores worth Rs. 25.91 lakhs is at about 0.6 per cent. The reported surplus stores mostly comprises Construction equipment, Machinery Stores and condemned vehicles. All

possible efforts are being made to dispose of these surplus stores either to other Government Undertakings|Departments or to Public through auction|tenders.

\*[Ministry of Steel & Mines Department of Steel, O.M. No.2-21/70  
-HEP-I, Vol. III Dated 21-11-1972.]

### **Recommendation (Serial No. 53)**

In their 14th Report on Heavy Engineering Corporation Ltd. (1967-68) the Committee on Public Undertakings (Fourth Lok Sabha) had suggested that it would be advantageous to have the General Managers on the Board of Directors. The Committee fail to understand as to why the Government has not been able to come to any definite decision to have General Managers in the Board of Directors even after four years of presentation of the Report of the Parliamentary Committee, on the one hand, it has been stated that it is not quite necessary to have the General Managers on the Board of Directors and on the other hand, the Committee are informed that 'the matter has not been considered yet'.

The Committee reiterate their earlier recommendation and suggest that Government should consider this matter from the point of view of improving the functioning of the Corporation. The Committee would like the Government to strengthen the Board of Directors by inclusion of knowledgeable, non-officials of standing to the extent of 50 per cent in the interest of better management of this premier national undertaking which is expected to play a vital role in supplying machinery and equipment for the new steel plants and for the expansion of the existing ones. (Paras No. 10.5 & 10.6).

### **Reply of Government**

Government feel that it is not quite necessary to include the General Managers of the three plants of Heavy Engineering Corporation Ltd. (HEC) on the Board of Directors of the company. As the three plants and the Head Office of the HEC are located at the same place, it is possible for the Managing Director of the Company to keep in close touch with the developments in all the three plants. Apart from the Managing Director, there are two other functional Directors on the Board of Directors viz. Director (Technical) and Director (Finance). Director (Technical) is required to keep in touch with production problems of all the three plants and to advise the



Board of Directors on all technical and production problems. Director (Finance) is required to advise the Board on all financial matters relating to the three plants.

2. As all the three plants and the Headquarters of Heavy Engineering Corporation are at the same place and as there are two other functional Directors on the Board apart from the Managing Director, it is felt that it is not necessary to have the General Managers of the three plants on the Board of Directors.

3. The recommendation regarding appointment of suitable non-officials on the Board of Directors has been noted. Every effort is being made to include knowledgeable non-officials of standing in the Board of Directors.

[Ministry of Steel & Mines Department of Steel, Q.M. No. 2-21/70  
-HEP-I Vol. III Dated 21-11-1972,]

#### **Recommendation (Serial No. 55)**

The Committee note that against the requirement of 545, there are as many as 653 officers in Foundry Forge Project and similarly in Heavy Machine Building Project there are as many as 861 as against the requirement of 829. The Committee consider that as neither the Foundry Forge Project nor the Heavy Machine Building Project is anywhere near optimum utilisation, there should have been no question of employing officers even to the extent laid down in the Organisation Manual. In fact the Committee would have expected that the appointment of officers as well as staff and workers would be so phased out as to synchronise with the progress of manufacturing operations. The Committee consider that if strict scrutiny had been exercised in the case of appointment of officers, it would have been easier to enforce the same discipline in the case of appointment of staff and workers.

Another factor to which the Committee desire to invite special attention is the extra-ordinary large number of staff which are employed in the Headquarters of the organisation which incidentally is situated in the same place as the three Workshops. The Committee can see little justification for having as many as 385 officers and nearly 3,000 supporting staff for the Headquarters organisation. The Committee consider that in all those public undertakings which are engaged in manufacturing operations, the accent should be on

appointment of production staff and reduce the burden of indirect workers and officers. The Committee would, therefore, strongly recommend that Government|HEC should critically examine the organisational set up in the Headquarters with a view to re-organise it on functional lines and effect maximum economy in officers and staff so as to act as a model organisation for them to follow.

The Committee are greatly concerned to find that in a key sector like design in Heavy Machine Building Plant, there is shortage of to the extent of 4364, as only 191 officers were in position as compared to the sanctioned strength of 555. The Committee are not able to appreciate why the HEC|Government have not paid attention to this aspect in order to get as many persons as necessary trained either in India or abroad so as to become self-reliant in this key sector. The Committee would like Heavy Engineering Corporation|Government to prepare a time bound programme for training of officers in Design and other connected works so as to attain self-reliance at the earliest.

The Committee are greatly concerned to find that while the utilisation of Foundry Forge Project and Heavy Machine Building Project has only been to the extent of 30 per cent or less. The staff has been appointed in almost full strength. The Committee cannot too strongly stress that there should be proper planning in the matter of employment of officers and workers to ensure that they synchronise with the physical and actual progress made in establishing production.

The Committee would also like to stress that yardsticks for employment of staff should be evolved most carefully right in the beginning so that there is no question of later taking the plea that the staff in position are greatly in excess of requirements and therefore it is not possible to get either optimum production or results.

The Committee also need hardly point out that incentive system of wages should be introduced right from the beginning after most careful study and in consultation with the workers so that there is in-built incentive for increasing production and efficiency.

The Committee attach great importance to the organisation of training courses for workers and officers at various levels so as to give them a feeling of acquiring knowledge relevant to their vocation which would qualify them for promotion.

The Committee also attach great importance to the organisation of refresher courses so that the knowledge of workers is kept up-to-

date by exposing them to the latest developments and techniques of production. The Committee would stress that organisation of training course|refresher courses should receive special attention of the personnel Department as well as of top management so as to see that not only these courses are organised in a manner to best serve the interest of the industry but also to make for enthusiastic and willing participation by workers and officers at all levels.

(Paras 10.16 to 10.23)

### **Reply of Government**

The requirement of staff of each department is being scrutinised by the Heavy Engineering Corporation by a process of sectionalisation. The staff who are found surplus in a particular department are transferred to other departments.

Manpower planning for future requirements has also been undertaken with a view to determining the requirements. These would be met by imparting training to existing staff.

The apparent excessive number of staff in the Headquarters in the organisation is because of the fact that many of the functions normally done by the individual plants are actually centralised in the Headquarters for reasons of economy. The fact that all the plants are located in the same place necessitates a certain amount of centralisation. The staff shown under Headquarters include not only the staff relating to Headquarters organisation proper but also the personnel who would normally form a part of individual plants if the plants were to be in different stations. Functions relating to Sales, Commercial matters, Materials Management, Planning, Finance, Management services, Recruitment and Personnel etc., are centralised with staff working both at Headquarters and at plants. If all these activities are completely decentralised, there might be a reduction in the staff of the Headquarters but there will be an increase in the staff in the plants.

The reduced strength in the design office is consequent on a number of engineers leaving the Corporation for better jobs elsewhere. Action has already been taken to recruit more engineers for the design office in a phased programme.

As regards training requirements, there is a full fledged General Training Institute which imparts training to new entrants and organizes refresher courses. The main areas of training covered by the Institute are:—

(a) Training for technical workers.

- (b) Refresher courses for chargemen.
- (c) Evening part-time course on foremanship and supervision
- (d) Training of workers under the Apprentice Act, 1961.
- (e) Training of engineer probationers.
- (f) Executive Development Training for officers and supervisory staff in various tools and techniques of management.

Apart from the above, HEC officers are also deputed to attend various courses on Management. Tools and Techniques organised by specialised agencies.

A survey has recently been conducted to assess the requirements of training of the officers of HEC in Management skills. Management Development Courses will be organised by the HEC in consultation with the Management Training Institute of Hindustan Steel Ltd.

[Ministry of Steel & Mines (Department of Steel) O. M. No. 2-21/70-HEP-I, Vol. III Dated 20.12.1972]

#### **Recommendation (Serial No. 57)**

The Committee are surprised to find that though the Corporation decided to relieve the Chief Security officer on the basis of adverse comments made by Mr. Justice B. Mukherjee in his Report on the second fire accident in HEC in January 1964, subsequently the Chief Security officer was transferred to the stores organisation of the Foundry Forge Plant and the Ministry were not even informed about this change in the decision. The Committee on Public Undertakings in their 14th Report on HEC Limited desired that the matter should be examined by the Ministry and suitable action taken. The Ministry have, however, held that it was within the competence of the Corporation to transfer the officer from one project to another.

The Committee do not share the opinion of the Ministry in this regard. The Committee would like to invite the attention of the Government to the recommendation|observation of the Committee contained in para 125 of their 14th Report on Heavy Engineering Corporation Ltd., where it was suggested that whenever special enquiry committees are set up by Government, the action taken on the observation/recommendation of such reports should be watch by

the Ministries concerned. In reply to this recommendation, Government have stated that "necessary instructions had been issued to the administrative Ministries/Departments as desired by the Committee.

The Committee reiterate that it was highly improper on the part of the Corporation to appoint the Chief Security Officer as Controllor of Stores without informing the Government (Paras 10.35 to 10.37).

### **Reply of Government**

The officer concerned has since retired from the service of the Heavy Engineering Corporation. The recommendation of the Committee has been noted for future guidance.

[Ministry of Steel & Mines Department of Steel O.M. No. 2-21/70-HEP-I, Vol. III Dated 21-11-1972.]

### **Recommendation (Serial No. 58)**

The Committee find that the Corporation incurred a net loss of Rs. 75.88 lakhs in one year (1970-71) in running the township. The Committee feel that the loss in maintaining the township is rather on the high side and steps should be taken to reduce the loss by raising the income on township, and adopting suitable measures to effect economy consistent with efficient service. The Committee share the views of Audit that in maintenance of records for assessment and recovery of rent leave there is much scope for improvement. The Committee stress that loss due to lack of maintenance of the records and due to delay in the allotment of quarters should be avoided.

The Committee find that in 1970-71, the expenditure in running the hospital was Rs. 38.56 lakhs. This appears to be on the high side. The Committee would suggest that the working of the hospital should be got examined by expert body with a view to effecting economy wherever possible consistent with maintenance of reliable medical and hospital assistance to the employees. (Paras 11.15 & 11.16)

### **Reply of Government**

The main reasons for the loss incurred in the Township are given below:—

- (i) Rent in respect of Temporary quarters occupied by workers is charged at low rates i.e. only 5 per cent to 7 and a half per cent of the wages depending upon the category of an employee, in terms of an Agreement with the Recognised Labour Union.
- (ii) No water charges are recovered from workers occupying A-type, B-type and Temporary Quarters.

- (iii) The rates for electricity supplied to HEC have been increased by Bihar State Electricity Board. However, recovery from the employees could not be made at higher rates, pending negotiations with the Labour Unions.

These are some of the fringe benefits enjoyed by the workers. Any unilateral change to their disadvantages are likely to create labour unrest. As these are sensitive areas, these have to be tackled cautiously. These points will be kept in mind by the HEC when the next wage revision comes up for negotiation.

The following steps have been taken to reduce the loss in Township:

- (a) A portion of the vacant land is being given to Shopkeepers on payment of ground rent, so that they may put up their own structurals. This will increase the revenue of the Corporation besides simultaneously eliminating unauthorised shops.
- (b) The cost of water charges will be debited to different plants on the basis of number of employees.
- (c) The net expenditure on medical and educational facilities will also be debited to different plants on the basis of the number of employees.
- (d) Procedure for the maintenance of records of Estate Revenue Accounts is being streamlined. The accounting of State Revenue is under computerisation.

Regarding the expenditure on the hospital, it may be stated that there has been considerable increase in the cost of medicines, food items forming part of the hospital, diet and other supplies for the hospital, besides increase in the establishment charges of the hospital on account of annual increments to the personnel working in the hospital. The number of patient attended to has also increased. In spite of these factors, a strict control is being exercised with a view to avoiding excessive increase in the cost of medical facilities. It is, however, necessary to ensure that this is not at the cost of prompt and reliable medical assistance.

\*[Ministry of Steel and Mines Department of Steel O.M. No. 2-21/70-HEP-I, Vol. III Dated 13-12-1972.]

\*Reply not vetted by Audit.

## **CHAPTER IV**

### **RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE**

#### **Recommendation (Serial No. 2)**

The Committee note with profound regret that spares worth more than two crores of Rupees were received much before the receipt of plant and equipment for which the spares were required. The Spares rusted in the stores till the plant and equipment arrived. The capital remained blocked. The loss of interest has not been calculated. In their explanation for the loss the Corporation have merely stated "presumably it was considered that the spares would be supplied along with the equipment." In the opinion of the Committee the huge loss suffered by the Corporation is due to utter lack of coordination.

The Committee recommend that the Ministry should re-examine the whole matter and fix responsibility for their serious lapse. (Paras 3.8 and 3.9).

#### **Reply of Government**

As desired by the Committee on Public Undertakings, the case was re-examined by an Enquiry Committee comprising GM|FFP, Chief Engineer (Hqrs.) and Additional Controller of Finance & Accounts (Hqrs.) set up by the HEC. The enquiry committee after careful consideration of the entire case has come to the following conclusions:—

"On scrutiny of the available records and other papers the following facts are reasonably established:—

- (i) There are indications that the HEC took some definite steps for the deferment of supply of equipment and spares.
- (ii) The equipment worth about Rs. 3.5 crores ordered for the first stage of FFP was received one year after the due date but before the request for deferment was made.

- (iii) Some of the deliveries of spares were in fact made later than the original dates of delivery thereby resulting in deferment of supplies.
- (iv) Spares worth about Rs. 2 crores were not received earlier than the equipment as has been indicated in the 18th Report of C.O.P.U.
- (v) As spares were not received earlier than the equipment there was no loss of interest on the value of spares received.

The time lag between the receipt of the equipment and the actual start of erection was about 21 months and this time lag does not appear to be due to lack of coordination.

Since all the senior officers who have dealt with the case have since left the Corporation, it is not possible at this stage to fix up responsibility.

In view of the recommendations of the Enquiry Committee which have been accepted by the HEC management it is suggested for the consideration of the Committee on Public Undertakings that the case may be treated as closed.

\*[Ministry of Heavy Industry O.M. No. 2-21/70-  
HEP-I, Vol. IV dated 2-7-72]

#### **Recommendation (Serial No. 23)**

The Committee regret to note that the Corporation proceeded with the manufacture of 100 Ton Derrick Mast without proper examination of its necessity. The Derrick Mast which was completed at a cost of Rs. 1.17 lakhs was not sold to the Rourkela Steel Plant on the plea that it would be utilised in the Plant itself. But actually the Mast was not utilised and lent on hire to Rourkela Steel Plant without settling the terms and conditions therefor. Failure to supply of the detailed drawings alongwith the Derrick Mast and to settle the terms of hire initially resulted in short recovery of hire charges to the extent of Rs. 57,513. The Derrick Mast has been lying in dismantled condition alongwith accessories in stores since 3-9-1966. The Committee deprecate that no efforts have been made to utilise the Derrick Mast which was manufactured at a considerable cost



The Committee recommend that the case regarding unwanted manufacture of Derrick Mast should be investigated. The Management should take appropriate steps so that such lapses do not recur. (Para 6 205).

### **Reply of Government**

The events leading to the manufacture of the Derrick Mast have been investigated by the Heavy Engineering Corporation and it has been found that the then Dy. C. E. (Mech.) (who is no longer in the service of the Corporation) took up the manufacture with the best of intention to expedite the erection of the EOT cranes in HMBP. When the Corporation did not have any crawler crane. It appears he wanted to avoid any possible delay in the erection of the machines HMBP for want of suitable equipment. He took action to manufacture the Derrick, after consulting the Soviet Experts.

The Corporation has not been able to make use of the Derrick. Its possible use in outside turn key projects to be undertaken by the Corporation in future has been carefully examined. It has been found that the derrick may not be required, for its need can be duplicated by high capacity crawler cranes which are likely to be available with the clients.

It has therefore, been decided to dispose of this Derrick Mast. This type of Derrick Mast may be helpful in the erection of tall towers in Chemical and Fertilizers factories.

\*[Ministry of Steel and Mines Department of Steel O.M. No. 2-21/70-HEP-I, Vol. III dated 21.11.1972].

### **Further information called for by the Committee**

(a) What are the comments of the Ministry to the following portion of the recommendation:

"The Derrick Mast which was completed at a cost of Rs. 1.17 lakhs was not sold to the Rourkela Steel Plant on the plea that it would be utilised and lent on hire to Rourkela Steel Plant without settling the terms and conditions therefor. Failure to supply the detailed drawings along with the Derrick Mast and to settle the terms of hire initially resulted in short recovery of hire charges to the extent of Rs. 57,513."

(b) What steps have been taken to dispose of the Derrick Mast and with what results?

(Lok Sabha Secretariat O.M. No. 24-PU/72 dt. 29-12-72)

### **Reply of Government**

There was lack of coordination regarding the supply of detailed drawings alongwith the Derrick Mast to Rourkela Steel Plant. It is however felt that if the Derrick had been given to Rourkela Steel Plant on hire, only after settling the terms and conditions of hire, it would have taken considerable time and the Derrick would have remained unutilised with the HEC for a longer time.

(b) HEC has circulated particulars of the derrick mast to almost all the public sector undertakings with a view to expediting its disposal. No response has been received by the HEC so far.

\*[Ministry of Heavy Industry O.M. No. 27-121/72-HEP-I dated 10-4-73].

### **Recommendation (Serial No. 30)**

The Committee note that the Detailed Project Report had prescribed norms of rejection for shaped castings, ingot moulds, C.I. rolls and on the basis of these norms, it has been worked out that the excess rejections for the years 1964-65 to 1968-69 amounted to Rs. 22.44 lakhs. In view of the heavy amounts involved in these rejections, the Committee would stress the need for taking remedial measures to see that the percentage of rejections is immediately brought down within the norms envisaged in the Detailed Project Report and in fact it should be possible to further reduce the incidence of these rejections by improving quality of materials and production and by imparting training to workers and supervisors at all levels.

The Committee note that the Detailed Project Report did not lay down the percentage of rejections for several other categories of manufacture which are now being undertaken in the Corporation. The Committee would like the Corporation to lay down strict norms for these rejections so that it is possible to evaluate the performance and take necessary remedial measures to reduce losses on account of rejections.

The Committee find that the Corporation are not maintaining record of the cost of salvaging repairable rejections, as proper time booking system had not been enforced. The Committee would like proper record of the cost of salvaging repairable rejections to be maintained and analysed contemporaneously in the interest of taking timely remedial measures. (Paras 6.280 to 6.283).

### Reply of Government

The Detailed Project Report for the Foundry Forge Project prepared by M/s. Technoexport of Czechoslovakia had prescribed norms of rejections for shaped grey iron castings, ingot moulds and G.I. rolls on the basis of long experience in Czechoslovakia and also on the assumption of a certain product mix. The levels of rejections indicated in the Detailed Project Report show that the control of foundry processes in Indian conditions of work to close scientific and qualitative limits is difficult. Had this not been so, there would have been a certainty in operation of the statistical level of sigma 3 i.e. 5 per cent. Even the attainment of the lower level of certainty (of the order of sigma 2) demands technological discipline of a high order. Such discipline can only be bred into an organisation on the basis of an overall industrial culture and climate. Efforts are however being made by HEC to bring discipline and order into all levels of work.

The Detailed Project Report did not lay down the percentage of rejections for several other items. Tentative targets of rejection percentages for various products fixed in November 1971, and the current level of rejections are given below:—

	Target rejection	Current level of rejection (1971-72)
G. I. Castings . . . . .	10%	16%
Ingot Moulds . . . . .	5%	4%
G. I. Rolls . . . . .	20%	27%
Steel Castings . . . . .	5%	5%
Steel Rolls . . . . .	10%	15%
Forgings . . . . .	9%	6%

An Incentive Scheme has been introduced in certain Sections in each plant. The scheme is proposed to be extended, in a phased manner, to cover all the sections.

Simultaneously, action is being taken by HEC to issue separate job cards for rectification works on the basis of which the cost of salvaging repairable rejections will be available. This will put effectively into practice the provisions of the earlier circular of 30th August, 1969 (mentioned in para 6.278 of the Report) relating to separate bookings for rectifiable rejections.

(Ministry of Steel & Mines Department of Steel O.M. No. 2-21/70-HEP-I, Vol. III Dated 28-7-72).

### **Recommendation (Serial No. 48)**

The Committee find that in 1964 the Corporation purchased 12,614.25 Kgs. of continuous wire electrodes valued at Rs. 32,712 from a Bombay firm. The payment was made on the basis of an inspection certificate issued by DGS&D, DGS&D carried out only sample test although they were required to test all the electrodes. In July 1965 the electrodes were found to be unsuitable. Further tests were carried out after about one and half years. A repeat order was placed by the Foundry Forge Plant in June 1964 on the same firm for a quantity of 12006.25 Kgs. Payment for a quantity of 11 57.8 Kgs was made without the receipt of inspection certified from the inspection authority and payment for 6895.5 Kgs. was released on the basis of an inspection certificate without proper tests. No certificate receipt voucher was obtained from the stores department before making the payment. The Committee regret to note that due to lack of coordination between the two plants of the Corporation and due to the issue of inspection certificates without proper tests and payment without inspection has resulted in the purchase of electrodes of substandard quality. It is significant to note that even after about 7 to 8 years of the purchase of the defective material the Corporation has not been able to start any investigation in order to find out flaws in procedure and for fixing responsibility. According to the Management the investigation could not be started as the relevant files could not be made available as they were required for the purpose of arbitration. Subsequently the files were required by the Lawyers in connection with the Court case filed by the suppliers in Bombay Court.

The Committee feel that the whole matter smacks of serious irregularities in the purchase procedure. They also deprecate that the matter has been allowed to linger on for years without fixing responsibility for such gross lapses. The Committee would like the

Corporation to pin point irregularities in the transactions, fix responsibility and take remedial measures to obviate recurrence.

The Committee are greatly distressed to find that such a large number of cases of defective and ill-planned purchases should have occurred resulting in loss of several lakhs of rupees to the Corporation. Apart from the loss, the Committee are greatly exercised about the procurement and purchase procedure in the Corporation which has made possible such gross irregularities. The Committee, would, therefore stress that this and all other cases of irregularities in stores should be closely analysed with a view to identify the shortcomings and deficiencies in the procedure and to rectify the same without delay.

The Committee would also like the administrative Ministry and the Bureau of Public Enterprises to take special interest in the matter of stores management for the Committee have come across all too frequently such cases of defective and ill planned purchases which are symptomatic of a deeper malady. Government should ensure that officers who are initially put in charge of stores and procurement are persons of experience and proven integrity so as to give a sound start in the matter of inventories and procedures for purchases etc. to the Undertaking. (Paras 8.105 to 8.108).

#### Reply of Government

The case has been examined by an Enquiry Committee comprising Chief Commercial Manager, Materials Manager and Controller of Finance & Accounts, Heavy Machine Building Plant set up by HEC. After a thorough enquiry the Committee have drawn the following conclusions regarding the purchase of 12614.25 Kgs. of continuous wire electrodes at a cost of Rs. 32,712|.-.

The present Enquiry Committee had to carry out investigation in this case under a major handicap, namely that the original files dealing with this transactions were not made available to them. The Committee had, therefore, to piece together the salient facts by remmaging through part files and shadow files obtained from different sources. The Enquiry Committee did not have also the benefit of obtaining oral evidence from the principal witnesses in this cases viz. the then Project Officer, the then Superintending Engineer (Mech.) Production, the then Superintendent Welding and the then Controller of Stores & Purchase as all these officers have left the Corporation. Nevertheless based on the records available the Enquiry Committee have come to the following conclusions:-

- (i) Admitting, that the question of purchase of welding wires relates to the period 1963-64, when HMBP was still

in the construction stage and the welding Department and other Department like the Purchase Department were in the initial stages of formation and procedures were not clearly established, as observed by the then General Manager HMBP, yet one important aspect of the matter which cannot be glossed over is that the original specifications contained in the indent and even later clarifications furnished regarding specifications for the Electrode wires were most incomplete and lacking. The only indication given in these indents was that the welding wires should be able to give a sound welded joint for mild steel structurals and the I.S. specifications quoted was for steel and not for welding wires. As also pointed out in earlier enquiry reports of Shri M. M. Bhatnagar, the then Dy. Commercial Manager, dated 15-2-68 and Shri K. P. Tandan, the then Dy. Chief Engineer (B&M) / FFP, dated 6-12-68, both the indentors viz. the then Superintending (Mech.) Production and the then Project Officer, HMBP failed to clearly specify in their indents the precise physical properties and chemical composition of the welding wires acceptable. Even when the suppliers asked for clarifications whether the carbon percentage should be "0.10 per cent" or higher carbon of 51 per cent contents 20 to 28 per cent., 27 to 32 per cent., would meet HMBP's requirements, the then Project Officer gave his comments specifying the carbon content as "0.12 per cent" which "must necessarily yield results as stipulated in the specification schedule". This was the only mention regarding chemical composition. Apparently, even subsequently, the chemical composition was not given as much significance as physical properties of Ultimate Tensile Strength, the Yield stress, Elongation and Izod value etc., which was intimated to the supplier by the then COSP HMBP. This query should have convinced both the indentor as well as HMBP Purchase that, at least to this particular supplier, the specifications given in the order were unintelligible and/or incomplete.

- (ii) Further, from the facts of the case enumerated earlier, it is also evident that the indents were faulty and were not based on proper study/assessment of the requirements. This is obvious from the opinion expressed by the then Project Officer namely that "Sizes indented for by the

then Superintending Engineer (Mech.) Production viz. 3/32" and 3/64" would be little used for fabrication of HMTP structurals" and hence the necessity of placement of another indent by the then Project Officer. It is also noteworthy that the then Project Officer, who had earlier stressed the urgency of the supply of these welding wires subsequently lost the sense of this urgency, when once the welding wires started arriving. His indent placed on 17.7.63 demanded the supply of the materials by 21.8.63 i.e. within 1 month and 4 days of the placement of the indent. The urgency displayed by the then Project Officer is inexplicable particularly in view of the fact that the automatic welding machine was taken over by maintenance on 22/23rd September, 1964 while the indent for the welding wires was placed on 17.7.63. Surely, the then Project Officer must have known in July, 1963 that the machine would not be ready for operation for a long time to come. Further, had the indentors required the material so urgently i.e. after 2 months and 18 days of the then Superintending Engineer (Mech.) Production's indent within 1 month and 4 days of placement of the then Project Officer's indent, they should have taken action to ensure that the inspection and testing was properly and promptly done on receipt of the material and the material issued for consumptions soon thereafter. This was not done. On the contrary, it was the purchase Department which repeatedly passed the Indentor, the then Project Officer and subsequently the Superintendent Mechanical and the Superintendent Welding for getting the material tested and to furnish test report about the quality. It follows from the above that the assessment of requirements was not realistic, untimely and not properly scheduled to meet the production requirements.

- (iii) For the deficiencies mentioned in paras (i) & (ii) above the Enquiry Committee holds the two indentors viz. the then Superintending Engineering (Mech.) Production and the then Project Officer responsible. However, as both the individuals are no longer in the service of the Corporation, no action can be taken against them.
- (iv) The Tender Committee comprising the then Project Officer, the then Controller of Stores & Purchase, the then Accounts Officer and the then Assistant Purchase Officer/

HMBP, which met on 14-2-63 to consider the various offers received for the supply of the materials, lacked in technical expertise for deciding the case in as much as it did not include any representative of the Welding Department. As a result, the lowest quotation of this particular supplier was accepted without establishing the fact whether this was a technically suitable offer. Further, the party selected was a practically unknown firm in the welding field. The Tender Committee do not appear to have verified whether this particular supplier was himself manufacturers or was simply stockist and ignored the offers from firms like Messrs. Indian Oxygen Ltd., who are reputable and well known in the welding field. For these lapses, the main responsibility, devolves on the then Controller of Stores & Purchase who, as convenor of the Tender Committee should have taken care to cover these important aspects. However, since he has left the Corporation and retired from service, no action can be taken against him.

- (v) To add to the confusion, a study of the supply order shows that the then concerned Assistant Purchase Officer failed to incorporate in the supply order even the meagre specifications viz. the physical properties that the weld metal should have, as specified by the indenter, the then Project Officer, regarding Ultimate Tensile Strength, Yield stress, Elongation and Izod value etc. required. However, the explanation of the concerned officer has already been obtained. The competent authority has decided that this was a minor technical omission and has exonerated him.
- (vi) After the placement of supply order on the particular supplier, and once the supplies started coming in, the most crucial event which proved decisive in the acceptance of sub-standard materials from the suppliers was the first test report dated 4-11-1964 from the then Superintendent. Welding Department/HMBP which confirmed the suitability of the welding wires supplied for use in the Steel Structural Shop of HMBP. It was on the basis of this test report, that the then Controller of Stores & Purchase/HMBP instructed the then Assistant Purchase Officer to ask Inspection to issue Inspection Note and Stores the Certificate receipt voucher, and accordingly the then Assistant Purchase Officer wrote to the then Inspecting Officer that the wires supplied by the firm may be accepted and



the inspection note issued at an early date, so that the Stores Officer may raise CRVs with a copy endorsed to the then Stores Officer/HMBP, General Stores to raise the CRVs as soon as the Inspection Note was received and send the same alongwith the bills received from the supplier to the Accounts Officer, Stores Bills for payment action. Subsequently, in less than four months, the events started taking a different turn. Serious complaints started coming in from A/B Bay (Steel Structural Shop II) stating that there were weld cracks in automatic welding. The then Deputy General Manager (Production)/HMBP complained about weld cracking due to the wires and flaxes in a meeting held in the then Chairman's chamber on 14-5-65, wherein the Chairman orally asked the then Superintendent Welding to investigate into the matter. It was on this basis, that after testing more samples drawn at random from the wires supplied by the suppliers, that he sent a second test report on 16-7-65 to the effect that the wires belonging to this particular supplier, were not acceptable. While fully appreciating the circumstances justifying the second test report dated 16-7-65 the then Superintendent Welding, reversing his earlier report dated 4-11-64 and rejecting welding wires supplied by this particular supplier as unacceptable, still the fact remains that it was on the basis of his first test report dated 4-11-64 which unequivocally and without any reservations, whatsoever, approved suitability of welding wires for use in the steel structural shop/HMBP, that led to a succession of quick events which eventually enabled the supplier to lift the payment. However, as the then Superintendent Welding is no more in the service of the Corporation, no action can be taken against him.

- (vii) Based on the first test report the then Superintendent Welding dated 4-11-1964, while issuing instructions to the Inspector to accept the material and issue the Inspection Note and to the Stores to raise CRVs the then Controller of Stores & Purchase and the then Assistant Purchase Officer/HMBP failed to ensure that the terms and conditions of the supply order were complied with by the supplier. For example, they failed to prevail on the supplier to furnish test certificate with each consignment of the stores despatched as per Note 4 of the Purchase Order. Secondly, instructions regarding the raising of CRVs were issued to the Stores Department without

insisting on the compliance of the conditions of the supply order regarding inspection by the Director of Inspection, DGS&D, Bombay and without calling for test reports from the Welding Department on representative samples drawn from the bulk supplies. Thirdly, instructions for raising of CRVs should have been issued after proper amendment of the payment and inspection clauses of the concerned supply order. For these lapses the then Controller of Stores & Purchase|HMBP is principally responsible. However, as he is no longer in the service of the Corporation, no action can be taken against him. So far as the Assistant Purchase Officer is concerned since he was only a junior officer functioning under the directions of the then Controller of Stores & Purchase and his explanation has already been called and the competent authority has exonerated him for the technical omission on his part, as such no further action need be taken against him.

- (viii) From the study of the case the Enquiry Committee cannot but conclude that throughout the entire transaction, the Inspection Department of HMBP "acted behind the scene" and was a silent spectator as far as the actual tests was concerned. In a test for acceptance of material, they should have associated themselves actively; more so, because it was they who had to decide on the method of instruction i.e. 100 per cent inspection or statistical quality control based on representative random sampling. Further the then concerned Inspecting Officer, PMBP before releasing the Inspection Note failed to ensure that the bulk supply of the material supplied by the supplier, conformed to the samples supplied by the firm prior to the bulk supply. However, the original test report of the then Superintendent Welding dated 4-11-64 seems to have clouded the minds of the concerned departments unduly, as a result of which procedural lapses have occurred.
- (ix) As FFP was informed about the sub-standard quality of the welding wires supplied by this particular supplier, only in August, 1965, the placement of repeat order on the supplier by FFP in June 1964, could not have been avoided. In fact, repeat order was placed on the supplier to take advantage of the rates and other terms and conditions on which HMBP had contracted with the firm for supply

of the stores and thereby avoid the normal procedural delays involved in the purchase. By the time, FFP was made aware of the supply of sub-standard quality of Electrodes by the suppliers viz. August, 1965, the supplier had already lifted payment for 8053.3 Kgs. of Welding wires amounting to Rs. 30,254.55. In view of the above, the Enquiry Committee is unable to find any lack of coordination between the two plants of the Corporation.

- (x) The Committee is glad to note that the Corporation has now prepared its own Purchase Manual based on the recommendations of the Bureau of Public Enterprises on the subject and on policies adopted by the Corporation from time to time. It is expected that the procedures prescribed in the Manual will effectively obviate recurrence of irregularities in the purchase of stores by the Corporation in the future.
- (xi) There is urgent need for drawing up an inspection manual laying down principles of inspection at various stages, specifying individual powers of the inspectors for supplies effected, contracts executed, etc.

The above findings of the Enquiry Committee have been accepted by the Management of HEC.

With regard to the recommendation of the Committee on Public Undertakings in para 8.108 of the Report that Government should ensure that officers who are initially put in charge of stores and procurement are persons of experience and proven integrity so as to give a sound start in the matter of inventories and procedures for purchases, etc. to the Undertaking, the Bureau of Public Enterprises have issued necessary instructions to the concerned Ministries vide their O.M. No. 21|1(E)|72-BPE|MM dated 14th September, 1972 (Appendix XI).

In view of the position explained above it is suggested for the consideration of the Committee on Public Undertakings that the case may be treated as closed.

\*[Ministry of Heavy Industry O.M. No. 21|70-HEP-I, Vol. IV dated 2-7-73].

**Further information called for by the Committee**

- (a) On what date the Enquiry Committee was set up by HEC and on what date the Committee submitted their Report?
- (b) On what date did the Government initiate action on the findings of the Enquiry Committee?
- (c) On what dates the officers who have been held guilty/negligent by the Enquiry Committee for various lapses left the service of the Corporation?
- (d) In which Departments/Ministries/Undertakings the said officers are working at present?

[Lok Sabha Secretariat O.M. No. 24—PU/72 dated 7th August, 1973]

**Reply of Government**

(a) Enquiry Committee was set up on 16-6-1972. The Committee submitted their report on the 21-3-1973.

(b) Since the Government accepted the view taken by the H.E.C. on the findings of the Enquiry Committee set up in respect of these recommendations, the suggestion of Government initiating action on the findings of the Enquiry Committee does not arise.

(c) The dates on which the officers who had been held negligent by the Enquiry Committee left the services of the Corporation are given below:—

---

Superintending Engineer (Tech.)	Resigned on 8-1-68.
Project Officer	Left HEC on 26-6-64.
Superintendent (Welding)	Resigned on 30-8-69. He was on deputation from DGS&D and reverted to the DGS&D on 10-5-65.
Controller of Stores & Purchase	He has since retired.

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As these officers had already left the services of the HEC much before the enquiry committee was set up, no action can be taken against them.

[Ministry of Heavy Industry O.M. No. 27/121/72 HEP-I,  
dated 29-8-1973 and 12-9-1973].

SUBHADRA JOSHI,

*Chairman,*

*Committee on Public Undertakings.*

NEW DELHI;

December 19, 1973.

Agrahayana 28, 1895 (S).

## APPENDIX I

(*Vide Recommendation at Serial No. 3 Page 16*)

No. 3/3/72-Pdn.

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

PRODUCTION DIVISION

MAYUR BHAVAN, CONNAUGHT CIRCUS,

..New Delhi, the 18th November, 1972

### OFFICE MEMORANDUM

**SUBJECT:** *Eighteenth Report of the Committee on Public Undertakings (V Lok Sabha) on Heavy Engineering Corporation Limited.*

The undersigned is directed to say that Government have considered the recommendations of the Eighteenth Report of the Committee on Public Undertakings (V Lok Sabha) on Heavy Engineering Corporation Ltd. In view of the importance of the subject and also with a view to co-ordinate various important aspects of action to be taken in future by the Public Sector Enterprises, it has been necessary to issue directives on the basis of recommendations by the Committee on Public Undertakings so that there may be no less to Government due to lack of proper planning and undue haste in taking up certain actions resulting in capital being blocked. The Bureau of Public Enterprises has, therefore, prepared the enclosed set of guidelines which the Ministry of Industrial Development, etc., are requested to issue to the Public Sector enterprises under their administrative control. They are also requested to ensure that these guidelines are kept in mind in the case of new projects, and that the project reports for new plant to be set up have taken into account all the recommendations made by the Committee in this matter. In order to expedite the initiation of

action by the Public Sector enterprises, guidelines is being sent to them direct.

S/d-

S. JAGANNARAYANAN,  
*Under Secy. to the Government of India.*

To

All Ministries|Departments of Government of India.

All Public Sector Enterprises.

**Recommendation (Serial No. 3)**

It has come to Government's notice that imported spares issued for maintenance and repairs by public sector undertakings were not accounted for on the ground that prices of individual items had not been furnished by the Suppliers. Later on the value of the spares was assessed on the basis of production in the concerned plants of the undertaking during the past few years. This is not a satisfactory system of accounting.

In order to exercise proper control on utilization of imported spares, it is necessary that public sector undertakings should correlate actual consumption with the value of spares. All public sector undertakings should also in future ensure that whenever they enter into a contract|agreement with foreign supplier the price and weight of each individual spare/equipment to be imported should be indicated, in a statement which will form an integrated part of the agreement/contract.

This recommendation is applicable to not only the units which are in operation but also new units which would be set up in future.

## APPENDIX II

(Vide Recommendation at Serial No. 6 Page 17)

COPY

No. 110-Adv (c)|Cir-67|70

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

(DEPARTMENT OF EXPENDITURE)

BUREAU OF PUBLIC ENTERPRISES

*Dated, New Delhi, the 17th January, 1970.*

### OFFICE MEMORANDUM

**SUBJECT:** *Construction Equipment—Procurement of.*

A considerable amount of construction equipment has been obtained by various public sector undertakings, the total investment on which runs into several crores of rupees. A study conducted by the Bureau has revealed that many of those equipment, some of which are specialised items, are used only intermittently during construct resulting in uneconomical outlay apart from blocking up of capital. The Administrative Reforms Commission have also referred to the need for precisely estimating the requirements of items like earth moving equipment, vehicles, tools, etc. for construction works. It is, therefore, necessary that before procuring such costly and specialised construction equipment, a careful study should be made of the actual need for such equipment. It should also be considered whether such works cannot be got executed in the traditional method or with contractors' equipments. Only after it has been established that neither of these two alternatives is feasible, Procurement of such construction equipment may be resorted to.

2. Even in cases, when the need for the purchase of construction equipment has been established, the possibility of procuring such equipment, which may be surplus to other public sector undertakings should be considered. Surplus construction equipments are regularly published in the 'Lok Udyog' a monthly publication of the Bureau, which may be referred to.



3. The Ministry of Industrial Development, Internal Trade & Company Affairs, etc. are requested to bring this to the notice of public sector undertakings under their control.

Sd/-

(A. N. BANERJI)

*Additional Secretary to the Govt. of India  
and Director-General, Bureau of Public  
Enterprises.*

To

All Ministries|Department of the Government of India.

All FAs in the Department of Expenditures.

## APPENDIX III

(Vide Recommendation at Serial No. 6, Page 17)

No. 18|1|70-BPM|MM

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

(MATERIALS MANAGEMENT)

New Delhi, the 26th November, 1973

### OFFICE MEMORANDUM

**SUBJECT:** *Cataloguing of surplus items of Machinery and Equipment.*

At the instance of the Ministry of Industrial Development and Internal Trade, it has been decided that the Bureau of Public Enterprises will undertake the work of Cataloguing of surplus items of machinery and equipment in the various Public Sector Undertakings with a view to make possible their utilisation by the other undertakings. For this purpose surplus items of machinery and equipment are to be classified into following three categories:—

- |                 |   |
|-----------------|---|
| 1. Category—A   | . Equipment permanently surplus.                      |
| 2. Category—B . | . Equipment temporarily surplus. (for about 5 years). |
| 3. Category—C . | . Equipment under-utilised.                           |

Three formates for the above categories are enclosed. The undertakings are required to furnish the information in the enclosed formates for the above categories of surplus items in duplicate, twice in a year, i.e., on 1st April and on 1st October. After submitting the first set of information in subsequent periodical reports the full information need not be repeated; only the changes, i.e., additions and alterations are to be advised. Full information will be required for any new addition to these categories.

Ministry of Industrial Development & Internal Trade etc. are requested to advise the Public Sector Undertakings under their administrative control to furnish the above periodical information regularly to the Bureau of Public Enterprises so as to reach the Bureau

before 15th April and 15th October. To start with the first information for the period ending into 30th September, 690, may be sent immediately before 31st December, 1970.

(S. G. GHOSALKAR)

*Deputy Adviser (M.M).*

To

1. *Ministry of Industrial Development and Internal Trade—*

(i) Deptt. of Industrial Development, Udyog Bhavan, New Delhi.

(ii) Deptt. of Heavy Industries, Udyog Bhavan, New Delhi.

2. Deptt. of Atomic Energy,  
Chatrapathi Shivaji Maharaj Marg, Bombay-1.

3. Deptt. of Communications,  
Sardar Patel Bhavan, New Delhi.

4. Deptt. of Defence Production,  
South Block, New Delhi.

5. Deptt. of Food,  
Krishi Bhavan, New Delhi.

6. Deptt. of Agriculture,  
Krishi Bhavan, New Delhi.

7. Ministry of Foreign Trade,  
Udyog Bhavan, New Delhi.

8. Ministry of Health and Family Planning,  
Nirman Bhavan, New Delhi.

9. Deptt. of Works, Housing and Urban Development,  
Nirman Bhavan, New Delhi.

10. Ministry of Irrigation and Power,  
Shram Shakti Bhavan, New Delhi.

11. Ministry of Shipping and Transport  
(Deptt. of Shipping & Transport),  
Transport Bhavan, New Delhi.

12. Ministry of Petroleum and Chemicals and  
Mines and Metals.

13. (i) Deptt. of Petroleum and Chemicals,  
Shastri Bhavan, New Delhi.

(ii) Deptt. of Mines and Metals  
Shastri Bhavan, New Delhi.

13. Ministry of Steel and Heavy Engineering,  
Udyog Bhavan, New Delhi.

14. Ministry of Tourism and Civil Aviation

(i) Deptt. of Civil Aviation,  
Sardar Patel Bhavan, New Delhi.

(ii) Deptt. of Tourism,  
Sardar Patel Bhavan, New Delhi.

### ANNEXURE 'A'

#### *Construction Machinery and Equipment Permanently Surplus in Heavy Engineering Corporation Limited, Category 'A'*

Sl. No. (1)	Nomenclature of Items (2)	Qty. (3)	Reserve price Rs. P. (4)
1.	Russian Crane 10 Ton. cap. type E-652 Diesel Driven Capacity of Engine 100 H.P.	1 No.	33500.00
2.	Kirloskar Broomwade Air Compressor type WR-210 fitted with 6 cylinder leyland ALV-350 type Diesel Engine with 1650 rev 72 HP output 594M/Min. (210 cv.ft.)	1 No.	9943.20
3.	Agrind moore Road Roller model AFR 810 cap. 8/10 tons with Fordson super major Diesel Engine 52.8 H.P Electrical starting.	2 Nos.	24288.00
4.	Do.	1 No.	13267.08
5.	Single worm Electrically operated winch Capacity 3 ton.	2 Nos.	23713.50
6.	Universal Bull Dozer Model mounted on crawler type C-100 Tractor powered by 4 strokes 4 cylinders 100 hp Diesel Engine model KM-100 five forward gears and four reverse gears started by carburettor type 17 HP 2 cylinder Engine.	1 No.	23188.55
7.	Power Crane cap. 5 ton type MCK-5-2C Height 38/26 meters Electric motors 32.1 kgs. weight of crane without ballast 289 tons made in USSR	1 No.	59049.00
8.	Diesel generator 1 Meadows make and type et. 36 KW meadows English Engine type 4 DJ 330 (No. 590319) and ASFA Swedish genera-		

(1)	(2)	(3)	(4)
	tor type GA-23 (No. 4820415) Diesel Engine Data 54 HP 15 rpm 4 cylinders water cooled with Electric Starter without battery and radiator silencer etc. . . . .	1 No.	19343.00
9.	48 KW Russian generator model DC-50-4 En- gine type 6 Ch. 12/14 (K-15) 8 generator type EC-91-4 CT. Diesel Engine dat 80 HP 1500 rpm 6 cylinders 4 stager water cooled with electric starting 24 volts battery radiator silencer etc. . . . .	1 No.	15000.00
10.	Forklift (Petrol Driven) Czech fitted with four cylinder skoda engine lifting cap. 1500 kg. type BVH-1522 Engine type 1200 type size front 7'00 x 12 Rear 6'00 9 FFP . . . .	4 Nos.	6000.00
11.	Russian Forklift Truck type 4043 cap. 3 tonnes engine type 64-10 H.P. Truck No. 4889 Engine No. 2524478 FFP.No. . . . .	1 No.	5000.00
12.	Winch having 2 ton cap. 50% tested USA made	1 No.	7898.00
13.	Electric winch cap. 1 ton type T.B 1 lifting weight 18 M. Speed of lifting 8 M. per minute weight 100 kg. . . . .	2 Nos.	3782.00
14.	American ONAM DVN. of Studebaker Indus- tries Ltd. USA. Generating set No. 10 JC-53 H 17/7 K Sl. No. 4 C 771696 Petrol Driven rpm 1500 cylinder Air cooled with 13 volts exide battery including self starting. . . .	1 No.	5000.00
15.	C.P.T. Compressor model 365-RO-2 leyland B-11600 Engine motor having Capacity of 365 CFN of free air delivery at 100 lbs/sq. inch (Running conditions) . . . . .	1 No.	20000.00
16.	Brick Making Machine type CM-296 for pro- duction of Cob Bricks by plasting pressing method out put cap. Brick 2200/2400 per hour: et ct. motor 20 Kw. 2nd 10KW. machine No. 1419 . . . . .	1 No.	20000.00
17.	Meter Testing Bench 3 phase intergrating meter calibration sets type TW-34 for calibrating all all type of single phase of 3 phase intergrating meters into provision for calibrating relays Accuracy measurement 0.5 per cent. . . .	1 No.	42662.00
18.	Power Roller Marshal make capacity 10 ton Diesel Engine No. 200057 . . . . .	1 No.	13122.00
19.	Kirloskar Broomvade Air Compressor CE-10 . . . .	1 No.	8820.00
20.	UTOS Tractor Diesel Rubber 194 tyred Rumania make No. 4855 . . . . .	1 No.	5202.00

## ANNEXURE 'B'

**Machinery & Equipment permanently surplus in HEC remaining undisposed from the list of equipment already furnished to PE. Vide Annexure**

Sl. No.	Nomenclature of Item	Qty.	Reserve Price Rs. P
1.	Russian crane 10 ton cap. type B-652 Diesel Driven capacity of Engine 100 HP	1 No.	33500.00
2.	Power Crane cap. 5 ton type MCK-5-20 Height 38-26 meterts Electric motors 32.1 Kgs wieght of crane without ballast 289 tons made in USSR	1 No.	59049.00
3.	Russian Forklift Truck type 4043 cap. 3 tonnes engine type 6A-10 HP Truck No. 4889 Engine No. 2524473 FEP No.	1 No.	5000.00
4.	Winch having 2 tone cap. 502 tested USA make	1 No.	7898
5.	American ONAN DVn. of Studebaker Industries Ltd. USA Generating Set No. 10JC-53 H 17/7K S.No. 4C 771696 Petrol Driven tpm 1500 4 cylinder Air Cooled with 13 volts exide battery including self starting.	1 No.	50000.00
6.	C.P.T. Compressor model 365-RO-2 leyland B-11600 Engine motor having capacity of 365 CFN of free air delivery at 100 lbs/Sq. inch (Running contitions).	1 No.	20000.00
7.	Brick Making Machine Type CM 296 B for production of Cob Bricks by plasting pressing method out put cap. Brick 2200/2400 per hour Elect. motor 20 K.W. 2nd 10 K.W. machine No. 1419.	1 No.	20000.00
8.	Meter Testing Bench 3 phase intergrating meter calibration sets type TW-34 for calibrating all type of Single phase or 3 phase inter grating meters into provision for calibrating relays Accuracy measurement 0.5 percent	1 No.	42662.00
9.	Kirloskar Broomwade Air Compressor CB-10	1 No.	8820.00

## ANNEXURE 'C'

**Construction Machinery & Equipment further declared permanently surplus by HEC**

Sl. No.	Nomenclature of Item	Qty.	Reserve Price Rs. P
1	Crawler chain mobile Crane No. CE. 17 Type E-2006 Four stroke high speed, water cooled direct Fuel injection. 12 cylinder 300 H.P. at 1500. RPM specific fuel consumption 190 grams Diesel Engine driven. Length of Boom 40 metrs capacity 60 T. . . . .	2 No.s	1,86,000.00
2	UTOS tractor BRN 7237 Make Rumania 4 stroke 4 cylinder diesel Engine with whirling chamber 45HP at 1500 RPM . . . . .	1 No.	3,400.00
3	Do. BRN 888 . . . . .	1 No.	3,400.00
4	Do. BRN 7840 . . . . .	1 No.	3,400.00
5	Do. BRN 6961 . . . . .	1 No.	3,400.00
6	Russian Tractor T-23, 24 H.P. . . . .	1 No.	2,550.00
7	Kirloskar Broomwade two stage rotary fitted with leyland Engines. CE. 18 Capacity 105HP. . . . .	1 No.	9,300.00
8	Do. CE.9 . . . . .	2 Nos.	13,600.00
9	3 ton capacity (Truck Type) Fitted Russian Petrol Engine Crane Type IIA. 3-690 . . . . .	1 No.	12,180.00
10	Jumbo Trucn 2 T. Capacity with Vegal Engine. Platform size 5'x3' 3" . . . . .	1 No.	4,045.00
11	Do. Platform size 5'x3'3" . . . . .	1 No.	4,500.00
12	Vibrator type 4-116 vibration per minute 10 to 1400 Electric Motor capacity 1 K.V. Voltage 36 wt. 13 Kg. . . . .	4 Sets.	9,500.00

## APPENDIX IV

(Vide recommendation at S. No. 6, Page 27)

Statement showing the construction Equipment disposed of

Sl. No.	Description	Qty. disposed off	Purchase price	No. of year used when de- clared surplus	Reserve price	Sale realisation	Loss as compared with reserve price
1	Atlas Copeo Portable Air Compressor	6	Rs. 1,93,242/-	4 to 4 1/2 Years	Rs. 99,300	Rs. 77,770/-	Rs. 21,530/-
2	Concrete Mixer Machine Miller	4	Rs. 31,990/-	6 years	Rs. 6,256	Rs. 3,000/-	Rs. 9,255/-
3	Kirloskar Broomwade Compressor	3	Rs. 1,41,571/-	7 years	Rs 47,133/-	Rs. 41,500/-	Rs. 5,633/-



## APPENDIX V

(Vide Recommendation at S. No. 8, Page 21)

No. 3|3|72|Pdn.

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

(PRODUCTION DIVISION)

MAYUR BHAVAN, CONNAUGHT CIRCUS, NEW DELHI,

*the 18th November, 1972.*

### OFFICE MEMORANDUM

**SUBJECT:** *Eighteenth Report of the Committee on Public Undertakings (V Lok Sabha) on Heavy Engineering Corporation Limited.*

---

The undersigned is directed to say that Government have considered the recommendations of the Eighteenth Report of the Committee on Public Undertakings (V Lok Sabha) on Heavy Engineering Corporation Ltd. In view of the importance of the subject and also with a view to co-ordinate various important aspects of action to be taken in future by the Public Sector enterprises, it has become necessary to issue directives on the basis of recommendations by the Committee on Public Undertakings so that there may be no losses to Government due to lack of proper planning and undue haste in taking up certain actions resulting in capital being blocked. The Bureau of Public Enterprises has, therefore, prepared the enclosed set of guidelines which the Ministry of Industrial Development, etc., are requested to issue to the Public Sector enterprises under their administrative control. They are also requested to ensure that these guidelines are kept in mind in the case of new projects, and that the project reports for new plants to be set up have taken into account all the recommendations made by the Committee in this mat-

ter. In order to expedite the initiation of action by the Public Sector enterprises, a copy of this Office Memorandum together with the guidelines is being sent to them direct.

Sd/-

S. JAGANNARAYANAN,  
*Under Secy. to the Govt. of India.*

To

All Ministries|Deptts. of Govt. of India.

All Public Sector enterprises.

**Recommendation No. 8**

The Project Report of every new project should indicate the build up capacity of the plant from year to year in assessing the build up capacity from time to time, there should be no downward revision of the capacity developed or likely to be developed. The Project Reports for plants to be set up in future should clearly spell out gradual build up of the capacity from year to year.

**.. APPENDIX VI**

(Vide Recommendation at S. No. 19, Page 31)

No. 3|3|72-Pdn.

**MINISTRY OF FINANCE  
BUREAU OF PUBLIC ENTERPRISES**

**MAYUR BHAVAN, CONNAUGHT CIRCUS, NEW DELHI,  
the 10th November, 1972.**

**OFFICE MEMORANDUM**

**SUBJECT: *Eighteenth Report of the Committee on Public Undertakings (V Lok Sabha) on Heavy Engineering Corporation Limited.***

The undersigned is directed to say that certain orders for machinery and equipment required by Bokaro Steel were arranged through the Heavy Engineering Corporation Ltd. to be placed on the Garden Reach Workshops Ltd., (GRW) and the Central Inland Transport Corporation (CIWTC). This resulted in double incidence of sales tax. This could have been avoided if the orders for machinery were placed directly on the GRW and the CIWTC, or if the bills were being directly raised by the GRW and the CIWTC on Bokaro Steel instead of routing through HEC. In this connection, the Committee on Public Undertakings (V Lok Sabha) have observed that in all such cases care should be taken to place the orders directly on the undertakings from whom the equipments are required or for arranging for bills being directly raised by the suppliers instead of routing through third party and this would obviate the incidence of double tax in the transaction.

2. The Ministry of Industrial Development, etc. are requested to bring this fact to the notice of the undertakings under their control and request them to obviate incidence of double tax in the placement of orders for machinery and equipment required by them.

Sd/-

**S. JAGANNARAYANAN**

*Under Secretary to the Govt. of India.*

To

All Ministries/Departments of Government of India.

Copy to :

Shri H. L. Ahuja, Under Secretary, Ministry of Steel and  
Mines, Deptt. of Steel, New Delhi.

## APPENDIX VII

(Vide recommendation at S. No. 21, Page 22)

### HEAVY ENGINEERING CORPORATION LIMITED

No. MD|SSO|025|1627 Dated the 12th October, 1972.

**SUBJECT:** *Eighteenth Report of the Committee on Public Undertakings Acceptance and execution of orders.*

---

Attention of all concerned is invited to recommendations No. 21 & 22 (Paragraph No. 6.175 to 6.177 & 6.191 to 6.194) of the 18th Report of the Committee on Public Undertakings (copy enclosed for ready reference) wherein certain lapses of the procedures for opening of work orders, procurement of materials including imports, acceptance of orders etc. have been pointed out. The following guidelines are issued in this regard for strict compliance.

1. No work order for the manufacture of any item will be opened unless there is specific order from the customer duly supported by a sale advice issued by the Commercial Division. In cases, where there is a letter of intent by a customer, the specific approval of the Management will be obtained before work order is opened for the purpose.

2. In case of items required to be manufactured for stock purposes, Work Order will be opened only after the same is approved by the Management.

3. No procurement action for any materials specifically required against a particular job should be taken unless the same is covered by proper Work Order. Procurement of materials for stock purposes should have Management's approval. In all cases of purchase, specific approval of the competent authority should be taken in time.

4. In case of emergencies, when procurement action is taken in anticipation of obtaining the sanction of the competent authority the same should be submitted to the competent authority immediately, thereafter for necessary *post facto* approval. Such cases should however be few and far in between.

5. Before acceptance of any order, the economics of the order should be worked out in adequate detail and duly vetted by Finance so that a suitable decision ~~can be taken~~ after examining all the financial implications.

This issues with the approval of Director (Technical).

Sd/-

G. S. SWAMINATHAN,

*Senior Staff Officer.*

To : Heads of all Plants & Dvns

All CFAs|Addl. CFAs|JT. CFAs.

## APPENDIX VIII

(Vide recommendation at S. No. 25 Page 34)

No. 3|3|72-Prod.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

MAYUR BHAVAN, CONNAUGHT PLACE,  
New Delhi, the 5th January, 1973.

### OFFICE MEMORANDUM

**SUBJECT:** *Eighteenth Report of the Committee on Public Undertakings (Vth Lok Sabha) on Heavy Engineering Corporation Limited.*

The undersigned is directed to say that the Bureau of Public Enterprises has considered recommendation No. 25 in the above mentioned Report in consultation with Ministry of Steel and Mines (Department of Steel). In this connection it may be stated that a public sector enterprises had incurred certain expenditure for engagement of two foreign consultancy firms for the purpose of preparing quotations for certain project on a turnkey basis. Later on, it was decided that the role of the enterprises would be limited to that of the supply of equipment and machinery only. In this context, it was noted that it was not necessary to have entered into the consultancy agreement with the firms.

It is therefore essential for the public sector enterprises to ensure that services of foreign consultants are asked for only in cases where it is inescapable and after a case has been fully established for obtaining their services.

The Ministry of Industrial Development etc. are requested to bring the above instructions to the notice of public enterprises under their administrative control. A copy of the instructions may please be endorsed to the Bureau of Public Enterprises.

Sd/-

S. JAGANNARAYANAN,

*Under Secretary to the Govt. of India.*

To

All Ministries|Deptts. of Govt. of India.

Copy for information to Shri H. L. Ahuja, Under Secretary,  
Deptt. of Steel with reference to their O. M. No. 2/21-70 HEP-  
Vol. III dated 20th Dec. 1972.

Sd/-

S. JAGANNARAYANAN,

*Under Secretary to the Govt. of India.*



## APPENDIX IX

(Vide recommendation at Serial No. 54 Page 54)

EXTRACT FROM THE MINUTES OF THE 93RD MEETING OF THE BOARD OF DIRECTORS HELD ON 6-3-1972 AT RANCHI

*Item No. 3.2 : Delegation of powers to the Managing Director, H.E.C.*

Underlining the need for, and the purpose of delegating adequate powers to the Chief Executive, the Chairman explained the existing scheme under which powers had earlier been delegated to the Chairman.

The Board of Directors considered the revised Note on the subject placed on the Table and passed the following resolution:—

“Resolved that:

- (a) in supersession of the powers delegated by the Board of Directors to the Chairman, Heavy Engineering Corporation Limited, (vide resolution No. 2.3 of the 49th meeting of the Board of Directors held on 29-9-1965) the Board hereby delegate with immediate effect, under the provisions of Article 92(a) of the Articles of Association of the Corporation, to the Managing Director|Chairman, Heavy Engineering Corporation Ltd., respectively the powers mentioned in Annexure-A.
- (b) the exercise of executive powers of the chairman by Shri S. C. Vadera, Managing Director and Chief Executive of the Corporation from the date of his assumption of office as such, is hereby approved and ratified.”

### ANNEXURE A

#### DELEGATION OF POWERS

##### *Managing Director*

The Managing Director will exercise full powers in all matters other than those listed in the Annexure to this resolution.

In matters having substantial financial implications or concerning the financial policy of the Corporation the Managing Director

will exercise his powers after consulting Financial Adviser and Chief Accounts Officer.

2. These powers will be subject to the provisions of the Indian Companies' Act, 1956, the Memorandum and Articles of Association of the Company, and the policies laid down by the Board from time to time. The powers will be subject to budget provisions.

3. The Managing Director will have full powers to institute defend, compound or abandon legal proceedings or refer claims to arbitration and execute powers of attorney and sign Vakalatnamas, Mukhtarnamas, plaints, written statements and all other documents and papers in connection with cases in Law Courts etc. for and on behalf of the Company.

4. The Managing Director may sub-delegate powers conferred upon him by this resolution to the General Managers, Heads of Projects and other officers under him.

Powers sub-delegated by the Managing Director to General Managers or others under this clause should be reported to the Board.

#### *Chairman*

5. In between two Board Meetings the Chairman may, in urgent matters or to meet an emergency, exercise the powers of the Board provided however that an immediate report is made to the Board and *ex-post facto* sanction or approval obtained where necessary.

#### *Annexure*

The following matters will require the approval of the Board of Directors.

##### 1. Budget

Annual programmes of production|construction and estimates of capital and operational expenditure in respect of the Projects of the Corporation and any revisions thereof including alterations in the approved time schedules of Projects|Schemes. If a lump-sum provision is made in the budget for the operational expenditure on any item, the detailed production programme should be placed before the Board as soon as ready and before incurring any expenditure.

## 2. Personnel

- (i) Sanctions to organisational set-up and standard force with pay scales in the projects, head office and township.
- (ii) Sanctions to creation of posts in scales the maximum of which exceeds Rs. 2000/- per month.  
 NOTE:—It will not be necessary to obtain the Board's approval for the creation of a post which has been approved in the Organisation set-up, if the pay scale is also approved as part of the Organisation set up.
- (iii) Appointment requiring Government approval under article 91 (b) of the Articles of Association or to posts in scales the maximum of which exceeds Rs. 2000/-a month.
- (iv) Formulation of rules and regulations relating to recruitment, placement, promotion, deputation, other conditions of service and disciplinary action and changes therein.
- (v) Any changes in the wage structure and scales of pay in force.
- (vi) Policy matters relating to Bonus special pay and allowances.
- (vii) Number and terms of appointment of foreign technicians and training of personnel abroad.

## 3. Works

### (a) Estimates

- (viii) Any estimate above Rs. 10 lakhs not included in the annual production programme and all estimates for works not included in the approved budget for the year.
- (ix) All estimates above Rs. 20 lakhs in value in case of projects where the sanction has been given by components.
- (x) Any deviation resulting in substantial modification in and/or the scope of any components part of the project for which sanction has already been given by competent authority.
- (xi) Items which require approval of the Government under article 91 (b) of the Articles of Association.

- (a) As also excess over approved estimates exceeding 10 per cent for any particular component part where the sanction has been given by components.
- (b) An estimate not forming a part of a component indicated in the approved Project Report.

**(b) Sanctions**

- (xii) A project report and estimates as a whole for expansion of existing facilities of the projects or for establishment of new units and facilities.
- (xiii) The placing of orders or the incurring of any commitment if;
  - (a) the project report has not been sanctioned.
  - (b) the component of a sanctioned project report has not received the approval of the competent authority.

**4. Contracts**

- (xiv) The award of contracts of the value of Rs. 20 lakhs and above forming a component of the Project Report already sanctioned.
  - (xv) Any contracts and/or commitments involving a period longer than 3 years and of a value exceeding Rs. 20 lakhs in each individual case except for commodities for which statutory price controls are in existence.
- NOTE: This will not apply to contracts for works and equipment.
- (xvi) Any major alteration of or departure from the terms of contracts of value exceeding Rs. 20 lakhs and likely to result in additional ways and means obligations.
  - (xvii) The acceptance of disputed claims over the value of Rs. 5 lakhs when they do not involve foreign exchange and over the value of Rs. 2 lakhs when they involve foreign exchange.

**5. Modifications and Replacements**

- (xviii) Formulation and prescription of norms and standards and alterations therein.
- (xix) Any additions, alterations and modifications to and existing asset and to replacements of existing assets over Rs. 5

lakhs which are not included in the approved production programme of the year.

**6. Norms and Standards**

**7. Write off**

(xx) the write off of any items of stores, equipment tools and plants and materials, other than raw materials above the value of Rs. 1 lakh in each case.

(xxi) The write off of any raw material shortage exceeding prescribed limits and exceeding Rs. 1 lakh for each material.

(xxii) The write off of the shortage of cash.

**8. General**

(xxiii) The grant of compensation to other than company employees arising from any cause.

(xxiv) The sale of alienation in any form of any immovable property vested in the Company.

(xxv) Any grants or donations or ex-gratia payments not arising from recognised rules relating to amenities and welfare over Rs. 5,000 in each case and Rs. 50,000 annually.

(xxvi) Settlement of claims against the Company from any cause not provided for in any other items of these rules exceeding Rs. 25,000 subject to a maximum of Rs. 2,50,000 in a year.

(xxvii) Allotment policy relating to Corporation land.

(xxviii) Any expenditure on an object which has not been previously recognised as fit object for expenditure by the Company.

(xxix) Cash credit|over draft arrangements with Banks.

(xxx) Policy matters connected with rates including pricing policy, discounts, rebate etc.

(xxxi) Grant of loans to Contractors, Suppliers etc., and advances above Rs. 1 lakhs to Contractors| Suppliers not covered by contractual terms.

## APPENDIX X

(Vide Recommendation at Serial No. 20, Page 72)

COPY

No. 3/3/72-Pdn.

### MINISTRY OF FINANCE BUREAU OF PUBLIC ENTERPRISES

---

MAYUR BHAVAN, CONNAUGHT CIRCUS,  
New Delhi, the 4th August, 1972.

#### OFFICE MEMORANDUM

SUBJECT: *Eighteenth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Heavy Engineering Corporation Limited.*

The undersigned is directed to say that the Bureau of Public Enterprises has considered recommendation No. 20, para 11 in consultation with the Ministry of Steel & Mines (Department of Steel). In this connection it is stated that it has come to Government's notice that a public Sector Corporation imported certain design documentation which were either already in possession of another Public Sector enterprise or which were not utilised since the components/completing equipment for which the design documentations were meant were actually imported, resulting in infructuous expenditure. It is, therefore, requested that all Public Sector enterprises now in operation as well as these to be set up in the near future should ensure that no omnibus commitment in respect of design documents is entered into which would oblige an enterprise to import designs and drawings irrespective of their need.

The Ministry of Industrial Development etc., are requested to convey the above instruction to the Public Sector Enterprises under their administrative control and a copy of the order endorsed to the Bureau of Public Enterprises as well as to the Ministry of Steel & Mines (Department of Steel) for their information.

Sd/-

(S. JAGANNARAYANAN),

*Under Secretary to the Government of India.*

To

Ministries and Departments of Govt. of India.

Copy forwarded for information to:

Ministry of Steel and Mines (Department of Steel) with reference to their O.M. No. 2-21/70-HEP, Vol. III, dt. the 29th July, 1972.

Sd/-

(S. JAGANNARAYANAN),

*Under Secretary to the Government of India.*

## APPENDIX XI

(Vide Recommendation at Serial No. 48, Page 110)

### COPY

No. 21|1(B)|72-BPE|MM

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

BUREAU OF PUBLIC ENTERPRISES

MAYUR BHAVAN: 7TH FLOOR

New Delhi, the 14th September, 1972.

### OFFICE MEMORANDUM

SUBJECT: *Organisation and set up of Materials Management Department in Public Sector Undertakings.*

---

The Committee on Public Undertakings had made a recommendation in its 40th Report (3rd Lok Sabha) that the present organisational set up for materials management in different public enterprises should be reviewed to examine, as to what extent these require modification to suit the requirements of each undertaking, to ensure effective control. The Committee expressed that while it was difficult to suggest any ideal organisational pattern which would suit all the public enterprises, it was in favour of the enterprises having an integrated organisation of materials management functions under the overall control of a person of sufficiently high status as that of the head of the Finance or Production Department.

In this connection the Bureau of Public Enterprises under its O.M. No. 9(28)|FI|67|Cir. Adv(P)-6 dated 16-10-67, request the administrative ministries to advise the public sector enterprises to set up proper Materials Management Department under the overall control of a person who should be of sufficiently high status as the head of the Finance or Production Department.

It was further stressed vide O.M. No. 13|Main|69-BPE|MM, dated 20-3-1971 that every public sector enterprise should set up an In-



ventory Control Wing or Department properly manned and supervised by a Senior Officer with full knowledge and experience of inventory control. He should be responsible to report the position of inventories to the management of the enterprise from time to time and also suggest remedial measures. It, however, appears that some of the enterprises have still not taken suitable action in this direction.

The Committee on Public Undertakings (5th Lok Sabha), while examining one of the enterprises recently came across a number of defective and ill-planned purchases and have remarked that such cases coming too frequently to their notice are symptomatic of a deeper malady. The Committee have recommended that Government should ensure that officers who are initially put in charge of stores & procurement are persons of experience and proven integrity, so as to give a sound start to the enterprise in the matter of inventories and procedures for purchase etc.

Ministry of Industrial Development etc. are, therefore, requested to advise the public enterprises under their administrative control, to review their present organisational set up of Materials Management and suitably modify the same where necessary. It should be ensured that the officers put in charge of stores and procurement, are persons of experience and proven integrity. The public enterprises concerned may be requested to send a report on the progress of action to the administrative ministry with a copy to the Bureau. by 31-12-72.

Sd/-

R. K. RAY,  
*Adviser (Prodn.).*

## APPENDIX XII

(*vide* para 7 of Introduction)

*Analysis of Action Taken by Government on the recommendations contained in the Eighteenth Report of the Committee on Public Undertakings (4th Lok Sabha).*

I. Total number of Recommendations . . . .	58
II. Recommendations that have been accepted by Government ( <i>vide recommendation</i> at Serial Nos. 3, 4, 6, 7, 8, 9, 10, 11, 13, 14, 15, 17, 19, 21, 22, 25, 26, 29, 31, 32, 33, 34, 35, 36, 37, 38, 39, 49, 51, 52, 54 and 56) . . . .	32
III. Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide recom-</i> <i>mendations</i> at Serial Nos. 1, 5, 12, 16, 18, 20, 24, 27, 28, 40, 41, 42, 43, 44, 45, 46, 47, 50, 53, 55, 57 and 58) . . . .	22
IV. Recommendations in respect of which replies of Govern- ment have not been accepted by the Committee ( <i>vide</i> <i>recommendations</i> at Serial Nos. 2, 23, 30 and 48) . . . .	4