

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1980-81)**

(SEVENTH LOK SABHA)

TENTH REPORT

Action taken by Government on the recommendations contained in the Twenty-eighth Report of the Committee on Public Undertakings (Sixth Lok Sabha)

ON

PUBLIC UNDERTAKINGS—DELAYS IN COMMENCEMENT OF PRODUCTION BUSINESS, UNDER UTILISATION OF CAPACITY AND RELATED MATTERS

MINISTRY OF FINANCE

(Bureau of Public Enterprises)

*Presented to Lok Sabha and
Laid in Rajya Sabha on*



**LOK SABHA SECRETARIAT
NEW DELHI**

February, 1981/Phalguna, 1902 (Saka)

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CORRIGENDA TO TENTH REPORT OF COMMITTEE
ON PUBLIC UNDERTAKINGS. (SEVENTH LOK SABHA)

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
3	1 from below	analogues	analogus
4	15 from below	facts	facets
6	3 from below	Nb. 11 (viii)	Nb. 11 (vii)
24	5	Nb. 11 (viii)	Nb. 11 (i)
25	4	Nb. 11 (vii)	Nb. 11 (viii)
26	4 from below (Column 3)	Nagal	Nangal

CONTENTS

	PAGES
COMPOSITION OF THE COMMITTEE	(iii)
COMPOSITION OF SUB-COMMITTEE ON ACTION TAKEN	(v)
INTRODUCTION	(vii)
CHAPTER I Report	1—7
CHAPTER II Recommendations that have been accepted by Government.	8—22
CHAPTER III Recommendations which the Committee do not desire to pursue in view of Government's replies	23
CHAPTER IV Recommendations in respect of which replies of Government have not been accepted by the Committee	24
CHAPTER V Recommendations in respect of which final replies of Government are still awaited	25
APPENDICES	
I Statement indicating the measures taken by the enterprises for improving their capacity utilisation.	26
II Steps taken by the enterprises to remove the system deficiencies, pointed out by Audit.	43
III Analysis of action taken by Government on the recommendations contained in Twenty-eighth Report of the Committee on Public Undertakings (Sixth Lok Sabha).	50

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(1980-81)**

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(1980-81)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 10th Report on Action Taken by Government on the recommendations contained in the 28th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Public Undertakings—Delays in Commencement of Production/Business, Under-utilisation of Capacity and related matters.

2. The 28th Report of the Committee on Public Undertakings was presented to Lok Sabha on 9 April, 1979. Replies of Government to all the recommendations were received on 24 December, 1980. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 23 February, 1981. The Report was finally adopted by the Committee on Public Undertakings on 26 February 1981.

3. Analysis of Action Taken by Government on recommendations contained in the 28th Report of Committee is given at Appendix-III.

NEW DELHI;

February 28, 1981

Phalguna 9, 1902 (Saka)

BANSI LAL

Chairman,

Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Twenty Eighth Report (Sixth Lok Sabha) of the Committee on Public Undertakings on 'Public Undertakings—delays in commencement of Production/business, under-utilisation of capacity and related matters'.

2. In paragraphs 4.8 and 4.14 of the Twenty Eighth Report (Sixth Lok Sabha) (Sl. Nos. 6 and 10) the Committee had pointed out how it had become necessary to have more than one independent agency to examine the working of all enterprises and recommended that there should be a Parliamentary Committee on Public Undertakings for each group of enterprises organised in the manner indicated by them in order to facilitate better and more frequent examination of the undertakings.

The Government in their reply have felt that the recommendation should be appropriately a matter for consideration by the Speaker, Lok Sabha. In the circumstances the matter is not covered in this Report on action taken by Government and the reply to recommendations at S. Nos. 6 and 10 has not been categorised.

3. Action Taken notes have been received from Government in respect of all the other 16 recommendations contained in the Report. These have been categorised as follows:—

- (i) *Recommendations/observations that have been accepted by Government*

Serial Nos. 1, 2, 3, 4, 5, 7, 8, 11(ii—vii).

- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.*

Serial No. 9

- (iii) *Recommendations/observations in respect of which governments replies have not been accepted by the Committee.*

Serial No. 11(i).

- (iv) *Recommendations/observations in respect of which final replies of government are still awaited.*

Serial No. 11(viii).

..

4. The Committee will now deal with the action taken by Government on some of their recommendations.

A. Systems Deficiencies brought out in Audit Reports ..

Recommendation (Serial No. 5, Paragraph 4.7)

5. The Committee observed that there were several systems deficiencies brought out in the C & AG's Report (Commercial)—1977 Part II—Miscellaneous Topics of Interest. 11 companies mentioned in the Report suffered from combination of most of the deficiencies. The Committee wanted to know precisely the steps taken all these years to remove the deficiencies in these cases.

6. In their reply the Government have stated that the concerned enterprises have been consulted and it is noted from the replies given by them that a number of deficiencies pointed out by the C&AG have since been rectified by them. A statement showing the principal deficiencies and the steps taken by the concerned enterprises has also been furnished (Appendix II).

7. The Committee would suggest that the statement showing steps taken by the Public Undertakings to remove the systems deficiencies pointed out in the report of the C&AG may be got vetted by audit and further improvements, as may be necessary made in the light of the suggestions of audit. They also desire that the Boards of Public Undertakings should have a periodic examination of the system deficiencies which are pointed out by the C&AG for taking steps to remove the deficiencies. The Committee have elsewhere suggested that these deficiencies and the action taken by the public undertakings thereon should be considered in the performance Review Meetings held by the Ministries/Departments controlling the public undertakings.

B. Accurate Data on Public Undertakings

Recommendation (Sl. No. 8, Paragraph 4.12)

8. The Committee pointed out that the figures of profits/losses of public enterprises brought out by the Bureau of Public Enterprises in its annual report did not tally with those of audited accounts. The data regarding consumption of raw material, employment of Casual Workers and production were not invariably accurate.

9. In their reply the Government have stated that it was true that in certain cases there was variance between profit or loss

figures of certain companies as reported in BPE's Annual Reports and corresponding figures shown in the annual reports of such companies. The reasons for such variances were that to ensure submission of BPE's report alongwith budget documents to Parliament a time bound programme is required to be followed. As such BPE incorporates provisional figures in respect of those companies whose annual accounts could not be adopted before the report is sent to the press. Further, in the annual reports of some companies the net profit or loss are computed after appropriation to certain reserves—statutory or otherwise whereas in BPE's report such figures are shown before such appropriations.

10. The Annual Report of the Bureau of Public Enterprises contains figures of profit loss and data in respect of various aspects of the working of public undertakings both for the previous year as well as for the year under review. As explained by the BPE, it might not perhaps be possible for them to include the data for the year under review as per the audited accounts, invariably in the case of all undertakings. The Committee would, however, suggest that earliest opportunity should be taken to correct the provisional data wherever necessary and that the data for the previous year should invariably be given in the Annual Report as per audited accounts with a suitable footnote to indicate that these are revised data.

C. Reorganisation of Bureau of Public Enterprises

Recommendation (Serial No. 9, Paragraph 4.13)

11. The Committee had suggested that the public sector enterprises should be grouped, based on their characteristics and nature of business and for each group of enterprises there should be a set up to oversee the functioning from very close quarters. The BPE should also be reorganised as far as possible on the above lines.

12. In their reply the Government have stated that at present the Bureau was organised into six constituent divisions viz. (i) Administration and Coordination, (ii) Construction, (iii) Finance, (iv) I & R, (v) Management and (vi) Production. The Bureau had on its role specialists in the field of mechanical engineering, metallurgy, mining, materials management, chemical engineering, costing, finance and management etc. As organised at present the Bureau was able to undertake multidisciplinary scrutiny of performance of public sector enterprises and investment appraisal. As such reorganisation of the Bureau on the basis of groups of analogous enterprises is not considered necessary.

13. One of the important functions of the BPE is to coordinate the work relating to the examination of public undertakings by Parliamentary Committees. Thus, any reorganisation of the Bureau would naturally be dictated by the needs of accountability to Parliament of the public undertakings. The Committee note from the reply of the government that the present organisation of the BPE on functional basis makes for a multi-disciplinary scrutiny of performance of public sector enterprises and investment appraisal. The Committee's suggestion for a sectoral reorganisation of the Bureau was made in the context of their suggestions to have more than one Committee on Public Undertakings. As and when a change takes place in the Committee system, suitable reorganisation of the BPE would be necessary until then the status quo may be maintained.

D. White paper on Public Undertakings

Recommendation [Serial No. 11(i), Paragraph 4.15]

14. The Committee recommended that Government should bring out white paper critically appraising the functioning of the public undertakings and present it to Parliament within a period of six months indicating the programme separately for manufacturing and non-manufacturing enterprises. This should clearly set out the measures proposed to remove the deficiencies under a time bound programme.

15. In their reply the Government have stated that an appraisal of different facts of the performance of public sector enterprises alongwith sectoral analysis is presented annually to the Parliament by the Bureau of Public Enterprises. The Report, *inter alia*, covers (a) Investments and Returns, (b) Profitability, (c) Capacity Utilisation, (d) Generation of Internal Resources, (e) Management of Inventories and Working Capital, (f) Creation of Employment opportunities, (g) Plant Maintenance, (h) Development of Ancillary Industries, (i) Pricing Policies, (j) Management Development and (k) Training, etc. In view of this position, a separate White Paper on this subject is not considered necessary.

16. The Committee are unable to accept the reply furnished by the Government. Besides the Annual Report brought out by the Bureau of Public Enterprises, it is necessary to have a periodical stock-taking through white papers presented to Parliament on the lines of the practice in the U.K.

E. Monitoring and Appraisal

Recommendation [Serial No. 11(ii), Paragraph 4.15].

17. The Committee recommended that the Bureau of Public Enterprises should forthwith evolve an effective monitoring and appraisal system in respect of service enterprises, trading enterprises etc.

18. In their reply the Government have stated that the Bureau and the Administrative Ministries have developed Management Information System under which the public sector enterprises are required to furnish periodical (monthly, quarterly and annual) reports relating to production, sales, profits, etc., to the Administrative Ministries as well as the Planning Commission and the Bureau. Based on these reports, the performance of the enterprises is monitored and appraised by the administrative Ministries with special emphasis on the solution of problems faced by the companies. In addition, the Bureau submits quarterly reports to the Government indicating the performance in aggregate as well as individually, of public sector enterprises. In view of this position no further action seems to be called for.

19. The Committee would like to point out that the reports required to be furnished by the public enterprises under the integrated reporting system introduced in March 1975 had been designed to obtain information from production enterprises. These were not applicable in case of financial, trading, consultancy and other service oriented enterprises. The Committee have not been informed of steps taken by the BPE to evolve an effective monitoring and appraisal system in respect of such enterprises. They would, therefore reiterate that the Bureau should forthwith evolve effective monitoring and appraisal system in respect of undertakings other than production enterprises.

Recommendation [Serial No. 11(iv), Paragraph 4.15]

20. The Committee suggested that the performance appraisal reviews to be taken periodically should cover the deficiencies in the system of control as brought out in the reports of the C&AG.

21. In their reply the Government have stated that the performance appraisal by the Bureau is carried out much in advance of the submission of Reports by the Comptroller and Auditor General. However, efforts are made to cover the areas/deficiencies pointed out by the C&AG, at the time of preparation of subsequent appraisals by the Bureau.

22. The Committee suggest that the systems deficiencies pointed by the C&AG should not only be covered in the appraisals by the Bureau but should also be considered in the Performance Review Meetings held by the administrative Ministries/Departments in association with the representatives of the Bureau and the Planning Commission with a view to giving suitable guidelines to the undertakings to remove the deficiencies.

F. Annual Reports of the Bureau of Public Enterprises and the Ministries

Recommendation [Serial No. 11(vi), Paragraph 4.15]

23. The Committee recommended that any reviews either by the Bureau of Public Enterprises or by the Ministries as are published in their Annual Reports should clearly relate the achievements of public undertakings in different sectors to the plan anticipations both in regard to generation of internal resources and the value added. The gaps in achievement should be highlighted to inform the wider public who are the real owners of these enterprises.

24. In their reply the Government have stated that Sector-wise figures of value added are not provided in the Annual Plans or Five Year Plans prepared by the Planning Commission. In the absence of these, it is not possible to compare the actual value added by the public enterprises with the Plan estimates. It is, however, feasible to compare annual Plan estimates of internal resource generation with the actuals.

25. The Committee understand that specific annual plan targets of production in physical terms or in monetary terms are fixed for each undertaking jointly by the Planning Commission and the Ministries concerned. The report of the BPE and the Annual Reports of the administrative Ministries should, therefore, clearly relate the achievements of each public undertaking to such plan targets. The reasons for significant variations and the corrective measures taken should also be highlighted in the reports for the information of Parliament and the public. These should be in addition to bringing out the achievements vis-a-vis Plan anticipations in respect of generation of internal resources as well as of investments.

G. Career Development of Executives to be related to achievements:

Recommendation [Serial No. 11 (viii) Paragraph 4.15]

26. The Committee recommended that the BPE should evolve a system of incentives and dis-incentives so that all concerned espe-

cially the management of the public sector enterprises would, acquire a stake in the success of the public sector. The career advancement of Executives should be related to the performance of the units under them.

27. In their reply the Government have not indicated specifically any action taken in this regard.

28. The Committee regret that the reply of the Government does not cover the specific suggestion made by them. The action in this regard should be expedited.

H. Role of Government Directors on the Boards of Public Enterprises:

Recommendation (Serial No. 11(viii), Paragraph 4.15)

29. The Committee suggested that the Government representatives on the Boards of Management should be held personally responsible for any serious lapse and mal-functioning of the enterprises, unless they draw pointed attention of the Secretary and the Minister concerned without any lapse of time. In fact they should effectively represent the Government as a whole on the Board but unfortunately their presence in the Board has so far made no difference.

30. In their reply the Government have stated the views of the Government on the role of Government Directors are being communicated in reply to the recommendations made by the Committee in their 20th Report on 'Structure of Boards of Management of Public Enterprises'.

31. The specific suggestion made by the Committee that "the Government representatives on the Boards of Management should be held personally responsible for any serious lapse and mal-functioning of the enterprises unless they draw pointed attention of the Secretary and the Minister concerned without any laps of time" has not been included in the 20th Report. The Committee would, therefore, await a specific reply in this regard.

CHAPTER I

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation [Sl. No. 1 Paragraph 2.14]

Rec. No. I.—The extent to which the micro level planning and execution have been weak is evidenced from the tardy implementation of several projects. That the position should continue to be so even after two decades and a half since the commencement of the plan and in spite of successive examination by the Committee of individual undertakings as well as horizontal reviews of all the undertakings shows that there is lack of political will and/or the management have yet to learn a lesson and acquire a will to ensure that the Public Sector is well organised.

There have been enormous delays ranging up to 6½ years in completion of several industrial projects. In some cases surprisingly no original schedules of completion were set and in others these have been frequently revised. Even in service and other non-production enterprises there have been considerable delays in commencement of business or in their becoming functional after their setting up. All this has been attributed to procedural delays, defective planning, decision making, acquisition of land, selection of contractors, execution of civil works and supply of equipment/material, non-availability of power and transfer of assets as also to belated appointment of chief executives and Board of Directors. Thus a clear concept of requirements of projects and a well coordinated endeavour to meet them at the implementation stage seem to have been singularly lacking. The result of this is clear for all to see, that is, needless cost escalation and postponement of realisation of benefits. The Administrative Ministries and the Bureau of Public Enterprises should, therefore, undertake an indepth study of this problem in order to lay down fresh guidelines calculated to obviate recurrence of this phenomena.

Recommendation (Sl. No. 7 Paragraph 4.11)

The Committee are convinced that central to the problems discussed in the foregoing paragraphs is the failure of management, a factor which remains unacknowledged for obvious reasons. The

factors that are the results of this failure are instead brazenly advanced in support of poor performance. The Committee have been stressing the need to have an efficient monitoring and appraisal system in their various Reports e.g., 40th Report on Role and Achievement on Public Undertakings. They note that a system has been introduced in 1975, whereby the performance of production enterprises could be reviewed quarterly by the Administrative Ministries associating the representatives of Bureau of Public Enterprises and Planning Commission. If only this has not been as perfunctory as it seems to be the position would not have been what it is now. It is strange that Bureau of Public Enterprises which is supposed to get the information and be a participant in such reviews is not in a position to furnish readily any details to the Committee. The Committee would like to know how the system was operated during the last three years with special reference to the problem units.

Reply of Government

As observed by the Committee, there have been delays and cost over-runs in several industrial projects. Government are greatly concerned over the delays in implementation of sanctioned projects and cost escalations over the approved estimates.

Detailed instructions and guidelines were issued by Government that every proposal for a new project should be based on proper feasibility study and realistic detailed project report. This would ensure that such proposals are supported by reasonably accurate financial estimates and realistic time schedule for implementation. In some projects inadequate attention at the planning stage had led to over estimation of demand, prolongation of the period of construction, increase in capital cost, etc. In order to remove some of the deficiencies in the planning stage, attention of all concerned was drawn to the Manual on the preparation of feasibility studies for industrial projects issued in 1966 by the Planning Commission. This Manual was subsequently revised and updated in January 1975.

It was also recognised that in major projects involving large investments, the need for proper planning, programming and control on progress was essential if timely completion of the projects was to be achieved to ensure economic returns on the investments. The advantages of using the Network Techniques (PERT/CPM) in this regard were emphasised in the circular issued by BPE, under BPE No. Adv(O)/Cir-63/70 dated 30th March, 1970. Guidelines and the framework of procedures to be followed for monitoring progress of construction by using PERT/CPM were communicated to

various enterprises through their administrative Ministries under No. 1275-Adv(C)/Cir-69/70 dated 3rd September, 1970—*vide* pages C-4/5 of Vol. 2 of "Government Policy for the Management of Public Enterprises".

With a view to providing the management of each Public Sector Enterprise with a reliable and practical guide to the application of Network Analysis to other than construction activities, the Production Division of BPE issued a comprehensive Manual under BPE No. F|11|1|71-Prod. (Pt. I) dated the 23rd September, 1971.

B.P.E., in consultation with Planning Commission and administrative Ministries had also prepared formats for progress reporting by Public Enterprises quarterly to the administrative Ministry, Planning Commission and BPE in respect of new projects or expansion of existing projects under construction approved by the Public Investment Board *vide* O.M. No. 1388|GL-003|75|T&R|16(4)|72 dated 11th March, 1975. Subsequently a detailed study was undertaken by the sub-groups appointed by the Advisory Committee on Management Accountancy which was constituted under the Chairmanship of the then F.M. in August, 1976. The format for reporting to the Ministry of C & F and the CPWD have been evolved. All Production oriented Ministries are presently examining extent upto which the existing reporting systems need modification in the light of the formats evolved for the Department of C & F and CPWD. Apart from this the Ministry of Defence, Steel & Mines, Industrial Development, and C & F have informed the Bureau that they have instituted regular system of reporting and periodical meetings are held to review the performance of each individual enterprise.

It may be observed that cost escalations and postponement of the realisation of benefits do occur due to multiplicity of factors, such as delays in land acquisition, delays in supply of both imported and indigenous equipment and raw materials, delays in erection, labour problems at site, non-receipt of drawings, inadequacies in project formulation and estimation of costs, price escalation due to global inflation, increase in import duty, fluctuations in exchange rate, increase in interest rate on loans. Delays and the cost escalation which had taken place in many projects also came up for discussion before the PIB. As a result Department of Expenditure (Plan Finance) has issued fresh instructions *vide* their O.M. No. F. 1(18)/PF-II/78 dated 23-11-1978. These instruction *inter alia* envisage preparation of detailed project reports and detailed cost estimates in respect of projects sanctioned beyond their delegated powers.

The Ministries are also required to ensure that the monitoring system is adequate and strengthened wherever necessary.

It is recognised that over and above all these measures, in-depth studies would bring into sharp focus factors which militate against execution of the projects within the approved time and cost frame. BPE has, therefore, in association with the administrative Ministry and experts in the field taken on hand selective studies of some projects characterised by time and cost over-runs, namely, Bokaro Steel Plant (First Phase), Barauni Fertilizer Project. Fertilizer Project has since been finalised.

It may be submitted that following the recommendations made by the Estimates Committee (5th Lok Sabha) in its 98th Report (April 1966) and reiterated by the Committee in its 2nd Report (6th Lok Sabha), detailed instructions have been issued to the Administrative Ministries/Enterprises for submission of reports on completed projects *vide* BPE's O.M. No. BPE/GL-004/80 (I&R) 16(7) 79 dated 14th February, 1980. The information would be submitted by the public enterprises to their administrative Ministries in five formats to enable them to analyse the manner in which the project has been implemented and to compare the information on the end results with those anticipated in the Project Reports and draw conclusions for improving the project management in general. Apart from this, keeping in view the deteriorating levels of performance in some enterprises, both in physical and financial terms, it has been suggested *vide* BPE O.M. dated 4th August, 1980 to the administrative Ministries that the following would help to take timely corrective action:—

- (a) as one of the measures for ensuring a greater vigilance on the financial performance of the enterprises in the year 1980-81, a system of monthly reporting of profit and loss position by public enterprises to the Administrative Ministries/BPE to be instituted as an integral part of the Reporting System of Public Enterprises to Government.
- (b) the system of holding quarterly performance review meetings by the Administrative Ministries with the Chief Executives of Public Enterprises already installed in many of the Ministries/Departments should be made a regular feature in all the Ministries/Departments, representatives of Planning Commission and BPE, among others would participated in these meetings.

- (c) if in such review meetings would bring to light any specific measures requiring inter-ministerial co-ordination at the Government level.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE (GM-I) dated 24th December, 1980]

Recommendation (Sl. No. 2, Paragraph 3.11)

The malady of under-utilisation of capacities all these years is quite glaring. The position if anything seems to have deteriorated during 1977-78. This inference is inescapable from the details brought out by the Committee.

Unutilisation or under-utilisation of production resources means a severe loss to the national economy. Total investment made by Central Government on industrial and commercial enterprises amounted to Rs. 12,851 crores at the end of 1977-78. Huge amounts have been borrowed from foreign sources and the machineries purchased thereby have been kept unutilised or under-utilised on the one hand and on the other hand there are heavy service charges on these foreign loans. These factors tend to cripple our economy.

Reply of Government

The observations of the Committee are noted.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE(GM-I) dated 24th December, 1980]

Recommendation (Sl. No. 3, Paragraph 3.13)

In the case of Heavy Engineering Corporation it is interesting to note that the production in its Heavy Machine Building Plant is stated to have been diversified to manufacture mining equipment whereas there is already high under-utilisation of capacity for such equipment in the Mining and Allied Machinery Corporation. It is also noteworthy that though a number of units producing railway wagons suffer from want of orders and have large un-utilised capacity, Government have recently taken over the Mukameh Unit of Britania Engineering Co. and the undertakings of the Arthur Butler & Co. "In order to ensure continued manufacture of railway wagons and other allied goods."

Reply of Government

Heavy Machine Building Plant of HEC is engaged in the manufacture of machinery and equipment required for *open cast mining*,

such as draglines, shovels, dumpers, excavators, OB drills, etc. besides the metallurgical and steel plant equipment. MAMC, on the other hand, is engaged primarily in the manufacture of mining machinery and equipment for underground coal and other mines. It also manufactures big size machinery for material handling equipment like conveyors bucket system and coal washery plants. The areas of operation of both the companies are, therefore, broadly demarcated. In a few cases, there may be some overlapping in respect of machinery and equipment required for both open cast and underground mining operations.

As regards M/s. Arthur Butler & Co., Muzaffarpur and M/s. Britannia Engg. Works, Mokameh, these were taken over by Government on 14th February, 1974 and 22nd February, 1974 respectively and subsequently nationalised by an Act of Parliament, and were vested in a newly incorporated Company viz., Bharat Wagons & Engg. Co. Both M/s. Arthur Butler and Britannia were engaged mainly in the manufacture of Wagons. These undertakings had more than 1500 workers on their rolls at the time these were closed by the private sector managements due to mismanagement. The objectives of Government intaking over the management and subsequent nationalisation were (a) to protect the interests of the employees who would have otherwise been thrown out of employment and (b) to maintain production of wagons which merits high priority. The take-over of these units, which are only engineering units in that part of Bihar was considered appropriate in the national interest.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE(GM-I) dated 24th December, 1980]

Recommendation (Sl. No. 4 para. 3.13)

The reasons for the malady of unutilised capacity are deeper than meet the eye. The Committee are left with the impression that the production planning management and control are not what these should be. The claim of the Government and of the B.P.E. in particular, to have studied the problem in depth and taken remedial steps is not at all borne out by any tangible results. The consequence of the utter neglect of this crucial area seems to be nobody's responsibility. The Committee would, therefore, like to know what concrete steps were taken in the units where the under-utilisation was more than 50 per cent and why the position should continue to be so bad. In this connection they desire to make it clear that there should be no question of allowing expansion of a line of production where the

existing facility therefore in any undertaking remains under-utilised to the extent of more than 25 per cent without valid reasons. This should invariably be kept in mind at the time of scrutinising investment proposals.

Reply of Government

The under utilisation of capacity arised from a number of factors some common and widely prevalent and some specific to particular projects. Inadequacies in project preparation and the technological and other deficiencies which resulted in delays and cost over-runs have also resulted in prolonged commissioning periods and inordinate delays in reaching satisfactory levels of capacity utilisation. Examples in point are Durgapur Fertilizer Plant of Hindustan Fertilizer Corporation and Khetri Complex of Hindustan Copper Ltd. There are also specific factors in each case, such as limitations on power availability and raw material availability, equipment breakdown, industrial unrest, market constraints etc.

Various steps have been taken by Government over the years to overcome the problem of under utilisation. These are detailed in a separate chapter on "CAPACITY UTILISATION" in the BPE's Annual Report. Commencing from 1972-73 in pursuance of the recommendations of the Parliamentary Committee on Public Undertakings in their 40th Report on Role and Achievements of Public Sector, this chapter is invariably being included in the BPE's Report. The chapter gives analysis of the state of utilisation in individual units in different groups of industries viz. Steel, Coal, Minerals and Metals, Petroleum, Fertilizers & Chemicals, Heavy Engg., Light & Medium Engg. Transportation Equipment and Consumer Goods. The factors affecting capacity utilisation, as also the action taken by Government are reported annually.

A number of steps have been taken by Government and Public Sector management to improve the working of the enterprises. Some of the important steps taken to optimise utilisation are:—

- (i) Diversification of product-mix.
- (ii) Provision of captive power equipment.
- (iii) Provision of balancing facilities, modernisation and rehabilitation of plants, improvement of technology.
- (iv) Engagement of consultants for technical assistance to improve performance.
- (v) Improved maintenance practices.

- (vi) Development of ancillary units/sub-contracting.
- (vii) Export efforts.
- (viii) Improvement in managerial and operational efficiency.
- (ix) R & D efforts.
- (x) Increasing labour productivity by providing incentives; and
- (xi) Development of operating skills by training.

Among other steps taken specific mention may also be made of the performance Review Meetings held periodically in the administrative Ministries in which representatives from BPE and the Planning Commission also participate.

Government accept the recommendation that where the capacity remains under utilised to the extent of 25 per cent, no expansion should be allowed unless there are valid reasons for doing so.

Statement at Appendix I indicates the measures taken by the enterprises for improving their capacity utilisation.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE(GM-I) dated 24th December, 1980]

Recommendation (Sl. No. 5, Paragraph 4.7)

The absence of even minimal production and cost control seems widespread and no note of it has been taken by the management of the enterprises or Government. The position during the year 1975-76 in relation to 94 Government Companies and 25 subsidiaries in respect of which reports were received by the C & AG from the Company Auditors in pursuance of his directives could be summed up as follows:—

- 34 Companies did not achieve targets of production. In 24 companies there was no regular costing system. In 42 companies there was no system of ascertaining idle time for labour or machinery specifying the reasons therefor. In 28 companies consumption of raw materials was more than standard estimates. In 26 companies standard costs for main products had not been fixed or standard costing system not introduced. In 15 companies actual cost of production was more than estimated/standard cost.

The Companies that suffer from combination of most of these deficiencies are:—(i) Heavy Engineering Corporation Ltd., (ii) Hindustan Zinc Ltd., (iii) Steel Authority of India Ltd. (iv) Indian Drugs

and Pharmaceuticals Ltd. (v) Hindustan Machine Tools Ltd. (vi) National Instruments Ltd. (vii) Mining and Allied Machinery Corporation Ltd. (viii) Fertilizer Corporation of India Ltd. (ix) Bridge & Roof Co. (I) Ltd. (x) State Farms Corporation of India Ltd. (xi) Bharat Coking Coal Ltd. The Committee would like to know what precisely were the steps taken all these years to remove the deficiencies in these cases.

It is no wonder that the ratio of cost of sales to sales is adverse in as many as 56 public undertakings in 1977-78 which can only be attributed to lack of production and cost control. This has considerably eroded the profits of the Undertakings during 1977-78.

Reply of Government

It is noted that above observations are based on the CAG Report for the year 1975-76. In this context, it may be mentioned that Government, in pursuance to the recommendations made by the COPU as also the Administrative Reforms Commission in their Report on Public Undertakings had advised the enterprises of the Central Government to introduce Costing Systems based on Standard Costing and Budgetary control.

The enterprises indicated in the recommendation of the Committee have been consulted. It is noted from the replies given by them that a number of deficiencies pointed out by the CAG have since been rectified by them. A statement showing the principal deficiencies and the steps taken by the concerned enterprises is enclosed. (Appendix II)

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE (GM-I) dated 24th December, 1980].

Comments of the Committee

[Please see Paragraph 7 of Chapter I of the Report].

Recommendation (Sl. No. 8, Paragraph 4.12)

The Committee regret that in spite of what has been stated in regard to the existing system of monitoring and appraisal performance has been disappointing. A meaningful periodic review of production, consumption of raw material and utilisation of manpower and machinery as well as cost and efficiency is a must. It is also necessary to verify the statements furnished by the enterprises independently through a specialised agency. The Committee have found that the figures of profits/losses of public enterprises

brought out by the Bureau did not tally with those of audited accounts. They have reasons to suspect that the data regarding consumption of raw material, employment of casual workers and production are not invariably accurate.

Reply of Government

It is true that in certain cases there was variance between profit or loss figures of certain Companies as reported in BPE's Annual Report and corresponding figures shown in the Annual Reports of such companies. The reasons for such variances are given below:—

(a) To ensure submission of the BPE's report alongwith budget documents to Parliament, a time-bond programme is required to be followed. As such, BPE incorporates provisional figures in respect of those companies whose annual accounts could not be adopted before the report is sent to Press. Based on above, provisional figures were incorporated in BPE's Annual Report for 1977-78 presented to Parliament on 20th February, 1979 in respect of the following companies.:

- (i) Mishra Dhatu Nigam Ltd.
- (ii) Indian Iron & Steel Co. Ltd.
- (iii) Pyrites, Phosphates & Chemicals Ltd.
- (iv) Bharat Coking Coal Ltd.
- (v) Coal India Ltd.
- (vi) Eastern Coalfields Ltd.
- (vii) Western Coalfields Ltd.
- (viii) Braithwaite & Co. Ltd.
- (ix) Bridge & Roof Co. Ltd.
- (x) Bharat Ophthalmic Glass Ltd.
- (xi) Modern Bakeries (I) Ltd.
- (xii) Rehabilitation Industries Corporation Ltd.
- (xiii) Andaman Nicobar Islands Forests and Plantation Development Corporation Ltd.
- (xiv) Central Fisheries Corporation Ltd.
- (xv) Jute Corporation of India Ltd.
- (xvi) North Eastern Handicrafts and Handloom Development Corporation Ltd.

- (xvii) International Airports Authority of India.
- (xviii) Dredging Corporation of India Ltd.
- (xix) National Projects Construction Corporation Ltd.
- (xx) Central Mine Planning & Design Institute Ltd.
- (xxi) National Textile Corporation Ltd. (Holding Co.)
- (xxii) National Insurance Corporation Ltd.
- (xxiii) The Oriental Fire & General Insurance Co. Ltd.
- (xxiv) Agricultural Refinance & Development Corporation.
- (xxv) Oil India Ltd.
- (xxvi) Wagons India Ltd.

(b) In the Annual Report of some companies the net profit or loss figures are computed after appropriation to certain reserves statutory or otherwise, whereas in BPE's report such figures are shown before such appropriations.

(c) The Bureau's report relies on the figures of consumption of raw materials, production, etc. as supplied by the undertakings after certification by the auditors of the enterprises except to the extent indicated in (a) above.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE(GM-I) dated 24th December, 1980]

Comments of the Committee

Please see Paragraph 10 of chapter I of the Report.

[Recommendation Serial No. 11 (ii-vii), Paragraph 4.15]

The Committee further require the following to be acted upon:—

* * * * *

(ii) The Bureau of Public Enterprises should also forthwith evolve an effective monitoring and appraisal system in respect of service enterprises, trading enterprises, etc.

(iii) The Management ratios which should be indices for evaluating the working of the public undertakings from time to time as already evolved for production enterprises and to be evolved for the rest should be brought out in the annual reports of the Bureau of Public Enterprises.

(iv) The performance appraisal reviews to be taken periodically should cover the deficiencies in the system of control as brought out in the reports of the C & AG.

(v) The Annual Reports of the Ministries should contain detailed information on the overall functioning of public enterprises, the results of performance reviews and the action taken on the basis thereof as well as the improvements made.

(vi) Any reviews either by the Bureau of Public Enterprises or by the Ministries as are published in their annual reports should clearly relate the achievements of public undertakings in different sectors to the plan anticipations both in regard to generation of internal resources and the value added. The gaps in achievement should be highlighted to inform the wider public who are the real owners of these enterprises.

(vii) The role of the Bureau of Public Enterprises needs to be redefined in order that it can truly function as a clearing house of information with an in-built system of feed back to the public undertakings, as able co-ordinator where matters are of multi-disciplinary character, a critical but a constructive appraiser and a guide. This should include evolving of a system of incentives and disincentives so that all concerned especially the management of the public sector enterprises would, acquire a stake in the success of the public sector. The career advancement of Executives should be related to the performance of the units under them.

Reply of Government

* * * * *

(ii) The Bureau and the Administrative Ministries have developed Management Information System under which the public sector enterprises are required to furnish periodical (monthly, quarterly and annual) reports relating to production, sales, profits, etc. to the Administrative Ministries as well as the Planning Commission and the Bureau. Based on these reports, the performance of the enterprises is monitored and appraised by the administrative Ministries with special emphasis on the solution of problems faced by the companies. In addition, the Bureau submits quarterly reports to the Government indicating the performance in aggregate as well as individually, of public sector enterprises.

In view of this position, no further action seems to be called for.

Comments of the Committee

(Please see Paragraph 19 of Chapter I of the Report)

(iii) The recommendation is noted. Efforts will be made to present in the Annual Report additional management ratios for evaluating the working of the service enterprises as done for manufacturing enterprises.

(iv) The performance appraisal by the Bureau is carried out much in advance of the submission of reports by the Comptroller and Auditor General. However, efforts are made to cover the areas/deficiencies pointed out by the C & AG, at the time of preparation of subsequent appraisals by the Bureau.

Comments of the Committee

(Please see Paragraph 22 of chapter I of the Report.)

(v) Most of the Ministries are giving detailed information about the overall functioning of the public enterprises under their administrative control, as desired by the COPU. However, the recommendations is being brought to the notice of the administrative Ministries.

(vi) Sector-wise figures of value added are not provided in the Annual Plans or Five Year Plans prepared by the Planning Commission. In the absence of these, it is not possible to compare the actual value added by the public enterprises with the plan estimates. It is, however, feasible to compare annual Plan estimates of internal resource generation with the actuals.

Comments of the Committee

(Please see Paragraph 25 of Chapter I of the Report.)

(vii) Bureau of Public Enterprises is a nodal staff agency of the Government and is primarily concerned with management advisory service in various facets of the Public Enterprises Management. Its

role is mainly consultative and advisory in nature. Presently the functions of the Bureau are as under:

- (a) To assist the concerned administrative Ministries in making a more expert scrutiny and evaluation of Detailed Project Reports/Feasibility Studies and Investment Proposals.
- (b) to assist the Public Investment Board and the Expenditure Finance Committee in scrutinising the investment proposals.
- (c) to prepare and furnish periodical Reports i.e., annual, mid-year and quarterly reports based on production, progress of construction etc.
- (d) to inform Parliament and Government regarding the performance and working of the enterprises.
- (e) to undertake indepth studies of public enterprises wherever considered necessary.
- (f) to assist the concerned administrative Ministries in controlling expenditure on project construction, administration and residential buildings and ancillary facilities.
- (g) to assist the concerned Ministries and enterprises in evaluation and implementation of the managerial personnel policy for the public sector and in particular assist in spotting, screening and selecting talent for managerial posts in senior and top level through Public Enterprises Selection Board.
- (h) to compile and analyse information on the terms and conditions of service of employees and advice Government and enterprise with a view to ensure rationalisation wherever possible.
- (i) to co-ordinate arrangements for training of managers of public enterprises both in India and abroad, and advise and assist the enterprises in management development.

- (j) to act as a Data Bank and Clearing House of information in respect of important matters of common interest such as organisational structure, delegation of powers, pricing policies, etc.
- (k) to maintain liaison with the Department of Administrative Reforms in matters like Work Study, Operations Research, and Improved Reporting systems, Incentive Schemes in India and abroad.
- (l) to co-ordinate the work relating to examination of reports by the Parliamentary Committees.

2. The Bureau of Public Enterprises is already discharging its role as envisaged by COPU. At present the Bureau is organised into six constituent Divisions, viz. (i) Administration & Co-ordination (ii) Construction (iii) Finance (iv) I & R (v) Management and (vi) Production. The activities of the Bureau include:—

- (i) Techno-economic appraisal of feasibility study and detailed project reports.
- (ii) Appraisal and monitoring of production performance.
- (iii) Promotional efforts directed towards improving productivity in public enterprises.
- (iv) Studies of various aspects of the working of public enterprises.

For this purpose, Bureau has on its role specialists in the field of mechanical engineering, metallurgy, mining, material management, chemical engineering, costing, finance and management etc. As organised at present, the Bureau is able to undertake multi-disciplinary scrutiny of performance of PSE's and investment appraisal. As such re-organisation of the Bureau on the basis of groups of analogous enterprises is not considered necessary.

3. The headquarters of the public enterprises, as far as possible are established close to their areas of operation, except in the case of multi-unit enterprises. The continued location of Hqrs. of certain enterprises in metropolitan cities like Delhi, Bombay, Calcutta and Madras is being separately reviewed by the Government following the recommendations of COPU in their 10th and 22nd Reports.

* * * *

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5) / 79-BPE (GM-I) dated 24th December, 1980.]

Comments of the Committee

Please see Paragraph 28 of Chapter I of the Report.

CHAPTER IH

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

Recommendation (Sl. No. 9, Paragraph 4.13)

The BPE has been maintaining a facade of monitoring. Obviously it is unable to cope with it. The Committee therefore are constrained to suggest that the public sector enterprises should be grouped based on their characteristics and nature of business and for each group of enterprises there should be a set up to oversee the functioning from very close quarters. The BPE should also be reorganised as far as possible on the above lines. The Headquarters of the enterprises as well as of the groups of enterprises should be as closely situated to their area of operation as possible.

Reply of Government

This has been dealt with under Recommendation No. 11(vii) (Chapter II).

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE (GM-I) dated 24th December, 1980..]

Comments of the Committee

Please see Paragraph 13 of Chapter I of the Report.

CHAPTER IV

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

Recommendation [Sl. No. 11 (viii), Paragraph 4.15]

Government should bring out a white paper critically appraising the functioning of the public undertakings and present it to Parliament within a period of six months indicating the programme separately for manufacturing and non-manufacturing enterprises. This should clearly set out the measures proposed to remove the deficiencies under a time bound programme.

Reply of Government

An appraisal of different facts of the performance of public sector enterprises alongwith sectoral analysis is presented annually to the Parliament by the Bureau of Public Enterprises. The Report, *inter alia*, covers (a) Investments & Returns, (b) Profitability, (c) Capacity Utilisation, (d) Generation of Internal Resources, (e) Management of Inventories and Working Capital, (f) Creation of Employment opportunities, (g) Plant Maintenance, (h) Development of Ancillary Industries, (i) Pricing Policies, (j) Management Development, and (k) Training, etc.

In view of this position, a separate White Paper on this subject is not considered necessary.

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE (GM-I) dated 24th December, 1980].

Comments of the Committee

Please see Paragraph 16 of Chapter I of the Report.

CHAPTER V

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

Recommendation [Sl. No. 11(vii), Paragraph 4.15]

The Government representatives on the Boards of Management should be held personally responsible for any serious lapse and malfunctioning of the enterprises, unless they draw pointed attention of the Secretary and the Minister concerned without any lapse of time. In fact they should effectively represent the Government as a whole on the Board but unfortunately their presence in the Board has so far made no difference.

Reply of Government

Views of the Government on the role of Government Directors are being communicated in reply to the recommendations made by the Committee in their 20th Report on 'Structure of Boards of Management of Public Enterprises.'

[Ministry of Finance, Bureau of Public Enterprises O.M. No. 3(5)/79-BPE (GM-I) dated 24th December, 1980.]

Comments of the Committee

Please see Paragraph 31 of of Chapter I of the Report.

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NEW DELHI;

BANSI LAL,

February 28, 1981

Chairman,

Phalguna 9, 1902 (Saka)

Committee on Public Undertakings.

APPENDIX I

(Vide recommendation at Serial No. 4)

Statement indicating the measures taken by the enterprises for improving their capacity utilisation

REPLY FROM ADMINISTRATIVE MINISTERS

Name of Ministry/ Deptt./BPE	OBSERVATIONS OF COPU		REPLY FROM ADMINISTRATIVE MINISTERS	
	Variation between licen- ced/installed capacity	Position regarding installed capacity utilisation in respect of one or more main prod- ucts or overall	Reasons for underutilisation	Remedial measure taken to im- prove the capacity utilisation

5

4

3

2

1

Deptt. of Chemicals & Fertilis-

Fertilizer Corpn. of India

For some products installed capacity less, for others equal or more (for Sindri & Trombay attainable capacities given & not installed capacities which were derated due to deficiencies.)

In 1977-78 capacity utilisation of Sindri was nil of 'double' salt & urea and 15% of ammonium sulphate at Barauni 56% of urea; at Durgapur 34% of urea; at Namrup expansion 36% of urea; at Trombay 62% of sodium nitrate, at Nagal 64% of heavy water and 70% of GAN and at Gorakhpur 70% of urea.

SINDRI:

The capacity utilisation of the plant during 1977-78 was 23.3% of the total capacity for Nitrogen. Low capacity utilisation was due to aging of equipment requiring frequent maintenance & repairs. Certain sections of the plant were finally closed down on 19-2-78 for safety reasons, & production of fertilizer (Nitrogen) was suspended.

A new scheme known as Sindri Modernisation 'based on fuel oil as feed stock' was undertaken to produce Ammonia. Besides supply of better quality of gypsum was envisaged from Sindri Rationalisation project in substitution of natural gypsum from Rajasthan for Ammonium Sulphate Production. Sindri Modernisation Plant started from April 1980 and production declared on commercial production from Oct. 1980.

However, the production of the plant was severely affected due to equipment problems during the first five months of 1979-80 and inadequate supply of LSHS/fuel oil from Sept. 79 onwards. The plant continued to be under forced shut-down since 16-1-1980 for want of LSHS/Fuel oil due to Assam agitation.

Boroni :

The capacity utilisation of the plant during 1977-78 was 25.1% (Nitrogen). Low capacity utilisation mainly due to equipment problems and unstable power supply. The plant was closed down for 140 days for carrying out modification jobs.

The measures to improve the plant efficiency envisaged (i) modification of carbamate pumps (ii) augmentation of capacity of D.M. water plant and (iii) procurement of one KSB circulation pump.

As for unstable power, a proposal to set up a 2.5 MW Gas Turbine to protect the front end of the plants during power fluctuations is under consideration.

As a result of the above step capacity utilisation of the plant increased to 35% in the following year 1978-79. However the capacity utilisation in 1979-80 though still higher compared to 1977-78, dropped to 30.6% mainly because of

shortage of Naphtha and Furnace oil from January 1980 onwards and unstable power supply through out the year.

Durgapur

The capacity utilisation of the plant during 1977-78 was 33.5% (Nitrogen). Low capacity utilisation was due to (i) shutdown of plant for 52 days because of labour problem & (ii) technological deficiencies in the plant resulting in frequent breakdown.

The scheme to improve plant efficiency envisaged (i) replacement of reformer tube and pig tails (ii) installation of chevron dryers in R. G. boilers drum (iii) replacement of compressor inter-coolers/tube bundles and (iv) installation of a new H. P. Boiler of 30 tonnes per Lrs. steam capacity.

The capacity utilisation during 1978-79 dropped further to 24.9% because of (i) extension of shutdown by two months for carrying out the modification jobs outlined above (ii) restricted power supply on account of floods (iii) breakdown in main refrigeration compressor in Ammonia plant and fire at primary reformer top and (iv) short supply of Naphtha.

Capacity utilisation during 1979-80, however, increased to 35.2% but the plant still suffers from certain equipment

deficiencies for which further corrective measures have been undertaken.

Namrup - Expansion

The capacity utilisation of the plant during 1977-78 was 35.6% (Nitrogen). Low capacity utilisation was due to equipment problems such as failure of the R. G. Boiler Tubes in Ammonia Plant cabo-matic pumps, high discharge pressure in 3rd stage of Compressor and other equipment failure. Power failure and voltage dips also affected production.

A captive power generation plant is under construction and expected to be commissioned by July 1981. This is expected to cut down interruptions and steady the output from the plant.

The problems were identified and modification and replacements were taken up to improve the equipment performance under Namrup III-Expansion Project, a captive power unit is being set up. This unit is expected to take care of the power problems of Namrup II Unit also.

The capacity utilisation in the following year 1978-79 as a result of corrective measures improved to 49.3%.

During the year 1979-80 capacity utilisation was however, 33% mainly because of forced shutdown of the plant from

30-12-1979 due to non-availability of natural gas because of Assam agitation.

The production of Ampicillin improved during 1978-79 from 686.68 Kg. during 1977-78 to 2040 Kg. in 1978-79.

Modifications were effected in the plant but the production is still not satisfactory. HAL are exploring possibilities of obtaining assistance from a firm of Indian consultants to make a detailed study and for making recommendations on the revamping of the plant.

Ampicillin: Problems of quality were encountered during the year. Modifications on the 6 HPA plant taken up also affected production.

Vitamin C: The plant remained under rehabilitation with the assistance of M/S Roche Products Limited. Hence there was no production during 1977-78.

In 1977-78, capacity utilisation was 19% of ampicillin and nil of Vit C; production of penicillin finished bulk and streptomycin sulphate was more than installed capacity.

No difference (for formulations there was no licensed or installed capacity).

Microbiana Antibiotics Ltd.

The FCI have taken necessary steps for modification/additions required in the sulphuric acid plant for working it at full capacity. When these are completed and the plant is ready to take additional quantities of pyrites PPCL will step up production accordingly.

The Pyrites mined at Amjhore was meant for utilisation in the sulphuric acid plant set up at Sindri by the Fertilizer Corpn. of India, due to technological deficiencies in the sulphuric acid plant the plant could not work to full capacity, and therefore, the off-take of pyrites was low. The PPCL had to limit its production of pyrites according to requirements of the Sulphuric acid plant.

Licence not given; installed capacity also not given for Kashipatnam Project.

Licence not given; installed capacity also not given for Kashipatnam Project.

Pyrites, Phosphates & Chemicals Ltd.

Ministry of Industry
(Department of Industrial Development
Tannery & Footwear
Corps, of India Ltd.

For some items like industrial leather installed capacity less for some like footwear more.

Most of the plant and machinery taken over by TAPCO from the Cooper Allen and North West Tannery branches of BIC Ltd. were obsolete and uneconomic.

Two production units Chroma finishing and conveyors S-4 were burnt down due to the fire on 15-10-79 and the revised installed production capacity for footwear divn. is 3270 pairs per day and achievable capacity is 2616 pairs per day.

Modernisation and diversification of schemes have been undertaken. In 1976, a programme costing Rs. 280 lakhs was prepared, out of which Rs. 119 lakhs was sanctioned for the first phase. A sum of Rs. 34.90 lakhs has been spent on this scheme upto 31-3-1980.

Plan have been prepared to modernise/reorganise/renovate production. Sales and Purchase Departments with a view to increasing production.

50% of the installed capacity for footwear is for production of DMS boots and other heavy duty boots for Defence and para-military forces.

Continuous efforts are being made to reorganise and streamline the marketing set up. Efforts are being made to develop export market.

There is lack of work culture, motivation amongst workers, frequent changes and lack of continuity of top management. Lack of qualified technicians and administrative personnel at higher levels, shortage of essential raw materials, tanning chemicals and power shortage.

Pharost Ophthalmic Glass Limited.

Installed less as compared with revised capacity.

In 1977-78 utilisation was 26% overall as compared with original installed capacity & 43% as compared with revised installed capacity.

The Committee set up by the Co. in 1972 have come to the conclusion that maximum annual production achievable in the Co. would be as follows:

1. Ophthalmic Glass—200 tonnes blanks
2. Ophthalmic Lenses—4 million pcs.

However, the production during the 5 years is as under:

- 1974-75—51.53 tonnes
- 1975-76—128.16 tonnes
- 1976-77—130.62 tonnes
- 1977-78—87.22 tonnes

1978-79—79.55 tonnes (provisional)

Low production has been due to the Defective Batch Progress Technology inherited from USSR. In this technology, glass is melted. Unfortunately from the inception of the plant even when the Soviet Experts were present, the performance of ceramic pots was most erratic. The maximum melting achieved so far is around 3 meltings. This erratic behaviour of ceramic pots is considered the main reason for low production and wastage and consequently low capacity utilisation.

A committee consisting of experts from Ceramic & Glass Technology from BPGL & OGRI was set up in May 1977 to study the behaviour of ceramic pots to find out the reasons for their erratic behaviour and suggest the ways and means for finding out a permanent solution of this problem for the thermal stability of ceramic pots used in the manufacture of ophthalmic glass. In spite of the recommendations of the Committee being given effect to, the desired results could not be achieved though some improvements were observed.

Statements Indicating Under-Utilisation capacity of Zinc in Hindustan Zinc Ltd. Undipur.

UNIT: TONNES

Ministry of Steel & Mines (Department of Mines)

Percentage of production is

Year	Installed capacity	Available capacity	Target	Actual Production	Installed capacity	Available capacity	Targets	Reasons for shortfall
1	2	3	4	5	6	7	8	9

Hindustan Zinc Ltd.
1977-78

Production of zinc was below 50% of the installed capacity due to inadequate supply of power at Debari Zinc Smelter (Rajasthan) and unsatisfactory working of the melting furnaces at Vizag Zinc Smelter (A.P.) Residue Treatment Plant at Vizag was also under-installation.

58.8% (+) 118%

44.7%

33,501
(includes
9693 produced at
Vizag)

57,000

75,000

28,400
(DZS)

*No targets for zinc metal were fixed for Vizag - Zinc Smelter for 1977-78. Production of zinc ingots started only in the last quarter of 1977-78.

85.45%

87.18%

68.24%

51,186

59,900

58,712

75,000

1978-79

Production of zinc was below target as it is installed and available capacity because of outage on one rectifier and revamping of old

† Includes 121 tonnes produced on toll basis.

1	2	3	4	5	6	7	8	9
								roaster and acid plant at Debari Zinc Smelter, and non-availability of proper zinc concentrates and major breakdown of the one of the plants during warranty period at Vizag zinc Smelter.
1979-80	75,000	66,000	59,000	44,343	59.39%	67.48%	75.49%	Production of zinc was below target vis-a-vis installed and available capacities due to (i) power interruptions, and power interruptions, both at Debari and Vizag, which were quite severe in the last quarter; (ii) shortage of imported concentrate at Vizag because of breakdown of the ship carrying concentrate and (iii) breakdown of Zinc Smelting Furnaces at Vizag. and Debari Zinc Smelter.

Department of Defence Production

Garden Reach Shipbuilders & Engineers Ltd., Calcutta.

For Some items installed capacity less and for others more.

In 1977-78, utilisation was 91% of road-rollers, 40% cranes, 44% old diesel engines and 97% of ship-building.

The position is that specific facility has not been provided for the particular products. Certain common facilities are used for most of the products use of facilities depends on order position as well as priorities of work. The order position for diesel engines and road rollers has been low resulting in low percentage of capacity utilisation.

The installed capacity is being reviewed and sustained efforts being made to obtain more order for cranes and road-rollers.

Ministry of Industry (Department of Heavy Industry)

Name of undertaking / project	Capacities variation between licensed and installed capacity	Position regarding installed capacity utilisation in respect of one or more main products or overall	Reply	
1	2	3	4	5
1 Bharat Pumps and Compressors. Ltd.	Installed capacity less	In 1977-78 utilisation was 1% of compressors, 97% of centrifugal pumps, 80% of reciprocating pumps and 86% of gas cylinders.	The capacity utilisation in BPCL in financial terms is upto 86%. The under-utilisation is limited. The cut in power supply is the main cause for this. The part of the recommendation in so far as it concerns expansion in the same line of production where there is under-utilisation of capacity has been noted, and steps are already in hand for implementing a diversification plan.	
2 Richardson and Grad- das Ltd.	For 20 items installed capacity less; for others more or equal (for some items licensed capacity not given).	In 1977-78 utilisation was 42% of structural fabrication, 46% of rubber mill machinery and 63% of C. I. castings.	There is no product line where under-utilisation of capacity is more than 50%.	
3 Jessop & Co. Ltd.	For most items installed less.	In 1977-78, utilisation was nil of railway wagons and meter-gauge coaches; 39% of paper making plant, 42% of road rollers, 48% of structural fabrication and 9% of crawler tractors. In respect of cranes, utilisation was 96%.	There is some under-utilisation of capacity. In order to get optimum utilisation of their resources, Jessop manufacture a wide variety of products with common resources. This reduces the scope for under-utilisation due to fluctuating demand. There has not been any increase in capacities in areas having under utilisation of resources.	

4 Heavy Engineering Corpn., Ltd.

No difference

In 1976-77, capacity utilisation was 21% of HMT plant, 30% of HMB plant and 32% of FP plant overall for 1977-78 installed not given; stated "under review due to change in product-mix."

For a unit like H E C, particularly HMBP and FFP with a wide manufacturing profile varying from time to time, it is extremely difficult to fix a capacity. Before the beginning of the year, production plan for the next year is finalised. This takes into account the orders in hand, the machine hour availability, productivity etc. The production plan is broken into items and also monthwise targets finalised. Actual performance of each month is compared with the targets so that shortfalls could be controlled and made up in the subsequent months. There is a regular system of maintenance of data relating to idle time of labour and machine.

5 Mining and Allied Machinery Corpn., Ltd.

Installed capacity less
e.g. for mining equipment
was 84% less and for conveyor
and scraper 54% less (for
some items no licensed capacity fixed).

In 1977-78 capacity utilisation was 33% of conveyor and scraper and 55% of mining equipment. Overall utilisation of the company was 43%.

This organisation was earlier named as Coal Mining Machinery Project Heavy Engineering Corporation Ltd., Ranchi, and set up for manufacture of 45000 tonnes of coal Mining Equipment. In view of the extreme shortage of demands on coal mining equipments, MAMC had no alternative but to take up a major diversification programme which included manufacture of bulk handling equipment for ports and execution of various other turn-key projects. Besides deferment of mining equipment order amounting to Rs. 432 lakhs was not withdrawn by M/s. Coal India Ltd. Their efforts were to foster non-traditional clients for securing orders for the under-utilisation load centres. As a result of orientation discussion by the C.M.D. with the prospective customers,

followed up by identification of specific products they have been successful in obtaining orders from Chittaranjan Locomotive Works etc. They have also succeeded in making a beginning by securing export orders worth Rs. 1 crore for Turkey and Afghanistan. New lines of production to fill the turn-over gap have been worked out in respect of various machines.

6. Bharat Heavy Electricals Ltd. For some products installed less; In 1977-78 capacity utilisation at Bhopal was 28% of thermal sets, 61% of power transformers, 53% of control panels. It has been reported that the capacity of RHRL is being utilised almost fully at present.

At Hardwar utilisation was 33% of electrical machines, 86% of hydro sets and 90% of thermal sets.

At Hyderabad utilisation was 90% of thermal sets, 98% of compressors, 64% of switchgear and 90% of pumps.

At Tiruchi utilisation was 78% of valves and 89% of boiler auxiliaries.

At Jhansi utilisation was 85% of power transformers.

7. Scooters India Ltd.

Installed capacity for all items 90% less for 3 wheelers 40% of two wheelers.

M/s. Scooters India Ltd., was set up in Sept. 1972 for the implementation of the project for the manufacture of 1 lakh numbers of 2-wheelers per annum by acquiring the entire plant and machinery of M/s. Innocenti of Italy. In the initial years many technical problems were faced by the company which led to the poor off-take of the scooters which resulted in less utilisation of capacity. Detailed investigation and remedial

measures undertaken have resulted in the establishment of production of an improved version of scooters and the demand for the product has steadily picked up. Special steps relating to improvement in productivity, quality control, marketing and after sales services have also been taken to improve the working of the Co. A foreign consultancy firm has also been engaged. As a result of steps taken to improve the working of the company, the utilisation of capacity of the Co. was more than 50% during 1978-79 when the production of power packs was in 1979-80 is 65,000 numbers as against 41,127 numbers produced in 1978-79.

Ministry of Petroleum & Chemicals Department of Petroleum

Sl. No.	Name of Undertaking/ Project.	Variation between licensed/ installed capacities.	Position regarding installed capacity utilisation in respect of one or more main products of overall.	Latest position reg. installed capacity utilisation.
1	2	3	4	5
1	Bharat Petroleum Corpn. Ltd.	Installed more for all plants ; for refinery three times more and for Lubo Blending Plant, Calcutta six times more than licensed.	In 1976-77 capacity utilisation was 67% of refinery (1977-78 figures of production given for 15 months).	Installed capacity is 5.25 MMTA and its percentage utilisation during 1978-79 was 89.4% and 1979-80 was 91.8%.
2	Caltex Oil Refining (India) Ltd.	Licences given for products in gallons installed capacity given only for crude run (in MT).	In 1976 capacity utilisation was 67% of crude run (company amalga- mated with Hindustan Petroleum Corporation in 1977-78).	Caltex Oil Refining (I) Ltd. was amalgamated with HPC in 1977-78. Its installed capacity is 1.50 MMTA and its percentage utilisation during 1978-79 was 88.7% and 1979-80 was 73.9%.

3. Hindustan Petroleum Corpn. Ltd.

For some products installed capacity.

Production of bulk petroleum products was equal to installed capacity in 1977-78. HPC Fuel Refinery installed Capacity is 3.50 MMTA and of Lube Refinery is 0.18 MMTA and percentage utilisation was :—

	Fuel Ref.	Lube Ref.
1978-79	80.6%	105.6%
1979-80	89.4%	111.1%

4 Lubrizol India Ltd.

No difference.

In 1977-78 utilisation was 55% of engine oil components and 79% of chemical additives. In 1978-79 and 1979-80 utilisation of engine oil components and Chemical Additive was as below :—

	1978-79	1979-80
Chemical Additive	8%	90%
<i>Engine Oil Component</i>		
i. Antioxidant/ Antiwear	29%	30%
ii. Detergents	29%	32%
iii. Dispersants	74%	80%

1 Madras Refineries Ltd. Installed capacity not given for all years. In 1977-78 capacity utilisation was 50% of Lube Oil base & 59% of M.S. as compared with licensed capacity.

Installed capacity (in MMT)	Attainable capacity (in MMT)	Actual crude put (in MMT for 1979-80)	% utilisation <i>viz.</i> Installed capacity (1979-80)
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3.50 2.80 2.822 112.88

2 Indian Oil Corpn. Ltd. Installed capacity less for Gujarat Refinery (by 50%). In 1977-78 capacity utilisation was 84% of Haldia Refinery of Gaubhati, Barauni and Gujarat Refinery production was more than installed capacity. Overall production of all refineries was more than installed capacity by 9%.

0.75	0.85	0.646	86.13 (Gaubhati Refinery)
3.00	3.30	2.285	76.16 (Barauni Refinery)
3.00 } 6.00	7.30	6.714	111.9 (Gaubhati Refinery)
3.00 }		2.50	99.68 (Haldia Refinery)
		2.492	

1978-79 1979-80

1. Bridge & Roof Co.
(India) Ltd.

No difference

In 1977-78 utilisation was nil of rail -
way wagon and 70% of structures.

(i) Structural 56% 54%
(ii) Wagons manufacturing discontinued
and corresponding area is now under
modification to suit marine freight con-
tainers project due to start in 1981-82

2. Bieccom Lawrie Ltd.

For some item installed capacity
less (for some no licensed
capacity).

In 1977-78 utilisation was 28% of
electric motors and 50% of switch -
gear.

(i) Switch gear 62.25% 62.25%
(ii) Motor 20.03% 22.38%

3. Balmer Lawrie Ltd.

Installed capacity less in
the case of barrels by over 50%

In 1977-78 production was more than
installed.

(i) Barrels. 138% 129%

* Assuming no constraints in crude availability and product off-takes especially LSHS disposal, it is anticipated that the refinery, can operate upto this level.

Percentage Utilisation, installed capacities and Production of products Produced by IPCL during the year 1978-79 and 1979-80.

Products	Installed Capacity (MTA)	Actual Production	% Utilisation	Actual Production	% Utilisation
<i>Aromatics Plant</i>		1978-79		1979-80	
1. DMT	24000	27071	113	27939	116.4
2. Orthoxylene	21000	21437	91	18544	88.3
3. Mixed xylene	2500				
4. Paraxylene	17000	14932	88	14589	85.8
<i>Olefins Plant*</i>					
5. Ethylene	130000	37618	29	54691	42.1
6. Propylene (PG)	38000	14375	38	21038	55.4
7. Propylene (CG)	43300	2770	6	9183	21.2
8. Butadiene	22000	5946	32	8851	40.2
9. Benzene	23600	5838	42	10213	43.3
10. Carbon Black Feed Stock	17900	5913	33	5197	29.0
<i>Down stream Plants@</i>					
11. LDPE	80000	31931	46	43040	53.8
12. Polypropylene	30000	6957	28	13000	43.3
13. Palghat-diene Rubber	20000	4829	36	8712	43.6
14. Linear Alkyl Benzene	30000	4881	56	13096	43.7
15. Ethylene Glycol/Ethylene Oxide	20000	87	3	6874 278	34.8
16. Acrylonitrile	24000	1823	36	3724	15.5
17. Acrylic Fibre.	12000	92	18	3468	28.9

*The various units were commissioned between March, 1978 and May, 1978.

@The various units were commissioned between May, 1978 and March, 1979.

APPENDIX II

(Vide reply to recommendation at Serial No. 5)

Statement showing steps taken by Enterprises to remove the system Deficiencies pointed out by Audit

Sl. No.	Enterprises	Deficiencies pointed out in 1975-76 C&AG Report Part-II	Steps taken to remove the deficiencies
		3	4
1	Heavy Engineering Corporation Ltd.	<p>(1) Costing system was deficient and inadequate.</p> <p>(2) Cause-wise analysis of idle time for labour and machinery is not made in Foundry Forge Plant.</p> <p>(3) Standard costs for main products have not been fixed.</p>	<p>While process costing has been in vogue in Foundry Forge Plant batch or job costing is in vogue in Heavy Machine Building & Heavy Machine Tools Plant fitting the product profile and process technology in each of them. Detailed cost records have been instituted.</p> <p>Analysis of idle time has been computerised and computer output is being regularly submitted to the management.</p> <p>As the products are not repetitive from year to year, actual costs are compared with the estimated costs which are taken as norms.</p>
2	Hindustan Zinc Ltd.	<p>(1) In respect of certain products, 75-76 target production was not achieved.</p>	<p>In 1975-76 while the actual zinc output of 16,032 tonnes exceeded the target of 14,750 tonnes, lead production of 5,155 tonnes fell short of the target of 6,000 tonnes mainly because expanded facilities for production envisaged to be commissioned in 75-76 were delayed by a few months.</p> <p>To improve the existing costing system, Administrative Staff College of India was commissioned, their recommendations were got examined by the Chief Cos - Accounts Officer, Ministry of Finance and then implemented in 1977.</p>

(3) There was no system for ascertaining idle time for labour and machinery and their analysis.

(4) Standard costs for main products were not fixed,

For developing standard costing cost codes, integrated mechanised accounting etc., M/s. Badliot & Co.'s services were commissioned. They have submitted their report which is presently being processed.

3 Steel Authority of India Ltd.

(1) The targets of production were not achieved in respect of Bolani Ores Ltd., and the Durgapur Steel Plant.

To put Bolani Ores Ltd. and its management on sound lines, it has been nationalised through Bolani Ores Ltd. (Acquisition of Shares) Act, 1978. With effect from April 1979, it has merged with SAIL and now constitutes a unit of SAIL. After examining various facts of the operations of the mine, SAIL has prepared a project report involving an investment of about Rs. 9 crores of which Rs. 5 crores is on account of replacement of old machinery and equipment. The broad features of this Project Report cover the following:—

(i) Phased production programme keeping in view the requirements of Durgapur Steel Plant.

(ii) Phased replacement/additions in respect of mining and allied machinery.

(iii) Phased programme of building up inventory and maintenance facilities.

(iv) Rationalisation and development of man-power in the mine, training of the existing workmen for their later useful role has been stressed.

To improve productivity, a production incentive bonus scheme is also being devised.

1975-76 production in Durgapur Steel Plant was less than the target mainly on account of restriction in power supply, lack of orders for railway items etc. The production improved during the year over the earlier years, which trend was maintained till 1978-79. In order to get over the difficulties in regard to power, all efforts are being made to maximise the output of captive power generation units; further 2 Nos. 60MW captive power plants are being installed. In regard to the orders for Railway materials, although Railways subsequently agreed to give full orders for keeping the Sleeper Plant working due to lack of orders. After those power plants are installed by 1983, it is expected that the units' production will substantially increase provided adequate supplies of power from DVC and coking coal are available.

(2) In Hindustan Steel Ltd., the percentage of idle hours to available hours was on the high side.

Continuous efforts arising out of concurrent monitoring are always being made to reduce idle hours and to take remedial action therefore in all the units of erstwhile Hindustan Steel Ltd., The main reasons for idle times in all these units are power restriction, gas shortages, coking coal shortages, disturbed industrial relations, maintenance delays etc., every effort is being made to reduce the idle time arising from such factors as are controllable.

45

(3) Rejections were more than norms fixed in Durgapur Steel Plant and consumption in Durgapur Steel Plant was also more than the fixed.

The rejection figures during 1975-76 were high due to operation/technical problems as well as the adverse quality of raw materials. There has been little or no improvement in the quality of coal and other raw materials. Under such conditions rejections of steel cannot be brought under control to the desired level.

(4) Standard cost for main products has not been fixed in Central Coal Washeries Organisation.

The Coal Washeries Organisation have been computing yearly target costs with which actuals were being regularly compared.

(5) Actual cost of production was more than estimated standard cost in Durgapur Steel Plant, Bhilai Steel Plant etc. in 75-76. Low production resulted in the actual cost exceeding standard cost, in all units.

(6) The high incidence of under utilisation of installed capacities and utter lack of control over production and cost of production have resulted in increasing the cost of sales to turn-over in Bokaro Steel Ltd., Hindustan Steel Ltd. Indian Iron & Steel Co. Ltd., Bolani Ores Ltd. etc.

The lower volume of production than standard/original budget was due to material and power constraints, labour problems, inferior quality of raw materials etc. Escalation in prices of raw materials also contributed, to actuals exceeding the standards.

In 1975-76 Bokaro Steel had not gone into full production and as such any comparison between its cost of sales and turn over of 1975-76 is not desirable. In other units of Hindustan Steel Ltd., this ratio became adverse in 75-76 mainly because of low actual output and escalation in process of various inputs. This was also the reason in Bolani Ores Ltd. While the company is not in a position to exercise any control on increasing prices of input necessary steps have been taken to increase yield Percentage and achieve consumption norms, for which a number of technological steps have been taken.

Indian Drugs & Pharmaceuticals Ltd.

(1) Targets of production were not achieved in respect of many products.

This low production in 1975-76 was mainly due to inadequate availability of certain raw materials, power failure, market constraints for certain products, etc. The company is also spending more funds on R & D activities. New products have been introduced with improved and latest technology, high yielding strain etc. A number of diversification schemes are also being introduced to make the Madras unit viable.

(2) There was no system of ascertaining idle time for labour in the synthetic Drug Unit of IDPL. Since then the system has been introduced.

(3) In the Synthetic Drugs Unit and the Antibiotics Unit, consumption of raw material was more than standards/estimates.

This excess consumption for few products was due to wastage of material resulting from process interruption on account of power, steam, water etc. Regular monthly

review of consumption co-efficient of raw material of each product is undertaken stage-wise and corrective actions are being taken regularly.

Due to uncertainty of product profile and its quantity to be manufactured in the Madras unit, standard costs were not fixed in 1975-76. Subsequently, however, these have not only been fixed but also regular cost control system has been introduced.

Compared to 1975-76 actual production there has been substantial increase in the output of these units particularly in 78-79 and 79-80 as a result of various technological steps taken by the company.

These have since been introduced.

At present in all the units of HMT there is a regular costing system & system for ascertaining idle time for labour and machinery. The percentage of cost of sales to sales in HMT also improved from 90% in 1977-78 to 89.5% in 1978-79 by way of increasing productivity and successfully adopting cost control measures.

Power shortage was the single important reason for this state of affairs. To mitigate this incidence, two Generating sets of 400 KVA are expected to be installed shortly.

There are specific Work Order Nos. for booking idle time of labour. Actual idle time for cash shop are booked against these work orders. The company does not maintain idle time record for individual machinery because idle time record of labour satisfies the same purpose.

(4) In the Surgical Instruments Plant of IDPL standard costs for the products have not been fixed.

6. Hindustan Machine Tools Ltd. (1) Targets of productions were not achieved in the Kalamassery, Srinagar and Bangalore units of HMT in 1975-76.

(2) There was no system of ascertaining idle time for labour and machinery. Particularly in the Srinagar Watch Factory.

(3) It is observed that the actual cost of production was more than the estimated standard cost in Kalamassery and Bangalore units. In 75-76 actual cost of printing machines manufactured in Kalamassery and certain machineries in Bangalore complex exceeded their standard cost due to the incidence of interest on cash credit which was not included in standard cost, higher input costs, etc.

(1) The targets of production were not achieved in 75-76.

(2) Idle time records for individual machinery were not maintained.

7. National Instruments Ltd.

(3) Consumption of raw material in case of some products was higher than the norms. This difference is fully explained by rate variance and not quantity variance.

The company has no control on rate variance.

8. Mining & Allied Machinery Corpn., Ltd.

(1) Cost records were not maintained properly to arrive at the cost of each of the products.

Previously the company was following assembly costing which has since been supplemented with component costing system.

(2) No records were maintained for idle machinery.

This system has since been introduced.

9. Fertilizer Corpn. of India Ltd.

(1) There were much variation between budget estimates and actuals in various units of Fertilizer Corporation of India.

Frequent breakdowns in Sindri, shortage/poor quality of raw material at Gorakhpur, and power interruption which followed frequent breakdown in various units are the main reasons for these variations in output. Since then steps have been taken to instal captive generating sets in various Units of Fertilizer Corporation and scheme for rationalisation of facilities in the aged Sindri unit has also been taken up. The Sindri modernisation scheme has been commissioned on 1-10-1979. A comprehensive plan for preventive maintenance is being followed in all the units to reduce maintenance downtime.

(2) In Sindri, Durgapur and Gorakhpur units, raw material consumption was higher than the standards/estimates.

These excess consumptions are mainly due to process breakdowns for various reasons. Steps were taken, as mentioned earlier, to set up captive power sets, and Sindri modernisation which would also contribute to reducing this over consumption of raw material.

10. Bridge & Roof Co. Ltd.

(1) Target of production was not achieved in 75-76.

Lot of machineries of this old company require replacement. Necessary arrangements have been made to instal new plant in place of the old and outdated machinery.

(2) Actual cost was not compared with the estimates for each phase of work.

Such comparisons are carried out during annual closing of accounts.

11. State Farms Corporation.

(1) The target of production was not achieved in 75-76 except wheat.

In 75-76 constraint of Fertilizer & Pesticides contributed to this state of affairs.

(2) There was no effective system for ascertain-

The norms of utilisation of machinery have been worked

ing idle time for labour and machinery.

- (3) Standard costs for main products have not been fixed.

Keeping in view the fact that quantum of inputs like fertilizers and pesticides vary from crop to crop and also from State to State depending upon the package of practices laid down by the Government of the respective States, a standard cost system has limited relevance to this Corporation. Nevertheless, the cost of production for the agricultural produce per unit of area and per unit of production is being worked out on the basis of prescribed norms of labour and other inputs. The Management keeps close watch on the expenditure in all farms. This system of cost control is working satisfactorily.

- (1) Costing system had not been properly introduced inasmuch as the figures of consumption of stores & spares shown in the cost sheets were not on actual basis but on approximation. The cost accounting system was not introduced.

There is a regular costing system in the company. All items of cost are taken on actual basis and compared with budgets and variances analysed. The variances have been brought to the notice of the Managers for which necessary corrective action is taken. Over and above these, there is a regular system of review of the performance of each colliery at the area level and again of each area at the company level and so on.

- (2) Rejected stock had not been accounted for.

Wherever the rejected stock has been considered not to be worth marketing they have not been accounted for.

- (3) There was no system of ascertaining idle time for labour and machinery.

Idle time of labour is booked in a separate head of account *viz.* fall back wages. The amount booked to this account is analysed thoroughly every month and controllable causes are identified and corrective actions taken. Machinery utilisation statements for each equipment are prepared every month. These are reviewed periodically and corrective action taken wherever necessary.

APPENDIX III

(Vide para 3 of the Introduction)

Analysis of the action taken by Government on recommendations contained in the 27th Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Public Undertakings—Delay in commencement of Production/Business, Underutilisation of Capacity and related matters.

I. Total number of recommendations.	16
II. Recommendations that have been accepted by the Government [<i>vide</i> recommendations at S. Nos. 1, 2, 3, 4, 5, 7, 8, 11 (ii—vii)]	13
Percentage to total	81.25%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendation at S. No. 9)	1
Percentage to total	6.25%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee—[<i>Vide</i> recommendation at S. No. 11(i)]	1
Percentage to total	6.25%
V. Recommendation in respect of which final replies of Government are still awaited [<i>Vide</i> recommendation at S. No. 111(viii)]	1
Percentage to total	6.25%