C. P. U. No.186

COMMITTEE ON PUBLIC UNDERTAKINGS (1971-72)

(FIFTH LOK SABHA)

EIGHTH REPORT

Action taken by Government on the recommendations contained in the Twenty-seventh Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Hindustan Cables Ltd., [Paras in Section II of Audit Report (Commercial), 1968]

MINISTRY OF INDUSTRIAL DEVELOPMENT & INTERNAL TRADE

LOK SABHA SECRETARIAT
NEW DELHI
September 1971/Bhadra 1893 [Sakha]
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C O R R I G E N D A

EIGHTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1971-72) ON THE ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE TWENTY SEVENTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (FOURTH LOK SABHA) ON HINDUSTAN CABLES LTD. (Para in Section II of Audit Report (Commercial), 1968).

Page	Line	
1	24	Add "that" after "pointed out"
3	22	For "provision" read "provisions"
3	34	For "if" read "of"
4	12	For "financial" read "financial".
6	25-26	For "estimate" read "estimates".
8	20	after 'mentioned add "that".
13	9	for "capable" read "capacity".
14	12	for "take" read "taken".
15	14	for 'machine" read "machines".
16	2	for 'materias" read "materials".
19	14	for "28.556%" read "28.56%.
24	17 (last line)	for 'hear" read 'bear".

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(1971-72)

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* Resigned from the Committee on Public Undertakings with effect from 29th July, 1971.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Eighth Report on the Action taken by Government on the recommendations contained in the Twenty-Seventh Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Hindustan Cables Ltd. [Paras in Section II of Audit Report (Commercial) 1968].

2. The Twenty-seventh Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 19th March, 1969. Government furnished their replies indicating the action taken on the recommendations contained in the Report during the period from 24th October, 1969 to the 15th June, 1970. The replies of Government to the recommendations contained in the aforesaid Report were considered and approved by the Committee on Public Undertakings (1970-71) on the 11th November, 1970. This report could not be presented to the Fourth Lok Sabha due to its dissolution on 27th December, 1970. This Report was again considered and adopted by the Committee on Public Undertakings (1971-72) on 14th September, 1971 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

3. The Report has been divided into the following five 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 reply.

(iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

(v) Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Twenty-Seventh Report of the Committee is given in Appendix V. It would be observed, therefrom that out of 11 recommendations made in the report, 45.5 per cent have

been accepted by Government. The Committee do not desire to pursue 36.3 per cent of the recommendations in view of Government's reply.

M. B. RANA,
Chairman,

Committee on Public Undertakings.

NEW DELHI;
September 14, 1971.

Bhadra 23, 1893 (*S*).

CHAPTER I

REPORT

Recommendations at serial Nos. 3 (Paras 3.10 & 3.11) & 5(Para 3.23)

1. In their recommendation at Sl. No. 3 (Paras 3.10 & 3.11), the Committee had recommended that suitable training programme for workers should be introduced and suggested that the management should compile monthly reports of consumption of raw material so as to reduce the gross excess consumption of raw material over standard consumption.

2. The Ministry in their reply had stated that after stabilising the new plant in 1967-68, the over-consumption went down to 3.01 per cent and that monthly consumption reports are prepared regularly and necessary remedial action was taken.

3. The Comptroller and Auditor General in their comments (Appendix I) to the above reply of the Ministry have pointed out that it had been noticed during local audit that the over consumption of lead antimony had gone upto 5.15 per cent in 1968-69 as against 3.01 per cent in 1967-68.

4. In their recommendation at S. No. 5 (Para 3.23) the Committee suggested to effect reduction in the over-consumption of paper (ITS) as over-consumption and wastage of raw materials were adversely affecting its economies.

5. The Comptroller and Auditor General in their comments have pointed out the over-consumption of paper (ITS) in 1968-69 was 28.56 per cent as against the Collaborator's norm of 18 per cent.

6. The Committee regret to note that inspite of the recommendations no effective steps have been taken by the Undertaking to check over-consumptions of raw material etc. and the over-consumption of lead antimony and paper is continuing to rise.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (S. No. 4)

The statement reproduced above shows that during 1964-65 and 1965-66 no effort was made by HCL to re-process the lead scrap. In fact, they resorted to the simple process of selling of lead scrap by public auction at profit. The Committee regret to note that the Undertaking did not realise that lead was in short supply and there was a black market for this metal. Efforts to re-process the lead scrap were made for the first time only in 1966-67 after the issue of the Scarce Industrial Maternal Control Order, 1965. (Para 3.15).

Action taken by Government

Purity of lead required for lead antimony alloy used in the manufacture of cables is of the order of 99.9 per cent. Lead scrap is contaminated with various impurities like carbon, grease, oil, copper dust, iron dust, bitumen, etc. Elimination of such impurities is a very difficult task and establishment of suitable smelters capable of re-processing the lead scrap to the required purity was consequently very difficult. Two firms of smelters have since been established, but their capacity is limited. Even as late as January, 1969, they have expressed their difficulty in accepting full quantity of the Company's lead scrap for conversion. Every attempt, however, is being made to persuade the smelters to re-process as much scrap lead as possible.

Recommendation (S. No. 4)

It is curious that during 1966-67 against the recovery of 53.507 MT, only 28.775 MT of lead scrap were re-processed whereas during 1967-68, against a recovery of 88.719 MT. 76.229 MT were re-processed. The reasons for re-processing lesser quantity during 1966-67 are not clear. (Para No. 3.16).

Action taken by Government

The quantity of scrap re-processed in 1967-68 were not only out of scrap arising of the year 1967-68, but out of accumulation of

earlier years also. The quantity re-processed in 1966-67 was only about 28.775 MT, because at the initial stage, the work had to be taken up cautiously with the Smelters, keeping in mind the high quality of lead alloy required for telecommunication cables. When the smelters gradually became familiar with the task and the reclaimed metal was found suitable for the purpose the quantity was gradually enhanced.

Recommendation (S. No. 4)

The Committee recommend that H.C.L. should look into it and make every effort to minimise the generation of lead scrap. The scrap that is left over should be re-processed and ploughed back as far as technically possible. (Para No. 3.17).

Action taken by Government

The Company has taken steps to see that the generation of scrap is reduced to minimum. As already explained in reply to recommendation No. 3.10, generation of the lead scrap cannot be completely eliminated and a part of the lead scrap is also not recoverable. Action has already been taken to recover as much lead as possible out of the lead scrap and plough as much back in the production process as can conform to the Company's technical requirements.

Recommendation (S. No. 8)

The Committee hope that the provision of the Financial Hand Book will be strictly followed by all concerned. The Management should ensure that any deviations from the prescribed rules and procedure are promptly reported to them and suitably dealt with. (Para No. 5.11).

Action taken by Government

The provisions contained in the Financial Hand Book are being followed. If there is any deviation from the prescribed rules and procedures, these are duly reported to the proper authority for necessary consideration, so that they may be suitably dealt with.

Recommendation (S. No. 9)

The Committee feel that an adequate system of internal audit is a very important tool if financial management in an undertaking. They would therefore urge that internal audit should be strengthened and regular reports should be submitted to the Management, so

that constant watch can be kept over adverse trends and remedial action taken. (Para No. 5.14).

Action taken by Government

The internal audit department has since been strengthened and regular reports in respect of findings of internal audit are submitted to the Management for consideration and for remedial action where necessary.

Recommendation (S. No. 10)

The Committee appreciate that due to payment by the Posts & Telegraphs Department of the provisionally fixed prices the published accounts of the Company of a particular year do not exhibit the actual fiancial results of the Company for that year. It cannot, however, be overlooked that under the provisions of the Companies Act, a Company has to prepare its annual accounts on the basis of the actual transactions during the year and the facts known at the time of the closing of accounts. Any subsequent changes in prices etc. cannot be incorporated in the certified and published accounts of the previous years. (Para 6.7).

The Committee, therefore, feel that the Company should make every effort to fix more realistic prices to be charged from its customers so that subsequent adjustments are minimised and the published accounts of a year represent a truer picture of its financial position. (Para 6.8).

Action taken by Government

Recently, a pricing formula has been finalised with the P & T Department, who has posted a Cost Check Unit at this factory. Prices are being formulated most realistically, so that the accounts represent a truer picture of its financial position. The pricing for a quarter is now fixed in advance on the basis of raw material costs in the previous quarter and with this system, the final prices can be charged for at the time of the sale. The published accounts now present a truer picture of the actual financial position.

Recommendation (S. No. 11)

The Committee feel that the entire question of power supply was dealt with by the undertaking without any foresight with regard to the actual requirements and anticipated dates for completion of the

projects in hand. As early as May, 1963, the Company had advanced the completion date for the expansion project to May, 1965 and the project was actually completed in October, 1965 but on the 12th November, 1964, it asked the DVC to increase the power supply from 1st January, 1965. In November, 1964, it should have been clear to the Management that the project would not be completed by January, 1965. There was, therefore, no justification for asking for increased power supply from January, 1965 which has resulted in excessive payment of rupees 1.06 lakhs. (Para No. 7.13).

The Committee regret to note that in the past there was no system of cross checking of actual maximum load against the contracted demand. Such a system is stated to have been introduced only now after this has been commented upon in the Audit Report. The Committee hope that the system of monthly checks of actual consumption against demand would have the desired effect and the Company would be able to arrange adjustments in time. (Para No. 7.14).

The Committee are also not happy that the Company did not approach the DVC for reduction of its enhanced contract demand till July, 1967. This request for reduction of demand should have been made much earlier especially as the delay in completion of the expansion projects was known to the Company since May, 1963. (Para No. 7.15).

Action taken by Government

Measures have been introduced for cross checking the actual demand with projected figures of consumption. An agreement has also been entered with the DVC authorities for the revised figures of the Company's power demand which have been made as realistic as possible considering actual progress of expansion. Now the actual consumption is close to the contracted supply.

Year	Min. Consumption for the period as per Contract	Actual
Period		
1967-68	14175 Kva	13925 Kva
1968-69	14175 Kva	15350 Kva
1969-70 (April & May, 1969)	2250 Kva	2300 Kva

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

Recommendation (S. No. 1)

The Committee while appreciating this effort at self reliance cannot help but observe that the project report and estimates prepared by the Company were unrealistic. In an effort to save Rs. 8 lakhs on commission, the Company framed unrealistic estimates which resulted in an increase of Rs. 51 lakhs in cost for the reasons enumerated above. (Para No. 2.9).

The very fact that in respect of the projects at 1 to 3, the revised estimates were Rs. 51.58 lakhs higher than the original estimates, and the actual expenditure was Rs. 14.84 lakhs less than the revised estimates shows that the estimates-original and as well as revised had been prepared unsatisfactorily. (Para No. 2.10).

Whereas the increase of Rs. 20 lakhs over the original estimates in respect of Plant & Machinery can be attributed, to a certain extent to variations in prices after the tenders had been received, the difference of Rs. 22 lakhs in respect of final cost of factory buildings, Rs. 5 lakhs for items not fully provided for and Rs. 4 lakhs for installation charges cannot be viewed with equanimity. Fairly accurate estimates in respect of these items could have been prepared. The Committee regret that sufficient care was not exercised in drawing up the original estimates. The net result of these faulty estimate was that the capital cost went up considerably and the entire economics of the project was adversely affected. (Para No. 2.11).

It is a common phenomenon in respect of public undertakings that there are invariably extensive differences between original estimates and the revised estimates. This is bound to create an impression in the public mind that original project estimates are kept deliberately on the low side in order to obtain the approval of the Government. Once the project is a *fait accompli*, the Government is left with no alternative, but to accept the subsequent increases in the estimates. (Para No. 2.12).

The Government should lay down adequate guidelines to ensure that fairly accurate project reports and estimates are prepared by undertaking in future. If the estimates have to be increased subsequently, due to factors which could or should have taken into account at the time of preparation of original estimates, the persons responsible for such omissions should be suitably dealt with. (Para No. 2.13).

Action taken by Government

The original Project Reports were made in 1963 and were revised in 1965. While making the revision, care was taken to make provisions for further expansions for capacity also which were not taken into account at the time the original Project Report was prepared. In the original Project Report for building provisions were made under the assumption that certain areas available in the then existing coaxial shop could be utilised for meeting the requirements of the proposed expansion. It soon became apparent that these areas could not be thus utilised since the P&T's needs for coaxial cables were on the increase. Thus, new areas had to be developed for housing the expansion. As already mentioned while making the revised estimates, provisions were made to cater to future expansions in the Plastic Cables and Wire Drawing shops also and the provisions for larger buildings necessitated an increase in cost on account of associated roads, service lines etc. The overall increase in estimates on account of buildings was Rs. 22 lakhs (approx.) which is accounted for as follows:—

(i) Dry-core expansion	..	Rs. 10.21 lakhs
(ii) Switchboard cables		Rs. 7.64 lakhs
(iii) Wire Drawing		Rs. 3.56 lakhs
Total	..	Rs. 21.41 lakhs

The above provisions include provisions made for erection of an over-head gantry for better material handling, construction of a new Canteen Block and a Time Office and Works Office and extension of the Administrative Buildings.

In regard to the plant and machinery, the original estimates were provided on the basis of the figures made available by the collaborators, M/s. Standard Telephones & Cables, U.K., which were apparently based on the prices as known to them. The actual prices were, however, higher than the provisions made and in the revised

estimates provisions had to be on the basis of actual prices. The increase in the cost of plant and machinery amounted to Rs. 20 lakhs approximately. The further increase of Rs. 9 lakhs in the provisions is due to installation of a new oil-fired boiler at a cost of Rs. 5 lakhs and installation charges and other miscellaneous items, for Rs. 4 lakhs.

It will be seen from the above that the increase in estimates have been necessitated partly because of the steps taken to provide for future expansions and partly because of the variations in prices of equipment both of which could not have been foreseen at the time the original estimates were made. Even if the S.T.C. themselves had prepared estimates, it is doubtful whether, based on the factors available at the time of preparation, they could have prepared estimates different from those prepared by M/s. H.C.L. themselves.

The Company was able to effect a saving of nearly Rs. 15 lakhs on the revised estimates as they themselves carried out all installations and planning which resulted in a saving of Rs. 8 lakhs and that too in foreign exchange and also because of some savings in the cost of buildings and installation charges. It may further be mentioned the variation of Rs. 15 lakhs is only 6.5 per cent on the revised estimates of Rs. 230 lakhs. Therefore, it is felt that this variation cannot be considered as an unduly high variation or due to faulty estimation.

It is mentioned for the information of the Committee that the Government have already laid down adequate guide-lines to ensure that fairly accurate Project Reports and estimates are prepared and this has been communicated to the Committee in reply to Recommendation No. 12 of the 13th Report (Third Lok Sabha) and have also been accepted by the Committee in their 48th Report.

Recommendation (S. No. 2)

The Committee are surprised to note that while taking the decision to import heavy castings and forgings required for these machines, no effort was made either by Hindustan Cables Limited, or Heavy Engineering Corporation to ascertain from the foreign suppliers whether they would be prepared to supply these castings and forgings. Had this been done, the one year lost in obtaining a reply from the Russian sources could have been more purposefully utilised in the manufacture of these items in the Foundry Forge Plant of H.E.C. (Para No. 2.30).

The Foundry Forge Plant on whom order was placed in June, 1966, was able to inform the Heavy Machine Building Plant (H.E.C.) only in April, 1967, almost after one year, that it would be able to supply some of the heavier castings and forgings in May, 1968. This shows a lack of promptness in Foundry Forge Plant and an unfortunate absence of awareness in H.E.C. to the need for quick and prompt execution of orders. (Para No. 2.31).

Similarly, the procurement of castings for various items of armouring machines has been delayed by H.E.C. Had prompt action been taken initially, the present difficulty would not have arisen. (Para No. 2.32).

The Ministry who had been informed of the position by H.C.L. should also have taken the initiative to ensure that the delivery schedules were adhered to. The Committee feel that since H.E.C. and H.C.L. are under the same administrative Ministry, it should have been possible for them to fix proper priorities and to co-ordinate in such a manner that at least the avoidable delay could have been obviated. (Para No. 2.33).

Action taken by Government

Lead Extrusion Presses were in the past being imported by Hindustan Cables Ltd., for lead sheathing of underground telephone cables and it was with a view to reduce the foreign exchange expenditure that an order was placed on the Heavy Machine Building Plant of the Heavy Engineering Corporation to supply a lead extrusion press to this Company. When H.C.L. negotiated with H.E.C. for supply of lead extrusion press, the H.M.B.P. took note that the Castings and Forgings would not be readily available in India and placed orders on U.S.S.R. for supply of the same. M/s. H.M.B.P. were negotiating with M/s. PROMMASHEXPORT for import of Castings and Forgings as early as January, 1965 and these were discussed in detail with the U.S.S.R. authorities, who accepted that these Castings and Forgings could be supplied by them. It was in March, 1966 that they came to know for the first time that it would not be possible for the U.S.S.R. to supply such Castings and Forgings. The H.M.B.P., however, took up the issue further with the U.S.S.R. authorities but to no avail. It is, therefore, not factually correct to state that no effort was made by the H.M.B.P. to ascertain initially whether the U.S.S.R. would supply these Castings and Forgings. Copies of correspondence exchanged with U.S.S.R. authorities are at Appendix II. It was after this development that

the H.E.C. placed orders on their Foundry Forge Plants for supply of these Castings and Forgings. As the Foundry Forge Plant was not fully equipped to prepare these types of heavy castings and forgings, an early delivery date was not possible. This Ministry who at that time were in-charge of the H.E.C. did try to expedite the deliveries but in the face of the technical difficulties faced by the Foundry Forge Plant it was not possible to do much in this matter.

Recommendation (S. No. 6)

The Committee recommend that the Management should devise ways and means to limit absenteeism during the agricultural and harvesting seasons. They may consider the practicability of introducing special hours for attendance during these seasons so that idle time for the machinery is minimised. (Para No. 4.7).

Action taken by Government

The Management makes every effort to pursuade the workers to be regular in attendance.

It is felt that in the area during the agricultural and harvesting seasons, the seasonal absenteeism has been unavoidable to a certain extent, as the labour is recruited from a predominently agricultural population. To encourage regular attendance, an Attendance Bonus Scheme was introduced since 1963. Although this scheme worked reasonably well for some time, the effectiveness of the scheme reduced in the later years and quite a few workers go away in sowing and harvesting season.

Subsequently, it was felt that the attendance bonus scheme in isolation may perhaps not produce results. The incentive schemes already existing since 1962-63 are being revised, making it attractive so that there were attractions for the workers to avoid absenteeism.

All the same, for the labour which is largely agricultural based, heavy absenteeism at the time of harvesting has been found unavoidable, as, at that time, they choose to go away to their villages. Since they invariably leave the industrial town away for their villages, introduction of special working hours also would not help.

Recommendation (S. No. 7)

The Committee feel that the costing system developed by the Company is defective in as much as it imposes the burden of *over-consumption and wastage* in one particular type of cable on all the

types of cables manufactured by it. The impact of inefficiency and wastage in manufacture of one type of cable is thus sought to be transferred to other items which might be produced with little or no wastage. (Para No. 4.6).

The Committee, therefore, recommend that the Company should introduce a scientific system of costing which should work out the cost of each individual item on the basis of actual consumption of raw material on that particular item only. (Para No. 5.7).

Action taken by Government

This aspect was discussed with the Statutory Auditors in 1965-66. The decision taken in consultation with them is reproduced below:—

> "The cost sheets at present are being posted on the estimated cost of raw materials, overheads, labour. Variations between the actuals and the estimates are being treated as overheads and adjusted against the work orders during the year. It was noticed that bulk of the difference was on account of variations in cost of raw materials and it was decided that this variation should be adjusted as variation in direct material cost instead of treating that as item of overhead. This procedure may be followed in respect of 1966-67 onwards".

The above decision has been implemented. Thus, the cost booked against any job now shows the total cost of raw materials, including the raw materials over/under consumed.

The net value of over/under consumption of the principal items *viz.* copper and lead (*i.e.* gross over consumption less sale proceeds of the scrap recovered) is relatively small. To determine the actual cost of any particular type of cable it would be necessary to assess the actual consumption of raw materials for that cable. For this, the figures of the input of materials, floor stock, closing balance and output at the end of process, etc. would be required for each cable. The Company manufactures about 85 different sizes of cables and wires under three broad categories, *viz.* Dry Core, Coaxial and Plastic. The cables are to be processed through a number of machines. To cite an example for the Dry Core Cables, the following processes are involved:—

(i) Paper cutting operation.
(ii) Copper Wire drawing operation.

(iii) Insulating operation.
(iv) Twisting operation.
(v) Quadding operation.
(vi) Stranding operation.
(vii) Drying operation.
(viii) Lead Sheathing operation.
(ix) Stripping & Rework operation.
(x) Inspection operation.
(xi) Armouring operation.
(xii) Inspection operation.
(xiii) Battening operation.
(xiv) Shipping operation.

As multiple types of products are running concurrently through the available machines at company's disposal, it is not possible to determine the individual quantum of materials without hindrance to operation by stopping the machines after short intervals in order to make assessment of raw materials, weighment of scrap and shop floor stock, etc. These processes are not economical in relation to the processes of this industry and only for the sake of accounting more closely the actual consumption in each different types of cables the Company have to sacrifice production considerably and make the accounting process very cumbersome. As for example, when four colours of papers multiplied by a number of width and thicknesses are to be cut, it is impracticable to process individually and separately the small quantity in different varieties of paper only to keep an account of a particular work order, say 20 Kms. of cables of a particular type. Similarly, it is also not possible to separately insulate, twist and strand such small quantities and isolate them. In case of lead sheathing, this isolation presents and insurmountable problem. A lead melting kettle whose capacity is about 5/6 tons can extrude several work orders continuously. The company have got no means of arriving at the "actual consumption" for 20 Kms. of a particular type of extrusion, unless after the operation, the machine is stored and a measurement is made of molten lead inside the kettle and of the floor stock of lead including lead scrap lying in the shop floor, etc. Also the machine time being very costly, they are not economical either. Government would like to point out that the machineries and processes associated in the telephone cable industry are such that determination of the so-called actual consumption for each and every individual item of production processed through a particular machine would not be advisable on practical considerations.

To summarise, application of process costing is the only convenient method of this industry. To achieve optimum utilisation of production machine capacity, the Company are required to balance machine loading with various types of cables running simultaneously. As such, the Company cannot manufacture one type of cables at a time. Materials fed to the products, i.e. various types of cables generally come from the common source. As for example, lead which is consumed for various sizes of cables is fed from the same kettle having a capable of 5 to 6 tons and bitumen compound used for armouring of different types of cables simultaneously under different work orders come from the same feed tanks. Hence, segregation is not practicable.

The total over consumption figures are being matched and efforts are made to keep them within the allowable limits. This procedure is in conformity with that followed by leading cable manufacturers like the collaborators, Messrs. Standard Telephones & Cables Limited., London.

CHAPTER IV

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

Recommendation (S. No. 3)

The Company had commenced manufacture of cables as far back as September, 1954. It is, therefore, surprising to note that the Undertaking is putting forward the plea of lack of operational skill to explain the gross excess consumption of 3.30 per cent of raw material over standard consumption in 1964-65, i.e. after 10 years of production experience. During those years the Management does not seem to have take adequate steps to import suitable training to the workers for acquiring sufficient skill in handling the lead presses so as to reduce over-consumption and waste of lead antimony.

(Para 3.10).

Action taken by Government

In any completed product, there is a standard net requirement of raw materials. In actual manufacturing operation, it is not possible to restrict the consumption of raw materials to the net requirement, as it is inevitable that there is some scrap or over-consumption during the process.

The requirement of raw materials in this industry is specified only in terms of the standard net consumption, without allowance for the regular process scrap. In view of this, the figure of over-consumption over net requirement to the extent of process requirement cannot really be considered as over-consumption and to be due to lack of operational skill or care in manufacture.

Further, during the year 1966-67, the Company had brought into operation two new lead sheathing presses, in addition to the existing 3 old presses. These new presses also had new types of lead extrusion die blocks. It takes time even for trained operators to get accustomed to the operation of new equipment and for the new equipment itself to stabilise in operation. The Management had taken steps to train the operators and the operators had the required ability to work the machines, but as explained above, the equipments took time to stabilise in operation. A certain amount of over-consumption is unavoidable under such conditions also.

It is seen that after the equipment stabilised and the operators had acquired sufficient familiarity in operating the new equipment, the over consumption of lead in the new presses was again brought down to 3.01 per cent which is about the limit specified by the Collaborators.

Recommendation (S. No. 3)

The Committee suggest that suitable training programme for workers should be introduced now if not so already done. They also suggest that the management should compile monthly reports of consumption of raw materials so that remedial steps could be taken immediately on discovering any discrepancy. (Para 3.11).

Action taken by Government

For the type of machine operation as in the Company, where the machine are few and expensive, it is considered that in-plant training is best suited to meet the needs, and it is not desirable to set up entirely separate Training Establishment. The training of the operators is, therefore, carried out in the shops themselves. As has been explained earlier, there were a number of new machines coming into operation during the period and it naturally took sometime to stabilise the new plant and get the best result out of it. It would be seen that after stabilising the new plant in 1967-68, the over-consumption went down to 3.01 per cent.

Monthly con umption reports are prepared regularly and necessary remedial action is taken.

Recommendation (S. No. 5)

The above statement reveals a number of disquieting features, in respect of paper (ITS). Against the permissibe over-consumption of 18 per cent, the over consumption of this paper during 1964-65 was 45.44 per cent, during 1965-66, 31.70 per cent, during 1966-67, 36.66 per cent and during 1967-68, 29.08 per cent. The Committee regret to note that no serious effort has been made by the Company to reduce the over-consumption of paper (ITS) to the permissible limit. Even in 1967-68, the over-consumption is much higher than 18 per cent prescribed by the colaborators. When the Company has been able to reduce the over-consumption of paper (CX) to 11.18 per cent against the collaborators' norm of 21 per cent, there appears to be no reason why the over consumption of paper (ITS) cannot be suitably reduced. The Committee feel that the over-consumption of raw materials is a serious matter and deserves a

sustained and intensive effort to effect reduction, as over consumption and wastage of raw materias are adversely affecting its economics. (Para. 3.23).

Action taken by Government

In the Cable industry, the paper is used mainly for two purposes—(i) for insulation of conductors, and (ii) for wrapping of the cable core.

For insulation, the requirement of paper is mainly for 2-1|2 mil thickness (0.0025") while some 3½ mil (0.0035") and 5 mil paper (0.005") are also used. The paper for insulation is also cut into narrow strips of widths varying from 3|16" to 7|16", the bulk of the use being of the smaller widths. For core wrapping of coaxial cables, the paper used is of higher thickness namely 5 mil and here again, the width of the paper is much higher being of the order of 1 to 2 inches.

The losses due to tearing and damage in handling and operation in the machine is, therefore, of necessity higher in the thinner paper cut to narrow widths in the case of insulation, as compared to core wrapping paper for coaxial X CX, cables which is thicker paper cut to broader widths. For this reason, the over consumption of paper in the coaxial shop is generally of a lesser order than in the Insulating Shop. The over consumption of paper in the coaxial shop is therefore, lower than in the Insulating Shop.

In order to ensure continuity of production and security of supply, requirements of paper are obtained from more than one source. It was seen that while supplies from some manufacturers conform nominally to the required specification, the performance of paper supplied from these manufacturers showed differences in performance and caused higher wastages in actual use. This has contributed largely to the over-consumption.

It has subsequently been possible for the Company to obtain higher proportion of supplies from the better manufacturers. The Company has also set up an Industrial Engineering Section to investigate any causes of over consumption so that remedial measures can be taken.

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED.

NIL

NEW DELHI;

September 14, 1971.

Bhadra 23, 1893 (*S*).

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

APPENDIX I

Comments of the Chief Auditor, Commercial Accounts, Calcutta and Comptroller and Auditor General of India (C.A. Wing)

Comments of the Chief Auditor, Commercial Accounts, Calcutta.

Para 2.9.—The further increase of Rs. 9 lacs in the provision is due to installation of a new oil fired boiler at a cost of Rs. 5 lacs and installation charges and other miscellaneous items for Rs. 4 lacs.

(The reply has been accordingly modified).

S. No. 2.—From the letter of Shri T. R. Gupta, Chairman, H.E.C. dated 24-4-67 to the Managing Director; Hindustan Cables Limited. (Appendix III), it appears that the supplier in U.S.S.R., was requested to supply forging castings etc. in March, 1965 but no reply was received from them committing to supply the same Subsequently the representative of H.E.C., who visited U.S.S.R. in November, 1965 requested the Soviet Authorities to assure about the supply. The Soviet authorities in March/April, 1966 categorically refused to supply the castings and forgings.

It would thus reveal that there was virtually no commitment or assurance about the supply from the U.S.S.R. Authorities at the initial stage. There was no reply from the U.S.S.R. after the import lists were sent in March, 1965 for their quotations.

No record note of discussion or correspondence with U.S.S.R. authorities about their commitment in this respect in the initial stage (1964-65) were available except the mention about it in Shri B. G. Pavlov's letter dated 28-4-1966.

Para No. 2.31.—The position as explained against this para could not be verified. This is an internal matter of H.E.C. and the exact reason of this delay and how for this delay was avoidable were not forthcoming from the papers made available to audit.

Para No. 2.32.—Same remarks as against Sl. No. 2.31.

Para No. 2.33.—We have no comments to offer except that the revised delivery dates of Plant and Machinery including Lead Press Committed earlier (as indicated in Annexure-I of earlier replies of

Ministry) could not be adhered to by the Heavy Engineering Corporation. The delivery dates have been further revised (statement at Appendix IV).

Para No. 3.10.—No comment excepting that the over-consumption of lead antimony during 1968-69 has gone up to 5.15 per cent as against 3.01 per cent in 1967-68.

Para No. 3.11—No comment.
Para No. 3.15.—No comment.
Para No. 3.16.—No comment.
Para No. 3.17.—No comment.

Para No. 3.23.—The over consumption of Paper (I.T.S.) during 1967-68 and 1968-69 is indicated below:—

	1967-68	1968-69
Paper (ITS)	2)·08%	23·555%

It will be evident from above that though the position has improved, the same is still considerably higher than the standard (18 per cent).

Para No. 4.7.—No comment.
Para No. 5.6 & 5.7.—No comment.
Para No. 5.11.—No comment.
Para No. 5.14—No comment.
Para No. 6.7 & 6.8.—No comment.
Para No. 7.13 *to* 7.15.—No comment.

The additional information ready for submission to the Ministry in regard to the P.U.C. recommendations has also been verified with reference to local records and found to be in order.

Comments of the Comptroller and Auditor General of India. (C.A. Wing). I. P. Bhavan, New Delhi.

Paras 2.9 to 2.13.

(i) The first sentence of the Ministry's reply is not correct as it will be seen from para 2.14 of the 27th Report (4th Lok Sabha) of the Committee on Public Undertakings that the revised Project Report was prepared and submitted to Government during May, 1963 and not in 1965.

(i) The further increase of Rs. 9 lakhs referred to in para 2 of the Ministry's reply pertain to:

(a) Rs. 5 lakhs due to installation of a new oil fired boiler and

(b) Rs. 4 lakhs on account of installation charges and other miscellaneous iems. (Paras 2.9 to 2.13).

(The reply has been accordingly modified).

The Ministry's reply that "they placed orders on U.S.S.R. for supply of forgings and castings" is not fully correct as only import lists for forgings, castings and hydraulic packings were sent by the Heavy Engineering Corporation Limited to U.S.S.R. in March, 1965 for purposes of quotation [Refer para 2.26 of the Committee on Public Undertaking's 27th Report (1968-69)]. It is thus evident that there was virtually no commitment to supply these castings by the U.S.S.R. authorities in the initial stages and that no formal order was placed on the Russian Suppliers.

(Para 2.30)

The revised delivery dates of Plant and Machinery including Lead Press committed earlier and referred to in the 27th Report of the Committee could not be adhered to by the Heavy Engineering Corporation. These dates have been further revised as per statement at Appendix IV. It will be seen from the statement that the various items (excepting the last item) are now proposed to be delivered between May, 1970 and March, 1972.

(Paras 2.32 and 2.33)

It has been stated in the Ministry's reply that, after the equipment had stabilised and the operators had acquired sufficient familiarity in operating the new equipment, over-consumption of lead in the new presses was again brought down to 3.01 per cent which is the limit specified by the Collaborators. It has been noticed during local audit that the over-consumption of lead antimony had gone up to 5.15 per cent in 1968-69 as against 3.01 per cent in 1967-68. The conclusion drawn by the Ministry in the concluding portion of their reply is therefore not in accord with the facts.

(Para 3.10)

The Ministry's statement that the over-consumption figures are now within limits indicated by the Technical Collaborators is not correct as the over-consumption of paper (I.T.S.) in 1968-69 was 28.56 per cent as against the Collaborator's norm of 18 per cent.

"Comments of the Ministry on the observations made by the C. & A.G. (C.A. Wing) on the reply to the recommendations on para 2.9:

In reply to para 2.9 the Ministry have taken the estimates furnished by the Company in May 1963 as the original estimates and subsequent revisions as the revised Project Report".

Comments of the Ministry on the observations made by the C. & A.G. (C.A. Wing) on the reply to the recommendations on para 2.30:

"The Ministry have stated in the reply that it was only in March 1966 that the H.E.C. came to know for the first time that it would not be possible for the Soviet authorities to supply the same, as unil that date the Soviet authorities never indicated that they would not be in a position to supply these Castings. In the absence of a refusal from the Soviet authorities, it was considered that they would be supplying the necessary forgings and castings.

The reply has been vetted by the Audit and seen by Secretary.

(Para 3.23)

APPENDIX II

Copy of letter No. HMB|*Design*|*T*-28|4541 *dated 28th April,* 1966, *from Shri B. G. Pavlov, General Superintendent, HMBP, to Shri Bebenin, Vice President, v/o Prommashexport, Moscow.*

We have received a letter from Mr. T. R. Venkataramania, HEC's Liaison Officer in Moscow on 18th March, 1966. A copy of this letter has been sent to Mr. Trufanov. In this letter para 1 deals with the question of supply of castings and forgings required for 2500 T Lead Extrusion Press. As you know very well we have been negotiating with Messrs. Prommashexport for import of castings and forgings for this machine since January, 1965. The HMBP team which visited Moscow and Sverdlovsk in January, 1965 and also again in November, 1965, discussed this question in detail with you and with Sverdlovsk Plant and it was generally accepted that these castings and forgings can be supplied from the USSR. As a matter of fact I had also suggested modifications of some of these designs so that they could be manufactured easily in the USSR. The modified designs were accordingly sent to you and to Mr. Loshyonov of Uralmash. On the basis of the assurances received in this connection, we have committed to our customer, Messrs. Hindustan Cables Ltd., Rupnarainpur, which is also a Government of India Undertaking, that we will supply the machine to them during this year. So it gives us a shock to hear from Mr. Venktaramania that the USSR may not be able to supply the castings and forgings for the 2500 T Lead Extrusion Press.

I am writing to request you to make all attempts to supply these castings and forgings as urgently as possible. It puts us in a very difficult position and I am sure these are not such castings and forgings as cannot be made in the USSR. Please do reply and confirm that you can supply the castings and forgings for the 2500 T Lead Extrusion Press.

APPENDIX III

Copy of D.O. No. HMB|Design, dated April 24, 1967 from Shri T. R. Gupta, Chairman, Heavy Engineering Corporation Ltd., Ranchi, India to Shri N. K. Sengupta, M.D. Hindustan Cables Ltd., Rupnarainpur (W.B.)

"Kindly refer to your letter No. ZPA-165|201 dated 8th April, 1967, addressed to Shri R. V. Subramanian and copy endorsed to us.

In this connection, I would give the following point regarding the delays in supplying cable armouring machine and 2500T Lead Extrusion Press.

You are aware that we took up the manufacture of this Lead Extrusion Press at a time when our Foundry Forge Plant was absolutely not in a position to manufacture the Heavy castings and forgings required for a press of this size. It was clearly anticipated both by yourselves and ourselves at that time that these heavy castings and forgings should be imported. The drawings for this press were developed by the end of 1964. The import lists for forgings, castings and hydraulic packings were prepared and sent to USSR in March, 1965 to get quotations from M|s. Prommashexport with a request to supply them by January, 1967. There was no reply at all from M|s. Prommashexport and when our General Manager and Chief Design Engineer, H.M.B.P. visited the Soviet Union in November, 1965, they personally requested the Soviet authorities to assure us about the supply of castings and forgings. Unfortunately only in March|April, 1966, the Soviet authorities categorically refused to supply these castings and forgings and they did not change their decision in spite of the best persuasion and request of G.M., HMBP. The result was that we were compelled to place orders on our Foundry Forge Plant for these heavy castings and forgings in June, 1966. Now our Foundry Forge has given delivery schedules of some of the heavier castings and forgings only in May, 1968. We are trying our best to accelerate these delivery schedules and as soon as those castings and forgings are ready, we will be in a position to do the necessary machining and supply the Lead Extrusion Press as soon as possible.

2. Regarding the Cable Armouring machine also, we faced similar difficulties in respect of procurement of castings. Even to this date,

there are nearly 68 items of small grey iron and steel castings which have not yet been procured. This difficulty has arisen because we placed orders for these castings and forgings on outside firm at a time when Foundry Forge Plant was not completely ready to supply those and subsequently on the delivery schedules being broken, we had to transfer this order to Foundry Forge. Since this order consists of a large number of small items and wide variety of purchased items, which take time to procure, we are now taking all possible steps to arrange for procurement of all these small castings and purchased items including tools. That do not fall directly under our own items of manufacture. We shall try our best to complete the machines as soon as possible since several items are already in the shops undergoing machining. Once the first machine or two go out of our shops we shall be able to manufacture all the balance machines which you require and supply them to you at short intervals.

In view of the position explained, I hope you will kindly appreciate our difficulties and hear with us."

APPENDIX IV

STATEMENT

Details of Machinery	Order No. & Date	Nos.	Total/value	Delivery Date	Revised Delivery date (INITIAL)	Revised delivery as per HEC's letter of 24-9-69 15-10-69 1/3-11-69	Latest position as anticipated after discussion between HMBP and HCL rep. at Ranchi in Feb'70
1	2	3	4	5	6	7	8
Lead Extrusion Press	ZPA-165/108 dt. 26-8-65	1	Rs. 4,50,000/- (excluding hydraulic pumps & control Dieblycks).	1st quarter 1967	1st revision June '68 2nd revision Dec' 68 3rd revision June'69	April, 1970'	Delivery by Feb./March, 1971.
Armouring Machine	PMR-26/189/001/ 3541 dt.21-9-65	3	Rs. 6,67,800/excluding fluid coupling.	Mar' 66.	1st revision Dec' 66 2nd revision May' 67 3rd revision Dec' 67 4th revision Aug' 68. 1st m/c to be delivered by end of Oct' 68.	One machine rcvd. during Jan. July-69—remaining 2 machines by Nov.' 70	Delivery 2 Nos. by Nov. '70
Armouring Machine.	PMR-26/189/101/ 0002/80 dt. 14-10-66	3	Rs. 8,20,000/— excluding fluid coupling.	Dec' 67	April, 1969	1st machine by Dec' 70 2nd Machine by Mar'71, 3rd machine by June' 71.	Delivery by March, 1972.

1	2	3	4	5	6	7	8
Heavy Rewinding machine.	PMR,26/199/01/0033/044 dt. 7-3-67	1	Rs. 1,80,600/—	1st quarter 1968	December, 1968	Order cancelled on 29-12-69	
Cable Drum Take-up stand.	ZPA-165/000/0214/273 dt. 11-7-68	1	Rs. 20,000/—	Jan' 69.	———	February, 1970	May, 1970.
Universal Die Block	ZPA-165/000/0067/248 dt. 18-11-67	1	Rs. 43,780/—	Dec' 68	———	March, 1970	Delivery by May, 1970.
Components for conversion of Hessian protection m/c to Steel Tape Armouring Machine.	(1) NPE-117/000/0017/078 dt. 14-12-66	Lot	Rs. 33,420/—	Dec' 67	Revised delivery to be established.	Compound tank with Agitator 3 Nos., Delivery 2 Nos. by Apl. 70 and 1 No. by Aug' 70 Hessian Head Assembly 2 Nos delivery 1 No. by Aug. 70 and 1 No. by Oct' 70.	Same as in the previous column.
	(2) NPE-117/000/0035/085 dated 17-3-65	Lot	Rs. 9,600/—	———	———		

True copy.

S. N. Bose
Superintendent
L.A7 Coordination Sec.
Commercial Accounts,
Calcutta.

APPENDIX V

(*Vide* Para 4 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Twenty-second Report of the Committee on Public Undertakings (Fourth Lok Sabha).

I.	Total number of recommendations made	11
II.	Recommendations that have been accepted by Government (*Vide* recommendations at S. Nos. 4, 8, 9, 10 and 11)	5
	Percentage to total	45·5%
III.	Recommendations which the Committee do not desire to pursue in view of Government reply (*Vide* recommendations at Sl. Nos. 1, 2, 6 and 7)	4
	Percentage to total	36·3
IV.	Recommendations in respect of which replies of Govetnment have not been accepted by the Committee *Vide* recommndation at Sl. Nos. 3 and 5)	2
	Percentage to total	18·2 %
V.	Recommendatitons, in rescept of which final replies of Government are still awaited.	

GMGIPND—LS II—2056 LS—14-10-71—1340