C. P. U. No. 248

# COMMITTEE ON PUBLIC UNDERTAKINGS (1973-74)

(FIFTH LOK SABHA)

## FORTY-SEVENTH REPORT ON MODERN BAKERIES (INDIA) LTD

MINISTRY OF AGRICULTURE

(DEPARTMENT OF FOOD)

सत्यमेव जयते

LOK SABHA SECRETARIAT
NEW DELHI

*March, 1974/Phalguna, 1895 (S)*

*Price*: Rs. 2.75

CORRIGENDA

FORTY-SEVENTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1973-74) ON MODERN BAKERIES (INDIA) LTD.

| Page | Line | For | Read |
|---|---|---|---|
| Contents page(ii) | 7 | Loan | Load |
| 2 | 24 | gist | gift |
| 2 | 28 | sobsequently | subsequently |
| 6 | 28 | o.e. | i.e. |
| 7 | Table Col. 6 | March, 1970 | March, 1973 |
| 7 | Table, Col.2 against Item 1 | 17.50 | 10.50 |
| 10 | bottom | Add the word 'that' after the word 'at' | |
| 11 | 17 | approve | approval |
| 19 | 28 | undertaking | undertaken |
| 20 | 4 from bottom | Proper sanctioned estimate.In | approval of Government that there |
| 24 | 12 | regadd | regard |
| 24 | 15 | delete the word 'propose' occurring after the word 'six' | |
| 32 | 33 | laves | loaves |
| 36 | 31 | ncluding | including |
| 44 | Table, Col.2 | /873) | 8/73) |
| 45 | 9 | a | of |
| 46 | Table, Col.2, against item(iii) under the heading 1970-71 | 0.02 | 0.08 |
| 46 | Table, Col.7, against Item(i) under the heading 1968-69 | 739.82 | 39.82 |
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|---|---|---|---|
| 47 | Table,Col.9, against item(ii) under the heading 1971-72 | 83.50 | 83.58 |
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| 48 | 3 | coachin | Cochin |
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| 53 | 3 | materialn | material |
| 57 | Table,Col.3 against Madras | 0.85 | 0.35 |
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| 65 | Table,Col.5, against Bombay | 6.90 | 6.99 |
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| 102 | App. IV, Col. 2 of Table | After the words 'amount of loan' add the word 'drawn' and (Rs. in lakhs) | |
| 102 | App. IV, Col. 5 of Table | delete the word 'drawn' occurring after the word 'moratorium' | |
| 105 | Table, Col. 11 against retail under the heading Calcutta | 36 | 35 |
| 107 | App. VI, line 3 | anticipation | anticipated |
| 107 | App. VI | Headings in the different columns of the Statement may be read as under:- | |

| Receipt | As per DER | | As per R.E. (Dec. 1967) | For Australian units | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Austrlian | Canadian | | Ahmeda-bad | | | Bombay | | |
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## (1973-74)

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# STUDY GROUP ON FERTILISERS' FARMS AND BAKERIES
## (1973-74)

1. Shri Nawal Kishore Sharma—*Convener.*
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5. Shri K. Gopal.
6. Shri J. Matha Gowder.
7. Shri Lal K. Advani.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the report on their behalf, present this Forty-seventh Report on Modern Bakeries (India) Limited.

2. This Report of the Committee is based on the comprehensive appraisal of the working of Modern Bakeries (India) Limited as contained in the Report of the Comptroller and Auditor General of India for the year 1970-71—Union Government (Commercial) Part VIII—and also on an examination in depth of the working of the Modern Bakeries (India) Limited. upto the year ending 31st March, 1973.

3. The Committee on Public Undertakings took evidence of the representatives of the Modern Bakeries (India) Ltd. on the 10th and 12th October, 1973 and of the Ministry of Agriculture (Department of Food) on the 2nd and 3rd November, 1973.

4. The Committee on Public Undertakings considered and finalised the Report at their sitting held on the 12th March, 1974.

5. The Committee wish to express their thanks to the Ministry of Agriculture (Department of Food), the Modern Bakeries (India) Ltd. and labour unions for placing before them the material and information they wanted in connection with the examination of Modern Bakeries (India) Ltd. They wish to thank in particular the representatives of the Ministry and the Undertaking who gave evidence and placed their considered views before the Committee.

6. The Committee also place on record their appreciation of the assistance rendered to them by the Comptroller and Auditor General of India in connection with the examination of the Modern Bakeries (India) Ltd.

SUBHADRA JOSHI,

*Chairman,*

*Committee on Public Undertakings.*

NEW DELHI;

*March* 21, 1974.

*Phalguna* 30, 1895 (*Saka*).

# I

# INTRODUCTORY

## A. Historical Background

1.1. A study of the Indian Baking Industry was made in 1964 by an expert under the Colombo Plan. The terms of reference for the study were:—

"(a) To assess potentialities for increased production, consumption and marketing of bread and bakery products so as to increase diversification of the average diet.

(b) To assess the scope for the production and utilisation of nutritionally enriched bread and bakery products.

(c) To render advice on the lines of development needed for increasing the efficiency of production, improvement of quality and modernising the techniques of productions of bread and bakery products."

1.2. The expert, after studying the essential features governing bread production during the period from 24th July, 1964 to 2nd September, 1964, submitted a report to the Government of India in October, 1964. A summary of the recommendations made in the Report is contained in *Appendix I*. The principal recommendations were as follows:—

(a) As a first step plant bakeries should be established in major cities.

(b) The production of bakers yeast must be increased and new factories should be decentralised to provide an assured supply of yeast to all parts of the country.

(c) The flour milling industry must be equipped to mill a greatly increased production of fine flour for bread making.

(d) Some foreign exchange must be made available for the importation of the machinery essential to the bread making, flour milling and yeast industries.

(e) The technical training of bakers in food polytechnics must be assisted by the provision of adequate equipment which will enable the demonstration of modern bread making methods and the use of machinery. Courses must be designed to show bakers the practical implications of their study.

(f) The use of bread in school feeding programmes should be encouraged. Consideration should be given to fortifying such bread with added protein, vitamins and minerals such as multi-purpose food, to give an attractive and palatable product.

(g) No reliable figures were available with respect to the total production of fine flour and bread and the number and production capacity of the bakeries in India. This information should be collected and published in the appropriate publication.

1.3. On the basis of the above recommendations, the Government of India formulated a project in June, 1965 for the establishment of six automatic bakeries, one each at Calcutta, Madras, Bombay, Delhi, Ahmedabad and Cochin.

1.4. From the quotations received in January/February, 1965 from Australia, U.K. and Germany, the Australian equipment was found suitable by a delegation which visited Australia. The Australian Government agreed to bear the entire cost of equipment worth Rs. 67 lakhs (post devaluation) for establishing the fully automatic bakery Units in all the six places under the Colombo Plan. Government was to meet the local costs on construction of buildings, staff, etc.

1.5. While the project for setting up these Bakeries was under consideration, the Canadian Government also indicated their intention to provide a few units on grant basis under the Colombo Plan. It was decided by the Government of India to accept their gist of equipment for setting up three more automatic bakeries. The cost of equipment was estimated at 6,00,000 Canadian Dollars or approximately Rs. 45 lakhs. Government initially decided to locate the three units at Kanpur, Hyderabad and Chandigarh, but sobsequently it was decided to locate the plant assigned for Chandigarh at Bangalore.

1.6. Government approved the Project for the Australian Units on 5th July, 1965 and for the Canadian Units on 10th November, 1966. A company under the name "Modern Bakeries (India) Ltd." was registered on 1st October, 1965 to manage these bakeries with an authorised capital of Rs. 1 crore.

1.7. The Undertaking has so far set up 9 bakery units with automatic equipment for production of fortified and enriched bread in the cities of Ahmedabad, Bangalore, Bombay, Calcutta, Cochin, Delhi, Hyderabad, Kanpur and Madras at a total cost of Rs. 405.98 lakhs inclusive of the cost of Plant and Machinery.

1.8. The capacity of each of these units—except those at Bombay and Calcutta is 30,000 standard loaves of 400 gms. per day while the capacity of the units at Bombay and Calcutta is double the capacity of other units *i.e.* 60,000 loaves per day.

1.9. The bakeries started functioning between January, 1968 and April, 1970 as per details below:—

| Unit | Date of commissioning |
|---|---|
| *Australian* | |
| 1. Ahmedabad | 1-4-1968 |
| 2. Bombay | 2-1-1968 |
| 3. Calcutta | 1-4-1970 |
| 4. Cochin | 1-5-1968 |
| 5. Delhi | 1-6-1968 |
| 6. Madras | 15-1-1968 |
| *Canadian* | |
| 7. Bangalore | 1-2-1970 |
| 8. Hyderabad | 1-9-1969 |
| 9. Kanpur | 19-11-1969 |

## B. Achievement of Objectives

1.10. The main object of setting up the bakery units was to assist in the development of the bakery industry in India on sound and scientific lines, besides enabling expansion of production for meeting the increasing demand arising out of urbanisation, industrialisation, increasing population and changes in dietary habits. These Units were designed to serve as models for economical production of bread and were also intended to help in introduction and popularisation of enriched and fortified bread (supplemented with vitamins, protein, rich groundnut flour and other nutritional materials) for raising the level of nutrition in the country. In the rice eating areas, the bakeries were intended to lessen the consumption of rice and help the diversification of the diet, achieving better nutrition at the same time.

1.11. In its report, the Administrative Reforms Commission had suggested that Government should make a comprehensive and clear statement on the objectives and obligations of Public Undertakings. This recommendation was accepted by Government and the Bureau of Public Enterprises, Government of India, *vide* their letter No. 9(156)/70-BPE(GMI) dated 3-11-1970, asked all Government companies to formulate a statement of their objectives/obligations clearly, if not already done, and communicate the same to Government. The Management accordingly submitted a note on the obligations and objectives of the Undertaking to the Board of Directors on 24-9-1971. After its approval by the Board, the note was forwarded to the Ministry in December, 1971. In March, 1973, the Ministry asked the Undertaking to review the list of objectives and obligations in the light of their observations and submit a revised list duly approved by the Board. The undertaking has since revised the list of objectives and obligations. These have been approved by the Board of Directors on 5th September, 1973. The revised objectives are as follows:—

**I. Non-Financial objectives:**

(1) To manufacture wholesome and nutritious bread and other bakery products under hygienic conditions for supplying to general public, institutions and Government sponsored programmes at reasonable prices and thus be of assistance in improving the dietary/standards of people and popularise the distribution of convenience foods.

(2) To promote the manufacture of indigenous plants, equipments, chemicals and other raw materials required for manufacture of bread and bakery products and to set up such ancillary industries as may be necessary for sustaining the production and growth of bakery industry.

**II. Financial objectives:**

(1) To pay a dividend of not less than 6 per cent on the capital invested by the Company on continuing basis after the first five years of operation.

(2) To earmark every year profit equal to 4 per cent of the share capital for expansion programmes.

(3) To price the product with reference to the actual costing and to be competitive with the price of similar products in the market and simultaneously ensuring adequate returns on capital invested and for other developmental work.

(4) To pay wages to the employees keeping in view the wage structure Policy as declared by the Central Government to be applicable to Public Sector Enterprise.

(5) To meet 40 per cent of the total cost on the setting up of new bakeries and other expansion projects from internal sources of the Company, the rest of the balance capital to be provided by the Government.

1.12. Government's decision on the revised objectives and obligations is awaited.

1.13. During the course of evidence of the Undertaking, the Committee enquired as to how far it had been able to achieve its objective specially in respect of supply of bread to the weaker sections of society, industrial workers, etc. The Chairman of the Undertaking stated:—

> "The rated capacity of the Company's installed units including those units situated in rice eating areas are being fully utilised at present. The prices of the Company's product have not been increased for the last four years and is considered to be very reasonable. In comparison to prevailing prices of the other ready-to-eat foods, the price of Company's products are amongst the lowest and this has placed the Modern Bread within easy reach of the weaker sections of the society. Increasing use of Modern Bread is being made by the Industrial Canteens, Nutrition Programme and Hospitals. The figures on the basis of a recent analysis are as follows:—

| | |
|---|---|
| Hospitals . | 5·72% |
| Army and Navy . . . . . . | 2·03% |
| Other institutions including Industrial Canteens . | 1·58% |
| Percentage of Institutional sales to total sales . . | 9·33 |
| Percentage of social welfare sales to total sales . . | 48·04 |
| Percentage of school feeding sales to total sales | 2·23 |

1.14. It was also stated that the bread meant for social welfare programme was going to slum areas and to the weaker sections for distribution to small children through Municipal Corporations and State Governments. The Undertaking had appointed their own dealers in slum areas. The Chairman of the Undertaking assured the Committee that he would personally look into the matter and see that modern bread was made available in these localities.

1.15. During the course of evidence, the Secretary of the Ministry also stated that so far as vulnerable sections of the society were concerned, the Undertaking had been supplying adequate quantities of bread. The sales under the Social Welfare programmes had increased from 6.25 million loaves in 1970-71 to 52.97 million loaves in 1972-73 which was also going to the urban slum areas and the tribal areas.

1.16. In reply to a question as to whether there was any arrangement for distributing bread through the canteens so that industrial workers could get nutritious bread, the witness stated that bread was being distributed through various centres. In Madras, for instance, there were 334 retail points and out of these, 57 were situated within one Km. of the slum areas and industrial colonies and 30 centres were within a furlong of these areas. He further informed that more retail shops were being opened in such areas and higher priority was being given to the weaker sections of the society.

1.17. The Committee enquired whether there was any possibility of making bread out of 'jowar' or any other foodgrain which was cheaper than wheat and which could be purchased and consumed by weaker sections of society. The Chairman of the Undertaking assured "we shall try".

1.18. To a suggestion whether it was possible to make available the bread in smaller packets of a few slices so that the poorer classes could afford to purchase them, the Secretary of the Ministry stated that they had already given thought to this. If they made a smaller package, the cost would go up, apart from reducing the overall capacity. In his opinion the better solution to this problem was to make buns of 50 grams which would be cheaper. If once the demand for buns picked up, the requirement of the people would be much better met by Buns rather than by cutting the size of the bread which might not turn out to be an economic proposition.

**1.19. The Committee note that the main object of the Undertaking is to manufacture wholesome and nutritious bread and other bakery products under hygienic conditions for supplying to general public, institutions and Government sponsored programmes at reasonable prices and thus be of assistance in improving the dietary standards of people and popularise the distribution of convenience foods. They find that the Undertaking had marketed 1055.76 lakhs of standard loaves during 1972-73 out of which sales under the Social Welfare Programme accounted for 259.68 lakhs of standard loave o.e. 50.17 per cent of the total sales, which according to the Ministry go to the urban slum areas and the tribal areas. The Committee are not sure as to how far the bread sold by the Undertaking is actually available to the weaker sections of the Society living in Jhuggi Jhompri, industrial and other areas. They recommend that the Undertaking should examine the feasibility of producing cheaper type of bread|buns in suitable smaller size and to ensure adequate arrangements for its distribution so as to be within the easy reach of the weaker sections of the society.**

**1.20. The Committee find that the Board of Directors had revised the list of objectives and obligations on 5th September, 1973 but Government have not yet given their decision on the revised objectives. The Committee desire that Government should finalise this matter soon.**

# CONSTRUCTION AND COMMISSIONING

## A. Project Estimates

2.1. The table below gives the details of estimates as indicated in the Detailed Project Report, as revised by the undertaking in December, 1967 and the actual expenditure upto 31st March, 1973 relating to the nine bakery Units set up by the Undertaking:

(Rupees in lakhs)

| | Original Estimates as per Detailed Project Reports | | | Revised Estimates (Dec. 67) | Actual expenditure upto March, 1970 | Excess (+) saving(—) over revised estimates |
|---|---|---|---|---|---|---|
| | Australian units | Canadian units | Total | | | |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 1. Land . | 17·50 | 4·50 | 15·00 | 24·37 | 15·34 | (—) 9·03 |
| 2. Buildings . | 17·50 | 25·50 | 43·00 | 93·76 | 95·92 | (—) 2·16 |
| 3. Bakery Plant | 41·50 | 45·00 | 86·50 | 137·20 | 181·67 | (+) 44·47 |
| 4. Local Equipment | 6·00 | 4·50 | 10·50 | 16·60 | 16·56 | (—) 0·04 |
| 5. Ancillary services | | .. | .. | 27·48 | 14·61 | (—) 12·87 |
| 6. Furniture and Office equipment . | | .. | .. | 4·75 | 8·07 | (+) 3·32 |
| 7. Delivery Van | 15·10 | 8·10 | 23·20 | 26·60 | 38·81 | (+) 12·21 |
| 8. Pre-operative . | .. | | | 12·67 | | (—) 12·67 |
| 9. Contingencies . | | .. | .. | 6·85 | .. | (—) 6·85 |
| 10. Working capital | 42·00 | 21·00 | 63·00 | 19·75 | 35·00 | (+) 15·25 |
| TOTAL: | 132·60 | 108·60 | 241·20 | 370·03 | 405·98 | (+) 35·95 |

NOTE.—The revised estimates of December, 1967 included a provision of Rs. 42.22 lakhs for a single line unit at Calcutta, whereas the figure of actual expenditure as on 31-3-1972 includes an amount of Rs. 53.21 lakhs incurred on setting up both the lines. It has been stated (July, 1973) by the Management that additional expenditure for putting up the double line at Calcutta would work out to Rs. 18.36 lakhs on the setting up of the single line bakery.

2.2. It is seen that the estimates for the nine bakery units increased from Rs. 241.20 lakhs to Rs. 370.03 lakhs. The following reasons were assigned by the Management for escalation of project estimates:—

**Bakeries set up with Australian Assistance.**

(a) There was abnormal rise in prices of land, building materials and indigenous equipment and cost of labour since 1964 when the project estimates were first prepared.

(b) The cost of bakery plant increased from Rs. 41.50 lakhs to Rs. 71.27 lakhs mainly on account of devaluation and partly on account of fully automatic equipment being supplied instead of semi-automatic one. The change over from semi-automatics to fully automatic bakeries also increased the plinth area of the buildings, to be constructed from 10,000 sq. ft. to 20,000 sq. ft. per bakery.

(c) No provision was made in the Detailed Project Report for ancillary equipment and services, customs duty, pre-operative expenditure, etc. It was assumed that the equipment would be exempt from the payment of customs duty.

**Bakeries set up with Canadian assistance**

(a) Increase in the cost of buildings and local equipment owing to rise in prices (Rs. 8.13 lakhs).

(b) Non-provision of customs duty (Rs. 12.36 lakhs).

2.3. The increase in actual expenditure upto 31st March, 1973 under 'Bakery Plant and 'Delivery Van' was 32.4 per cent and 46 per cent respectively over the estimates approved by the Board for these items. The increase in expenditure over the Bakery Plant is stated to be due to (a) provision of second bakery line (Rs. 15.5 lakhs), (b) capitalisation of the pre-operative and contingency expenditure of about Rs. 15 lakhs and (c) general escalation of prices between 1967 and 1972. As regards Delivery Vans, the increase was mainly due to increase in the number of vehicles purchased for organising direct distribution system in place of indirect distribution system originally envisaged at some of the units.

2.4. The increase in the cost estimates was also partly due to the non-materialisation of the synchronisation of the training programme undertaken by the Undertaking, as a result of delay in the commissioning of the plants. Based on the training programme framed, the Undertaking recruited in June|August, 1966 the following staff so that the officials would complete the training by the time Australian plants were installed:

| | |
|---|---|
| 1. Production-cum-General Manager . | . 6 |
| 2. Maintenance Engineer | 6 |
| 3. Shift Superintendents | 5 |
| 4. Head Bakers . . . . . . . . . . | 6 |

2.5. After completion of training, the officers were posted to the various Units in the first week of December, 1966 which was much ahead of the date of commencement of erection of machinery and|or date of commissioning of the plants, vide details given below:—

| Units | Date of Joining the officers (After completion of training) | Date of commencement of erection of machinery. | Date of commissioning of the plants. |
|---|---|---|---|
| Ahmedabad . . | First week of December, 1966. | 30-12-1967 | 1-4-1968 |
| Bombay . . | Do. | August, 1967 | 2-1-1968 |
| Calcutta . . | Do. | 2-12-1969 | 1-4-1970 |
| Cochin . . | Do. | 15-2-1968 | 1-5-1968 |
| Delhi . | Do. | 1-4-1968 | 1-6-1968. |
| Madras . . | Do. | 3-10-67 | 15-1-1968. |

2.6. The capitalised pay and allowances of the personnel for the period ranging from 13 to 40 months from the date of joining (after completion of training) to the date of commissioning amounted to Rs. 4.32 lakhs.

2.7. Asked whether the training programme was drawn up on the basis of realistic target dates of completion of the various units, the undertaking stated as under:—

> "The recruitment of technical staff is to be viewed with reference to the then prevailing circumstances. The establishment of big automatic bakery plants was taken up in the country for the first time. As such after the requisite training it was considered necessary to associate the staff in the initial setting up of the factories."

2.8. The revised estimates were approved by the Board of Directors on 7th December, 1967 but approval of Government was still awaited.

2.9. During the course of evidence, the Committee enquired the reasons for the Government not taking into account the known factors such as non-provision of ancillary equipment and services, customs duty, pre-operative expenditure etc. at the time of approving the original estimates. In reply, the Secretary of the Ministry stated:—

> "A very rough idea of the cost of the 9 units was framed in consulation with the Australian experts who had visited India and the Catering Adviser to the Department of Food. On the basis of these estimates a very small provision of Rs. 5,700 was made for sundry equipments, though in the detailed note which we had submitted to the Cabinet we had stated that there would be some expenditure on ancillary equipment. Subsequently, when we again went to the Cabinet, we mentioned that the prices had gone up as a result of devaluation, so far as the Australian Units were concerned, and the revised idea of the cost was indicated to the Government. It is true that these estimates had not taken into account the customs duty and the ancillary equipment though there was some indication that there would be some increase on that account. There is nothing on record to show why the customs duty factor was not included, but it would appear that since this was a gift from the Australian Government and the Canadian Government to the Government of India, it was thought that possibly there would be no element of customs duty. But then this was found to be there.... The Undertaking must have thought that since it was a Government to Government deal, customs duty might not be there."

2.10. As regards the reasons for not taking the approval of Government for the revised estimates the Committee were informed by the Undertaking that the revised project estimates were approved by the Board of Directors in their 7th meeting held on 7th December, 1967. Action for procurement of plant and machinery etc. (valued at Rs. 125.07 lakhs as on 1st April, 1973) for all the projects included in the revised estimates was taken by the Department of Food, after getting clearance from the D.G.T.D. and the Department of Economic Affairs.

2.11. During the course of evidence, the Committee were informed by the Secretary, Department of Food that the undertaking did submit the revised estimates to the Board of Directors on 7th December, 1967 but unfortunately there was nothing on record to show that the Board of Directors submitted the revised estimates to the Ministry nor was there any record to show that the Ministry had received these estimates. The only reason could be that at time and subsequently for quite some time the Secretary to the Government in the Food Department happened to be the Chairman of the Undertaking and the Deputy Secretary in the Department happened to be the Managing Director. It was stated that indirectly the approval had thus been given by the Ministry, but the formality of sending the estimates to Government for approval was lost sight of. It was also added that now that this matter had come to the notice of the Ministry, they would regularise the technical defect and sanction the revised estimates before the end of the financial year.

2.12. The revised estimates of December, 1967 included a provision of Rs. 42.22 lakhs for a single line unit at Calcutta, whereas the figure of actual expenditure as on 31st March, 1972 included an amount of Rs. 53.21 lakhs incurred on setting up both the lines. It was stated (July, 1973) by the Management that additional expenditure for putting up the double line at Calcutta would work out to Rs. 18.36 lakhs on the basis of the average cost of Rs. 34.85 lakhs incurred on the setting up of the single line bakery. The Board was authorised to undertake works of capital nature in advance of the preparation and approve of D.P.R. not exceeding Rs. 15 lakhs in terms of Article 119(1) (b) of the Articles of Association of the Undertaking. The Committee enquired the reasons for taking up the work of the double line at Calcutta without obtaining prior sanction of Government for the revised estimates.

2.13. The Chairman, MBL stated that the approval of the installation of second line at Calcutta was accorded by the Board of Directors on 1st April, 1968 and the Government were accordingly informed on 8th April, 1968. The order for the import of second line of production was placed by the Government after getting it cleared from D.G.T.D. and the Department of Economic Affairs. Thus the setting up of a double line bakery unit at Calcutta had the tacit approval of the Government. The witnesses, however, admitted that it was beyond the powers of the Board to sanction expenditure of more than Rs. 15 lakhs.

2.14. As regards the reasons for not taking approval of Government for incurring expenditure of more than Rs. 15 lakhs, the Ministry in the post evidence reply informed the Committee as follows:—

> "Originally the proposal was to set up a single line unit in Calcutta. Subsequently in April, 1968 the Undertaking decided that in view of the large demand for bread in Calcutta it was necessary to set up a double-line unit in that city. The Australian authorities had also indicated their willingness to supply a double-line unit for Calcutta. It is in these circumstances that the Undertaking had taken action for setting up a double line unit in Calcutta. They had not, however,

taken specific approval of the Government for incurring an expenditure of more than Rs. 15 lakhs as required under the Articles of Association.

The Undertaking has been asked to indicate the circumstances in detail under which prior approval of the Government was not taken for incurring the expenditure along with details of the expenditure incurred for Government's examination, action and regularisation."

**2.15. The Committee note that one of the reasons for the revision of the estimates for setting up of 9 bakery units from Rs. 241.20 lakhs to Rs. 370.03 lakhs was non-provision of ancillary equipment and services customs duty, pre-operative expenditure etc. in the Detailed Project Report. The Committee regret to point out that in spite of their repeated observations that the original estimates should be prepared by Undertaking and approved by Government after taking into account all known factors, these estimates had not included even provision of ancillary equipment and services, customs duty, pre-operative expenditure etc. in the Detailed Project Report with the result that true picture of the cost likely to be incurred on the project was not available.**

**2.16. The Committee also find that there was an additional expenditure to the extent of Rs. 4.32 lakhs because of the training and posting of some of the officers much ahead (13 to 40 months) of the date of commissioning of the plants. The Committee recommend that there should be proper planning and strict control should be maintained over expenditure to ensure that there was no wastage or avoidable expenditure on the setting up of the various units.**

**2.17. The Committee are also surprised to find that although the revised estimates were approved by the Board of Directors in December, 1967 these have not been approved by Government even after lapse of six years. The Committee take a serious view that the Undertaking incurred additional expenditure on these units to the extent of 68 per cent of the original estimates amounting to Rs. 164.78 lakhs although any variation of 10 per cent or above the approved estimates for any particular component part required prior approval of Government.**

**2.18. The Committee note that in the case of Calcutta Unit the Undertaking incurred expenditure on the setting up of double line without specific approval of Government as required under the Articles of Association. The Committee recommend that the reasons for incurring such large unauthorised expenditure by the Undertaking without approval of Government should be looked into and responsibility fixed.** ?

**2.19. The Committee would also like in this connection to draw the attention of Government to paras 1.7 and 1.9 of the Fiftieth Report of the Public Accounts Committee (Fourth Lok Sabha) on New services and New Instrument of Service and stress that effective action should be taken by the Government to implement the recommendations and take prior approval of Parliament in case of substantial revision. That recommendation was reiterated by this Committee in para 2.20 of their 39th Report (1972-73) on Pyrites, Phosphates and Chemicals Ltd. The Committee also expect that while examining the question of according approval to revised estimates, Government would seriously consider its effects on the economics of the Projects. The Committee feel that where the economics of the projects are adversely affected as a result of revised estimate of capital expenditure, the matter should be specifically brought to the notice of Parliament without delay.**

## B. Erection and Commissioning

2.20 The table below shows the scheduled dates of completion of civil works, erection work and anticipated dates of commissioning of the plants and the actual dates of completion of civil works, erection work and commissioning:—

| Unit | As per original targets | | As per revised estimates | | Actual dates of completion of | | Anticipated date of commissioning of the plants | Actual date of commissioning of the plants |
|---|---|---|---|---|---|---|---|---|
| | Date of completion of civil work | Date of completion of erection machinery | Date of completion of civil work | Date of completion of erection of machinery | Civil work | Erection of work of machinery | | |
| *Australian Units* | | | | | | | | |
| Madras | 1.11.66 | N.A. | 1.2.67 | N.A. | 31.12.67 | 21.12.67 | 1.2.67 | 15.1.68 |
| Cochin | 1.12.66 | Do. | 1.4.67 | Do. | 15.5.68 | 26.4.68 | 15.12.67 | 1.5.68 |
| Bombay | 1.1.67 | Do. | 15.1.67 | Do. | N.A. | 11/67 | 6.3.67 | 2.1.68 |
| Ahmedabad | 1.1.67 | Do. | 1.5.67 | Do. | Do. | 1.4.68 | 12.6.67 | 1.4.68 |
| Delhi | 1.2.67 | Do. | 1.7.67 | Do. | Do. | 1.6.68 | 14.8.67 | 1.6.68 |
| Calcutta | 1.2.67 | Do. | 1.6.67 | Do. | Do. | N.A. | 10.7.67 | 1.4.70 |
| *Canadian Units* | | | | | | | | |
| Kanpur | 18.5.69 | Do. | 30.11.69 | .. | Do. | 10.11.69 | 1.10.69 | 19.11.69 |
| Hyderabad | 31.7.69 | 1.8.69 | | | 30.9.69 | 19.8.69 | 1.7.69 | 1.9.69 |
| Bangalore | 3.8.69 | N.A. | .. | .. | 15.10.69 | 17.1.70 | end of 1969 | 1.2.70 |

2.21. In this connection, the following features deserve mention:—

(a) In respect of a majority of the Units, target dates of completion of erection of machinery were not available. In its absence, it was not possible to analyse the delay, if any, in respect of erection of machinery and commissioning of plants.

(b) In the case of civil works, target dates of completion had been laid down but the actual dates of completion were not available in respect of five units.

2.22. It is seen that while in the case of Canadian units there was delay of about 2 months in commissioning from anticipated dates of commissioning of the plants, in the case of Australian units, the delay ranged from 5 to 12 months except in the case of Calcutta Unit where the delay was as much as 33 months. It was reported to the Board on 12th September, 1966 that, according to the estimate of Australian expert, it should take approximately 12 weeks to commission Type 'A' Bakery.

2.23. The Committee enquired the reasons for revising the dates of the completion of civil works and for not fixing the realistic target dates in this regard.

They were informed that the target dates fixed for these units were realistic, as normally five months are taken for constructing a building of approximately this plinth area. The work was entrusted to the State P.W.D. and C.P.W.D. who were expected to carry out such work within four or five months. However, the targeted dates for the completion of civil works were revised after the administrative approval was conveyed to the executive agencies. Although the targeted dates did not form part of the administrative approval of the work, a close watch was kept for early completion of the civil works.

2.24. In reply to a question whether any progress reports were obtained by the Undertaking from these agencies and the reasons given by these agencies for delay in completion of work, the witness stated:—

"Periodical progress/expenditure reports were received by the Company from CPWD/State PWD/other agencies to whom the work was entrusted. Wherever there used to be any delay reminders used to be issued by the Head Office of the Company for expediting the work and meeting used to be held by the Managing Director with the Chief Engineer/Superintending Engineers of the executive agencies to expedite the efforts used to be made to solve the cause for the hindrance in execution. Where hindrances were natural such as heavy rains and labour troubles, there the work actually got delayed."

2.25. During the course of evidence, the representative of the Undertaking informed the Committee that the estimated dates of completion of erection of machinery were directly connected with the completion of civil works. As the CPWD, the PWD and other agencies who had to complete the civil works could not cope up with the schedule, the Management made all possible attempts to concentrate on getting this work expedited. The progress of civil works was regularly reviewed and arrangements for commencement and completion of erection of machinery had also to be reviewed and adjusted accordingly from time to time. Strictly speaking civil works were deemed to be completed only after the issue of formal completion certificates by the construction agencies, which have not been issued in most of the cases uptodate, in spite of taking up the matter with the various officers of the construction agencies.

2.26. Asked as to how a watch could be kept or control exercised on the completion of the project as per schedule when there was no schedule, the witness stated:

> "I admit that there was no schedule and there was no correct planning, but a rough schedule was there in the sense that the building should come up within five to six months and the erection should come up within about three months. That rough schedule was there. So, accordingly. the Managing Director had issued at that time instructions to the project officers already appointed, and then there were regular and frequent visits and we used to get these reports and we have checked up also the weekly progress reports of the actual constructions, and from that some sort of check was kept."

2.27. In reply to a question, the Committee were informed that the delay in commissioning of the plants was mostly due to delay in completion of the civil works. The first 5 bakery units were commissioned within 2-1/2 years of the formation of the Company and the remaining 4 units were commissioned within the next two years. During the course of evidence, the Secretary of the Ministry admitted that modern methods and procedure were not adopted at that time and the target dates or time schedules were not fixed. The Undertakings had been asked to adopt all these methods and fix targets.

**2.28. The Committee regret to note that there has been delay in the construction and commissioning of the nine bakery units set up by the Undertaking ranging from 5 to 33 months as compered to the anticipated dates of commissioning. They are surprised to find that in respect of the majority of units, target dates of completion of erection of machinery had not been laid down to watch the progress in the erection of machinery and commissioning of the plants. It was admitted during evidence that there was no schedule and planning in depth. The Secretary of the Ministry stated that the Undertaking had been asked to fix precise schedules and targets and to adopt modern methods to watch the progress of construction, erection, commissioning etc. The Committee desire that for the units to be set up by the Undertaking in the Fifth Five Year Plan, detailed schedules for construction, erection and commissioning should be prepared keeping in view the past experience. There should be effective suprvision and check at all levels to see that these schedules are adhered to. There should be close liaison between the Management and Government so that assistance and guidance are readily available to resolve any difficulties and hurdles which may come up in the way of adherence to targetted schedule. The Committee would like to be informed of concrete measures which have been taken or are now proposed to be taken by the Undertaking/Government to achieve the above objective.**

*Delay in Setting up of Calcutta Unit*

2.29. In the case of Calcutta Unit it had been stated that the inordinate delay in commissioning of the unit was mainly due to the change of the initial site which was found unsuitable. The Committee were informed that for setting up a bakery unit at Calcutta, Belgachia site was originally selected by the Board of Directors on the technical advice of the then Catering Adviser to the Government of India, as this was the only site available at the time near the city having already been allotted for setting up a Food Polytechnic.

2.30. In regard to the selection of unsuitable site, the Chairman of the Undertaking stated during evidence as under:—

> "During the sixth meeting of the Board of Directors held on 17th August, 1967 when the cause for the delay of the execution was brought to the notice, the members desired that the suitability of the site may be reassessed as it was pointed out that the work was held up due to accummulation of rainy water.
>
> Another site at Taratola Road was selected and a case was put up before the Board of Directors in the ninth meeting held

on 1st April, 1968 and detailed reasons for unsuitability were expalined therein. Due to the change of site, Financial Adviser desired for investigation and fixing responsibility. The case was discussed in the 12th meeting of the Board of Directors held on 11th November, 1968 and the Board decided that looking to the circumstances explained there was no other alternative except to approve the Belgachia site at that time. It was also agreed by the Board that the change of site at the later stage would also be beneficial in the long run and the infructuous expenditure occurred due to change of site would be very much less than the total savings resulting from the change in site.

2.31. The witness further infomed the Committee that the then Managing Director of the Undertaking inspected the site but no notes of inspection by him were available on the records. He stated that that time Deputy Secretary of the Ministry was the Managing Director and the Secretary, Department of Food was the Chairman of the Undertaking. All this work was done by the Ministry itself.

2.32. As regards the present position of the claim of Rs. 75,000 having been received by the Undertaking from the contractor, the representative of the Undertaking informed the Committee that 'the case is still pending and arbitration award has not been received'.

2.33. During the course of evidence, the Secretary of the Ministry informed that the main reason for delay for the setting up of the unit at Calcutta was the change of the initial site *i.e.* Belgachia site. It was with the assistance of the West Bengal Government that the land at Belgachia was made available. At that time no other land was available in Calcutta. It was the State Government's land. At that time it was known that the land was soft and low but in monsoon it was found that the water logging was beyond their expectation. Fortunately, later on the State Government offered another land at Taratola which was a better land and it was thought to be an economical proposition to shift to that place. Therefore, it was decided to set up the plant at Taratola despite the undertaking having spent about Rs. one lakh on the Belgachia site.

**2.34. The Committee are surprised to find that in spite of the fact that Belgachia site was known to be soft and low and water logged during the monsoon season, it was selected by the Board of Directors on the technical advice of the Catering Adviser to the Government of India and an expenditure to the extent of a lakh of rupees had to be incurred on the site which ultimately proved to be infructuous. The Committee wish to record their unhappiness at the hasty decision with which the Belgachia site was selected and later abandoned.**

## C. Expansion Programme

2.35. According to the Annual Report of the Undertaking for the year 1971-72, the following expansion programme was envisaged:—

(a) Establishment of three medium size bakery units to be located at Chandigarh, Ranchi, and in Jammu and Kashmir.

(b) Addition of the second line in the plant located at Delhi.

(c) Establishment of two roll making plants at Bombay and Calcutta.

(d) Setting up of one biscuit plant and one yeast plant of the capacity of about 1,200 tonnes per annum in the Fifth Five Year Plan.

2.36. The work relating to the preparation of feasibility study reports in respect of the medium size bakery plants proposed to be located at Chandigarh, Ranchi and in Jammu and Kashmir was entrusted in June, 1971 to the National Industrial Development Corporation Ltd. on payment of a consolidated fee of Rs. 15,000.

2.37. The National Industrial Development Corporation Ltd. submitted the report in respect of Chandigarh in October, 1971 and reports in respect of Ranchi and Jammu and Kashmir in November, 1971.

2.38. The Ministry informed Audit in June, 1973 that approval of Government for the plants proposed at Chandigarh, Ranchi and Jammu and Kashmir was accorded in September, 1972. However, no sanction had been issued so far.

2.39. The Committee enquired the basis for selection of Chandigarh, Ranchi and Jammu and Kashmir for locating the bakery units. They were informed that the Undertaking had not made any detailed study of the overall situation of the bread requirement in the country at that stage. Only a rough survey was undertaking which indicated that the demand for bread was to go up by 8 to 10 per cent every year. The selection of the centres was mainly based on the recommendations received from various State Governments by the Government of India. The Undertaking had also carried out preliminary market studies at these centres before the feasibility study was entrusted to N.I.D.C. in June, 1971. The N.I.D.C. submitted its reports in respect of Chandigarh in October, 1971 and in respect of Ranchi and Jammu and Kashmir in November, 1971. Their report indicated that the proposed plants would require a total capital investment of Rs. 17.84 lakhs, Rs. 16.50 lakhs and Rs. 17.74 lakhs for Chandigarh, Ranchi and Jammu and Kashmir respectively. The gross return on the total fixed capital averaged over 10 years worked out to 10.84 per cent, 11.94 per cent and 8.85 per cent in Chandigarh, Ranchi and Jammu and Kashmir respectively. The break-even point was estimated to be 76 per cent of the rated capacity in case of Chandigarh and Ranchi and 78 per cent in case of Jammu and Kashmir. These findings given in the feasibility report justified setting up of the plants at these centres.

2.40. As to the reasons for the delay in issuing the sanction of Government for the plants proposed at Chandigarh, Ranchi and Jammu and Kashmir, the Committee were informed that 'since the demand pattern for bread had undergone a considerable change since 1971, a detailed market survey was carried out at Chandigarh and Ranchi.' On the basis of this survey, it was decided to put up standard size plants at Chandigarh and Ranchi in place of medium size plants originally envisaged.

The revised project reports had been approved by the Board of Directors on 5th September, 1973 and had been submitted to the Government for approval. According to the Report the capital estimate worked out to about Rs. 60 lakhs each. It was estimated that the plants at Chandigarh and Ranchi would yield gross return of approximately 11.00 per cent. It was also stated that all the essential formalities such as drawing up of estimates of capital cost, schedule of construction etc. had been completed before action was taken to set up the projects. The Committee were further informed that 'necessary steps for constructing the bakery building at these locations had also been initiated and work had been awarded to constructing agencies at both these locations'. The Government of India had placed orders for the plant and equipment with the Australian Government. The Chandigarh and Ranchi plants were expected to go into production by the end of 1974.

2.41. Asked whether it was regular to incur expenditure without sanction, the Secretary of the Food Department stated during evidence as follows:—

> "If you take a very strict technical view, 'No'. If you say, it is a certain 'advance action', perhaps one can take a little more liberal view of it. The basic expenditure will not be incurred until such time there is a proper sanctioned estimate. In principle there was the proper sanctioned estimate. In would be these three units. In the meanwhile, the Undertaking had taken some advance action and consulted the architects at Chandigarh."

2.42. In regard to the plant at Jammu and Kashmir, the Committee were informed that the Indian Institute of Economic and Market Research had carried out the market survey for determining the location of bakery in the State of Jammu and Kashmir. The salient features of this market survey were that:—

"(a) the total market for bakery products in Jammu and Kashmir is estimated at 57.27 tonnes per day. The share of conventional bakery products works out to 9.33 tonnes per day;

(b) The daily consumption of conventional bakery products was more steady in Jammu varying between 3.7 to 4.9 tonnes per day. In Srinagar Region the demand fluctuation was as much as 3.4 tonnes in winter and 6.4 tonnes in summer.

(c) The Srinagar market produced over 86 per cent of this demand in the form of conventional products within the city itself. Although Srinagar is a larger market, Jammu seems to offer better prospects for a steady production and sale throughout the year."

2.43. As regards the present position regarding the setting up of the plant at Jammu and Kashmir, the Undertaking stated as follows:—

"The Company have been corresponding with the Government of Jammu & Kashmir for allotment of land at Jammu & Kashmir for setting up the plants. The State Government has asked the Company to explore the possibility of manufacturing 'Girdha and Kulcha' which are local products the know-how of which the Company does not have. Also the Australian Government has not agreed to supply a plant capable of producing standard size bread loaves as well as Buns/Rolls. Under the circumstances, the plant originally proposed to be set up at Jammu and Kashmir is now decided to be set up at Cochin and an indigenous bread plant capable of producing Rolls and Buns is proposed to be set up in the State of Jammu and Kashmir at a later stage."

2.44. In regard to setting up of a second line in Delhi, roll making plant at Bombay and Calcutta and Biscuit Plant and Yeast Plant, the Committee were informed that a study for setting up a second line in Delhi and Roll making plant at Bombay and Calcutta was carried out in October, 1970. The estimated capital investment on second line of Delhi worked out to Rs. 24.62 lakhs and the report showed gross profit of about 19 per cent. The estimated cost of the roll making plants worked out as Rs. 3.37 lakhs each. As regards Biscuit Plant and Yeast Plant, feasibility studies had not yet been completed.

2.45. As regards the progress made in the setting up a second line in Delhi Unit, the Undertaking informed that the 'Executive Committee approved setting up of a second line in Delhi in October, 1970. The plant had since been ordered in Australia and was expected to be supplied by the manufacturers by December, 1973. It was expected to arrive in India by February/March, 1974. In the meantime, the work of the buildings had been awarded.' It was stated that the present lines of bakery at Bombay and Calcutta had sufficient demand for bread to utilise the full oven capacity. To meet the demand for Rolls, independent lines were required.

2.46. As regards the Biscuits plant, the Committee were informed that the Institute of Economic and Market Research had been commissioned for carrying out a detailed survey and location study. The Institute had already completed the interviews and the data was being processed.

2.47. The Secretary of the Food Department stated during evidence that the intention is to prepare protein biscuits which have more nutritional value. Certainly, the price will be less than that of other biscuits. We are not going to make large profit on it as the people in the private sector do.

2.48. As regards the Yeast Plant, the Chairman of the Undertaking stated that as a result of the discussions with the Central Food Technological Research Institute, Mysore a technical feasibility report on the manufacture of Yeast had since been prepared by the C.F.T.R.I. which was under consideration.

2.49. The Secretary, Department of Food stated during evidence that 'we will produce sufficient for our requirement and slightly more to be able to meet the demand of the people so that it can affect the price in the market. Today, yeast is selling at about Rs. 6.50 per kg. We think it should be possible to bring down the price to Rs. 4 per Kg. Then there is one more aspect about quality. We would like to set a standard which others may follow.'

2.50. In regard to expansion during the Fifth Plan, the Secretary of the Food Department stated during evidence that the proposals for the Fifth Plan were received by the Ministry in July, 1973. It was tentatively suggested that in the Fifth Plan, there should be six standard units and 12 medium size units which should be converted into standard units and also put up one Protein Biscuit Plant and one Yeast Plant.

2.51. Asked whether there were any plans to set up units in all State Capitals, the Secretary stated 'we are doing feasibility studies and market studies for 32 cities. The idea is that to the extent there is economic feasibility we would like to cover States which have so far not been covered and areas which have not been covered....We would first of all like to see that there is a unit in each State and in more populous areas where these special programmes were going on, and not merely in a city which has got the label of the capital of a State. Until the studies are completed, we will not know the economic viability of each place.'

2.52. Asked about the criterion for selection of sites, it was explained by the Undertaking that the criterion was basically the likely future demand for bread consumption. Another factor taken into account was the population factor. So far the MBL had tried to put up bakeries in cities where the population was 10 lakhs and above. This had been completed. Next priority was for cities with five lakhs population and then two-three lakhs population. The third factor taken into account was the likely requirement of the Social Welfare programmes. In the 5th Plan the number of beneficiaries was expected to be about nine million at least half of which would be fed by the Modern Bakeries. They also wanted to popularise bread in rice eating areas. It was also stated that out of the 32 centres selected 15 were rice eating areas.

**2.53. The Committee find that the Undertaking had formulated a detailed plan in 1971 for the expansion, setting up of units and diversification of its product lines over a seven year period from 1972-73 to 1978-79 including the setting up of three medium size bakery units to be located at Chandigarh, Ranchi and Jammu and Kashmir and the approval of Government for these Plants was accorded in principle in September, 1972. However, no financial sanction has been issued so far.. The main reason for the delay is stated to be that the earlier proposal to set up medium size units has been changed for setting up standard size plants at Chandigarh and Ranchi in view of detailed market surveys carried out at these places. In respect of Jammu and Kashmir the matter is still stated to be under the consideration of the State Government.**

**The Committee view with concern the lack of advance planning and a detailed market survey in the centres proposed for location of these plants before a decision was taken to set up medium size plants at these centres. The Committee feel that a detailed market survey at Chandigarh and Ranchi could have enabled the Undertaking to have gone in for standard size plants even at the first instance thereby obviating the delay in the setting up of these units at these places. The Committee are surprised that even after a lapse of two years, a firm decision has not been taken as to the type of plant to be put up in Jammu and Kashmir. The Committee need hardly stress that any delay in setting up of the plants would only accentuate the already existing shortage of the much needed bread**

in the country and making the availability of bread at reasonable prices more difficult.

2.54. The Committee also take a serious view of the Undertaking incurring expenditure on the plants to be at set up at Chandigarh and Ranchi without a proper financial sanction of Government. The Committee fail to understand as to why Government should not have issued advance sanction for incurring expenditure upto certain monetary limit pending approval of detailed estimates.

2.55. The Committee also find that the Undertaking propose to set up a Biscuit Plant and a Yeast Plant in the Fifth Five Year Plan and feasibility studies in this regardhave already been either initiated or completed. They desire that decision in regadd to the setting up of these plants should be finalised quickly.

2.56. The Committee were also informed that during the Fifth Plan the undertaking propose to set up six propose standard units and 12 medium size units. The Committee feel that the necessary investigations in regard to these projects should have been completed and well considered and detailed schemes prepared and decisions taken well before the commencement of the Fifth Plan to obviate the delay in the setting up of these plants. The Committee would urge that advance action should be taken about the precise location and acquisition of land for these units as acquisition of land has taken a lot of time in the past and delayed the completion of the projects.

## III

## PERFORMANCE ANALYSIS

### A. Rated Capacity

3.1. According to the Project Report the rated capacity of each of the single line bakery was 35,000 standard loaves of 400 gms per day of 24 hours and that of each of double line bakery was 70,000 standard loaves of 400 gms. per day of 24 hours. The bakeries at Bombay and Calcutta are double line bakeries while those at Ahmedabad, Cochin, Delhi, Madras, Bangalore, Hyderabad and Kanpur are single line bakeries. The rated capacity of 35,000 standard loaves per day as mentioned in the Project Reports was revised to 30,000 standard loaves per day on two shifts-basis in the conference of the General Managers held in September, 1968, as it was considered that third shift would not be even theoretically possible in a single line bakery running seven days in a week in view of the time required for maintenance.

3.2. On the above basis, the rated capacity of each of the single line bakeries at Ahmedabad, Cochin, Delhi, Madras, Bangalore, Hyderabad and Kanpur was fixed at 90 lakh standard loaves per annum (300 working days) and those of double line bakeries at Bombay and Calcutta at 180 lakh standard loaves per annum (300 working days).

3.3. It was pointed out that as against 300 working days assumed in the calculation of rated capacity, the plants practically worked for 357 days in a year.

In this connection, the Management stated (July, 1973) as follows:—

> "The rated capacities of our plants were reviewed and provisionally revised in the conference of the Chief Managers of the Undertaking held in November, 1972....The Management is now intending to fix these capacities finally on the basis of these revisions."

3.4. During evidence, the Chairman of the Undertaking informed the Committee that the capacity of 35,000 standard loaves per day as mentioned in the Project Report was based on multiple-shifts. He also stated that the bakery plants in Australia are normally operated on single shift basis on five days a week. Some bakery plants in Canada work on multi-shift basis on five days a week. Asked as to why the rated capacity fixed in September, 1968 was not reviewed till November, 1972 in the light of actual operating conditions, the Committee were informed that the rated capacity fixed in September, 1968 did not particularly require to be reviewed till 1972 as most of the plants were working only on a single or double shift basis till that time. It was added that the major constraint in achieving the rated capacity of 35,000 standard loaves per day as laid down in the Project Report was that it called for seven days working per week throughout the year, thus leaving no time for necessary maintenance. However, as and when the plants had started production in two shifts, the maintenance of work in the third shift was actually carried out.

3.5. The representative of the undertaking stated during evidence that "the major operating limitation was slicing and wrapping machine which limited the production capacity to 1,600 loaves per hour. Taking these factors into account, the rated capacity was provisionally fixed in November, 1972 as follows:—

| | |
|---|---|
| (i) Australian Aided Units (Single line) | 33,600 standard loaves per day. |
| (ii) Australian Aided Units (Double Line) | 67,200 standard loaves |
| (iii) Candadian Aided Units (Single Line) | 33,600 standard loaves per day." |

This capacity had not yet been finally adopted. The capacity to be finally fixed was being worked out, on the basis of the information collected, for discussion and finalisation in the forthcoming conference of Chief Managers proposed to be held in November, 1973."

3.6. The Committee enquired the reason for reduction in the rated capacity from 35,000 standard loaves of 400 gms. per day of 24 hours to 30,000 standard loaves on two shift basis. The representative of the undertaking stated as under:—

> "According to original Project Report, this was fixed on the basis of working for 24 hours. But then in September, 1968, with the experience of working for about a year, it was felt in the GM's conference that the unit could not be worked for 24 hours a day without maintenance. So, they said that this target of 35,000 was too high and decided that it should be brought down to 30,000. For two shifts, in actual practice, we increased the capacity shift-wise. In the beginning, it was only 11,600 per shift; we raised it upto 15,000 and suggested that the plant should work only for two shifts."

3.7. It was also added that "these capacities were fixed initially by the Australian expert. In Australia, all their plants work only during night on one shift and they adapted it to our Indian conditions and they said that if you wanted to work on a three-shift basis for 24 hours, you can do so and on that basis they fixed the capacity at 35,000. Since we are not sure whether we could have that figure and since we found after working for one year that the capacity was a bit too high, we brought it down to 30,000. Afterwards, when we had gained more experience in the 1972 conference, we went into various other factors which were not known in the beginning and revised the figure. For instance, in the initial stage, we had not given allowance for daily maintenance of the plant. Now, after expert advice from our engineers, we have assessed that about two hours a day would be required for daily maintenance, cleaning etc. and two shifts a week are required for weekly maintenance. These were the factors on the basis of which we were able to arrive at the figure."

3.8. During evidence of the Department of Food, the Committee pointed out that according to the Annual Report for the year 1972-73, the overall percentage of capacity utilised by the plants of the Undertaking was 107.47 per cent. They enquired the reasons for working out the rated capacity on the basis of 300 working days and on two shift basis, although according to Audit, each unit practically worked for 357 days a year, and some of the units were also working on three shift basis. In reply, the Secretary of the Ministry stated:—

> "I also feel that the rated capacity as adopted by the undertaking needs to be looked into and possibly would admit of an upward revision."

3.9. In the post-evidence reply, the Ministry stated, that "the rated capacity of the plant was 2,100 standard loaves per hour at 90 per cent efficiency normally. The Undertaking had fixed the capacity on the basis of two shift working for 300 days providing for one day off of every week and for holidays as prescribed under the Factories Act. However, since it was possible to work the unit for a part of the third shift after providing some time for daily cleaning and maintenance, the matter was being re-examined and the Undertaking had been asked to revise the rated capacity."

**3.10. The Committee note that the rated capacity of 35,000 standard loaves per day of 24 hours on multiple shift basis mentioned in the Project Report was reduced to 30,000 standard loaves per day on two shift basis in September, 1968 on the ground that the third shift would not be theoretically possible in a single line bakery in view of the time required for maintenance and the rated capacity of each plant was fixed on the basis of 300 working days per annum on two shift basis. The Committee also note that as against 300 working days assumed in the calculation of rated capacity, the plants practically worked for 357 days in a year. The Committee do not find any justification for working out the rated capacity on the basis of two shift for 300 working days. The Committee regret that the reduced capacities fixed in September, 1968 were not reviewed till November, 1972, i.e. after a lapse of four years and had been provisionally revised only then. The revised rated capacities have however, not been finalised so far. It was admitted by the Ministry that it was possible to work a unit for a part of the third shift after providing some time for cleaning and maintenance. The Committee recommend that the rated capacity of each bakery unit should be critically examined and fixed after taking into account all the relevant factors and the imperative need to maximise production in the interest of meeting the pressing requirements of public in these days of shortages. The Committee also deprecate the manner in which the rated capacity of the bakery plants was reduced. The Committee need hardly point out that the Management should continuously review the actual production against the capacity/targets fixed on scientific basis. The Management should also review at least once a year the whole question of capacity with a view to improving the production. The Committee would like to be informed at an early date of the precise action taken in pursuance of these recommendations.**

B. Actual production vis-a-vis targets and rated capacity

3.11 The table below indicates the rated capacity, targets and actual production in respect of each of the units during 1968-69 to 1973-74

(Figures in lakhs of Standard Loaves)

| Unit/ Date of Commissioning | Annual rated capacity as fixed by management | 1968-69 T | 1968-69 A | 1969-70 T | 1969-70 A | 1970-71 T | 1970-71 A | 1971-72 T | 1971-72 A | 1972-73 T (Rev.) | 1972-73 A | 1973-74 T | Percentage capacity utilised (4 to 8/73) | 70-71 | 71-72 | 72-73 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ahmedabad/1-4-68 | 90 | 60 | 33·47 | 50 | 36·70 | 45 | 43·86 | 60 | 55·71 | 85 | 83 | 100 | 36·03 | 48·73 | 61·90 | 92·22 |
| Bombay/2-1-68 | 180 | 100 | 79·97 | 150 | 90·50 | 100 | 106·92 | 125 | 160·81 | 170 | 175·28 | 180 | 91·42 | 59·40 | 89·34 | 97·37 |
| Calcutta/1-4-70 | 180 | .. | .. | 25 | .. | 75 | 55·80 | 100 | 108·8 | 140 | 138·49 | 155 | 34·57 | 31·00 | 60·44 | 76·93 |
| Cochin/1-5-68 | 90 | 70 | 65·14 | 100 | 77·36 | 85 | 77·54 | 90 | 92·98 | 105 | 113·76 | 110 | 51·84 | 86·16 | 103·31 | 126·40 |
| Delhi/1-6-68 | 90 | 70 | 46·17 | 80 | 84·11 | 90 | 102·33 | 105 | 95·16 | 115 | 116·71 | 115 | 57·96 | 113·70 | 105·73 | 129.67 |
| Madras/15-1-68 | 90 | 60 | 26·94 | 45 | 23·95 | 40 | 35·51 | 60 | 92·19 | 140 | 142·33 | 145 | 60·46 | 39·46 | 102·43 | 158·14 |
| Bangalore/1-2-70 | 90 | .. | .. | 10 | 3·03 | 45 | 38·63 | 60 | 80·09 | 101 | 104·58 | 110 | 45·40 | 42·92 | 88·99 | 116·20 |
| Hyderabad/1-9-69 | 90 | .. | | 20 | 12·33 | 45 | 47·62 | 60 | 61·82 | 88 | 91·06 | 90 | 43·97 | 52·91 | 68·69 | 101·17 |
| Kanpur/19-11-69 | 90 | .. | .. | 20 | 19·74 | 75 | 77·20 | 90 | 108·22 | 96 | 98·83 | 100 | 30·94 | 85·78 | 120·24 | 109·81 |
| | 990 | 360 | 251·69 | 500 | 347·72 | 600 | 585·41 | 750 | 855·78 | 1040 | 1064·04 | 1105 | 452·59 | 59·13 | 86·44 | 107·47 |

3.12. It would be seen from the table that—

(a) The project Report envisaged the operation of each of the bakery at its full rated capacity from the commencement of production.

(b) The rated capacity was not reached at Ahmedabad, Bombay, Calcutta, Bangalore and Hyderabad, even after 4 years—1968-69 to 1971-72—of continuous production at Ahmedabad and Bombay and two years of continuous production in the case of Calcutta, Bangalore and Hyderabad.

In the case of Cochin and Madras the production was more than rated capacity in the fourth year of production. The rated capacity was reached in the case of Delhi in the third year of production and in the case of Kanpur in the second year of full production.

(c) Ahmedabad Unit could not attain the targets of production laid down by the Management in any of the years. In the meeting held on 16th March, 1970 the Board formed a Committee of Directors to visit Ahmedabad Unit and study its problems on the spot and recommend measures to improve its working. The Committee visited Ahmedabad Unit on 16th July, 1970 but did not submit any report. In this connection, it was, however, reported in the Minutes of the meeting of the Board of Directors held on 29th September, 1970, as follows:—

"The Committee of Directors consisting of the Chairman, Finance Director (Shri D. K. Chatterjee) and the local Director visited Ahmedabad Unit. Their general impression was that this Unit has shown improvement in its operational results. This progress is expected to continue."

It was, however reported in the Quarterly Finance Report for the quarter ending 30th June, 1972 submitted to Government that because of the frequent changes of the Chief Manager in Ahmedabad Unit, no tangible improvement in the working of the Unit could be made.

(d) The total production increased from 347.72 lakh standard loaves in 1969-70 to 585.41 lakh standard loaves in 1970-71 and 855.78 lakh standard loaves in 1971-72. The spurt in production in 1970-71 and 1971-72 was primarily on account of supplies under social welfare programme (pre-school and school feeding) in each State which worked out to 10.8 per cent of the total sales in 1970-71 and 37.9 per cent in 1971-72.

(e) In Calcutta Unit, a double line bakery plant was installed in March, 1970 at a cost of Rs. 20.11 lakhs. Only one line was commissioned on 1st April, 1970 and the second line (value of equipment being Rs. 10.05 lakhs) was lying idle upto June, 1971 for want of a slicing and wrapping machine."

3.13. It would also be seen that the rated capacity was not reached at Ahmedabad and Bombay during 1972-73 even after 5 years of continuous operation and 3 years of continuous operation in Calcutta. Ahmedabad and Calcutta Units could not attain the target of production even in 1972-73.

3.14. The total production increased from 855.78 lakh standard loaves in 1971-72 to 1064.04 lakh standard loaves in 1972-73. The increase in production in 1972-73 was primarily on account of supplies under the social welfare programme which worked out to about 50 per cent of the total sales in 1972-73 as against 37.9 per cent in 1971-72.

3.15. During evidence, the representative of the Undertaking informed the Committee that the main reason for non-achievement of rated capacity at Ahmedabad, Bombay, Calcutta, Bangalore and Hyderabad till 1971-72 was lack of market demand. During 1972-73, however, the capacity was fully utilised in all the units with the exception of Ahmedabad and Calcutta where the utilisation was to the extent of 92.2 per cent and 76.9 per cent respectively. At Calcutta, it was stated, the production would have been better had there not been a strike which lasted for about a month.

3.16. The Committee pointed out that, according to the Minutes of the Board of Directors held on 29th September, 1970, 'the general impression of the Committee of Directors which visited Ahmedabad Unit was that that Unit had shown improvement in its operational results and this progress was expected to continue. But according to the Quarterly Financial Report for the quarter ending 30th June, 1972 submitted to Government, because of the frequent changes of the Chief Manager at Ahmedabad Unit, no tangible improvement in the working of the Unit could be made.' The Committee enquired how the Undertaking could reconcile the two statements. The representative of the Undertaking stated that the Committee of Directors which visited Ahmedabad Unit on 16th July, 1970 noticed that there was some improvement in the sales. This was reported to the Board, in the meeting held on 29th September 1970. Subsequently because of the changes in the incumbency of the Chief Managers, it was reported in the Quarterly Review for the quarter ending 30th June, 1972 placed before the Board of Directors on 25th September, 1972 that no tangible improvement in the working of the Unit could be made."

3.17. It was also stated by the representative of the Undertaking that there had been considerable improvement in the performance of the Ahmedabad Unit during 1972-73 as the production had increased from 43.86 lakh standard loaves in 1970-71 and 55.71 lakh standard loaves in 1971-72 to 83.00 lakh standard loaves during 1972-73. The percentage capacity utilisation had also increased from 48.73 in 1970-71 and 61.90 in 1971-72 to 92.22 during 1972-73.

3.18. When asked whether in Calcutta the low production was not due to slicing and wrapping machines, the representative of the undertaking stated that this slicing and wrapping machine was in position in Calcutta in July, 1971. The representative also stated that it was not due to non-receipt of the wrapping and slicing machine. In 1972-73, there was a strike for about a month. The Undertaking further added:

> "Calcutta Unit was commissioned on 1st April, 1970. Although both the lines of bread production were installed, only one line was required to be operated keeping in view the sales at Calcutta Unit. Each bread plant *inter alia* consisted of one Slicing and Wrapping Machine. While one slicing and wraping machine had been installed at Calcutta Unit right at the beginning but the other machine though received along with the main equipment, was actually installed at Delhi Unit as the sales at this Unit had picked up and were subsequently high at that time. A second slicing and wrapping machine is normally required when the monthly production exceeds about 7½ lacs standard loaves. This machine was allowed to be utilised at Delhi Unit till such time the sales picked up at Calcutta Unit and required the utilisation of second line of production. At this stage the second slicing and wrapping machine was made available to Calcutta Unit. Meanwhile, arrangement was also made to import additional slicing and wrapping machines out of which one was subsequently installed at Delhi Unit...."

3.19. It was also stated that production did not suffer for want of slicing and wrapping machine at the Calcutta Unit.

3.20. From the quarterly financial review for the quarter ended June, 1973 it is however, seen that the capacity utilisation in Ahmedabad, Calcutta and Kanpur during the quarter was only 79.6 per cent, 71.2 per cent and 82.2 per cent respectively as against 122.2 per cent, 76.2 per cent and 101.3 per cent in the last quarter of 1972-73 and 92.22 per cent, 76.93 per cent and 109.81 per cent during the year 1972-73.

**3.21. The Committee find that although the Project Report envisaged the operation of each of the bakeries at its full rated capacity from the commencement of production, the rated capacity had not so far been attained at Ahmedabad, Bombay and Calcutta even after 5 years of continuous production at Ahmedabad and Bombay and three years at Calcutta.**

**The Committee also find that even the targets of production which have been fixed by the Undertaking at less than the rated capacity have not been achieved in any year at Ahmedabad Unit and except for 1971-72 in the Calcutta Unit. The Committee were informed that the main reason for the poor performance of Ahmedabad, Bombay and Calcutta Units was lack of market demand besides frequent changes in the incumbency of the Chief Manager at the Ahmedabad Unit. The Committee fail to understand as to how non-achievement of targets of production could be due to lack of market demand specially when there has been wide spread scarcity of bread in the market. The Committee recommend that a careful analysis as to the cause c° non-attainment of the rated capacity in each of the units at Ahmedabad, mbay and Calcutta should be made and suitable remedial measures ( . n to improve the performance of these units.**

**3.22. The Committee also recommend that frequent changes at the top level should be avoided in the interest of smooth working of the plants.**

*Production of Special Bread*

3.23. It was pointed out that all the units started with the production of white bread in sizes 200, 400 and 800 gms. Bread of special varieties (i.e. fruit, milk, sweet, masala and brown), were added subsequently. The production statistics of the special bread as contained in Appendix II indicates that the production thereof had been insignificant with reference to the tofal production. It is however, noticed from the Appendix II that production of Milk Bread increased from 12.40 lakh standard loaves in 1970-71 to 54.29 lakhs standard laves in 1972-73 at Kanpur, from 0.62 lakh standard loaves in 1970-71 to 69.86 lakh standard loaves in 1971-72 at Madras and from 9.86 lakh standard loaves in 1970-71 to 38.98 lakh standard loaves in 1971-72 at Calcutta. It would also be seen from the statement for 1972-73 that there had been increase in production of Milk Bread in all the Units (except Calcutta). It was stated by the Undertaking that the increase in production of Milk Bread was basically on account of social welfare supplies.

3.24. During evidence, the representative of the Undertaking informed the Committee that no detailed market survey about the likely demand for special variety of bread had been conducted. The witness further stated that the basic idea behind the introduction of special varieties was to launch an intensive publicity campaign for popularising Modern Bread in addition to increasing the total volume of sale and building up the better image of Modern Bread. However, since most of the plants were now running to full rated capacity, no special steps had been taken by the Undertaking to popularise special varieties of bread.

## C. Defective Production and Returns

3.25. The Undertaking has fixed a norm of one per cent each for defective production and for replacement against returns on account of unsold, stale, mouldy, damaged and defective supplies. The table below indicates the quantum of defective production and return of stale, mouldy, etc., bread for the last five years.

(Quantity in lakhs of standard loaves)

| Unit | 1968-69 Qty. | Percentage to total production | Defective production | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | 1969-70 | | 1970-71 | | 1971-72 | | 1972-73 | |
| | | | Qty. | % age to total production | Qty. | % age to total production | Qty. | % age to total production | Qty. | % age to total production |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Ahmedabad | 0·26 | 0·78 | 0·47 | 1·28 | 0·16 | 0·36 | 0·33 | 0·59 | 2·19 | 2·37 |
| Bangalore | — | — | 0·19 | 6·27 | 0·49 | 1·27 | 0·82 | 1·02 | 0·72 | 0·69 |
| Bombay | 1·00 | 1·25 | 1·05 | 1·16 | 1·17 | 1·09 | 1·25 | 0·78 | 2·53 | 1·46 |
| Calcutta | — | — | — | — | 1·06 | 1·90 | 1·14 | 1·04 | 3·54 | 2·55 |
| Delhi | 0·50 | 1·08 | 0·89 | 1·06 | 1·74 | 1·70 | 2·01 | 2·11 | 2·88 | 2·46 |
| Cochin | 0·53 | 0·81 | 0·68 | 0·88 | 0·80 | 1·03 | 0·96 | 1·03 | 1·12 | 0·98 |
| Hyderabad | — | — | 0·26 | 2·10 | 0·60 | 1·26 | 0·55 | 0·89 | 1·22 | 1·34 |
| Kanpur | — | — | 0·53 | 2·68 | 0·93 | 1·20 | 2·64 | 2·44 | 1·55 | 1·56 |
| Madras | 0·14 | 0·52 | 0·15 | 0·63 | 0·10 | 0·28 | 0·41 | 0·44 | 0·83 | 0·58 |

(Quantity in lakhs of standard loaves)

| Unit | Return of stale and mouldy bread | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1968-69 | | 1969-70 | | 1970-71 | | 1971-72 | | 1972-73 | |
| | Qty. | % age to total sales | Qty. | % age to total sales | Qty. | % age to total sales | Qty. | % age to total sales | Qty. | % age to total sales |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Ahmedabad | 0·06 | 0·18 | 0·16 | 0·44 | 0·14 | 0·32 | 0·12 | 0·22 | 0·22 | 0·26 |
| Bangalore | Not available | | | | Negligible | Negligible | 0·98 | 1·25 | 1·23 | 1·18 |
| Bombay | 0·97 | 1·24 | 1·52 | 1·71 | 1·87 | 1·78 | 2·34 | 1·47 | 2·18 | 1·27 |
| Calcutta | — | — | — | — | 0·08 | 0·15 | 0·48 | 0·44 | 0·14 | 0·11 |
| Delhi | — | — | 0·29 | 0·35 | 0·56 | 0·55 | 0·24 | 0·25 | 0·72 | 0·62 |
| Cochin | 0·01 | 0·02 | 0·11 | 0·14 | 0·09 | 0·12 | 0·19 | 0·20 | 0·12 | 0·01 |
| Hyderabad | — | — | 0·22 | 1·85 | 0·46 | 1·00 | 0·58 | 0·94 | Nil | Nil |
| Kanpur | — | — | 0·19 | 0·97 | 1·14 | 1·52 | 1·57 | 1·48 | 1·43 | 1·47 |
| Madras | 0·57 | 2·18 | 0·63 | 2·72 | 0·23 | 0·66 | 0·37 | 0·40 | 0·23 | 0·16 |

3.26. It will be seen from above that in the case of Bangalore, Bombay, Calcutta, Delhi, Hyderabad and Kanpur Units, defective supplies exceeded the norms of 1 per cent, in all the years (except for Bombay and Hyderabad Units in 1971-72 and Bangalore in 1972-73). The return of stale and mouldy bread was in excess of the norm in Bombay for all the years, in Kanpur for 1970-71, 1971-72 and 1972-73, in Madras for 1968-69 and 1969-70 and in Bangalore for 1971-72 and 1972-73. The value of defective production and free replacements in excess of the norm worked out to Rs. 3.74 lakhs and Rs. 2.87 lakhs respectively during 1968-69 to 1971-72 and 5.79 lakhs and 1.99 lakhs during 1972-73.

3.27. Although the Units indicated the information about the defective production in the monthly operating reports submitted to Head Office, there was no regular system of making an analytical study of the defective production at Head Office. Such a system was introduced only in 1972-73.

3.28. The Management stated (February, 1972) that the main reasons for excess over the norm were poor quality of flour and diversities in atmospheric conditions at different places where Units are located. Besides, the new operatives took some time to acquire the requisite expertise for working in the bakery in the initial stages.

3.29. With effect from 2nd December, 1972 the norms for defective production and return of stale and mouldy bread had been reduced from 1 per cent to 0.5 per cent in each case.

3.30. In this connection, the Ministry stated (June, 1973) as follows:—

"(a) The value of defective production and free replacement is not a total loss to the Company as it excludes sale proceeds realised on the disposal of defective and replaced bread.

(b) The statistics relating to defective production are inclusive of crumbs which are treated as good production. The Units had previously been ncluding crumbs in the defective production in their monthly operating reports. The proforma of monthly reports has been revised from January, 1973 and crumbs are now shown separately from defective production.

(c) At the initial stages the Company had been a bit liberal in accepting replacements/returns. Every effort is being made to reduce the defective production and replacement to the minimum.

3.31. During evidence, the representative of the Undertaking informed the Committee that the reasons for the defective production were not indicated in the Monthly Operating Reports. However, they were intimated and analysed in the review of the Monthly Operating Results forwarded every month by the Chief Managers to the Managing Director demi-officially.

3.32. The Committee pointed out that the percentage of defective production at Bangalore, Calcutta, Delhi, Cochin and Kanpur Units was more than the norm of 1 per cent in 1971-72 and it varied from unit to unit. They enquired the reasons for variations in the production of defective bread from unit to unit when the machines were alike. The witness explained that the defective production was not entirely dependent on the type of plant at all. It was very much dependent on the quality of basic raw material which was being used at the various units. If the quality of raw material *e.g.* Wheat flour, was not good, the number of defective bread would be more. Over and above the raw materials, failure of electricity was also a contributory factor for the defective bread.

3.33. To an enquiry as to whether there was any machinery which could exercise regular checks and go into the causes of the defective production, the witness stated that they had introduced in 1972-73 a system of making an analytical study of the defective production. In order to reduce the percentage of defective production, they had introduced one instrument which could check the quality of flour in regard to its strength. They had received three or four such machines. Secondly, they were setting up their own generators in the Units so that there should be no defective production due to break down of electricity.

3.34. In regard to the defective production in 1972-73, the Undertaking stated in a post-evidence reply as under:—

"An analysis of defective production made recently pointed out that power failure, defective baking tins, inferior quality of flour, break-down of machinery result in defective production.

Recently a study of bread and dough spoilage at the Delhi Unit has been completed by the Statistical Quality Control Unit of the Indian Statistical Institute, New Delhi. The study has made detailed recommendations regarding maintenance of baking tins and depanner which are under examination for implementation in the units.

In order to minimise the loss due to power failure, action has been taken to provide diesel generating sets at the Units where power supply has been found to be unreliable.

In order to ensure suitable quality of flour, the matter is being pursued with the Food Corporation of India."

3.35. As regards the reasons for the quantum of return of stale and mouldy bread being the highest in Bombay Unit in all the years *i.e.* from 1968-69 to 1972-73 as compared with other units, the representative of the Undertaking informed that Bombay Unit had to accept a higher percentage of returns from the market in order to build up an image of the Undertaking at Bombay where their main competitors (Britannia) were reported to be accepting the returns upto 5 per cent. The witness also stated that the reasons for the higher percentage of returns during 1969-70 and 1970-71 were that in the initial years the sales were not brisk and the quantum was low. In order to build up an image the Undertaking took abundant caution to prevent stale bread reaching consumers.

3.36. To an enquiry whether there was any machinery to check the bread before it was sent to the consumer, the representative of the undertaking stated that the sales staff at each unit exercised daily check to ensure that no stale and mouldy bread floated in the market. Such products, if any, were collected and replaced by fresh ones. The witness further stated that it was not possible to check each and every bread which went out of the factory. However, sample checking of bread was carried out regularly by the quality Control Department.

3.37. It was, however, admitted that occasionally there were complaints about stale and mouldy bread from consumers. The complaints were, it was stated, fully investigated and it was found that the development of mould and staleness was mainly due to faulty storage at dealers' end. The dealers had also been advised on proper storage methods and strict vigilance was kept to ensure proper handling and storage at retail points to minimise return of stale and mouldy bread.

3.38. The Committee enquired whether any sale price had been fixed for the sale of defective bread. The representative of the Undertaking stated that, first quotations were invited from the market at competitive rate and defective breads and crumbs were disposed of. He informed that during 1972-73, a sum of Rs. 2.66 lakhs (excluding Calcutta Unit) was realised by the sale of defective and returned bread. The actual value of such bread was Rs. 11.32 lakhs. The witness stated that about 25 per cent is recovered by the sale of the defective and returned bread.

3.39. The witness further informed the Committee that the return of mouldy bread was not a total loss. It was utilised for cattle feeding and some percentage of it was such which had to be destroyed. He further stated that the defective bread were purchased amongst others by their own workers at reduced price.

**3.40. While the Committee note that the percentage of norm of defective production has been reduced from 1 to 0.5 the Committee find that the percentage of defective production continues to be higher than the norm in several units of the Undertaking. The Committee recommend that the system introduced in the Head Office in 1972-73 for an analytical study of the defective production of bread at various units should be made more effective and the results of such analytical study fed back to the respective units in order to take effective remedial measures to minimise the defective production so as not to exceed, in any case, the norm fixed therefor.**

**3.41. The Committee were informed that while defective bread was utilised for cattle feeding and some percentage of it was also destroyed, it was also sold to the workers of the Undertaking at reduced rates. The Committee need hardly stress that a careful watch should be kept to see that no manipulations take place in declaring any part of the production as defective.**

**3.42. The Committee are concerned to note that one of the reasons for defective production is lack of supply of satisfactory quality of flour by F. C. I.—a public undertaking. The Committee see no reason why it shold not be possible to take effective measures to see that FCI supply the Modern Bakeries with satisfactory quality of flour in public interest.**

**3.43. The Committee also find that in the case of Bangalore, Bombay and Kanqur units, the percentage of return of stale and mouldy bread was more than 1 per cent during 1972-73 as compared to the norm of 0.5 per cent fixed by the Management with effect from 2nd December, 1972. The Committee view with concern the high percentage of return of such bread in these units. The Committee recommend that the Undertaking should take effective measures to tighten up its inspection machinery to ensure that stale and mouldy bread is not put in the market. The Committee would also like that the Undertaking should immediately conduct a review of the return of stale bread** vis-a-vis **the supplies made to the various centres from these units so as to localise the areas from which there is high return of stale bread and take suitable remedical measures to regulate the supplies to such areas.**

## D. Production of Rolls, Buns, etc.

3.44. With a view to starting production of bread rolls and buns, the Undertaking explored in May, 1968 market potentialities and found that there was some demand for these items at Madras and Bombay only. The Undertaking, however, proposed in June, 1968 to the Ministry of Food and Agriculture (Department of Food) to allow import of 9 nos. 'ERIKA' brand semi-automatic Bread Roll Moulding machines with a capacity of 10,000 pieces per machine per hour, from Italy. Government cleared the proposal to import these machines against the unspent balance of Italian Assistance for drought affected population in 1967, with a view to making low-cost protein-rich food for such population. Accordingly, a provisional order (subsequently confirmed) for 9 nos. 'ERIKA' bread Roll Moulding Machines with a capacity of 10,000 pieces per machine per hour was placed on 17th January, 1969 on M/s. Esperia, Italy at a cost of Lire 4,90,000 (Rs. 7,548) each C.I.F. Bombay Port.

On receipt, the machines were found to be of 'OLYMPIA' model with a practical capacity of 15,000 pieces per machine per eight hours. On enquiry, the foreign suppliers confirmed that both the 'ERIKA' and 'OLYMPIA' models were mechanically identical and that that capacity of 'OLYMPIA' machine was also 10,000 pieces per hour. They also pointed out that the limited output was due to in-expert operation. The Undertaking however, assessed the optimum capacity of 'OLYMPIA' machines at 7,200 pieces per machine per hour, after conducting trials.

3.45. 6 machines were allocated to Bombay, Madras and Delhi Units @ 2 machines per Unit and the remaining 3 to Ahmedabad, Cochin and Hyderabad. Subsequently, however, 2 machines were transferred to Bangalore from Cochin and Madras Units and out of the 2 machines at Delhi, one was diverted to Calcutta.

3.46. The machines allotted to Ahmedabad, Bombay and Madras Units were commissioned in November, 1969, those at Bangalore and Hyderabad were put into operation in October, 1970 and January, 1971 respectively. The machines allotted to Calcutta and Delhi Units have been lying idle since the dates of their receipts. It had been stated (December, 1972) by the Management that the machine at Delhi along with that at Madras (from 1971-72) had not been put into operation, as the present capacity of ovens was being fully utilised for production of bread. As regards Calcutta Unit it had been stated (December, 1972) that the production was expected to commence as soon as the contemplated extension of the bakery building was completed.

3.47. The operational statistics of 'OLYMPIA' brand bread roll moulding machines for 1971-72 and 1972-73 are as under:—

(Figures in lakhs)

| | 1971-72 | 1972-73 |
|---|---|---|
| Quantity produced | 204·70 | 139·59 |
| Quantity sold | 203·19 | 138·88 |
| Total cost of production | Rs. 12·19 | Rs. 8·10 |
| Sales (value of quantity sold) | Rs. 13·82 | Rs. 8·50 |
| Profit | Rs. 1·63 | Rs. 0·40 |

3.48. The Committee enquired about the circumstances under which these machines were accepted by the Undertaking when these were not found according to the specifications mentioned in the Purchase Order. The Undertaking informed that the machines were received as gift from Government of Italy and purchase Order was placed by that Government. Although the trade name of the machines received was different from the trade name originally recommended by the Undertaking, the Government of India obtained subsequently the manufacturer's confirmation that there was no difference in the technical specifications and output of the two models.

3.49. During evidence, the representative of the Ministry informed that the machines provided were more modern. There was no difference in specifications etc. There was no difference in the price of the two models also. The only difference was that the machines supplied had a new name. He added that "the capacity of the new model i.e. 'OLYMPIA' was also 10,000 pieces per hour as in the case of 'ERIKA'. If the rated output was less i.e. 7,500 pieces per hour, it was not due to the fault of the machine but due to inexpert operations."

3.50. In regard to the reasons for importing 9 automatic bread roll moulding machines, where according to the Undertaking, there was some demand for these items only at Madras and Bombay, the Undertaking stated in Post evidence reply that, 'a quick market survey regarding demand for rolls, the most popular sizes, the prevailing prices and profitability etc. was undertaken by units in May/June, 1968. 9 numbers semi-automatic bread roll moulding machines offered by the Government of Italy as gift were received and allocated to the Units.'

3.51. The Committee pointed out that the machines allotted to Calcutta and Delhi had been lying idle since the dates of their receipt and asked as to why these machines were imported at all when the present capacity of ovens did not permit their utilisation.

The representative of the Ministry stated:—

"The Italian Government had made available to the Government of India some money which they collected during the drought period of 1967-68, and they had given us this amount as a gift for utilisation for nutritional programme and most of it was used for obtaining maize plant. It was only from the left over that we got these very small machines each costing about Rs. 7,500 for making buns. The Undertaking said they would need these machines and we thought one machine at each place could be used for testing the consumers' reaction to this product......At that point of time we were not utilising the full capacity at various places, but by the time the machines came, there was a demand and we are utilising the capacity. Daily we are doing almost two to three shifts. Whenever our capacity permits, we are doing it and wherever it does not permit, we are waiting till the new lines come up. We do not want a small machine which costs Rs. 7,500 to hold up the entire production."

3.52. The Committee asked also how the Management proposed to utilise the machines at Delhi and Madras where the present capacity of ovens was being fully utilised for production of bread. The Undertaking informed that these machines were basically imported to utilise the spare capacity of bread plants. The Undertaking had various expansion schemes right upto the end of Fifth Five Year Plan and these machines would become useful as and when the new plants were set up.

3.53. In regard to the Calcutta Unit, it was stated that the extension of bakery unit at Calcutta was expected to be completed by the middle of 1974. It was added that while the machines could very well be accommodated, it might not be possible for providing sufficient working area for production of buns within the existing bakery building.

**3.54. The Committee are of the opinion that a detailed demand survey for Buns, Rolls etc. should have been conducted before obtaining the machines for manufacture of these products, as gift from the Government of Italy. Having obtained the machinery for making Buns, Rolls etc. the Committee would like these to be pressed into service at the earliest. Consumer preference particularly of the weaker sections of society should be tested. The Committee would like the Undertaking to develop the capacity for buns, rolls etc. if these meet more effectively the requirements of weaker sections of society.**

## E. Peanut Butter Plant

3.55. In September, 1970, the Undertaking decided to take over, on trial basis for a period of 2 years on an annual rent of Rs. 3,000, the Peanut Butter Plant which was acquired by the Government of India in June, 1960 at a cost of Rs. 0.75 lakhs. (approx), in order to popularise and produce cheap peanut butter. This plant had been operated by Government intermittently between 1963 and 1968. The Plant was transferred to the Delhi Unit of the Undertaking on 18th September, 1971 and an expenditure of Rs. 6,000 was incurred on dismantling, transporting, repairing and painting of the plant and remodelling of the building.

3.56. Trial runs were conducted during the period from December, 1971 to January, 1972. The Management assessed in September, 1972 that because of limited demand, the plant would have to be operated below the single shift capacity of 200 Kgs. during the first two years. It was only in the third year of operation that the plant was expected to achieve the full capacity of one shift. On this basis, the profitability study anticipated a profit of Rs. 0.26 lakh in the fourth year, after adjusting cumulative loss but without taking into account the expenditure of Rs. 7 lakhs to be incurred on the publicity in the course of 5 years.

The Board of Directors of the Undertaking decided in September, 1972 that the Plant might be actually run for one year and the results of its operation reported to them. The Board further decided that Government might be approached for giving subsidy to meet the initial expenditure on publicity.

3.57. In October, 1972, the Undertaking approached the Government for financing the initial estimated publicity expenditure of Rs. 7 lakhs to be incurred for this project in a period of 5 years as the introduction of this product at a reasonable price and popularising it amongst the people would be in the interest of nutritional development of the nation. The Plant started regular production on a limited scale w.e.f. February, 1973.

3.58. It was explained in a written reply by the Undertaking that the Government of India made a proposal to the Modern Bakeries (India) Ltd. to consider taking over the plant for commercial production and distribution of peanut butter.

3.59. Asked whether any market survey was carried out by the Undertaking for this product before deciding to take over this Plant, the Undertaking stated that a general assessment of the demand was made and it showed that with adequate publicity it would be possible to develop a market for sale of the full production capacity of the Plant. The Undertaking had so far incurred an expenditure of Rs. 27,862.23 on exclusive publicity of Peanut Butter.

3.60 The Government of India had however not agreed to subsidise the publicity campaign for Peanut Butter but agreed to include it as a protein rich food in their general nutrition campaign.

3.61 The Undertaking further informed the Committee that they now carrying on the Peanut Butter publicity along with their modern bread publicity.

3.62. During evidence, it was stated by the Undertaking that in a single shift the capacity of the Plant was 200 Kg. or in other words 600 bottles a day. So far about 50 per cent of its capacity was being produced in a single shift. The actual proudction and sales had gone up beyond their expectation.

3.63. Asked as to why the Undertaking was not producing it in two or three shifts, the witness stated as follows—

> "We have not yet come to that stage. It is in the market only in the last six months or so. The product is just being developed.... What we envisaged was that in a single shift our capacity will be utilised over a period of almost three years. Now we have come to a stage that even in the very first six months of a year, we were able to achieve fifty per cent of the capacity and by the end of this year or next year, we would be achieving almost hundred per cent when we would go into full production in a single shift."

3.64. The Committee pointed out that the demand was not being created to meet the production envisaged. The Chairman of the Undertaking stated that they were trying to create a market.

3.65. The working results of the Peanut Butter Plant after regular production was started with effect from February, 1973 were stated to be as under:—

| | 1972-73 (2/73 to 3/73) | 1973-74 (4/73 to /873) |
|---|---|---|
| 1. No. of bottles produced | 4,846 | 11,019 |
| 2. Cost of production | Rs. 17,935 | Rs. 41,216 |
| 3. No. of bottles sold | 4,657 | 10,092 |
| 4. Sale (value of bottles sold) | Rs. 14,785 | Rs. 31,846 |
| 5. Total loss | (—)Rs. 3,150 | (—)Rs. 9,370 |

3.66. It was stated that the sale of butter picked up only in the month of September, 1973 and the total sale of butter during that month was 4500 bottles. It was expected that the Plant would turn the corner after three years.

3.67. The Committee feel that the Undertaking should have made use of the critical shortage of butter in the market during the last several months to push up the sale of Peanut Butter which is stated to be nutritious and cheaper. The Committee would like the Undertaking to locate suitable sale points and assure availability a peanut butter on regular basis. The Committee would like the Undertaking to critically examine the pricing aspect and take suitable measures to bring down the cost of production to make this Plant economically viable and to ensure availability of butter at reasonable prices.

3.68. The Committee also recommend that Government/Undertaking should explore the possibility of setting up a peanut butter plant on a pilot basis in a State where there is large scale production and usage of peanut as food.

# IV
# SALES PERFORMANCE
## A. Sales

4·1 The table below compares the actual sale Unit-wise with the budgeted sales during the last five years :

(Rs. in lakhs)

| Unit | Ahmedabad | Bangalore | Bombay | Calcutta | Cochin | Delhi | Hyderabad | Kanpur | Madras | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| **1968-69** | | | | | | | | | | |
| (i) Budgeted Sales | 34·67 | | 54·84 | | 42·47 | 739·82 | | .. | 35·43 | 297·23 |
| (ii) Actual Sales | 21.79 | | 47·02 | | 45.50 | 27·53 | .. | .. | 19·37 | 161·21 |
| (iii) Shortfall(—) Excess (+) | (—)12·88 | | (—)7·82 | | (+)3·03 | (—)12·29 | .. | .. | (—)16·06 | (—)46·02 |
| **1969-70** | | | | | | | | | | |
| (i) Budgeted Sales | 32·00 | 6·00 | 89·00 | | 65·60 | 50·00 | 12·00 | 12·00 | 30·00 | 296·60 |
| (ii) Actual Sales | 26·03 | 1·84 | 57·37 | .. | 59·97 | 51·83 | 9·20 | 13·93 | 18·82 | 238·99 |
| (iii) Shortfall(—) Escess (+) | (—)5·97 | (—)4·16 | (—)31·63 | | (—)5·63 | (+)1·83 | (—)2·80 | (+)1·93 | (—)11.18 | (—)57·61 |
| **1970-71** | | | | | | | | | | |
| (i) Budgeted Sales | 30·28 | 30·24 | 62·72 | 45·00 | 59·22 | 55·46 | 29·78 | 51·00 | 28·95 | 392·65 |
| (ii) Actual Sales | 30·36 | 25·42 | 65·31 | 30·62 | 60·43 | 63·38 | 38·00 | 59·18 | 29·15 | 401·85 |
| (iii) Shortfall(—) Excess (+) | (+)0·02 | (—)4·82 | (+)2·59 | (+)14·38 | (+)1.21 | (+)7·92 | (+)8·22 | (+)8·18 | (+)0·20 | (+)9·20 |

| | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|
| **1971-72** | | | | | | | | | | |
| (i) Budgeted Sales | 39·50 | 39·50 | 77·10 | 62·50 | 66·40 | 65·35 | 42·70 | 63·20 | 43·00 | 499·35 |
| (ii) Actual Sales | 34·46 | 50·49 | 94·05 | 59·97 | 75·83 | 62·57 | 49·91 | 83·56 | 75·88 | 586·74 |
| (iii) Shortfall (—) Excess (+) | (—)5·14 | (+)10·99 | (+)16·95 | (—)2·53 | (+)9·43 | (—)2·78 | (+)7·21 | (+)20·39 | (+)32·88 | (+)7·39 |
| **1972-73** | | | | | | | | | | |
| (i) Budgeted Sales | 47·50 | 53·50 | 109·50 | 67·50 | 75·60 | 72·00 | 76·50 | 76·50 | 78·50 | 633·60 |
| (ii) Actual Sales | 59·97 | 71·56 | 104·14 | 82·62 | 92·92 | 89·78 | 67·73 | 79·17 | 103·98 | 751·87 |
| (iii) Shortfall(—) Excess(+) | (+)12·47 | (+)18·06 | (—)5·36 | (+)15·12 | (+)17·32 | (+)17·78 | (+)14·73 | (+)2·67 | (+)25·48 | (+)118·27 |

NOTE:—The original targets were generally revised at the end of the year and hance comparison has been made against the original targets.

4.2. It will be seen from the above table that there was shortfall with reference to the budgetted sales in 1968-69 and 1969-70 in all the units except Coachin in 1968-69 and Delhi and Kanpur in 1969-70. The sales also fell short of the budget in Bangalore and Calcutta in 1970-71; in Ahmedabad, Calcutta and Delhi in 1971-72 and in Bombay in 1972-73. The Management stated (May, 1971) that sales targets had been intentionally fixed very high so that the General Managers might strive for achievement of these sales targets.

4.3. In the absence of statistics regarding capacity and production of bread by other bakeries in the private sector, at least in the areas covered by the Units of the Undertaking, no idea could be formed about the extent of participation of the Undertakings in the market.

4.4. The Management intimated (June, 1973) that, on the basis of the study made by the Institute of Economic and Market Research, New Delhi on behalf of wheat Associates of U.S.A. the all India consumption of bread in 1971-72 was estimated at 1,97,676 tonnes. The share of the Undertaking in this quantity amounted to 34,231 tonnes on production basis i.e. 17.32 per cent of all India consumption.

4.5. The Committee were subsequently informed that the reasons for the shortfall in 1968-69 and 1969-70 were that out of the nine Units of the Undertaking, five started functioning on various dates during the year 1968-69, three during 1969-70 and one, namely, Calcutta Unit, during 1970-71. During the initial two years, i.e. 1968-69 and 1969-70, the shortfall in achievement of targets was mainly due to the reason that all the units did not function for the full year. Moreover, in the initial years the targets were fixed on the basis of approximate estimates of demand.

4.6 During the year 1971-72 the production of Calcutta actually exceeded the targets and that of Ahmedabad and Delhi was only marginally short. In that year, production of the Undertaking as a whole exceeded the targets.

4.7 As regards the extent of participation of the Undertaking in the market, the Undertaking stated that it was only recently that market survey of bakery products in 32 selected cities of the country was carried out by the Institute of Economic and Market Research. This survey included 5 centres where Modern Bakeries have their Units. The Ministry subsequently stated that on the basis of this study the contribution of Modern Bakeries in the five centres varied from 16.52 per cent to 78.39 per cent. Further expansion of Market participation was however limited by the total capacity of the company which was now being fully utilised.

The figures of the Undertaking's sales and total estimated consumption during the year 1971-72 is as given below:—

(Figures in tonnes)

| Unit | Total consumption | Total sales of Modern Bread | Percentage of Col. 3 Over Col. 2 | Commercial Sales of Modern Bread | Percentage of Col. 5 Over Col. 2 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Bombay | 20,557 | 6,333 | 30·80 | 6,294 | 30·61 |
| Bangalore | 8,325 | 3,145 | 37·77 | 3,001 | 36·06 |
| Madras | 4,683 | 3,671 | 78·39 | 3,192 | 68·16 |
| Calcutta | 23,705 | 4,332 | 18·40 | 4,293 | 18·11 |
| Delhi | 22,913 | 3,786 | 16·52 | 3,777 | 16·48 |
| TOTAL | 80,183 | 21,267 | 26·53 | 20,557 | 35·63 |

4.8 The Undertaking further added that while planning new bakeries under expansion programme, so far as possible statistics were collected through survey organised by the Undertaking. The Ministry further confirmed that wherever Modern Bakeries proposed to set up a unit, a market study was carried out to assess the demand potential, the production in private sector etc.

4.9 The Undertaking also stated that the expansion plans made for the 4th and 5th Five Year Plans envisaged raising the production of bread from 112 million standard loaves at the end of the 4th Five Year Plan to 282 million standard loaves by 1978-79. In addition, the Undertaking expected to develop sale of Biscuits to the extent of 1,800 tonnes, Yeast 620 tonnes and Peanut Butter 60 tonnes per annum.

**4.10 From the data made available to the Committee, they find that during 1971-72 market participation of the Undertaking was 17.32 per cent of all India consumption of bread though the participation ranged from 16.52 to 78.39 per cent in five major centres where the Modern Bakaries have their units. The Committee also note that the Undertaking has expansion programmes to increase production from 112 million standard loaves at the end of 4th Five Year Plan to 282 million standard loaves by the end of the Fifth Five Year Plan. The Committee feel that if the objective of the Undertaking to introduce and popularise enriched and fortified bread for raising the level of nutrition in the country is to be achieved in a greater measure, the market participation of the Undertaking must also grow progressively consistent with the demand.**

**B. Commercial Sales/Social Welfare Programme Sales**

4.11. The table below compares the Unit-wise sales during the last three years and its break-up-under commercial sales and the Social Welfare Programme Sales:—

(Quantity sold in lakhs of standard loaves)

| Unit | 1970-71 | | | 1971-72 | | | 1972-73 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Commercial sales | Social Welfare Programme sales | Total | Commercial sales | Social Welfare Programme sales | Total | Commercial sales | Social Welfare Programme sales | Total |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Ahmedabad . . | 40·04 | 3·65 | 43·69 | 36·76 | 18·46 | 55·22 | 32·75 | 49·54 | 82·29 |
| Bangalore . | 31·93 | 6·08 | 38·01 | 45·06 | 33·57 | 78·63 | 36·04 | 57·88 | 103·92 |
| Bombay . | 92·37 | 12·58 | 104·95 | 117·88 | 40·46 | 158·34 | 128·21 | 43·88 | 172·09 |
| Calcutta . | 43·67 | 11·27 | 54·94 | 40·02 | 68·29 | 108·31 | 44·64 | 93·72 | 138·36 |
| Cochin | 75·74 | 1·70 | 77·44 | 72·24 | 20·61 | 92·85 | 74·38 | 39·25 | 113·63 |
| Delhi . | 101·24 | 0·38 | 101·62 | 83·72 | 10·93 | 94·65 | 75·38 | 40·44 | 115·82 |
| Hyderabad . | 42·44 | 3·75 | 46·19 | 47·83 | 13·29 | 61·12 | 59·58 | 31·20 | 90·78 |
| Kanpur . | 63·36 | 11·86 | 75·22 | 59·81 | 46·29 | 106·10 | 42·35 | 54·64 | 96·99 |
| Madras . | 23·77 | 11·29 | 35·06 | 22·54 | 69·24 | 91·78 | 22·75 | 119·13 | 141·88 |
| TOTAL . . . . . . | 514·56 | 62·56 | 577·12 | 525·86 | 321·14 | 847·00 | 526·08 | 529·68 | 1055·76 |

It is seen that the total sales increased to 1055.76 lakhs of standard leaves (valued Rs. 751.87 lakhs) in 1972-73 as compared to 847.00 lakhs (valued Rs. 586.74 lakhs) in 1971-72 and 577.12 lakhs in 1970-71. The percentage increase in sales in the year 1972-73 was 24·6 per cent as compared to 46.7 per cent in 1971-72 and 68.3 per cent in 1970-71.

4.12. The Social Welfare sales constituted 50.1 per cent of the total sales in 1972-73 as compared to 37.9 per cent of the total sales in 1971-72 and 10.84 per cent in 1970-71.

4.13. The increase in sales in 1971-72 and 1972-73 was mainly owing to sales under the social welfare programme. In fact excepting Bombay, Bangalore and Hyderabad, the commercial sales declined in 1971-72 at all centres the fall in Delhi being particularly marked as compared to 1970-71. In the year 1972-73 the commercial sales declined at Ahmedabad, Delhi and Kanpur Units only.

4.14. In this connection the Committee were informed by the Undertaking that the demand for the cocial welfare programme increased in 1971-72 and their needs had to be fulfilled by the Undertaking on priority basis in pursuance of the Undertaking's objectives. This resulted in full utilisation of the capacity at Delhi, Kanpur, Cochin and Madras. At Ahmedabad there was lack of demand from commercial market. At Calcutta the production could not be stepped up due to labour unrest and operational difficulties.

4.15. During the course of evidence, the Secretary of the Ministry stated that the reason for the corresponding increase not having been achieved in the production|sales of commercial bread were that a larger proportion of production was meant for the special nutrition programme. After meeting the special nutrition programme, whatever capacity was available, was utilised for commercial sales. When Government started its special nutrition programme, the target in the first year was that 0.68 million beneficiaries would be fed from that programme. In 1972-73, the target had increased to 3.5 million beneficiaries. One of the aims of this exercise was to give a higher priority to the special nutrition programme for social welfare purposes. That was why they could not expand in the commercial side. He stated that in Delhi they were working almost three shifts now and after allowing two hours for every shift for maintenance, full capacity was being utilised. He informed the Committee that they were adding a second line to Delhi unit within the next six months and the supply would increase to about 70,000 leaves per day. At present a large part of the supplies was meant for the special programme and only a small quantity was going to the general public. The second unit at Delhi would supply to Delhi an additional quantity of 15,000 to 20,000 loaves, because the requirement of the special programme would not proportionately increase than what it was at present.

**4.16. The Committee note that the** sales turn-over of the Undertaking increased from 577.12 lakhs of standard loaves in the year 1970-71 to 1055.76 lakhs in the year 1972-73 representing an increase of more than 82 per cent. Out of this, while the commercial sales showed a marginal rise from 514.56 lakhs in the year 1970-71 to 526.08 lakhs in the year 1972-73, representing an increase of 2 per cent, the sales under the social welfare programmes showed a marked increase, a rise from 62.56 lakhs in 1970-71 to 529.68 lakhs in 1972-73, representing an increase of 746 per cent. The Committee were informed during evidence that a larger proportion of production was meant for the special nutrition programme and whatever remaining capacity was available, was utilised for commercial sales. While the Committee appreciate the sale performance of the Undertaking under the special nutrition programme, they see no reason why suitable promotional efforts should not be made to step up the commercial sales as well especially when there are proposals for increasing the production during the 5th Plan.

V

# MATERIAL MANAGEMENT AND INVENTORY CONTROL

## A. Procurement of raw materials

5.1. Wheat flour is the major raw materialn required by the Undertaking. As suitable quality of indigenous wheat was not available, the Undertaking has been using imported wheat in combination with indigenous wheat. Recently, it is understood that certain varieties of indigenous wheat have been developed which will be suitable for the purpose. The Undertaking has stated (June, 1973) that FCI had been requested to effect supplies of the selected indigenous varieties of wheat, but no assurance has been received from them.

5.2. The Committee were informed that the annual requirement of wheat by the undertaking was of the order of 70,000 tonnes, which constituted approximately 20 per cent of the total requirement of wheat by the Bakery Industry in India.

5.3. The varieties of indigenous wheat identified as suitable for bread making after trials by the Undertaking were stated to be (i) Sonalika; (ii) Sharbati Sonora; (iii) PV-18. Out of these three varieties, 'Sharbati Sonora' was not being grown extensively as it developed rust.

5.4. During evidence, the Chairman, MBL, informed the Committee that the wheat which was being used for manufacturing bread at present consisted of 30 per cent indigenous and 70 per cent imported. However, at most of the places, indigenous wheat was being used. He stated that if they could get good quality of indigenous wheat such as Kalyan, Sonalika, Sharbati, PV-18 etc. they would not require any foreign wheat for the manufacture of bread. They informed that indigenous wheat as compared to the imported wheat is deficient in quality of gluten which was essential for producing good quality bread. They are experiencing certain difficulties in obtaining selected varieties of wheat. They approached the Food Corporation of India for the procurement of selected varieties of wheat, but the FCI told them that it was not possible to procure selected varieties of wheat for the Modern Bakeries. The main reason given by the FCI was that at present the FCI were concentrating on maximising procurement and distribution of wheat to the general public. The segregation and storage of varieties of indigenous wheat for bread making did not exist with the FCI. However, the possibilities for segregation and storage of specific indigenous wheat varieties at some additional cost, if any, was being examined.

5.5. During the course of evidence, the Secretary of the Ministry stated that the way the FCI procured the indigenous wheat was so time-bound that it was not possible for the FCI to select the quality required by the Modern Bakeries. As long as the Undertaking was getting imported wheat, the Modern Bakeries were satisfied with it and the question of variety or quality did not arise. But in the case of supply of indigenous wheat the Undertaking wanted to first examine it and see which varieties would be suitable for their purpose. The Undertaking had been told that if they were interested in having a selection, it would involve extra expenditure and if they were prepared to meet, the FCI would undertake to do this.

5.6. The Committee suggested if one centre was opened in each of the States like Punjab and Haryana where a large quantity of wheat was procured for selection purposes, extra expenditure might not be involved. The representative of the Ministry stated:—

> "It would appear that no extra cost will be involved in this arrangement. But the quantity procured is so much that it will run in to thousands of tonnes of wheat every day. Then the question will arise how to send them to various parts of the country. If the Company is prepared to accept that it is worthwhile to do so, then we can ask them to proceed in this matter."

5.7. The Committee enquired whether the Modern Bakeries were using wheat in the same proportion *i.e.* 70 per cent of imported and 30 per cent indigenous even at present. The witness stated:—

> "Till 1971 we were getting certain quantities of imported wheat and as long as that was available they were able to get that. But once the supply had stopped they had started using the indigenous produce. Now again this year we are back to the unfortunate situation when we have to import wheat again. But certain quantities of wheat produced indigenously are also available. We are depending by and large on our own wheat."

**5.8. The Committee find that the Modern Bakeries are using 70 per cent imported wheat and 30 per cent indigenous for the manufacture of bread. The Committee were also informed that if the Undertaking could**

**get good quality of indigenous wheat such as Kalyan, Sonalika, ,Sharbati, PV-18, etc. they would not require any foreign wheat for the manufacture of bread. The Committee feel that in addition to the steps already taken to procure the special varieties of wheat through the Food Corporation of India, the Undertaking should explore the possibilities of procuring these special varieties of wheat from the State Farms Corporation of India so that in the years to come, dependence on imported wheat for the manufacture of bread is reduced, if not altogether eliminated.**

## USAGE OF RAW MATERIALS AND UTILITIES

### B. Standard Formulation

5.9. The Undertaking fixed the standard formulation of white bread in June, 1968. It was revised in the General Managers' Conference held on 25th September, 1968 and again on 30th October, 1st November, 1969. It was decided in the General Managers' meeting (September, 1968) that the units should not vary the standard formulation without the concurrence of the Head Office. The standard yield (output) of white bread was also decided at 144 Kgs. per 100 Kgs. flour (input).

5.10. Standard formulations were also prepared for special varieties of bread (Brown, Milk Fruit, Sweet, Rolls and Buns). These were produced from December, 1968 (Brown bread only in Delhi and Sweet bread only in Ahmedabad).

5.11. The Committee were informed that the Standard formulations for bread were fixed on the basis of the advice of Australian Bakery Technologist who was deputed specially by the Australian Government for commissioning of plants. The formulations fixed by the undertaking conformed to ISI specifications. It was also stated that these formulations for different varieties of bread were reviewed regularly in the Chief Managers' Conference and necessary modifications carried out, keeping in view the various factors *e.g.* local taste, Price structure, quality of raw materials and substitution for raw materials and actual consumption pattern.

5.12. It was added that for detailed investigation of the deviations from the standard formulations, the Technical division which had since been set up at the Head Office was being entrusted to go into the matter in detail on a regular basis.

5.13. It was pointed out by the Committee that according to Audit, there were variations in usage of raw materials both adverse and favourable. As a result of variations, the Units made overall substantial saving in the consumption of direct materials as per details given below:—

(Rupees in lakhs)

| | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 |
|---|---|---|---|---|---|
| Ahmedahad | | | 0·63 | 0·63 | 0·46 |
| Bengalore | .. | .. | 0·79 | 1·1 | 2·74 |
| Bombay | 0·12 | 0·88 | 2·77 | 2·60 | 3·92 |
| Calcutta | .. | .. | 1·18 | 2·30 | 1·02 |
| Cochin | 0·38 | 1·28 | 1·71 | 1·07 | (—) 1·22 |
| Delhi | 3·08 | 3·00 | 3·51 | 3·34 | 6·27 |
| Hyderabad | .. | .. | 0·03 | 0·37 | 2.69 |
| Kanpur | .. | 0·03 | 1·44 | 0·89 | 3·42 |
| Madras | 0·12 | 0·21 | 0·18 | 0·46 | 0·46 |
| TOTAL: | 3·70 | 5·40 | 12·40 | 12.97 | 19·76 |

5.14. In addition to the gains by the Units in the direct material as mentioned in the Table above, it was noticed that the yield of white bread exceeded the standard fixed (100 Kgs. to produce 144 Kgs. bread) in 6 of the Units in three years as per details given below:—

| Units | 1968-69 | | 1969-70 | | 1970-71 | |
|---|---|---|---|---|---|---|
| | Excess yield (No. of standard loaves) | Value of excess yield at cost (Rs.) | Excess yield (No. of standard loaves) | Value of excess yield at cost (Rs.) | Excess yield (No. of standard loaves) | Value of excess yield at cost (Rs.) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Ahmedabad | 1482 | 1098 | 27761 | 21290 | .. | .. |
| Bangalore | .. | .. | 11570 | 12009 | 77735 | 58286 |
| Bombay | 17969 | 11574 | 116362 | 75798 | 299171 | 182016 |
| Cochin | 4327 | 2670 | 68720 | 47787 | .. | .. |
| Hyderabad | .. | .. | 25647 | 22921 | .. | .. |
| Madras | .. | .. | 73366 | 66161 | 89987 | 68219 |
| | 23778 | 15342 | 323426 | 245966 | 466893 | 308521 |

5.15. In the Calcutta Unit, however, the percentage of yield was lower at 97.59 per cent during 1970-71. The loss suffered by the Bakery due to shortfall in yield in the Calcutta Unit during that year amount to Rs. 70,634.

5.16. The following table gives the yield percentage and value of excess yield in 1971-72 and 1972-73 (white bread):—

(Rupees in lakhs)

| | 1971-72 | | 1972-73 | |
|---|---|---|---|---|
| | Yield percentage | Value of excess (+) lower (—) yield | Yield percentage | Value of excess (+) lower (—) yield |
| 1 | 2 | 3 | 4 | 5 |
| Ahmedabad | 102·2 | 0·60 | 98·42 | (—)0·41 |
| Bangalore | 104·1 | 1·81 | 105·4 | 2·83 |
| Bombay | 106·1 | 4·25 | 102·26 | 2·15 |
| Calcutta | 99·1 | (—)0·05 | .. | .. |
| Cochin | 100·4 | 0·15 | 100·7 | 0·42 |
| Delhi | 98·9 | (—)0·61 | 100·53 | 0·25 |
| Hyderabad | 103·4 | 1·04 | 106·97 | 2·39 |
| Kanpur | 101·9 | 0·82 | 105·30 | 1·55 |
| Madras | 103·3 | 0·85 | 100·84 | 0·08 |

5.17. In regard to the excess/ low yield, the Management stated (February, 1972) as follows:—

(a) "In cases of excess yield, the reasons attributed are mainly the high percentage of water absorption power and fairly high quantity/quality gluten content of flour. As such, excess yield is a normal phenomena in the technology without any adverse effect on the bread either in quality as well as quantity."

(b) Low yield was caused by the following factors:—

(1) Water absorption percentage of the flour available to the Unit was low.

(2) New hands were recruited which resulted in extra spoilage and wastage of bread.

5.18. It would appear from above that in Bangalore, Bombay and Kanpur Units where substantial savings in the consumption of direct materials were made, there was also excess yield. In respect of Delhi Unit where the saving was the highest and in Calcutta Unit where also saving was substantial, there was no excess yield.

5.19. The Committee enquired the reasons for the variations in the yield as compared to the standards fixed. The Secretary of the Ministry informed that in the bread, flour and water were the two major raw materials which played an important part in increasing or decreasing the yield. The other raw materials were added in very small doses and minor variations in their use did not result in their savings in any significant manner. He also stated that the water absorption of the flour varied from batch to batch. Sometime in one batch the flour had more absorption power than the relative one in another batch. This was the reason why from the same quantity, there was a slightly higher production or a lower production without affecting the nutrition value because nutrition value did not vary. He stated that the maximum variation was to the extent of 4 per cent but they were examining to see whether it was possible to reduce this variation to 2 per cent or 1.5 per cent.

5.20. As regards variations in the use of raw materials, the Ministry stated (in June, 1973) as follows:—

> "Deviation from the standard formulation for manufacture of bread is not generally resorted to.... The technical personnel are continuously making research in bread technology for improving *inter alia* the quality of finished product. As a result of research, it has been possible at times to improve or maintain the quality of bread by adding certain chemicals and effecting marginal variations in the standard formulation which leads to over/low use of ingredients. In the present case, the less use of ingredients has occurred in the case of fine chemicals, yeast, etc. which had not affected the nutritional quality of bread."

5.21. According to Audit, it was noticed that less use of ingredients had not only occurred in the case of fine chemicals and yeast but also in respect of refined groundnut oil, milk powder, flour and salt. In fact, the principal item of saving was the refined groundnut oil where continuously the consumption was far less than the standard.

5.22. The Committee enquired whether the usage of less raw material would not involve production of bread of low nutrition. The representative of the Undertaking stated:—

> "The variation basically has been in the content of fat. The variation is only of a marginal nature in the sense that the total calorific value is marginally reduced and the other nutritional values etc. are maintained."

5.23. The Secretary of the Ministry also informed that the variations from the standard formulations were made only in respect of sugar, oil etc. So far as minerals, vitamin and other protective nutrients were concerned, they were not allowed to be changed at all. There was no change in the quality of bread so far as its nutritional value was concerned.

5.24. The witness added that if some items had been replaced or used in less quantities excepting milk powder, it would not affect the nutritive value appreciably. If milk powder was replaced by soyabean flour or other protein rich material, there was no lowering of nutritive value.

5.25. So far as the modern Bakeries was concerned, the Secretary of the Ministry stated:—

> "We are satisfied that their bread conforms to the specifications, and we have no reasons to doubt that the quality has been affected. But since it is a highly technical matter, I am appointing a Committee to look into it. More than that, it is not possible for Government to say at this moment."

**5.26. The Committee find that the standard formulations for bread had been fixed by the Undertaking on the basis of the advice of the Australian Bakery Technologist and these also conformed to I.S.I. Specifications. However, these formulations had been modified from time to time with reference to actual consumption pattern and other factors like local taste, price structure etc. The Committee also find that there were variations in use of raw materials from the standard formulations. The Committee were informed that the variations from the standard formulations were made only in respect of sugar, oil, etc. There was no change in the quality of bread so far as its nutritional value was concerned. The Ministry had however, decided to appoint an Expert Committee to examine this aspect in detail. The Committee hope that the use of raw materials and formulations would be reviewed and standardised in the light of the recommendations of the Expert Committee so as to optimise yield and reduce the cost keeping the nutritional value of the**

**bread unaffected. The standard formulations so fixed should not be allowed to be changed without prior approval of the Board of Management in case it affects adversely in any way the nutritional value of the bread.**

### C. Inventory Control

5.27. According to Audit Report maximum and minimum limits and ordering levels for stores and spares at the various units of the undertakings had not been fixed.

5.28. The Ministry stated in June, 1973 that fixation of maximum, minimum and re-ordering levels for stores and spares was possible after working for a few years when production had stabilised. These levels were now being fixed.

5.29. In this connection, the Committee were informed that the Institute of Secretariat Training and Management (Department of Personnel) had undertaken to conduct a study of the Inventory Control measures and to make suitable recommendations. Maximum and minimum levels of inventory and reorder levels for stores and spares at the various units of the Company would be fixed shortly on the basis of the recommendations made by the Study Team.

**5.30. The Committee regret to note that though the Undertaking was set-up as far back as on 1st October, 1965, the Undertaking has not been able to fix the maximum and minimum limits and ordering levels for stores and spares at the various units. It is only now that the Management has entrusted the study of the inventory control measures to the Institute of Secretariat Training and Management (Department of Personnel). The Committee urge that the Undertaking should re-organise soon its stores organisation in the light of the recommendations of the Institute.**

## VI

## ORGANISATION

### Organisational set-up

6.1. The Management of the Company vests in the Board of Directors appointed by the President. Article 106(1) of the Articles of Association of the Company lays down that the President may, from time to time, appoint one or more of the Directors to the office of the Chairman of the Board of Directors or Managing Director of the Undertaking for such time and on such remuneration as he may think fit. The Article further enjoins that the Secretary to the Government of India, Department of Food shall be the first Chairman of the Board of Directors. Accordingly, the first Chairman of the Board of Directors was appointed on 4th March, 1966. The Deputy Secretary to the Government of India, Department of Food was appointed as part-time Managing Director of the Company with effect from the same date. He became full time Managing Director with effect from 11th September, 1967. There was no Managing Director during the period from 8th June, 1970 to 31st July, 1972 and the Chairman was authorised by the President to exercise the functions of the Managing Director also. At present the undertaking is having a full time Managing Director and a part-time Chairman.

6.2. The organisational set-up of the Undertaking is given in Appendix III.

6.3. The position regarding total cost, cost of establishment and its percentage to total cost during the years 1970-71, 1971-72 and 1972-73 is as under:—

| Particulars | 1970-71 | 1971-72 | 1972-73 |
|---|---|---|---|
| | (Rupees in lakhs) | | |
| Total cost | 401·8 | 545·1 | 693·1 |
| Cost of Establishment | 44·1 | 57·5 | 74·0 |
| Percentage to total cost | 11·0 | 10·5 | 10·7 |

6.4. During evidence, the Committee enquired as to what were the considerations which weighed with the Government in incorporating a clause in the Articles of Association of the Undertaking that the Secretary, Department of Food should be the first Chairman of the Board of Directors. The Secretary of the Food Department stated that the Government took such a decision because 'the Food Secretary was also the Chairman of the Food and Nutrition Board in the Deptt. of Food of the Ministry of Agriculture'. He further stated that the functions of the Board were to prepare and coordinate the activities in regard to the development and popularisation of subsidiary and protective foods and to raise the level of nutrition in the country. The Secretary explained that one of the objects of setting up these bakeries was to help in the introduction and popularisation of enriched and pure bread, and to raise the level of nutrition in the country and it was therefore, considered necessary that the association of the Food Secretary who was also the Chairman of the Nutrition Board would be a distinct advantage. Also the Managing Director at that time happened to be a Government official to begin with.

6.5. The Committee pointed out that according to the circular instructions from the Ministry of Finance, a typical structure of a Board for a smaller enterprise could be a Chairman-cum-Managing Director with one and possibly even two senior officers of the undertaking itself as functional directors together with some part-time Directors. The Secretary stated that now that they had a full time Chief Executive, who is called a Managing Director. There was also an honorary Chairman and the structure was therefore more or less on the lines indicated in the instructions of the Ministry of Finance. It was added that the Chairman was in over-all charge of the Company and the Managing Director who was the Chief Executive, was in charge of day-to-day affairs of the Company. Asked whether it would not be possible to manage with a Managing Director-cum-Chairman, the Secretary informed the Committee that at one point of time they did not have a Managing Director for about a year and a half. In the intervening period after the previous Managing Director left and a new one was appointed, the Chairman was looking after both the functions. Then it was felt that it would be better to have a full time Managing Director in addition to the Chairman who normally gave guidance to the Board.

**6.6. The Committee note that the Undertaking has at present a part-time Chairman and a full time Managing Director. They, however, find that according to the instructions issued by the Ministry of Finance (Bureau of Public Enterprises), a typical structure of a Board for a smaller enterprise could be a Chairman-cum-Managing Director with one and possible even two senior officers of the Undertaking itself as functional directors together with some part-time directors. The Committee desire that the Government should review the matter and consider the feasibility of appointing a Chairman-cum-Managing Director for the Undertaking instead of having both a part-time Chairman and a full-time Managing Director.**

# VII

## FINANCIAL MATTERS

### A. Capital Structure

7.1. The authorised capital of the Undertaking as on 31st March, 1972 was Rs. 1 crore comprising 10,000 equity shares of Rs. 1,000 each fully subscribed and paid-up. Government of India hold 9,993 shares and the balance shares are held, one each, by the Food Corporation of India, Delhi Administration and the State Government of Gujarat, Kerala, Maharashtra, Tamil Nadu and West Bengal.

7.2. The authorised capital was fixed at Rs. 1 crore after taking into account the establishment of 6 bakery units offered by the Australian Government. Subsequently, the Undertaking was allotted another three bakery units to be set up with the assistance of Canadian Government. The Undertaking was also on the look out for the establishment of more bakery units.

7.3. In order to meet the requirement of funds for expansion needs and also to enable it to allot shares to the Government for the value of plant and equipment (Rs. 124.28 lakhs as on 31st March, 1972) received from Australia and Canada as free gift, the Undertaking requested the Government in April, 1967 to enhance the authorised capital of the Undertaking from Rs. 1.00 crore to Rs. 2.5 crores. Subsequently it was realised by the Undertaking that the proposed enhanced authorised capital of Rs. 2.5 crores would not be adequate to meet the requirement of funds for the expansion programme. The Undertaking therefore, decided on 25th September, 1972 to raise the authorised capital to Rs. 5 crores. The revised proposal was forwarded to Government for approval on 20th October, 1972. The approval of Government was awaited (June, 1973).

7.4. Pending increase of authorised capital, the Undertaking had not been in a position to allot the shares for the value of plant and machinery, which was being exhibited as a 'current liability' in the accounts of the Undertaking.

7.5. In addition to the equity, Government sanctioned unsecured loans aggregating Rs. 139 lakhs from time to time on the terms and conditions mentioned in Appendix IV. As on 31st March, 1972 an amount of Rs. 119.67 lakhs was outstanding and as on 31st March, 1973 Rs. 88.33 lakhs were outstanding.

7.6. The debit equity ratio as on 31st March, 1973 was 88:100.

7.7. During evidence, the Secretary of the Ministry informed the Committee that Government had given approval to increase the share capital of the Undertaking from Rs. 1 crore to Rs. 2.13 crores on 23rd October, 1973. With the increase in the authorised capital of the Undertaking w.e.f. 23rd October, 1973, the debt equity ratio will now be 68:213.

### B. Pricing Policy

7.8. The Undertaking had fixed the sale price of its products with reference to its cost and the market price of competitive products.

7.9. In the Project Report submitted to the Government of India in 1965, ex-factory and retail selling prices per standard loaf of 400 gms. were estimated at 45 paise and 50 paise respectively on the basis of rated production of 35,000 loaves in there shifts per line per day. Later, the Board of Directors in their meeting held on 17th August, 1967 approved the provisional retail price of 60 paise per standard loaf of 400 gms. (sliced and wrapped) with reference to the cost worked out on the basis of rated production of 25,000 loaves in two shifts per line per day. The Board further decided that the retail price of the bread should be reviewed at the time of commissioning of each unit and also from time to time after taking into account the cost of raw materials and local circumstances. The prices of various types of breads ruling from time to time in the various Units are detailed in Appendix V.

7.10. It will be seen from details given in Appendix V that there was no increase in the sale price of white bread except in respect of Bombay Unit where the price of 200 grams loaf was increased from 38 paise to 40 paise with effect from 1st December, 1971.

7.11. The Committee were informed that the price of Modern bread had not been increased since 1969 despite increase in the price of certain raw materials and in cost of services. This had resulted in holding the price line of bread as other private manufacturers in the market had also not been able to push up their prices.

## C. Profitability

7.12. Out of nine Units of the Modern Bakeries (India) Ltd. five went into production in 1968; 3 in 1969-70 and one in 1970-71. The table below indicates the profit (+)/loss (—) earned/incurred by the Undertaking as a whole as well as by its constituent units:—

(Rs. in lakhs)

| Unit | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 |
|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 |
| Ahmedabad . | (—)1·81 | (—)1·30 | (—)0·41 | (—)0·83 | (+)1·91 |
| Bangalore | .. | (—)3·24 | (—)4·77 | (—)0·66 | (—)0·16 |
| Bombay. | (—)0·65 | (+)0·42 | (+)3·75 | (+)6·90 | (+)2·66 |
| Cochin . | (+)3·40 | (+)4·39 | (+)5·23 | (+)45·27 | (+)6·81 |
| Delhi . | (—)1·00 | (+)2·19 | (+)2·89 | (+)2·60 | (+)12·09 |
| Hyderabad | .. | (—)5·12 | (—)1·42 | (+)1·40 | (+)6·94 |
| Madras . | (—)2·28 | (—)4·27 | (+)2·09 | (+)19·78 | (+)13·02 |
| Kanpur | | (—)2·36 | (+)6·22 | (+)12·16 | (+)8·39 |
| Calcutta | | .. | (—)5·16 | (+)6·22 | (+)10·79 |
| Head Office . | | | (—)0·23 | (—)0·02 | |
| | (—)2·34 | (—)9·29 | (+)8·19 | (+)52·91 | (+)62·45 |

7.13. For a proper appreciation of the above working results, the following facts are relevant:—

(a) The overall profit of Rs. 8.19 lakhs earned in 1970-71 as compared with the overall loss of Rs. 9.29 lakhs in 1969-70 was contributed by better performance in each of the Units except Bangalore where the loss increased from Rs. 3.24 lakhs in 1969-70 to Rs. 4.77 lakhs in 1970-71 and that of Calcutta Unit which was commissioned in 1970-71 itself and incurred a loss of Rs. 5.16 lakhs.

The expenditure on advertisement and publicity was lower by Rs. 6.25 lakhs. The miscellaneous receipts increased by Rs. 1.75 lakhs.

It will thus be seen that the overall profit of Rs. 8.19 lakhs in 1970-71 was mainly the result of lower expenditure on 'advertisement and publicity' and increase in 'miscellaneous receipts'.

(b) The improvement in production performance as well as working results in 1970-71 was also contributed by the supplies made under the social welfare programme which aggregated 62.56 lakh standard loaves representing 10.8 per cent of the total sales, resulting in a profit of Rs. 11.06 lakhs.

(c) The increase in overall profit from Rs. 8.19 lakhs in 1970-71 to Rs. 52.91 lakhs in 1971-72 was the cumulative effect of further improvement in the production performance and working results of each of the Units except Delhi where the profit declined from Rs. 2.89 lakhs in 1970-71 to Rs. 2.60 lakhs in 1971-72. The steep increase in the overall profit was mainly the result of supplies made under the social welfare programmes which aggregated 321.14 lakh standard loaves, representing 37.9 per cent of the total sales in 1971-72, resulting in a profit of Rs. 44.43 lakhs as per details given below:—

| | Total profit of the unit (Rs. in Lakhs) | Profit from social welfare progamme supplies (Rs. in lakhs) | Percentage of Profit from social welfare programme to total profit |
|---|---|---|---|
| Bombay | 6·99 | 2·21 | 31·6 |
| Calcutta . . | 6·22 | 4·49 | 72·2 |
| Cochin . . | 5·27 | 3·98 | 75·5 |
| Delhi . . . | 8·60 | 1·85 | 71·2 |
| Hyderbad . | 1·40 | 1·86 | 132·9 |
| Kanpur . . . | 12·16 | 11·77 | 96·8 |
| Madras . | 19·78 | 18·27 | 92·4 |
| | | 44·43 | |

(d) In addition to the profit of Rs. 44.43 lakhs earned from the supplies made under social welfare programmes, there was an income of Rs. 8.91 lakhs under the 'Miscellaneous Receipts' in 1971-72. Both these items together were more than the overall profit of Rs. 52.91 lakhs. This indicates that on the overall basis no profit was earned on the commercial sales which aggregated 525.86 lakh standard loaves representing 62.1 per cent of the total sales in 1971-72.

(e) It will also be seen from the data on working results that Ahmedabad and Bangalore Units had sustained a loss of Rs. 0.83 lakh and Rs. 0.66 lakh respectively in 1971-72.

Ahmedabad and Bangalore Units achieved 61.90 per cent and 88.99 per cent respectively of the rated capacity of production in 1971-72. The poor working results of these two Units especially in respect of Bangalore Unit would seem to warrant the close attention of the Management, especially as Calcutta and Hyderabad Units which achieved 60.44 per cent and 68.69 per cent respectively of the rated capacity had made profits in 1971-72."

In this connection, the Ministry stated (June, 1973) as follows:—

(i) The figures of profit from social welfare programme supplies indicated in the para are based on the monthly operating reports. These are, therefore, proforma figures after adjusting certain items of expenditure like Head Office expenses, publicity, interest on block loans and depreciation, on an estimated basis.

(ii) Ahmedabad and Bangalore Units incurred a total loss of Rs. 1.11 lakhs in 1971-72 on the sales made under social welfare programme.

(iii) Direct labour, factory overheads and administrative overheads had been equitably allocated over standard loaves produced of each variety in the operating reports. Experience has shown that this allocation was not strictly correct as these overheads were definitely more on special varieties than on the white sandwich bread. A recent study has revealed that these could be correctly allocated between white and special breads in the ratio of approximately 6:7. It would not therefore, be correct to assume that there was loss on white bread sold in the market.

(iv) During 1971-72, the Undertaking made a proforma profit of Rs. 12.24 lakhs on commercial sales.

7.14. From the Annual Report of the Undertaking for 1972-73 it is seen that:—

(i) there has been an increase of Rs. 10 lakhs in the overall profit of the Undertaking from Rs. 52.91 lakhs in 1971-72 to Rs. 62.45 lakhs in 1972-73.

(ii) Although there has been an increase in the quantum of sales from 847 lakhs standard loaves in 1971-72 to 1055.76 lakhs standard loaves in 1972-73, the increase has been only from the supplies under Social Welfare programme as could be seen from the table below:—

(S. L. lakhs)

| | Total sales | Social Welfare | Commercial |
|---|---|---|---|
| 1971-72 . . . . . . . . . . | 847·00 | 321·14 | 525·86 |
| 1972-73 . . . . . . . . . . | 1055·76 | 529·68 | 526·08 |

Thus the increase in overall profit has been constituted by the increase in the volume of sales under Social Welfare programme only.

(iii) Out of the nine units, eight units made profit and only the Bangalore Unit had made a loss.

(iv) There had been substantial profits in the case of Ahmedabad, Delhi, Calcutta and Hyderabad Units.

(v) There was decline in profit in the cases of Bombay, Madras and Kanpur Units as compared to 1971-72.

7.15. In regard to the loss in Bangalore unit, it was stated that the operations of the Bangalore unit actually resulted in a profit of Rs. 0.45 lakhs if the net expenses for the year 1971-72 amounting to Rs. 0.61 lakhs which had to be booked during 1972-73 were excluded. Moreover the prices initially fixed for the products had to be pitched at a low level owing to keen competition from other well established bakeries in that city.

7.16. Asked about the factors which contributed to the substantial profits in Ahmedabad, Delhi and Hyderabad uits, the Undertaking stated that these were because of the increase in production in these units (49 per cent in Ahmedabad, 23 per cent in Delhi and 47 per cent in Hyderabad). The capacity utilisation during 1972-73 was 92.22 per cent in Ahmedabad and full in Delhi and Hyderabad.

7.17. In regard to decline in profits in the case of Bombay, Madras and Kanpur units, the representatives of the Undertaking informed during evidence that this was because of high cost of Raw Materials.

7.18. The Committee enquired as to why the high cost of raw materials affected adversely the profitability of these units only. The witness stated that the inferior quality of flour resulted in higher wastes and lower yield and consequently increase in cost of raw materials per standard loaf which led to lower profits. In Madras there was increased replacement and defective production during October to December, 1972.

7.19. Asked whether the inferior quality of wheat flour as noticed only in Bombay and Kanpur Units, the Undertaking stated that the quality of wheat flour kept on fluctuating from unit to unit depending on the quality of wheat available with the FCI for supply to the millers who supply flour to the Undertaking and that the prevailing wheat situation in the country hardly left any choice with the Undertaking to take a rigid stand with the F.C.I.

7.20. The Committee pointed out that in the Quarterly Financial Report of the Undertaking during 1972-73, the profit on the sale of 604 lakhs standard loaves of commercial bread was estimated at Rs. 6.49 lakhs only and the rest of the profit amounting to Rs. 58.84 lakhs was contributed by 452 lakhs standard loaves supplied under Social Welfare Programme.

7.21. They enquired the reasons for the low profit in the case of commercial sales. The Secretary of the Ministry stated that 'normally the Undertaking's pricing policy was to work on the cost of production plus a reasonable profit which should not exceed 15 per cent and it was on that basis that they had agreed to supply it to the social welfare programme. In the case of commercial bread, the undertaking had also to keep in view the prevailing market price. He stated that as it had come to their notice that they were getting some higher profit from the sales under social welfare programmes, the price of the bread under the social welfare programme, had been reduced in some of the States from 1st September, 1973. In Delhi and Ahmedabad, price had been reduced by 15 paise per 800 gms. loaf; at Kanpur about 5 paise per kg. of loaf, at Cochin about 5 paise per 800 gms. loaf.

7.22. During evidence, the Chairman, MBL informed that they had so far been earning 13 per cent profit on sales under Social Welfare Programme and after reduction in the price of bread it would be reduced to 10 to 11 per cent and the overall profit would be reduced by Rs. 6.5 lakhs approximately. He however, felt that the profit margin should be 10 to 15 per cent.

7.23. The Committee enquired whether the Undertaking could survive with a profit of Rs. 6.49 lakhs a year on commercial sales had there not been sales under the social welfare programme. The Secretary of the Ministry stated as under:—

"If we do not have social welfare programme we will have our profit in the other programme and we would certainly get on to the other variety which gives us the highest profit. As a public undertaking, we have another objective and that is, to provide to the people at the most reasonable price the product which is nutritionally much better and we have to keep that in view also. If I do not have this constraint that the price level should be maintained, I do not see any reason why I should keep the same price. Every year, during the last four years, when everything has gone up by 20—25 per cent, I could have also increased that. We are keeping that in view that as a public undertaking, we have the responsibility.......We do not wish to increase the price unless it is called for. I have told the Undertaking that they should do whatever they can to improve their efficiency and productivity and see that they work out a more reasonable price level; without having to increase the price we can increase our profits."

7.24. To an enquiry about the basis on which the profit margin on bread supplied under social welfare programme was fixed from time to time and the measures taken or proposed to be taken to see that the profit margin was kept within the reasonable limit, the undertaking in the post evidence reply had stated that the "profit from bread supplied under Special Nutrition Programme had to be viewed in the context of the Objectives of the Modern Bakeries (India) Ltd. which are as follows:—

(i) to hold the price line of bakery products.

(ii) to price the products so as to be competitive with similar products in market.

(iii) to pay a dividend of not less than 6 per cent. on the share capital.

(iv) to earmark every year a profit equal to 4 per cent of the share capital for expansion programmes.

The price of white sandwich bread which was fixed in May, 1969, was kept at that level inspite of increase in the cost of production. Even though at some units, the Undertaking incurred losses on white bread sale, the price was not increased. This enabled the Undertaking to hold the price line of bakery products successfully.

While the commercial sales gave either 'nil profit in some units or marginal profit in other units, the profit on supplies to Social Welfare Programme worked out at about 13.6 per cent during 1972-73. The return on capital employed (Rs. 411.51 lakhs) worked out to 15 per cent. Therefore the Undertaking, it was stated, considered to reduce the price of supplies to social welfare programme and in August, 1973, reviewed its price structure. Keeping in view the objectives mentioned at items (iii) and (iv) above (i.e. to pay not less than 6 per cent dividend on share capital and to retain a profit equivalent to 4 per cent of share capital for expansion programmes), it was estimated that the undertaking should earn a gross profit of about Rs. 55 lakhs only (profit after interest and depreciation) during 1973-74 as against Rs. 62 lakhs during 1972-73. Therefore, from September 1, 1973 the price of bread to be supplied under Social Welfare Programmes was reduced as follows:—

| | | Price before revision | Price from 1-9-1973 |
|---|---|---|---|
| Ahmedabad . . | Milk bread for M. P. | Rs. 2.28 per 800 gms | Rs. 2·13 per 800 gms |
| Bangalore . . | Milk Bread | Rs. 1·20 per 400 gms. | Rs. 1·05 per 400 gms. |
| Calcutta . | Milk Bread | Rs. 1.60 per Kg. | Rs. 1·55 per Kg. |
| Cochin . . | Milk Bread | Rs. 2.10 per 800 gms | Rs. 2·05 per 800 gms. |
| Delhi . . | Milk Bread | Rs. 2.28 per 800 gms | Rs. 2·13 per 800 gms. |
| Kanpur . . | Sweet Bread | Rs. 1·80 per kg. | Rs. 1·75 per kg. |

At the time of making the above mentioned reduction in price, it was kept in mind that the profit margin on cost of sales is around 15 per cent or so. In certain units the Company incurred loss on sales under Social Welfare Programmes. In Ahmedabad Unit, a loss of about 10 per cent was incurred by the Undertaking on supplies to Baroda School Feeding Programmes. Similarly in Bangalore Unit a loss of about 3.26 per cent was incurred on supplies under Social Welfare Programme."

7.25. From the Quarterly Financial Review for the quarter ending 30th June, 1973, it is seen that during the quarter all the units have made profit except Ahmedabad which incurred a loss of Rs. 0.05 lakh. The performance of Calcutta, Kanpur, and Madras Units needs to be highlighted, as there has been a fall in the profits and sales during the quarter. While the main reason for decline in the profitability in Calcutta and Madras was stated to be labour unrest and strike, in Kanpur it was due to fall in production on account of continuous power cut and the inferior quality of flour resulting in high percentage of defectives.

**7.26 The Committee note that though the profit of the Undertaking was Rs. 62.45 lakhs during 1972-73 as against the profit of Rs. 52.91 lakhs during 1971-72, the increase in profit was only on account of the supplies under Social Welfare Programme. While the Committee appreciate that the Undertaking has been maintaining the price line of bread in spite of increase in price of raw materials etc., the Committee feel that the Undertaking should not develop a sense of complacency by the overall increase in profits which are mainly on account of supplies under Social Welfare Programme. As stated by the Secretary of the Department during evidence, the Undertaking should take all steps to improve their efficiency and productivity to ensure a more reasonable price level and achieve greater profitability without having to increase the price.**

**7.27 The Committee find that in spite of the overall increase in profit, there was decline in profit during 1972-73 in the case of the Units at Bombay, Madras and Kanpur as compared to 1971-72. The Committee were informed that this decline in profit was due to the inferior quality of flour resulting in high waste and lower yield and also high cost of raw materials. The Committee would like Government/Food Corporation of India to ensure that flour of the requisite quality is consistently and in time made available to Modern Bakeries in the interest of sustaining supply of good quality bread to the public and obviating losses on defective or substandard production. The Committee would like the Modern Bakeries also to take effective measures to see that inferior quality of flour which would result in defective production is not accepted.**

**7.28. The Committee are not able to appreciate the Undertaking charging a higher margin of profit for bread supplied under the social welfare programme. The Committee while welcomoing the recent reduction in the price of bread supplied under the Social Welfare Programme, recommend that the margin of profit should be continuously reviewed so as not to burden unduly this programme for social welfare.**

D. Anticipations in the Project Report vis-a-vis actuals.

7.29. According to the profitability envisaged in the Project Report, Australian Units were expected to yield a profit of Rs. 2.68 lakhs per line and the Canadian Units a profit of Rs. 3 lakhs per line. These profits were worked out on the basis of full rated capacity and on the assumption that total capital outlay will be Rs. 132.60 lakhs including working capital in respect of Australian Units and Rs. 108.60 lakhs including working capital in respect of Canadian Units. On the above basis the cost price per standard loaf and sales realisation per standard loaf worked out as follows:—

| Unit | Cost price including interest on loan capital per standard loaf | Sales price per standard loaf | Profit per standard loaf |
|---|---|---|---|
| | Paise | Paise | Paise |
| Australian Units | 42·12 | 44·25 | 2·13 |
| Canadian Units | 42·07 | 45·00 | 2·93 |

Note:—The above profitability study assumes 360 days operation at full rated capacity in respect of Australian Uuits and 300 days operation at full rated capacity in respect of Canadian Units.

Appendix VI. incorporates the anticipations made in the Detailed Project Report, as estimated by the Undertaking and those obtained in actual operation. The following facts emerge from the data given in the Appendix:—

(a) All the elements of expenditure *e.g.* direct material, manufacturing overheads, distribution and administrative overheads exceeded the anticipations made in the Detailed Project Report. These also by and large, exceeded the estimates framed by the Management in December, 1967. This situation prevailed not only in initial years but also in 1971-72 when 4 units had exceeded the rated capacity and 2 units had attained approximately 90 per cent of the rated capacity. The increase was much more pronounced in case of direct materials and distribution overheads.

(b) There were wide variations in respect of expenditure incurred against individual elements of cost *e.g.* direct materials, manufacturing overheads and administrative overheads amongst the various Units *inter se.*

(c) The average sales realisation per standard loaf far exceeded the anticipations made in the Detailed Project Report and that estimated by the Management in December, 1967. Its impact was, however, nullified by more than proportionate increase in the cost of production upto 1970-71.

The Undertaking informed that the average realisation per standdard loaf in 1971-72 was 69.27 paise (per S/L) and 71.22 paise (per S/L) in 1972-73 and net profit per standard loaf in 1971-72 was 6.25 (per S/L) and 5.92 paise (per S/L) in 1972-73.

(d) As against the net profit of 2.13 paise per standard loaf in the case of Australian Units and 2.93 paise per standard loaf in the case of Canadian Units, the net profit per standard loaf sold worked out as follows:—

| Units | Profit per standard loaf (In paise) | | | | | Remarks |
|---|---|---|---|---|---|---|
| | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1972-73 | |
| (1) | (2) | (3) | (4) | (5) | (6) | |
| *Australian Units*— | | | | | | |
| Ahmedabad | | | | (—)6·5 | 2·3 | |
| Bombay . | | 0·5 | 3·6 | 3·45 | 1·44 | |
| Cochin . | 5·2 | 5.7 | 6·8 | 7·15 | 6·82 | |
| Delhi | | 2·6 | 2·8 | 2·74 | 10·26 | |
| Madras . | | | 6·0 | 20·52 | 8·25 | |
| Calcutta . | | | | 4·85 | 7·95 | |
| *Canadian Units*:— | | | | | | |
| Bangalore . | | | .. | (—)1·44 | 3·72 | |
| Hyderabad | | | | 2·04 | 5·95 | |
| Kanpur | | | 8·9 | 13.08 | 8·0 | |

Cols. (5) and (6) not vetted in Audit.

7.30. It is seen from the above table that the profit per Standard Loaf in the case of Madras (Australian Unit) and Kanpur (Canadian Unit) was much higher as compared to the profit per Standard Loaf in the case of other units. The Committee enquired the reasons for the same. The main reasons given by the Undertaking were:—

(i) Economies of large scale production on optimum capacity utilisation.

(ii) The price quoted to the Social Welfare Departments included a good margin of profit. Subsequently the position was reviewed and in Madras Unit the price was reduced by 32 paise per 800 gms. from February 1972 and in Kanpur Unit the price has been reduced by 5 paise per kg. from 1st September, 1973."

7.31. During 1972-73 profit per Standard Loaf in Kanpur and Madras Units worked out to 8 paise and 8.25 paise.

**7.32. The Committee note that all the elements of expenditure e.g. direct materials, manufacturing overheads and administrative overheads not only exceeded the anticipations made in the Detailed Project Report, but also by and large the estimates framed by the Management. Even amongst the various units** inter se, **there have been wide variations in respect of expenditure against individual elements of cost. The Committee recommend that the reasons for such variations should be gone into and economies effected with a view to ensuring reduction in cost and sustaining a reasonable sale price.**

**E. Costing System**

7.33. The Undertaking follows a system of process costing. The following deficiencies have been noticed in the cost accounts maintained by the Units.

"(a) Reasons for the variance in consumption of raw materials as compared with standards in the monthly cost sheets are not analysed for taking remedial action.

(b) No record is maintained to show the idle labour and machine hours."

The undertaking stated in a written reply that:—

"It is not correct to conclude that the reasons for the variance in consumption of raw materials as compared with Standards in the monthly Cost Sheets are not analysed. As a matter of fact necessary action is taken daily at unit level.

(b) Production of bread is a continuous process. Hence it is difficult to keep record of idle labour. So far as idling of plant and machinery is concerned, the units are keeping complete record. Head-Office is also apprised in this regard monthly through the Operating Reports by the Chief Managers."

7.34. To an enquiry whether the price and quantity variance in the usage of raw materials was worked out and remedial action taken, the Undertaking stated that the standard costs of all the ingredients had not been fixed so far due to instability of prices. However, the standard formulations (*i.e.* standard quantity of ingredients required) for all the varieties had been fixed, actual consumption was compared therewith and variations between standard formulations and actual consumption were analysed. It was added that the main reason for wide variations were the local tastes and diversity in climatic conditions of the places where the units were located.

It is, however, seen that for detailed investigation of the deviations from the standard formulations, the Technical Division which had since been set up in the Head Office was being entrusted to go into the matter in detail on a regular basis.

7.35 As regards the steps taken to check the rise in the cost of production, it was stated that the Undertaking had no control over the increase in the price of raw materials and cost of services which constitute the cost of production. The rise in cost of producion was however checked by:

(i) utilisation of maximum capacity and thereby achieving the economies of large scale production,

(ii) reduction in the distribution cost,

(iii) control of waste and defective production,

(iv) economy in expenditure of revenue nature.

**7.36. The Committee recommend that the Undertaking should arrange to get the standard cost fixed early and maintain proper records to indicate the idle labour so that a scientific analysis of the causes of variance in costs by labour, materials and overheads may be possible to enable the Undertaking to take suitable remedial measures in time to obtain the maximum utilisation of labour and machinery, effect economies in use of materials and reduce the cost of production.**

## F. Sundry Debtors

7.37. The position of outstandings of the Undertaking for the years 1971-72, 1972-73 and 1973-74 as compared to the sales during these years was as under:-

(Rs. in lakhs)

| | 1971-72 | 1972-73 | 1973-74 (upto September, 1973) |
|---|---|---|---|
| (i) Dues from Social Welfare Departments . | 42·23 | 61·04 | 95·15 |
| (ii) Dues from Hospitals and other Institutional Buyers . . . . . . . . . | 15·48 | 21·10 | 28·16 |
| (iii) Dues from private parties . . . . | 3·63 | 4·43 | 3·50 |
| TOTAL:— | 61·34 | 68·57 | 126·81 |
| Sales (value) | 586·74 | 751·87 | .. |
| Percentage of a Sundry Debtors to sales | 10.45% | 11·51% | .. |

7.38. The Undertaking explained that the main reason for the increase in the outstandings was that a major portion of their credit sales was made to the Government Departments like Social Welfare Departments. The Government Departments took a long time in releasing the payment. Similarly hospital and other Institutional buyers to whom sales were made on credit basis, also took longer time in settling the bills.

7.39. During evidence the Committee were informed by the Secretary of the Ministry that the outstandings from the State Governments against social welfare programme was very large. So far as Delhi was concerned, a sum of Rs. 19.58 lakhs was outstanding as on 28th February, 1973 Rs. 39,000 was outstanding for more than six months, Rs. 3.74 lakhs for more than three months but less than six months; Rs. 10 lakhs for more than one month but less than three months and some amount was outstanding for less than one month.

7.40. The position of outstandings as on 30.6.1973 is indicated in Appendix VII.

7.41. Asked about the measures taken to realise the dues, the Undertaking informed as under:-

"The Chief Managers of the Units are submitting a Monthly Report to the Head Office indicating the position of outstandings. This report is reviewed every month and Chief

Managers pursue the matter constantly with the local authorities.

> In order to realise the dues expeditiously, the Company has also offered for timely payment but this step did not bring in the desired result. The matter was also discussed with the authorities of the Social Welfare Department for making on account payment of 90 per cent or 95 per cent immediately on presentation of the bills. After constant pursual, the Governments of Kerala and Tamilnadu have since agreed to make immediate on account payment of 75 per cent and 90 per cent of the bills respectively."

7.42. **The Committee regret to note the heavy amount outstanding against Sundry Debtors of the Undertaking. The amount outstanding from the State Governments against Social Welfare Programmes is as large as Rs. 95.15 lakhs upto September, 1973. The Committee feel perturbed to find that in the case of Delhi State alone, a sum of Rs. 19.58 lakhs was outstanding as on 28th February, 1973. This hardly testifies to the alertness and efficiency of the Undertaking in realising its dues. The Committee also see no justification for such heavy outstandings against the Government Departments. The outstandings result in locking up of funds, loss of interest and affect the liquidity position of the Undertaking. The Committee, therefore, recommend that the present procedure for billing and collection of outstandings should be reviewed and streamlined to ensure prompt realisation of all the dues and to have an effective control over them. The Committee trust that efforts will be speeded up in this respect and a better picture will emerge as a result thereof.**

## G. Internal Audit

7.43. The Undertaking has an Internal Audit Cell attached to the Finance and Accounts Division at the Head Office. The Internal Audit Cell has three Internal Audit Officers; each incharge of the region and having office at Bombay, Madras and New Delhi. The Regional Offices have the following Units under their audit jurisdiction:—

| Name of Regional Offices | Date of establishment | Unit under their audit jurisdiction |
|---|---|---|
| Bombay . . . . | September, 1969 | Bombay Ahmedabad and Hyderabad |
| Madras . . | October, 1969 | Bangalore, Cochin and Madras |
| Delhi . | September, 1971 | Delhi, Kanpur and Calcutta. |

7.44. All the Internal Audit Officers function under the administrative control and guidance of the Financial Controller at the Head Office. In this connection following features deserve mention:—

(1) No procedure for submission of internal audit reports to the Board of Directors has been laid down.

(2) The Committee on Public Undertakings in its 15th Report (4th Lok Sabha) on Financial Management in Public Undertakings had recommended that the functions of the Internal Audit should include a critical review of the systems, procedures and the operations as a whole. In pursuance of the above recommendation, the Ministry of Finance (Bureau of Public Enterprises) had issued instructions in September, 1968 to all the Public Enterprises to introduce such a system. The Internal Audit Cell of the Company has, however, not conducted any appraisal of the performance so far (January, 1973).

7.45. In this connection, the Ministry stated (June, 1973) that "the detailed outlines of the systems and procedures in respect of the operations of the Units were compiled in June, 1970 and that it was therefore, too early to undertake a critical study of the systems/procedures."

7.46. When asked about the reasons for not placing the reports of Internal Audit before the Board of Directors, the Undertaking in the post-evidence replies stated that 'all the Internal Audit Reports as and when received are duly submitted to the top management Chairman/Managing Director and in cases where serious irregularities are noticed, immediate action is taken to prevent the irregularities'. It was further stated that although no procedure for regular submission of the Internal Audit Reports to the Board of Directors had been laid down, the Undertaking had been placing before the Board the summarised position of Internal Audit objections as and when desired by the Board The Undertaking further stated that in their 30th meeting (25-4-72) the Board desired a summary of Audit objections for the year 1971-72 to be placed before them. A note was placed before them in 31st meeting (17-7-72) where it was desired that the same may be placed before the Executive Committee. Accordingly, a note was submitted to the Executive Committee of the Board of Directors, in their 8th meeting held on 24.9.1972.

7.47. During evidence the Secretary of the Ministry informed the Committee that the Ministry had asked the Internal Audit to carry out a proper review of the systems and procedure laid down earlier.

7.48. There is no denying the fact that internal audit in a modern commercial undertaking plays a very important role. Besides discovering irregularities, if any, concurrently it has the added advantage of bringing in advance to the notice of the management the weak areas and help them to streamline financial procedures, cutting out waste etc. The Committee would, therefore, stress that the Undertaking should give due importance to the role of the Internal Audit in the organisation and evolve a procedure for submission of internal audit reports to the Board of Directors at regular intervals which should include a critical review of the system, procedures and the operations as a whole with a view to effect economies and improve efficiency in production.

# VIII

## MISCELLANEOUS

### A. Payment of customs duty for Madras Plant at a higher rate

8.1. As against a flat rate of 27 per cent levied at Bombay port in the bakery equipment imported from Australia, similar equipment imported between August 1967 and March, 1968 for the Madras Unit was subjected to the customs duty ranging from 27 1/2 per cent to 100 per cent of the value of equipment. The levy of higher rate of customs duty at Madras port on the equipment valued at Rs. 9.26 lakhs F.O.B. Australia resulted in an excess payment of customs duty amounting to Rs. 1,01,273.

8.2. A claim lodged in December, 1968 for the refund of excess duty paid was rejected by the Customs Authorities to the extent of Rs. 93,836, being time barred. An appeal preferred on the Appellate Collector of Customs in May, 1969 was rejected. Finally, the revision application submitted for the refund of the customs duty paid in excess was rejected by the Commissioner of Revision Application,

Department of Revenue and Insurance on the ground that limitation of time for submission of claims to the Appellate Collector of Customs was statutory and could not be relaxed.

8.3. The Committee were given to understand that the equipment was imported through the Regional Director of Food, Ministry of Food and Agriculture, Madras. While the equipment was received in August, 1967, the Bill of Entry was forwarded by the Director of Food, Madras during April-May, 1968, and the claim was lodged in December, 1968 which was rejected as being time-barred.

8.4. During evidence of the Undertaking, the Committee were informed that the excess payment of customs duty was detected in September, 1968 at the time of finalisation of the accounts for the year 1967-68 Subsequently it was stated by the Undertaking in a written reply that the customs duty was paid by the Dy. Director, (Dock Operations) Department of Food, Ministry of Agriculture. The Deputy Director in his appeal to the appellate Collector of customs, Madras stated that he was 'not technically qualified to scrutinise the correctness of the assessment and point out the discrepancies then and there'. The erroneous assessment by Madras Customs was known to Deputy Director (Dock Operations) when a communication was received in October, 1968 from Modern Bakeries to the effect that similar equipment landed and cleared at Bombay was assessed to duty invariably at a flat rate of 27-1/2 per cent of complete unit. By the time it was known to the Deputy Director, Department of Food at Madras about the excess payment of customs duty in October, 1968, it was already time barred. This was brought to the notice of the Board while adopting the account for 1967-68. A claim was later preferred. It was added that being a transaction between two Government departments, no effort was made to fix the responsibility.

8.5. Asked whether the Undertaking had approached the Ministry for taking up the question of payment of excess customs duty, the witness stated:—

> "We had approached the Ministry of Agriculture for taking up the question of payment of excess duty amounting to Rs. 1,01,273. The Ministry of Agriculture approached the Ministry of Finance, but they did not agree to relax the conditions of statutory limitation and they rejected the claim."

> "After the claim was rejected by the Ministry of Finance, we referred it to our legal adviser, and he said that if there was some lacuna in the claim or lacuna in the order passed, then the claim could be taken up and a writ petition could be filed in the High Court; we have collected the necessary documents and the case is still being referred to the legal adviser again for his opinion, in order to find out if there is any legal lacuna."

8.6. During evidence the Secretary of the Ministry informed the Committee that the reasons for the payment of excess customs duty were that the Deputy Director of Port Organisation at Madras, under the Department of Food who was dealing mainly with the clearance of foodgrains and fertilizers was not technically conversant with the details of duties to be paid on the plant and equipment. He was also not aware of the duty paid at the Bombay Port. Most of the equipment at Madras was received in August-September, 1967 and a small part in March, 1968. The undertaking noticed a difference in the payment of customs duty paid at Bombay and Madras in September, 1968 when the accounts were finalised at the Head Office. By that time a period of three months was over for making an appeal.

8.7. The Secretary of the Ministry further stated that there was no negligence on the part of Deputy Director, Food as he did not know how much duty he had to pay. He paid whatever was demanded, otherwise the goods would not have been cleared. He had no idea at any point of time that he was being over-assessed. The witness, however, added that the Undertaking were having consultation with their legal adviser who was still examining the matter.

**8.8. The Committee note that at Bombay Port, customs duty on the bakery equipment imported from Australia was paid at the rate of 27 per cent, whereas at Madras Port for similar equipment imported for the Madras Unit of the Undertaking, customs duty at 27-1/2 to 100 per cent of the value of equipment was paid which had resulted in excess payment amounting to Rs. 1,01,273. The Committee are surprised to find that there has been a difference in the rate of customs duty at 27-1/2 to 100 per cent at Madras Port and 27 per cent at Bombay for the similar type of equipment. The Committee feel that had the correctness of the rate of customs duty been verified at the time of making payment, this situation would not have arisen. The Committee hope that the Undertaking/Ministry would draw a lesson from this experience and take suitable measures to verify the correctness of the rates of customs duty at the time of payment to obviate recurrence of such cases.**

### B. Unrealistic Assessment of Power Load

8.9. In January, 1969 the Site Engineer, Kanpur Unit applied to the State Electricity Board for sanctioning 350 KVA power load. The load was sanctioned on 23rd April, 1969 and the connection was given to the Unit in November, 1969. The assessment of electrical energy requirements for running the bakery Plant was neither made at the time of deciding the capacity of the transformer nor at the time of applying for the load.

8.10. The plant was commissioned on 19th November, 1969 and the average maximum load during 1969-70 and 1970-71 was of the order of 74.5 KVA and 105.2 KVA respectively. The load of 350 KVA was evidently much in excess of the actual demand. As the electricity tariff provides for the billing on the basis of the actual maximum demand registered in a month or 60 per cent of the contracted demand, whichever is higher, the securing of a higher power load resulted in an extra payment of Rs. 19,000 upto November, 1971 over and above what was payable on the basis of energy consumed. The load was reduced to 200 KVA with effect from 1st December, 1971.

8.11. The Management stated (December, 1972) that the quantum of power load to be secured for the bakery Units had been locally assessed by the Company's engineers in consultation with CPWD/State PWD.

It was further stated that on reassessment it was found that about 80 KVA and 120 KVA power load were required for a single line Australian and Canadian Plants respectively.

8.12. The actual power load secured and effective for the various Units except Calcutta was higher than the above norms, as per details given below:—

| Unit | Maximum power load applied and secured | Remarks |
|---|---|---|
| *Australian* | | |
| Ahmedabad | 150 KVA | Applied for reduction to 130 KVA. |
| Bombay | 250 KVA | |
| Madras | 150 KVA | |
| Cochin | 129 KVA | |
| Delhi | 141·25 KVA | |
| *Canadian* | | |
| Bangalore | 250 KVA | Reduced to 175 KVA from 1-6-1971 |
| Hyderabad | 180 KVA | Reduced to 120 KVA from 14-8-1971 |
| Kanpur | 250 KVA | Reduced to 200 KVA from 1-12-1971 |

Note : Bakery at Bombay has double line, while others have single line

8.13. The Ministry stated (June, 1973) that the Kanpur Unit had approached the State Electricity Board in November, 1970 for the reduction of contracted demand but the Board agreed to the reduction of power load only on the expiry of the initial agreements in November, 1971.

8.14. Asked whether any assessment of power load was made by the Undertaking at the time of deciding the capacity of the transformer, the MBL stated in the post evidence reply that the assessment for power load was made by the Company both for the Australian and Canadian Units in consultation with Australian and Canadian authorities and the engineers of the C.P.W.D.

8.15. In reply to a question as to whether any extra expenditure was incurred with reference to 60 per cent of the contract demand, being higher than the actual consumption at the Units at Ahmedabad, Bangalore and Hyderabad, the MBL informed that an extra expenditure of Rs. 6,240 was incurred at Ahmedabad Unit but this was with reference to 75 per cent of the contract demand as per the Gujarat State Electricity Board Rules.

8.16. Asked about the reason for wide disparity between the power load required for a single line Australian Bakery vis-a-vis Canadian Bakery, the undertaking stated that it was due to the fact that Canadian Bakeries were equipped with High Speed Mixing Machines where the power requirement was six times of an Australian slow speed mixer. Also a high powered chilled water unit had been provided which had to work in conjunction with High Speed Mixing Machine. The load requirement for the Canadian chiller was also about 6 times that of Australian chiller (provided indigenously).

8.17. When asked as to how even after reassessment that 80 KVA and 120 KVA were required for single line Australian and Canadian plants respectively, the maximum power loads applied and secured for Australian units were higher than the norms, the Management informed the Committee that the power load required for a single line Australian bakery is 100 KVA (80 KW) and not 80 KVA.

The power load for Canadian bakery is 120 KVA. These assessments are on actual power load and not on the connected load. Load sanction has to be obtained on the connected load which is 130-142 KVA for single line Australian bakery and 150-175 KVA for Canadian bakery and it is for this reason that even on reassessment the sanctioned loads for these two types of bakeries are higher than 80 KW and 120 KVA except in case of Hyderabad Unit where the revised sanctioned load is on the basis of actual load and not the connected load.'

8.18. In regard to Bangalore and Kanpur Units, the Undertaking stated in a written reply that the reduced power loads of 175 KVA at Bangalore and 200 KVA at Kanpur were no longer sufficiently higher than the reassessed requirements as stated above.

**8.19. The Committee find that although the average maximum power load required in the Kanpur Unit of the Undertaking during 1969-70 and 1970-71 was of the order of 74.5 KVA and 105.2 KVA respectively, which was subsequently reassessed at 120 KVA power load or 150-175 KVA connected load, the power load applied and sanctioned for the unit i.e. 350 KVA (subsequently reduced to 200 KVA) was evidently much in excess of the actual demand and even more than the required connected load. The Committee regret to note that the agreement with the State Electricity Board had not taken into account the realistic requirement of**

**the power load with the result that the Kanpur Unit had to incur an extra expenditure of Rs. 19,000 upto November, 1971 towards payment to the State Electricity Board. The Committee suggest that the Undertaking/Ministry should take immediate steps to work out the maximum requirements of power load on a realistic basis in the light of the experience of actual working of the plants and review the agreement with the State Electricity Board accordingly.**

### C. Self-reliance in Bakery and Bread Making Equipment

8.20. The plants at present installed at the various centres by the Undertaking were imported from Australia and Canada under Colombo Plan Aid. Sufficient quantities of spares had also been imported.

8.21. The Committee enquired whether the Undertaking had studied the feasibility of promoting indigenous maufacture of bakery plants and machinery for replacing imported spares with indigenous manufactured parts. The Undertaking informed as under:—

"We have been exploring the possibility of fabrication of all spare parts required for the imported plants. In the Conference of the Maintanance Engineers, the requirements of spare parts is reviewed and the Parts which can be fabricated indigenously are identified. The Maintenance Engineers in their Conference make recommendations for import of certain spares either because they are not available indigenously or in order to make available prototypes to the prospective indigenous fabricators. As a result of such reviews the import bill of spare parts is being reduced progressively.

The first phase of setting up the chain of nine bakeries in the country was completed in 1970. About 2—3 years were taken to consolidate the functioning of these plants and in 1971 we had formulated the further expansion schemes of the Company. In 1973, open tenders were invited for supply of indigenous make bakery plants. We had also entered into negotiations with the manufacturers both in public and private sectors with a view to develop and fabricate automatic bakery plants of modern designs. One of the manufacturers seems to be capable of fabrication of automatic plants (except Slicing and Wrapping Machine) with technical assistance from Modern Bakeries. Further negotiations are being held with other parties also."

8.22. The Committee pointed out that in this connection in the Annual Report for 1972-73 it was stated that the Undertaking had started negotiations with certain companies including public sector undertakings interested in the manufacture of such machines. The undertaking explained in a written note that they floated enquiries in the beginning of 1973 through press advertisements and on receipt of offers, started negotiations with two potential suppliers and after negotiations decided to place orders with one of them (a private firm) for supply of two automatic bakery plants without Slicing and Wrapping Machine.

8.23. The Committee were also informed that with a view to explore the possibilities to manufacture the automatic slicing and wrapping machines indigenously, the Undertaking started a dialogue with Hindustan Machine Tools, a Government of India Undertaking, who had shown interest in the matter.

8.24. Asked as to whether any comparison was made between the price of an indigenous manufactured plant and an imported plant, the Undertaking stated that the imported plant (Australian-make) was costlier by about 36 per cent as compared to the estimated price of indigenous manufactured plant. This, however, excluded the cost of Slicing and Wrapping Machine of about Rs. 3 lakhs which had to be imported because the Indian manufacturers were unable to fabricate this machine at present. It was also added that the potential indigenous manufactured plant would contain imported parts to the extent of 5 per cent of the value of the plant (excluding slicing and wrapping machine) worth Rs. 3 lakhs to be imported from abroad. The Committee were also informed that an indigenous backery plant without slicing and wrapping machine was expected to be available by 1975. As far as slicing and wrapping machine was concerned, it was not known as to when this machine would be available indigenously.

8.25. Asked as to how the capacity, operational and maintenance costs of the plants proposed to be manufactured in the country would compare with those being imported or which were in use in other advanced countries, the Undertaking stated as under:—

> "At present it is difficult to compare operational and maintenance costs of the indigenous plants with those of imported plants. This comparision would be possible only after gaining experience from the indigenous plants which would be available to the Undertaking only in 1975. The equipment being procured at the new units at Chandigarh, Ranchi will be of later design as compared to the machines|equipments already available with the existing units of the Company."

**8.26. The Committee note that the Undertaking had decided to purchase backery plants from a private firm in Bombay after invitation of open**

tenders and has also started a dialogue with HMT, a Government of India Undertaking for the manufacture of automatic slicing and wrapping Machines. The Committee consider that the Undertaking/Government should explore in depth the possibility of getting the bakery plants, for which there are growing requirements, fabricated through public sector undertakings like Hindustan Machine Tools, Heay Engineering Corporation etc. where large unutilised capacity is available.

8.27. Every effort should also be made to meet the requirements of spares and other parts for existing plants from indigenous sources so as to action self reliance at the earliest and obviate outgo of foreign exchange.

## CONCLUSION

9.1. The Modern Bakeries (India) Ltd., was set up on 1st October, 1965 with the main object of setting up the bakery units to assist in the development of the bakery industry in India on sound and scientific lines, besides enabling expansion of production for meeting the increasing demand arising out of urbanisation, industrialisation, increasing population and changes in dietary habits. These units were designed to serve as models for economical production of bread and were intended to help in introduction and popularisation of enriched and fortified bread for raising the level of nutrition in the country. The Modern Bakeries (India) Ltd., has so far set up nine bakery units with atomatic equipment for production of fortified and enriched bread in the cities of Ahmedabad, Bangalore, Bombay, Calcutta, Cochin, Delhi, Hyderabad, Kanpur and Madras at a total cost of Rs. 405.98 lakhs as on 31-3-1973 inclusive of the cost of plant and machinery. Out of the nine units, five went into production in 1968; three in 1969-70 and one in 1970-71.

The Committee find that on the basis of the study made by the Institute of Economic and Market Research, New Delhi on behalf of Wheat Associates of U.S.A., the all India consumption of bread in 1971-72 was estimated at 1,97,676 tonnes, and the share of the Undertaking amounted to 34,231 tonnes on production basis, *i.e.,* 17.32 per cent of all India consumption. The Undertaking has expansion programmes to increase production from 112 million standard loaves at the end of Fourth Five Year Plan to 282 million standard loaves at the end of Fifth Five Year Plan. In addition, the Undertaking expects to develop sale of Biscuits to the extent of 1800 tonnes, Yeast 620 tonnes and Peanut Butter 60 tonnes per annum.

9.2. During the course of examination of the working of the Undertaking, the Committee find that:

(i) Judged from the overall performance of the Undertaking as a whole, it was for the first time in 1972-73 that the Undertaking fully utilised its installed capacity, the percentage of overall utilisation being 59 per cent in 1970-71 and 86 per cent in 1971-72.

(ii) The sales turn over of the Undertaking has increased from 577.12 lakhs of standard loaves in the year 1970-71 to 1055.76 lakhs of standard loaves in 1972-73 representing an increase of more than 82 per cent. The sales under social welfare programme has shown a marked increase from 62.56 lakhs standard loaves in 1971-72 to 529,68 lakhs in 1972-73 representing an increase of 746 per cent.

(iii) The Undertaking has been maintaining the price line of bread since May, 1969 despite increase in the cost of raw materials.

(iv) The overall profit of the Undertaking has increased from Rs. 8.19 lakhs in 1970-71 to Rs. 62.45 lakhs in 1972-73.

9.3. The Committee, however, find the following shortcomings in the working of the Undertaking:—

(i) There had been delay in the construction and commissioning of the nine bakery units set up by the Undertaking ranging from 5 to 33 months and in respect of majority of units, the target dates of completion of erection of machinery had not been laid down.

(ii) A detailed market survey at Chandigarh and Ranchi could have enabled the Undertaking to have gone in for standard size plants even at the first instance thereby obviating delay in setting up of these plants. In Jammu and Kashmir, a firm decision has not been taken even after a lapse of two years, as to the type of plant to be put up there.

(iii) The rated capacity of 35,000 standard loaves per day of 24 hours on multiple shift basis mentioned in the Project Report was reduced to 30,000 standard loaves per day on two shift basis in September, 1968 and even the reduced capacity had not been reviewed till November, 1972.

(iv) Although the Project Report envisaged the operation of each of the bakeries at its full rated capacity from the commencement of production, the units set up at Ahmedabad, Bombay and Calcutta have not so far attained the rated capacity. In the case of Ahmedabad, even the targets of production which have been fixed at less than the rated capacity have not been attained at any time.

(v) The defective production and return of stale and mouldy bread continue to be higher than the norms fixed for the purpose, in several units and it was only in 1972-73 that a system of analytical study of the defective production was introduced in the Head Office. One of the reasons for such defective production was stated to be poor quality of flour supplied by the Food Corporation of India.

(vi) While the sales performance of the Undertaking under the special nutrition programme has improved during the years, there has not been appreciable increase in the commercial sales of bread

According to Government, about 50 per cent of the total sales in 1972-73 was to the urban slum areas and tribal areas. The Committee are not sure as to how far the bread sold by the Undertaking was actually available to the weaker sections of society living in Jhuggi Jhompri, industrial and other areas.

(vii) Although machinery for making Buns, Rolls, etc. have been obtained, these have not been pressed into service so far.

(viii) The Undertaking had not made use of the critical shortage of butter in the market during the last several months to push up the sale of Peanut Butter which is stated to be nutritious and cheaper.

(ix) Although the Undertaking has initiated or completed the necessary feasibility studies in regard to setting up of Biscuit Plant and Yeast Plant in the Fifth Five Year Plan, no definite decision has so far been taken by the Undertaking.

(x) Even though the Undertaking proposes to set up six standard units and twelve medium size units during the Fifth Plan, investigations in regard to these projects have not been completed and detailed schemes therefor have not been finalised. No firm decision has been taken either about the precise location of these plants or about the acquisition of land. Acquisition of land for the units had taken a lot of time in the past and delayed the completion of the projects.

(xi) In spite of overall increase in profit there was decline in profit duing 1972-73 in the case of the units at Bombay, Madras and Kanpur as compared to 1971-72.

9.4. While the Undertaking has been maintaining the price line of bread in spite of increase in the price of raw materials etc. it should not develop a sense of complacency by the overall increase in profits which are mainly on account of supplies under Social Welfare Programme. It should take all steps to improve efficiency and productivity to ensure a more reasonable price—level and see that it lives up to its role by making available wholesome and nutritious bread and other bakery products at reasonable prices specially in these days of scarcity of bread in the country.

SUBHADRA JOSHI,

*Chairman,*

*Committee on Public Undertakings.*

NEW DELHI;

*March* 21, 1974.

*Phalguna* 30, 1895 (*SAKA*).

## APPENDIX I

(*Referred* to in Para 1.2)

*Summary of the recommendations made in the Report of the Australian Expert*

1. As a first step plant bakeries should be established in major cities.

2. The State operated bakeries which it is proposed to establish should be augmented by development in the private sector of industry and through co-operative unions.

3. The production of bakers yeast must be increased and new factories should be decentralised to provide an assured supply of yeast to all parts of the country. Because of climatic conditions and the lack of refrigerated transport and storage, a large proportion of the yeast produced must be in a vital dried form.

4. The flour-milling industry must be equipped to mill a greatly increased production of fine flour for bread-making.

5. Having regard to these recommendations, some foreign exchange must be made available for the importantion of machinery essential to the break-making, flour-milling and yeast industries. It is suggested that the import licences for items of this equipment should be given a higher priority at least for a limited period. Applications for licences should be referred to the Technical Adviser of the Ministry of Food, for assessment of priority.

6. The establishment of an indigenous engineering industry specialising in baking and milling machinery should be encouraged. Collaboration with overseas manufacturers is desirable so that full advantage can be taken of latest developments in the design and performance of machines. A range of machinery which is suited to the needs of both large and small bakers should be available.

7. The technical training of bakers in food polytechnics must be assisted by the provision of adequate equipment which will enable the demonstration of modern bread-making methods and the use of machinery. Courses must be designed to show bakers the practical implication of their studies. Advanced study should be provided at a management level which will assist in the development of a business and the successful marketing of the product.

8. Consideration should be given to the provision of suitable training courses at Food Polytechnics for flour-millers.

9. Bakery Trade Advisory Committee should be formed at each Food Polytechnic to review from time to time the syllabus and maintain liaison between the polytechnic and industry. Such committees formed in association with industry will help to develop an informed leadership.

10. Standards for sanitation and general hygiene in bakeries should be introduced and enforced.

11. All bread offered for sale should be wrapped. Because of the lack of facilities in many homes, slicing of the loaf at the bakery is desirable.

12. The use of bread in school feeding programmes should be encouraged. Consideration should be given to fortifying such bread with added protein, vitamins and minerals such as multi-purpose food, to give an attractive and palatable product.

13. There must be a properly integrated approach to cereal research. The main centre for this work should be the Cental Food Technological Research Institute at Mysore with laboratories principally concerned with wheat quality evaluation situated at wheat breeding establishment such as Pusa and the wheat handling ports of Calcutta and Bombay. Research at the C.F.T.R.I. should be concerned with the following aspects of wheat production and utilisation:—

(a) Wheat quality evaluation-participation in and co-ordination of quality testing of various wheat breading programmes. Central references authority for the wheat quality requirements of industry.

(b) Flour-milling technology-studies in the milling behaviour of wheat varieties; the development of improved milling techniques to suit Indian requirements for both Atta and Fine Flour; the application of new milling techniques to Indian conditions.

(c) Baking technology-studies of processes, methods and ingredients.

(d) General research-factors associated with the quality of wheat, flour and bread. The nutritive value and significance of bread in relation to the Indian dietary pattern.

(e) Industry liaison and extension services, the dissemination of technical information and research findings to the baking and associated industries.

14. In planning the devlopment of an expanding industry, production statistics are essential. At present no reliable figures are available with respect to (a) the total production of fine flour and bread and (b) the number and production capacity of bakeries. This information should be collected and published in the appropriate publication.

15. Qualified bakers and millers should be encouraged to travel and gain experience of production methods used overseas.

16. It is suggested that the publicity section of the Ministry of Food and Agriculture should, from the information contained in this report, prepare a bulletin on bread-making. Such a publication, simply and clearly written, should be circulated as widely as possible. It would deal with faults in current practices and their correction, the requirements—good bread quality, the construction and design of bakeries, machinery requirements and lay-outs for bakeries of different sizes, yeast-the use of dried and compressed forms. I would be happy to assist in the preparation of this publication and would correct the draft copy and supply any additional mateial which might be necessary.

# APPENDIX II

(*Referred* to in Para No. 3.23)

*A. Statement showing the Production of Special varieties of Bread*

(Figures in lakhs of Standard loaves)

| Bread variety | Ahmedabad | | | | Bangalore | | Bombay | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1970-71 | 1971-72 | 1968-69 | 1969-70 | 1970-71 | 1971-72 |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Fruit . . . . . . | 0·82 | 1·48 | 1·21 | 0·84 | 0·28 | 0·02 | 1·31 | 1·87 | 0·76 | 0·21 |
| Milk . . . . . . | 0·42 | 0·93 | 0·71 | 9·78 | 0·07 | 1·68 | 61·05 | 1·78 | 0·70 | 2·66 |
| Sweet . . . . . . | 1·85 | 3·73 | 4·13 | 3·39 | 0·13 | — | 1·00 | 1·70 | 0·65 | 0·12 |
| Masala . . . . . . | 0·65 | 0·74 | 0·13 | — | — | — | 1·21 | 0·78 | — | — |
| Brown . . . . . . | 0·08 | 0·01 | — | — | — | — | 0·25 | 0·68 | 0·06 | — |
| Total Production of Special varieties . . . . . | 3·82 | 6·89 | 6·18 | 14·01 | 0·48 | 1·70 | 4·92 | 6·81 | 2·17 | 2·99 |
| Total production of the Units . | 33·47 | 36·70 | 43·86 | 55·71 | 38·63 | 80·09 | 79·97 | 90·50 | 106·92 | 160·81 |
| Percentage to total production · | 11·41 | 18·77 | 14·09 | 25·17 | 1·24 | 2·12 | 6·15 | 7·52 | 2·03 | 1·86 |

| Bread variety | Calcutta | | Cochin | | | | Delhi | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1970-71 | 1971-72 | 1968-69 | 1969-70 | 1970-71 | 1971-72 | 1968-69 | 1969-70 | 1970-71 | 1971-72 |
| 1 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| Fruit . . . . . | — | — | 1·18 | 5·65 | 4·73 | 3·11 | 0·92 | 0·65 | 0·12 | — |
| Milk . . . . . | 9·76 | 39·98 | 0·37 | 0·41 | 1·28 | 18·40 | 0·28 | — | — | 5·54 |
| Sweet . . . . . | — | — | 1·52 | 6·20 | 6·74 | 4·99 | 0·22 | — | — | — |
| Masala . . . . . | — | — | 0·24 | 0·16 | — | 0·02 | 0·51 | 0·20 | — | — |
| Brown . . . . . | — | — | 0·07 | 0·02 | — | — | 0·19 | 0·48 | 0·44 | 0·51 |
| Total production of special varieties | 9·76 | 38·98 | 3·38 | 12·44 | 12·75 | 26·52 | 2·12 | 1·33 | 0·56 | 6·05 |
| Total production of the Units . | 55·80 | 108·80 | 65·14 | 77·36 | 77·54 | 92·98 | 46·17 | 84·11 | 102·33 | 95·16 |
| Percentage to total production . | 17·49 | 35·83 | 5·19 | 16·08 | 16·44 | 28·52 | 4·59 | 1·58 | 0·55 | 6·36 |

| Bread variety | Hyderabad | | | Kanpur | | Madras | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1969-70 | 1970-71 | 1971-72 | 1970-71 | 1971-72 | 1968-69 | 1969-70 | 1970-71 | 1971-72 |
| 1 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| Fruit | 0·08 | 3·17 | 2·45 | 0·08 | .. | 0·97 | 2·25 | 1·22 | 1·33 |
| Milk | | 3·73 | 13·39 | 12·40 | 42·42 | 0·64 | 1.68 | 0·62 | 69·86 |
| Sweet | | .. | | .. | 2·11 | 0·74 | 2·58 | 1·74 | 3·00 |
| Masala | 0·12 | 0·10 | .. | .. | .. | 0·68 | 0·28 | .. | .. |
| Brown | .. | .. | .. | .. | .. | 0·09 | 0·05 | .. | .. |
| Total Production of Special varieties | 0·20 | 7·00 | 15·84 | 12·48 | 44·53 | 3·12 | 6·84 | 3·58 | 74·19 |
| Total production of the Units | 12·33 | 47·62 | 61·82 | 77·20 | 108·22 | 26·94 | 23·95 | 35·51 | 92·19 |
| Percentage to the total production | 1·62 | 14·70 | 25·62 | 16·17 | 41·15 | 11·58 | 28·56 | 10·08 | 80·48 |

*B. The Unit-wise (Except Calcutta) production of special varieties of bread during* 1972-73

(In lakhs of S. L.)

| Unit | Milk | Sweet | Fruit | Brown | Rusk | Buns rolls | Milk sweet | Masala | Total |
|---|---|---|---|---|---|---|---|---|---|
| Ahmedabad | 11·02 | 2·50 | 23·17 | | .. | ·29 | .. | .. | 36·98 |
| Bangalore | 10·14 | ·91 | ·26 | | .. | 2·30 | .. | .. | 13·61 |
| Bombay | .. | .. | .. | .. | .. | 14·25 | .. | .. | 14·25 |
| Cochin | 27·86 | 7·54 | 1·24 | .. | ·02 | .. | .. | .. | 36·66 |
| Delhi | 33·57 | | .. | ·07 | .. | .. | .. | ·04 | 33·68 |
| Hyderabad | 29·28 | .. | 2·46 | .. | .. | ·61 | .. | .. | 32·35 |
| Kanpur | .. | .. | .. | | ·73 | .. | 54·29 | .. | 55·02 |
| Madras | ·02 | 122·51 | 1·63 | .. | .. | .. | .. | .. | 124·16 |
| Total | 111·89 | 133·46 | 28·76 | 0·07 | ·75 | 17·45 | 54·29 | ·04 | 346·71 |
| Percentage to the total production | 12·09 | 14·42 | 3·1 | * | * | 1·89 | 5·87 | ·08 | 37·46 |

## APPENDIX III

(*Vide* para 6.2)

DETAILED NOTE ON THE ORGANISATIONAL SET UP OF MODERN BAKERIES (INDIA) LIMITED

**Organisational set up:**

The Management of the Company vests in the Board of Directors appointed by the President of India. Article 106 (1) of the Articles of Association of the Company lays down that the President may, from time to time, appoint one or more of the Directors to the office of the Chairman of the Board of Directors or Managing Director of the Company for such time and on such remuneration as he may think fit.

**At Head Office:**

The Chairman is in overall charge of the Management of the affairs of the Company. The Executive Head of the Company is the Managing Director who has five Divisional Heads functioning under him. All the Divisional Heads are responsible to the Managing Director who in turn may report to the Chairman depending upon the importance and seriousness of the items of work. The Divisions at the Head Office are as follows:—

1. Board Secretariat and Industrial Relations Division.
2. Administration and Personnel Division.
3. Finance and Accounts Division.
4. Marketing and Planning Division.
5. Technical and Materials Management Division.
6. Engineering Division.

Each Division is headed by a Divisional Head except that Divisions at Serial Nos. 1 and 2 above are under one Divisional Head *i.e.* Secretary. All the Divisional Heads report to the Managing Director.

Functions of the different Divisions are as follows:—

(1) *Board Secretariat and Industrial Relations Division*: Secreariat and Board work; and Industrial Relations.

(2) *Administration and Personnel Division*: Establishment, Administration and Personnel matters.

(3) *Finance and Accounts Division*: Compilation of Accounts of the Head Office and consolidation and finalisation of accounts for the Company as a whole is done in this Division. Besides, they render advice in respect of financial matters including cost accounting and pricing, preparation and coordination of budget proposals, statistics. and arranging internal audit.

(4) *Marketing and Planning Division*: Functions of this Division involve market survey and research, price fixation, preparation of project reports, planning, marketing strategy, arrangement for distribution of products, publicity and public relations.

(5) *Technical and Materials Management Division*: Development of new products, technical assistance to units, quality control and advice to units on maintenance and improvement of quality, procurement of raw materials, equipment and machinery, import of equipment, chemicals etc. from abroad and maintenance of inventory control system.

(6) *Engineering Division*: Designing for plants and allied equipment; development and research for manufacturing plant and spares and other equipments indigenously, preparation of inventories of engineering spares and components for units; advice on maintenance of plant, setting up and commissioning of new bakery units and other production plants and supervision of Civil Construction work at the units.

**At Units:**

Chief Manager is the Chief Executive of the unit and reports to the Managing Director. The following departments function under the direct control of the Chief Manager.

(1) Administration and Accounts.

(2) Production.

(3) Maintenance.

(4) Sales.

Each department is under the charge of an Officer at the middle level and all the departmental heads report to the Chief Manager.

## APPENDIX IV

(*Referred* to in Para 7·5)

*Unsecured Loans from Government and their terms and conditions*

| S. No. | Amount of loan | Date of drawal | Rate of Interest | Period of moratorium drawn |
|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 |
| | | | | (Rs. in Lakhs) |
| 1 | 25 | 31·3·1967 | 6½% | Payabale on 4th anniversary of the date of drawal. To. be repaid by the Company in 5 equal instalments. |
| 2 | 20 | 17·1·1968 | 6½% | Do. |
| 3 | 20 | 30·3·1968 | 6½% | Do. |
| 4 | 10 | 12·3·1969 | 6¾% (Rebate ¼% for timely payment of interest) | Do |
| 5 | 10 | 31·3·1969 | Do. | Do. |
| 6 | 15 | 31·3·1969 | Do. | Do. |
| 7 | 10 | 27·1·1970 | Do. | Do. |
| 8 | 10 | 31·3·1970 | Do. | Do. |
| 9 | 8 | 26·8·1970 | Do. | Do. |
| 10 | 7 | 31·3·1971 | Do. | Do. |
| 11 | 4 | 31·3·1971 | 6% Rebate ¼% for timely payment of interest) | Repayable on 1st anniversary of the date of drawal. To be repaid in 3 equal instalments. |
| | 139 | | | |

## APPENDIX V

(Referred to in paras 7·9 & 7·10)

A. Statement showing prices of various types of bread ruling as on 31-3-1971 and 31-3-1972 in the units

A. White Bread (in Paise)

| Unit | Ex. Factory 800 gms. | | 400 gms. | | 200 gms. | |
|---|---|---|---|---|---|---|
| | As on 31·3·71 | As on 31·3·72 (w. e. f. 1·12·71) | As on 31·3·71 | As on 31·3·72 (w. e. f. 1·12·71) | As on 31·3·71 | As on 31·3·72 (w.e.f. 1·12·71) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Ahmedabad . . | 120 | 120 | 64 | 64 | 33 | 33 |
| Bangalore . . | 130 | 128 | 65 | 64 | 36 | 35 |
| Bombay. . . | 115 | 115 | 62 | 62 | 34 | 35 |
| Calcutta . . | 120 | 120 | 61 | 61 | 31 | 31 |
| Cochin . . | 131 | .. | 68 | | 36 | .. |
| Delhi . . . | 120 | 120 | 63 | 63 | 34 | 34 |
| Hyderabad . . | 130 | 130 | 68 | 68 | 36 | 36 |
| Kanpur . | 130 | 130 | 68 | 68 | 36 | 36 |
| Madras . . . | 135 | 135 | 70 | 70 | 37 | 37 |

| Unit | Wholesale | | | | | |
|---|---|---|---|---|---|---|
| | 800 gms. | | 400 gms. | | 200 gms. | |
| | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Ahmedabad | 125 | 125 | 67 | 67 | 35 | 35 |
| Bangalore | .. | .. | .. | .. | .. | .. |
| Bombay | 120 | 120 | 65 | 65 | 36 | 37 |
| Calcutta | 125 | 125 | 64 | 64 | 32·5 | 32·5 |
| Cochin | 136 | 138 | 71 | 72 | 38 | 40 |
| Delhi | .. | .. | .. | .. | .. | .. |
| Hyderabad | .. | .. | .. | .. | .. | .. |
| Kanpur | .. | .. | .. | .. | .. | .. |
| Madras | .. | .. | .. | .. | .... | .. |

| Unit | Retail | | | | | |
|---|---|---|---|---|---|---|
| | 800 gms. | | 400 gms. | | 200 gms. | |
| | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 w.e.f.) 1-12-71) |
| Ahmedabad | 135 | 135 | 72 | 72 | 38 | 38 |
| Bangalore | 144 | 140 | 72 | 70 | 40 | 38 |
| Bombay | 130 | 130 | 70 | 70 | 38 | 40 |
| Calcutta | 135 | 135 | 69 | 69 | 35 | 35 |
| Cochin | 150 | 150 | 78 | 78 | 42 | 42 |
| Delhi | 135 | 135 | 70 | 70 | 38 | 38 |
| Hyderabad | 145 | 145 | 75 | 75 | 40 | 40 |
| Kanpur | 145 | 145 | 75 | 75 | 40 | 40 |
| Madras | 150 | 150 | 78 | 78 | 42 | 42 |

B. *Special Varieties*

| Units | Fruit | | Milk | | Sweet | | Masala | | Brown | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 200 gms. | | 200 gms. | | 200 gms. | | 200 gms. | | 200 gms. | | 400 gms. | |
| | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) | As on 31-3-71 | As on 31-3-72 (w.e.f. 1-12-71) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| *Ahmedabad* | | | | | | | | | | | | |
| Ex-factory | 62 | 62 | 45 | 45 | 43 | 43 | 37 | 37 | 31 | 31 | | |
| Wholesale | 65 | 65 | 48 | 48 | 45 | 45 | 39 | 39 | 33 | 33 | | .. |
| Retail . | 70 | 70 | 52 | 52 | 48 | 48 | 42 | 42 | 36 | 38 | | 72 |
| *Bangalore* | | | | | | | | | | | | |
| Ex-Factory | 63 | 63 | 44 | 44 | 46 | 46 | | 39 | | .. | | .. |
| Retail . | 70 | 70 | 50 | 50 | 52 | 52 | | 42 | | 40 | | 72 |
| *Bombay* | | | | | | | | | | | | |
| Ex-factory | 62 | 62 | 44 | 44 | 44 | 44 | 37 | 37 | 31 | 31 | 57 | 57 |
| Wholesale | 65 | 65 | 47 | 47 | 47 | 47 | 39 | 39 | 33 | 33 | 60 | 60 |
| Retail . | 70 | 70 | 52 | 52 | 52 | 52 | 42 | 42 | 38 | 38 | 65 | 70 |
| *Calcutta* | | | | | | | | | | | | |
| Retail . | .. | .. | .. | .. | .. | .. | .. | .. | .. | 36 | .. | 69 |

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| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *Cochin* | | | | | | | | | | | | |
| Ex-factory | 60 | .. | 44 | .. | 44 | .. | 36 | .. | 31 | .. | .. | .. |
| Wholesale | 63 | 64 | 47 | 47 | 47 | 47 | 38 | 40 | 33 | 33 | .. | .. |
| Retail . | 70 | 70 | 52 | 52 | 52 | 52 | 42 | 42 | 36 | 42 | | 78 |
| *Delhi* | | | | | | | | | | | | |
| Ex-factory | 63 | 63 | 45 | 45 | 45 | 45 | 37 | 37 | 31 | 31 | 58 | 58 |
| Retail . | 70 | 70 | 52 | 52 | 52 | 52 | 42 | 42 | 36 | 38 | 65 | 70 |
| *Hyderabad* | | | | | | | | | | | | |
| Ex-factory | 63 | 63 | .. | | .. | | 38 | 38 | | .. | .. | .. |
| Retail . | 70 | 70 | — | .. | | | 42 | 42 | | 40 | | 75 |
| *Ranpur* | | | | | | | | | | | | |
| Ex-factory | 63 | 63 | .. | .. | | | | | | .. | .. | .. |
| Retail . | 70 | 70 | : | | | | | | | 40 | .. | 75 |
| *Madras* | | | | | | | | | | | | |
| Ex-factory | 62 | 62 | 46 | 46 | 46 | 46 | 38 | 38 | 32 | 32 | .. | .. |
| Retail . | 70 | 70 | 52 | 52 | 52 | 52 | 42 | 42 | 36 | 42 | .. | 78 |

# APPENDIX VI

(*Referred* to in para 7·29)

*Statement showing cost as anticipation in the detailed project report as estimated by the Company and as obtained in actual operation*

| Receipts | As per D.P.R. Australian As per R.E. | Canadian 1970-71 | 1971-72 Dec.1967) | Ahmedabad 1972-73 | | | (For Australian Units) 1970-71 | Bombay 1972-71 | 1972-73 |
|---|---|---|---|---|---|---|---|---|---|
| 1. Net sale price per Standard loaf | 44·25 | 45·00 | 51·80 | 69·52 | 62·4 | 72·7 | 63·11 | 58·37 | 60·22 |
| 2. Expenditure (*i*) Direct material | | | | | | | | | |
| (*a*) Raw materials | 25·69 | 26·43 | 34·19 | 44·86 | 38·4 | 44·8 | 43·40 | 39·50 | 41·84 |
| (*b*) Wrapping charges | 6·00 | 6·16 | | | | | | | |
| (*ii*) Manufacturing Over heads (including depreciation and maintenance) | | | | | | | | | |
| (*a*) Direct labour | 6·51 | 6·31 | 8·41 | 2·29 | 2·1 | 2·00 | 2·13 | 2·01 | 2·29 |
| (*b*) Factory overheads | | | | 9·03 | 14·0 | 8·00 | 6·84 | 6·68 | 7·80 |
| (*iii*) Distribution overhead | 1·26 | 1·72 | 2·27 | 10·07 | 10·0 | 10·5 | 4·41 | 3·85 | 3·85 |
| (*iv*) Administrative overheads : | | | | | | | | | |
| (*a*) General overheads | 2·08 | 0·97 | 3·79 | 6·30 | 4·4 | 5·1 | 4·06 | 2·88 | 3·00 |
| (*b*) Interest on loan capital | 0·58 | 0·48 | | | | | | | |
| Total | 42·12 | 42·07 | 48·66 | 72·5 5 | 68·9 | 70·4 | 60·84 | 54·92 | 58·78 |
| 3. Net Profit (1—2) | 2·13 | 2·93 | 3·14 | —3·03 | (—)6·5 | 2·3 | +2·27 | 3·45 | 1·44 |

Data for 1971-72 and 1972-73 not vetted in Audit.

| Receipts | For Australian Units | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Calcutta | | | Cochin | | | Delhi | | |
| | 1970-71 | 1971-72 | 1972-73 | 1970-71 | 1971-72 | 1972-73 | 1970-71 | 1971-72 | 1972-73 |
| 1. Net sale price per Standard loaf | 62·12 | 54·81 | 59·56 | 77·50 | 76·00 | 82·00 | 62·52 | 66·10 | 77·47 |
| 2. Expenditure | | | | | | | | | |
| (i) Direct material | | | | | | | | | |
| (a) Raw materials | 44·43 | 31·45 | 33·72 | 48·36 | 50·93 | 52·12 | 41·93 | 44·54 | 45·55 |
| (b) Wrapping charges | | | | | | | | | |
| (ii) Manufacturing Overheads (including depreciation and maintenance) | | | | | | | | | |
| (a) Direct labour | 1·92 | 2·65 | 3·03 | 1·89 | 1·60 | 1·45 | 1·71 | 2·11 | 1·99 |
| (b) Factory overheads | 8·71 | 6·33 | 6·74 | 6·79 | 6·04 | 7·54 | 5·92 | 6·81 | 8·48 |
| (iii) Distribution overheads | 6·67 | 5·61 | 4·45 | 7·36 | 7·03 | 10·55 | 7·49 | 6·36 | 7·08 |
| (iv) Administrative Overheads | | | | | | | | | |
| (a) General overheads | 7·54 | 3·92 | 3·67 | 3·86 | 3·25 | 3·62 | 3·57 | 3·54 | 4·11 |
| (b) Interest on loan capital | | | | | | | | | |
| Total | 69·27 | 49·96 | 51·61 | 68·26 | 68·85 | 75·18 | 60·62 | 63·36 | 67·21 |
| Net Profit 1—2) | —7·15 | 4·85 | 7·95 | +9·24 | 7·15 | 6·82 | +1·90 | 2·74 | 10·26 |

Data for 1971-72 and 1972-73 not vetted in Audit

| Receipts | For Australian Units Madras | | | Bangalore | | | For Canadian Units Hyderabad | | | Kanpur | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1970-71 | 1971-72 | 1972-73 | 1970-71 | 1971-72 | 1972-73 | 1970-71 | 9171-72 | 1972-73 | 1970-71 | 1971-72 | 1972-73 |
| 1. Net sale price per Standard load | 76·39 | 83·79 | 72·47 | 64·12 | 65·09 | 67·32 | 74·39 | 75·86 | 76·81 | 69·81 | 73·66 | 79·00 |
| 2. Expenditure | | | | | | | | | | | | |
| (i) Direct material | | | | | | | | | | | | |
| (a) Raw materials . | 44·29 | 43·34 | 49·19 | 44·67 | 43·66 | 43·76 | 48·65 | 48·49 | 49·22 | 43·44 | 41·11 | 41·00 |
| (b) Wrapping charges . | | | | | | | | | | | | |
| (ii) Manufacturing Overheads (including depreciation and maintenance) | | | | | | | | | | | | |
| (a) Direct labour . | 2·07 | 1·52 | 1·22 | 1·79 | 2·84 | 1·57 | 1·76 | 1.98 | 1·71 | 1·65 | 1·75 | 4·00 |
| (b) Factory overheads . | 11·71 | 7·30 | 6·57 | 10·25 | 8·66 | 7·14 | 9·24 | 8·96 | 7·98 | 7.90 | 5·94 | 9·00 |
| (iii) Distribution overheads . | 8·16 | 7·16 | 4·52 | 9·96 | 6·36 | 7·97 | 7·77 | 9·38 | 8·37 | 7·90 | 8·68 | 13·00 |
| (iv) Administrative overheads | 9·59 | 3·95 | 2·72 | 8·31 | 5·01 | 3·16 | 6·00 | 5·01 | 3·58 | 4·01 | 3·10 | 4·00 |
| (a) General overheads | | | | | | | | | | | | |
| (b) Interest on loan capital | | | | | | | | | | | | |
| Total . | 75·82 | 63·27 | 64.22 | 74·98 | 66·53 | 63·60 | 73·42 | 73·82 | 70·86 | 64·90 | 60·58 | 71·00 |
| Net Profit (1—2) . | +0·57 | 20·52 | 8·25 | —10·86 | (—)1·44 | 3·72 | +0·97 | 2·04 | 5·95 | +4·91 | 13·08 | 8·00 |

Data for 1971-72 and 1972-73 not vetted in Audit.

## APPENDIX VII

(*Referred* to para 7·40)

*Statement showing outstanding sale proceeds as on* 30·6.73

(Amount in lakhs of Rs.)

| | Government Departments | Private Parties | TOTAL |
|---|---|---|---|
| (*a*) More than one Year old but | 3·14 | 0·92 | 4·16 |
| (*b*) More than 6 months but less than one year | 8·03 | 0·42 | 8·45 |
| (*c*) More than 3 Months but less than 6 months | 19·23 | 0·30 | 19·53 |
| (*d*) More than 1 month but less than 3 months | 41·89 | 0·54 | 42·35 |
| (*e*) Less than 1 month | 46·84 | 2·61 | 49·45 |
| | 119·13 | 4·79 | 123·92 |

*Statewise*

| | |
|---|---|
| Ahmedabad | 7·41 |
| Bangalore | 17·03 |
| Bombay | 8·07 |
| Calcutta | 10·82 |
| Cochin | 16·21 |
| Delhi | 19·89 |
| Hyderabad | 10·82 |
| Kanpur | 16·79 |
| Madras | 16·88 |
| TOTAL: Rs. | 123·92 |

## APPENDIX VIII

*Summary of Conclusions Recommendations*

| S. No. | Reference to Para No. in the Report | Summary of Conclsions/ Recommendations |
|---|---|---|
| 1 | 2 | |
| 1. | 1.19 | The Committee note that the main object of the Undertaking is to manufacture wholesome and nutritious bread and other bakery products under hygienic conditions for supplying to general public, institutions and Government sponsored programmes at reasonable prices and thus be of assistance in improving the dietary standards of people and popularise the distribution of convenience foods. They find that the Undertaking had marketed 1055.76 lakhs of standard loaves during 1972-73 out of which sales under the Social Welfare Programme accounted for 529.68 lakhs of standard loaves, *i.e.* 50.17 per cent of the total sales, which according to the Ministry go to the urban slum areas and the tribal areas. The Committee are not sure as to how far the bread sold by the Undertaking is actually available to the weaker sections of the Society living in Jhuggi Jhompri industrial and other areas. They recommend that the Undertaking should examine the feasibility of producing cheaper type of bread/buns in suitable smaller size and to ensure adequate arrangements for its distribution so as to be within the easy reach of the weaker sections of the society. |
| 2. | 1.20 | The Committee find that the Board of Directors had revised the list of objectives and obligations on 5th September, 1973 but Government have not yet given their decision on the revised objectives. The Committee desire that Government should finalise this matter soon. |

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| 3. | 2.15 | The Committee note that one of the reasons for the revision of the estimates for setting up of 9 bakery units from Rs. 241.20 lakhs to Rs. 370.03 lakhs was non-provision of ancillary equipment and services, customs duty, pre-operative expenditure, etc. in the Detailed Project Report. The Committee regret to point out that in spite of their repeated observations that the original estimates should be prepared by Undertaking and approved by Government after taking into account all known factors, these estimates had not included even provision of ancillary equipment and services, customs duty, pre-operative expenditure etc. in the Detailed Project Report with the result that true picture of the cost likely to be incurred on the project was not available. |
| 4. | 2.16 | The Committee also find that there was an additional expenditure to the extent of Rs. 4.32 lakhs because of the training and posting of some of the officers much ahead (13 to 40 months) of the date of commissioning of the plants. The Committee recommend that there should be proper planning and strict control should be maintained over expenditure to ensure that there was no wastage or avoidable expenditure on the setting up of the various units. |
| 5. | 2.17 | The Committee are also surprised to find that although the revised estimates were approved by the Board of Directors in December, 1967 these have not been approved by Government even after lapse of six years. The Committee take a serious view that the Undertaking incurred additional expenditure on these units to the extent of 68 per cent of the original estimates amounting to Rs. 164.78 lakhs although any variation of 10 per cent or above the approved estimates for any particular component part required prior approval of Government. |

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| 6. | 2.18 | The Committee note that in the case of Calcutta Unit the Undertaking incurred expenditure on the setting up of double line without specific approval of Government as required under the Articles of Association. The Committee recommend that the reasons for incurring such large unauthorised expenditure by the Undertaking without approval of Government should be looked into and responsibility fixed. |
| 7. | 2.19 | The Committee would also like in this connection to draw the attention of Government to paras 1.7 and 1.9 of the Fiftieth Report of the Public Accounts Committee (Fourth Lok Sabha) on New Services and New Instrument of Service and stress that effective action should be taken by the Government to implement the recommendations and take prior approval of Parliament in case of substantial revision. The recommendation was reiterated by this Committee in para 2.20 of their 39th Report (1972-73) on Pyrites, Phosphates and Chemicals Ltd. The Committee also expect that while examining the question of according approval to revised estimates. Government would seriously consider its effects on the economics of the Projects. The Committee feel that where the economics of the projects are adversely affected as a result of revised estimate of capital expenditure. the matter should be specifically brought to the notice of Parliament without delay. |
| 8. | 2.28 | The Committee regret to note that there has been delay in the construction and commissioning of the nine bakery units set up by the Undertaking ranging from 5 to 33 months as compared to the anticipated dates of commissioning. They are surprised to find that in respect of the majority of units. target dates of completion of erection of machinery had not been laid down to watch the progress in the erection of machinery and commissioning of the plants. It was admitted during evidence that there was no schedule and planning in depth. The Secretary of the Ministry stated that the Undertaking had been asked to fix |

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| | | precise schedules and targets and to adopt modern methods to watch the progress of construction, erection, commissioning etc. The Committee desire that for the units to be set up by the Undertaking in the Fifth Five Year Plan, detailed schedules for construction, erection and commissioning should be prepared keeping in view the past experience. There should be effective supervision and check at all levels to see that these schedules are adhered to. There should be close liaison between the Management and Government so that assistance and guidance are readily available to resolve any difficulties and hurdles which may come up in the way of adherence to targeted schedule The Committee would like to be informed of concrete measures which have been taken or are now proposed to be taken by the Undertaking/Government to achieve the above objective. |
| 9. | 2.34 | The Committee are surprised to find that in spite of the fact that Belgachia site was known to be soft and low and water logged during the monsoon season, it was selected by the Board of Directors on the technical advice of the Catering Adviser to the Government of India and an expenditure to the extent of a lakh of Rupees had to be incurred on the site which ultimately proved to be infructuous. The Committee wish to record their unhappiness at the hasty decision with which the Belgachia site was selected and later abandoned. |
| 10. | 2.53 | The Committee find that the Undertaking had formulated a detailed plan in 1971 for the expansion, setting up of units and diversification of its product lines over a seven-year period from 1972-73 to 1978-79 including the setting up of three medium size bakery units to be located at Chandigarh, Ranchi and Jammu and Kashmir and the approval of Government for these plants was accorded in principle in September, 1972. However, no financial sanction has been issued so far. The main reason for the |

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| | | delay is stated to be that the earlier proposal to set up medium size units has been changed for setting up standard size plants at Chandigarh and Ranchi in view of detailed market surveys carried out at these places. In respect of Jammu and Kashmir the matter is still stated to be under the consideration of the State Government. <br><br> The Committee view with concern the lack of advance planning and a detailed market survey in the centres proposed for location of these plants before a decision was taken to set up medium size plants at these centres. The Committee feel that a detailed market survey at Chandigarh and Ranchi could have enabled the Undertaking to have gone in for standard size plants even at the first instance thereby obviating the delay in the setting up of these units at these places. The Committee are surprised that even after a lapse of two years, a firm decision has not been taken as to the type of plant to be put up in Jammu and Kashmir. The Committee need hardly stress that any delay in setting up of the plants would only accentuate the already existing shortage of the much needed bread in the country and making the availability of bread at reasonable prices more difficult. |
| 11. | 2.54 | The Committee also take a serious view of the Undertaking incurring expenditure on the plants to be set up at Chandigarh and Ranchi without a proper financial sanction of Government. The Committee fail to understand as to why Government should not have issued advance sanction for incurring expenditure upto certain monetary limit pending approval of detailed estimates. |
| 12. | 2.55 | The Committee also find that the Undertaking propose to set up a Biscuit Plant and a Yeast Plant in the Fifth Five Year Plan and feasibility studies in this regard have already been either initiated or completed. They desire that decision in regard to the setting up of these plants should be finished quickly. |

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| 13. | 2.56 | The Committee were also informed that during the Fifth Plan the Undertaking propose to set up six standard units and twelve medium size units. The Committee feel that the necessary investigations in regard to these projects should have been completed and well considered and detailed schemes prepared and decisions taken well before the commencement of the Fifth Plan to obviate the delay in the setting up of these plants. The Committee would urge that advance action should be taken about the precise location and acquisition of land for these units as acquisition of land has taken a lot of time in the past and delayed the completion of the projects. |
| 14. | 3.10 | The Committee note that the rated capacity of 35,000 standard loaves per day of 24 hours on multiple shift basis mentioned in the Project Report was reduced to 30,000 standard loaves per day on two shift basis in September, 1968 on the ground that the third shift would not be theoretically possible in a single line bakery in view of the time required for maintenance and the rated capacity of each plant was fixed on the basis of 300 working days per annum on two shift basis. The Committee also note that as against 300 working days assumed in the calculation of rated capacity, the plants practically worked for 357 days in a year. The Committee do not find any justification for working out the rated capacity on the basis of two shifts for 300 working days. The Committee regret that the reduced capacities fixed in September, 1968 were not reviewed till November, 1972, *i.e.* after a lapse of four years and had been provisionally revised only then. The revised rated capacities have however, not been finalised so far. It was admitted by the Ministry that it was possible to work a unit for a part of the third shift after providing some time for cleaning and maintenance. The Committee recommend that the rated capacity of each bakery unit should be critically examined and fixed after taking into account all the relevant factors and the imperative |

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| | | need to maximise production in the interest of meeting the pressing requirements of public in these days of shortages. The Committee also deprecate the manner in which the rated capacity of the bakery plants was reduced. The Committee need hardly point out that the Management should continuously review the actual production against the capacity/targtes fixed on scientific basis. The Management should also review at least once a year the whole question of capacity with a view to improving the production. The Committee would like to be informed at an early date of the precise action taken in pursuance of these recommendations. |
| 15. | 3.21 | The Committee find that although the Project Report envisaged the operation of each of the bakeries at its full rated capacity from the commencement of production, the rated capacity had not so far been attained at Ahmedabad, Bombay and Calcutta even after 5 years of continuous production at Ahmedabad and Bombay and three years at Calcutta.<br><br>The Committee also find that even the targets of production which have been fixed by the undertaking at less than the rated capacity have not been achieved in any year at Ahmedabad unit and except for 1971-72 in the Calcutta unit. The Committee were informed that the main reason for the poor performance of Ahmedabad, Bombay and Calcutta Units was lack of market demand besides frequent changes in the incumbency of the Chief Manager at the Ahmedabad Unit. The Committee fail to understand as to how non-achievement of targets of production could be due to lack of market demand specially when there has been wide spread scarcity of bread in the market. The Committee recommend that a careful analysis as to the causes of non-attainment of the rated capacity in each of the units of Ahmedabad, Bombay and Calcutta should be made and suitable remedial measures taken to improve the performance of these units. |

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| 16. | 3.22 | The Committee also recommend that frequent changes at the top level should be avoided in the interest of smooth working of the plants. |
| 17. | 3.40 | While the Committee note that the percentage of norm of defective production has been reduced from 1 to 0.5 the Committee find that the percentage of defective production continues to be higher than the norm in several units of the Undertaking. The Committee recommend that the system introduced in the Head Office in 1972-73 for an analytical study of the defective production of bread at various units should be made more effective and the results of such analytical study fed back to the respective units in order to take effective remedial measures to minimise the defective production so as not to exceed, in any case, the norm fixed therefor. |
| 18. | 3.41 | The Committee were informed that while defective bread was utilised for cattle feeding and some percentage of it was also destroyed, it was also sold to the workers of the Undertaking at reduced rates. The Committee need hardly stress that a careful watch should be kept to see that no manipulations take place in declaring any part of the production as defective. |
| 19. | 3.42 | The Committee are concerned to note that one of the reasons for defective production is lack of supply of satisfactory quality of flour by F.C.I.—a public undertaking. The Committee see no reason why it should not be possible to take effective measures to see that FCI supply the Modern Bakeries with satisfactory quality of flour in public interest. |
| 20. | 3.43 | The Committee also find that in the case of Bangalore, Bombay and Kanpur units, the percentage of return of stale and mouldy bread was more than 1 per cent during 1972-73 as compared to the norm |

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| | | of 0.5 per cent fixed by the Management with effect from 2nd December, 1972. The Committee view with concern the high percentage of return of such bread in these units. The Committee recommend that the Undertaking should take effective measures to tighten up its inspection machinery to ensure that stale and mouldy bread is not put in the market. The Committee would also like that the Undertaking should immediately conduct a review of the return of stale bread *vis-a-vis* the supplies made to the various centres from these units so as to localise the areas from which there is high return of stale bread and take suitable remedial measures to regulate the supplies to such areas. |
| 21. | 3.54 | The Committee are of the opinion that a detailed demand survey for Buns, Rolls etc. should have been conducted before obtaining the machines for manufacture of these products, as gift from the Government of Italy. Having obtained the machinery for making Buns, Rolls etc. the Committee would like these to be pressed into service at the earliest. Consumer preference particularly of the weaker sections of society should be tested. The Committee would like the Undertaking to develop the capacity for buns, rolls etc. if these meet more effectively the requirements of weaker sections of society. |
| 22. | 3.67 | The Committee feel that the Undertaking should have made use of the critical shortage of butter in the market during the last several months to push up the sale of Peanut Butter which is stated to be nutritious and cheaper. The Committee would like the Undertaking to locate suitable sale points and assure availability of peanut butter on regular basis. The Committee would like the Undertaking to critically examine the pricing aspect and take suitable measures to bring down the cost of production to make this Plant economically viable and to ensure availability of butter at reasonable prices. |

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| 23. | 3.68 | The Committee also recommend that Government/Undertaking should explore the possibility of setting up a peanut butter plant on a pilot basis in a State where there is large scale production and usage of peanut as food. |
| 24. | 4.10 | From the data made available to the Committee, they find that during 1971-72 market participation of the Undertaking was 17.32 per cent of all India consumption of bread though the participation ranged from 16.52 to 78.39 per cent in five major centres where the Modern Bakeries have their units. The Committee also note that the Undertaking has expansion programmes to increase production from 112 million standard loaves at the end of 4th Five Year Plan to 282 million standard loaves by the end of the Fifth Five Year Plan. The Committee feel that if the objective of the Undertaking to introduce and popularise enriched and fortified bread for raising the level of nutrition in the country is to be achieved in a greater measure the market participation of the Undertaking must also grow progressively consistent with the demand. |
| 25. | 4.16 | The Committee note that the sales turn-over of the Undertaking increased from 577.12 lakhs of standard loaves in the year 1970-71 to 1055.76 lakhs in the year 1972-73 representing an increase of more than 82 per cent. Out of this, while the commercial sales showed a marginal rise from 514.56 lakhs in the year 1970-71 to 526.08 lakhs in the year 1972-73, representing an increase of 2 per cent, the sales under the social welfare programmes showed a marked increase, a rise from 62.56 lakhs in 1970-71 to 529.68 lakhs in 1972-73, representing an increase of 746 per cent. The Committee were informed during evidence that a larger proportion of production was meant for the special nutrition programme and whatever remaining capacity was available, was utilised for commercial sales. While the |

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| | | Committee appreciate the sale performance of the Undertaking under the special nutrition programme, they see no reason why suitable promotional efforts should not be made to step up the commercial sales as well especially when there are proposals for increasing the production during the 5th Plan. |
| 26. | 5.8 | The Committee find that the Modern Bakeries are using 70 per cent imported wheat and 30 per cent indigenous for the manufacture of bread. The Committee were also informed that if the Undertaking could get good quality of indigenous wheat such as Kalyan, Sonalika, Sharbati, PV-18, etc. they would not require any foreign wheat for the manufacture of bread. The Committee feel that in addition to the steps already taken to procure the special varieties of wheat through the Food Corporation of India, the Undertaking should explore the possibilities of procuring these special varieties of wheat from the State Farms Corporation of India so that in the years to come dependence on imported wheat for the manufacture of bread is reduced, if not altogether eliminated. |
| 27. | 5.26 | The Committee find that the standard formulations for bread had been fixed by the Undertaking on the basis of the advice of the Australian Bakery Technologist and these also conformed to I.S.I. Specifications. However, these formulations had been modified from time to time with reference to actual consumption pattern and other factors like local taste, price structure etc. The Committee also find that there were variations in use of raw materials from the standard formulations. The Committee were informed that the variations from the standard formulations were made only in respect of sugar, oil, etc. There was no change in the quality of bread so far as its nutritional value was concerned. The Ministry had however, decided to appoint an Expert Committee to examine this aspect in detail. |

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| | | The Committee hope that the use of raw materials and formulations would be reviewed and standardised in the light of the recommendations of the Expert Committee so as to optimise yield and reduce the cost keeping the nutritional value of the bread unaffected. The standard formulations so fixed should not be allowed to be changed without prior approval of the Board of Management in case it affects adversely in any way the nutritional value of the bread. |
| 28. | 5.30 | The Committee regret to note that though the Undertaking was set-up as far back as on 1st October, 1965, the Undertaking has not been able to fix the maximum and minimum limits and ordering levels for stores and spares at the various units. It is only now that the Management has entrusted the study of the inventory control measures to the Institute of Secretariat Training and Management (Department of Personnel). The Committee urge that the Undertaking should reorganise soon its stores organisation in the light of the recommendations of the Institute. |
| 29. | 6.6 | The Committee note that the Undertaking has at present a part-time Chairman and a full-time Managing Director. They, however, find that according to the instructions issued by the Ministry of Finance (Bureau of Public Enterprises), a typical structure of a Board for a smaller enterprise could be a Chairman-*cum*-Managing Director with one and possibly even two senior officers of the Undertaking itself as functional directors together with some part-time Directors. The Committee desire that the Government should review the matter and consider the feasibility of appointing a Chairman-*cum*-Managing Director for the Undertaking instead of having both a part-time Chairman and a full-time Managing Director. |

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| 30. | 7.26 | The Committee note that though the profit of the Undertaking was Rs. 62.45 lakhs during 1972-73 as against the profit of Rs. 52.91 lakhs during 1971-72, the increase in profit was only on account of the supplies under Social Welfare Programme. While the Committee appreciate that the Undertaking has been maintaining the price line of bread in spite of increase in price of raw materials etc., the Committee feel that the Undertaking should not develop a sense of complacency by the overall increase in profits which are mainly on account of supplies under Social Welfare Programme. As stated by the Secretary of the Department during evidence, the Undertaking should take all steps to improve their efficiency and productivity to ensure a more reasonable price level and achieve greater profitability without having to increase the price. |
| 31. | 7.27 | The Committee find that in spite of the overall increase in profit, there was decline in profit during 1972-73 in the case of the Units at Bombay, Madras and Kanpur as compared to 1971-72. The Committee were informed that this decline in profit was due to the inferior quality of flour resulting in high waste and lower yield and also high cost of raw materials. The Committee would like Government/Food Corporation of India to ensure that flour of requisite quality is consistently and in time made available to Modern Bakeries in the interest of sustaining supply of good quality bread to the public and obviating losses on defective or substandard production. The Committee would like the Modern Bakeries also to take effective measures to see that inferior quality of flour which would result in defective production is not accepted. |
| 32. | 7.28 | The Committee are not able to appreciate the Undertaking charging a higher margin of profit for bread supplied under the social welfare programme. |

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| | | The Committee while welcoming the recent reduction in the price of bread supplied under the social welfare programme, recommend that the margin of profit should be continuously reviewed so as not to burden unduly this programme for social welfare. |
| 33. | 7.32 | The Committee note that all the elements of expenditure e.g. direct materials, manufacturing overheads and administrative overheads not only exceeded the anticipations made in the Detailed Project Report, but also by and large the estimates framed by the Management. Even amongst the various units *inter se*, there have been wide variations in respect of expenditure against individual elements of cost. The Committee recommend that the reasons for such variations should be gone into and economies effected with a view to ensuring reduction in cost and sustaining a reasonable sale price. |
| 34. | 7.36 | The Committee recommend that the Undertaking should arrange to get the standard costs fixed early and maintain proper records to indicate the idle labour so that a scientific analysis of the causes of variance in costs by labour, materials and overheads may be possible to enable the Undertaking to take suitable remedial measures in time to obtain the maximum utilisation of labour and machinery, effect economies in use of materials and reduce the cost of production. |
| 35. | 7.42 | The Committee regret to note the heavy amount outstanding against Sundry Debtors of the Undertaking. The amount outstanding from the State Governments against Social Welfare Programmes is as large as Rs. 95.15 lakhs upto Sept. 1973. The Committee feel perturbed to find that in the case of Delhi State alone, a sum of Rs. 19.58 lakhs was outstanding as on 28-2-1973. This hardly testifies to the alterness and efficiency of the Undertaking in realising its dues. The Committee also see no justification for such heavy outstandings against the Government Departments. The outstandings result in |

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| | | locking up of funds, loss of interest and affect the liquidity position of the Undertaking. The Committee, therefore, recommend that the present procedure for billing and collection of outstandings should be reviewed and streamlined to ensure prompt realisation of all the dues and to have an effective control over them. The Committee trust that efforts will be speeded up in this respect and a better picture will emerge as a result thereof. |
| 36. | 7.48 | There is no denying the fact that internal audit in a modern commercial undertaking plays a very important role. Besides discovering irregularities, if any, concurrently it has the added advantage of bringing in advance to the notice of the management the weak areas and help them to streamline financial procedures, cutting out waste etc. The Committee would, therefore, stress that the Undertaking should give due importance to the role of the Internal Audit in the organisation and evolve a procedure for submission of internal audit reports to the Board of Directors at regular intervals which should include a critical review of the system, procedures and the operations as a whole with a view to effect economies and improve efficiency in production. |
| 37. | 8.8 | The Committee note that at Bombay Port, customs duty on the bakery equipment imported from Australia was paid at the rate of 27 per cent, whereas at Madras Port for similar equipment imported for the Madras Unit of the Undertaking, customs duty at 27-1/2 per cent to 100 per cent of the value of equipment was paid which had resulted in excess payment amounting to Rs. 1,01,273. The Committee are surprised to find that there has been a difference in the rate of customs duty at 27-1/2 per cent to 100 per cent at Madras Port and 27 per cent at Bombay for the similar type of equipment. The Committee feel that had the correctness of the rate of customs duty been verified at the time of making |

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| | | payment, this situation would not have arisen. The Committee hope that the Undertaking/Ministry would draw a lesson from this experience and take suitable measures to verify the correctness of the rates of customs duty at the time of payment to obviate recurrence of such cases. |
| 38. | 8.19 | The Committee find that although the average maximum power load required in the Kanpur Unit of the Undertaking during 1969-70 and 1970-71 was of the order of 74.5 KVA and 105.2 KVA respectively, which was subsequently reassessed at 120 KVA power load or 150-175 KVA connected load, the power load applied and sanctioned for the unit i.e. 350 KVA (subsequently reduced to 200 KVA) was evidently much in excess of the actual demand and even more than the required connected load. The Committee regret to note that the agreement with the State Electricity Board had not taken into account the realistic requirement of the power load with the result that the Kanpur Unit had to incur an extra expenditure of Rs. 19,000 upto November, 1971 towards payment to the State Electricity Board. The Committee suggest that the Undertaking/Ministry should take immediate steps to work out the maximum requirements of power load on a realistic basis in the light of the experience of actual working of the plants and review the agreement with the State Electricity Board accordingly. |
| 39. | 8.26 | The Committee note that the Undertaking had decided to purchase bakery plants from a private firm in Bombay after invitation of open tenders and has also started a dialogue with HMT, a Government of India Undertaking for the manufacture of automatic slicing and wrapping machines. The Committee consider that the Undertaking/Government should explore in depth the possibility of getting the bakery plants, for which there are growing |

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| | | requirements, fabricated through public sector undertakings like Hindustan Machine Tools, Heavy Engineering Corporation etc., where large unutilised capacity is available. |
| 40. | 8.27 | Every effort should also be made to meet the requirements of spares and other parts for existing plants from indigenous sources so as to attain self reliance at the earliest and obviate outgo of foreign exchange. |

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