

STUDY TOUR REPORT NO. 31

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

NATIONAL BUILDINGS CONSTRUCTION CORPORATION

Laid in the Lok Sabha on 23 April, 2002
Laid in the Rajya Sabha on 24 April, 2002

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LOK SABHA SECRETARIAT

NEW DELHI

April, 2002 / Chaitra 1924(S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2001-2002)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Prasanna Acharya
3. Shri Mani Shankar Aiyar
4. Prof. S.P. Singh Baghel
5. Shri Sudip Bandyopachyay
6. Shri Ram Taha Chaudhary
7. Shri Ajay Singh Chautala
8. Shri Shiv Raj Singh Chauhan
9. Shrimati Sangeeta Kumari Singh Deo
10. Shri C.K. Jaffer Sharif
11. Shri. K.E. Krishnamurthy
12. Shri Vias Multerwar
- *13. Shri C.P. Radhakrishnan
14. Shri Tarit Saran Topdar
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kalmadi
17. Shri K. Kalavenkata Rao
18. Shri Jibon Roy
19. Shri B.P. Singha
20. Smt. Ambika Soni
21. Shri C.P. Thirunavukkarasu
- **22. Shri Ranjan Prasad Yadav

SECRETARIAT

- | | | |
|----|---------------------|----------------------|
| 1. | Shri John Joseph, | Additional Secretary |
| 2. | Shri S. Bal Shekar, | Director |
| 3. | Shri Raj Kumar | Under Secretary |
| 4. | Shri Girihari Lal | Executive Assistant |

* Elected w.e.f. 22nd November, 2001 y.c. Shri Raju Prasad Rudy ceased to be Member of the Committee consequent upon his appointment as Minister w.e.f. 01.09.2001.

** Retired w.e.f. 04.2002

INTRODUCTION

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of National Building Construction Corporation Limited..

2. The Committee held discussions with the officials at Chandigarh on 2.6.2001. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on

4. The Committee wish to express their thanks to National Building Construction Corporation Limited for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

**New Delhi
11, April, 2002
21, Chaitra, 1924(S)**

**PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS**

STUDY TOUR NOTES OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

DISCUSSION WITH THE REPRESENTATIVES OF NATIONAL BUILDING CONSTRUCTION CORPORATION LIMITED (NBCC) AT CHANDIGARH ON 2.7.2001

INTRODUCTION

At the outset, the Convenor, Committee on Public Undertakings (COPU), made opening remarks and then requested the Chairman & Managing Director, National Building Construction Corporation Limited (NBCC) to introduce himself and his colleagues to the Committee. The Chairman, COPU also requested him to give a brief account of the working of the Company.

2 After introduction of officials of the Company, the CMD, NBCC, informed the Committee that the National Buildings Construction Corporation Ltd., an ISO 9001 company, was incorporated as a Public Sector Undertaking in November, 1960. It is a premiere engineering services organisation in the country. The Company is engaged in execution of Civil Engineering Projects, rendering of consultancy services and development of Real Estate Projects. The Company is an MOU signing company and its performance has been rated as "Excellent" by the Department of Public Enterprises for the years from 1995-96 to 1998-99. However, the performance for the year 1999-2000 has been rated as "Very Good". The Company has also received the Prime

Minister's MOU Award for "Excellence" in the Achievements of MOU Targets for the year 1998-99. NBCC ranks at 179th position among the top 225 international construction companies as per the "Engineering News Record", a journal published by Mc-Graw Hill, New York.

3 The Committee have also been informed that NBCC has been diversifying its activities in areas such as Environmental Engineering Plants using 'UASB' Technology, Tall Stacks & Cooling Towers using Slip-Form and Jump Form Technologies, development of Real Estate Projects, Project Management and Maintenance Contracts. NBCC during the year 2000-01 has been awarded two major contracts one of Rs. 114 crore for providing of Project Management and Consultancy Services for construction of 1000 houses and development works of various sector in NOIDA, for New Okhla Development Authority and another contract of Rs. 74 crore for External Plant Works, ducting and laying of Optical Fibre Cables at various locations in Gujarat, Maharashtra and Haryana for Bharat Sanchar Nigam Limited (BSNL). The Company is also actively involved in laying of underground utility services through "Trenchless Construction "No-Dig" Technology. A large number of projects are under execution for MTNL, DVB, DDA, NDMC, Delhi Jal Board, etc. using this technology. The Company has also formed a Joint Venture Company in Botswana.

4 When asked as to how far the Company has been able to achieve its objectives, the Committee have been informed that the main objective of

NBCC is to provide quality construction & engineering services in the country keeping in mind competition and cost element. With a view to achieve its objective, modern construction techniques have been adopted to increase the productivity at lesser cost. Modern plant and machinery deployed on overseas projects were redeployed on home projects to ensure speedy and quality in construction. Arrangements have been made with specialised Indian Companies backed by foreign collaborators to undertake high-tech projects. The Company has been using Slip-form/Jump-form techniques in the construction of tall chimneys, TV Towers, Cooling Towers, etc.

NBCC has achieved its objectives and has successfully completed a number of prestigious projects of National Importance throughout the country. It has also executed a large number of projects in overseas market providing opportunity to the people of the country to work abroad and earn foreign exchange for the Nation.

5 When enquired about the steps taken for re-shaping the objective of NBCC in the light of changing scenario in the construction industry, the Committee have been informed that the Government has accorded priority to infrastructure development. With lower interest rates, the infrastructure activities in the country are likely to show resilience. Consequently, the Construction Sector is bound to gather momentum and attract more investments. In the changed business scenario due to economic liberalisation, privatisation, globalisation and competitiveness, Public Sector in Construction

Industry have a competing need to reposition and redraft its strategies. NBCC is now exploring tie-ups, joint ventures and collaborations as avenues for participating in execution of high value projects funded by World Bank and Asian Development Bank. With a view to improving upon the performance, NBCC has focused on the following aspects:

- To tap business opportunities and secure more works in overseas market;
- To concentrate in Real Estate Sector, construction of Chimneys; Cooling Towers, Environmental and Power Transmission projects in domestic sector;
- To undertake execution of high value projects through selective tendering in home market;
- To adopt latest technologies for low cost mass housing projects; and
- To execute projects involving use of Tranchless Technology.

6 The Business Development performance results for the years from 1996-97 to 2000-01 are given below :-

(Rs. in crore)

YEAR	TARGET	ACTUAL
1996-97	300.00	285.81
1997-98	325.00	290.14
1998-99	340.00	329.82
1999-2000	360.00	360.38
2000-2001 (Prov)	380.00	387.38

When asked about the factors attributable to company's inability to meet the targets envisaged during the years from 1996-97 to 1998-99, the Committee have been informed that there was marginal shortfall in the achievement of business development targets during the years 1996-97 and 1998-99. The shortfall has been due to the construction industry continued to face challenging tasks during these years. Difficulties have been experienced in the development of new business due to the tendency of the small and private sector construction agencies to quote substantially below cost. The factors as detailed below also contribute to shortfall in achievement of Business Development Target :-

- High overheads;
- Pay revision of employees and other costs escalation;
- Non-availability of adequate funds with Government Departments out of their funds allocations, resulting in outstanding payments;
- Severe competition from MNCs in highways and infrastructure development projects etc.;
- The withdrawal of 'Price Preference' also had an adverse impact on business development;
- Government Departments are creating conditions making it difficult for PSU's to participate.

7 The financial performance of the Company during the years from 1996-97 to 2000-01 is as under :-

(Rs. in crores)

TURNOVER			NET PROFIT / LOSS	
YEAR	TARGET	ACTUAL	TARGET	ACTUAL
1996-97	200.00	254.11	(-) 22.65	(-) 1.15
1997-98	225.00	258.46	(-) 21.00	(-) 0.84
1998-99	270.00	300.61	(-) 17.80	7.04
1999-2000	300.00	292.31	12.80	12.29
2000-2001 (Prov)	330.00	327.00	13.20	7.00

When asked about the steps taken to keep up the profitability, the Committee have been informed that the following steps have been taken to keep up the profitability of the Company :-

- Selective and accurate tendering to avoid losses.
- Strict control on time and cost overrun.
- Generating more work load particularly in overseas market.
- Introduction of new technologies in collaboration with specialised agencies wherever necessary.
- Taking up Project Management assignments.
- Realisation of outstanding dues of closed projects by vigorous follow up.
- Development of Real Estate Projects to earn high profit margin.
- Reduction in surplus manpower through Voluntary Retirement Scheme.
- Reduction in overheads such as expenditure on TA/DA, advertisements, telephones, transport, stationery, overtime allowances etc.
- To operate in large value sector projects like energy, transportation and environment. These sectors have less competition and involves high technology.
- Taking up maintenance contracts all over the country for effective utilisation of skilled and un-skilled work force held with the Corporation.

8 In the Brief submitted to the Committee, it has been stated that the NBCC's activities are spread all over the country and abroad. Presently, the Company is operating in the overseas market in Mauritius and Turkey only.

About the works awarded to NBCC in Civil Engineering, Consultancy Services and Development of Real Estate Projects by the Mauritian and Turkish Governments in the last three years, the Committee have been informed as under :-

S.No.	Description	Value (Rs. lacs)	Name of Clients	Month of Award
1.	<u>Mauritius</u> Renovation and upgradation of Bank of Baroda Building at Port Louis, Mauritius	355.00	Bank of Baroda, Mauritius	April, 1999
2.	Construction of Pradier Canal in Mauritius for Water Supply Project, Phase-II.	1234.55	Central Water Authority, Mauritius	August, 1999
3.	Maintenance of Indira Gandhi Centre for Indian Cultural, Phoenix, Mauritius.	35.00	Ministry of External Affairs	January, 2000
4.	Development and maintenance works of Chinmaya Mission head quarter at Bean-Bassin, Mauritius	224.80	Chinmaya Mission	January, 2001
1.	<u>Turkey</u> Consultancy and Project Management Services for re-construction of Housing Unit in Adapazari, Duzee, Golyaka & Eumayeria (Turkey).	1150.00	Government of Turkey	August , 2000

9 The details of profits earned by the Company during the last 5 years against the projects executed in the overseas market are given as under:

Year	Profit (Rs. In Crore)
1996-97	2.13
1997-98	3.34
1998-99	3.40
1999-2000	7.31
2000-2001	2.75 (Prov.)

10 When asked what special efforts are being made to secure orders from abroad, the Committee have been informed that the Company has a Business Development Division at the Corporate Office for development of projects in overseas market and this Division is making all efforts to secure projects abroad. The efforts made in development of projects in abroad are detailed below:

- Increase in Business through Joint Venture with major Indian/foreign companies.
- Bidding for World Bank / ADB / other funded projects in Bangladesh, Nepal, Gulf and Far Eastern Countries.
- Expanding business activities in overseas market, particularly in respect of projects financed by Governments or by international financial institutions in addition to the project finalised by Government of India.
- Made tie-ups with M/s. Associated Builders Corporation Limited, (ABC) for development of Civil Engineering Projects in Bangladesh.

- Formed a Joint Venture with Jamal Trading Company of Botswana for development of infrastructure Projects in Botswana. The Joint Venture Company in the name of JAMAL NBCC INTERNATIONAL (Proprietary) Limited has been registered in Botswana in May, 2001.

11 When enquired about the difficulties being faced in forming JVs with reputed private/foreign companies, the Committee have been informed that NBCC in the past entered into Joint Ventures with private parties for specific project involving no investment. However, no work could be secured through these Joint Venture because of stiff competition in the market and therefore, these are not operational.

The Committee have also been informed that forming of Joint Ventures with Foreign Companies involve equity participation. Joint Venture with foreign companies requires approval of Government which inter-alia means getting the approval of Cabinet Committee for Economic Affairs (CCEA). The CCEA approval is a long drawn process and normally takes 6 to 12 months to complete all the formalities. The foreign companies are not ready to wait for such a long period as the opportunities for which the Joint Venture Company is proposed are lost during the intervening period of getting the approval.

It has also been stated that the Board of Directors of all Public Sector Undertakings (irrespective of status of Navratna or Mini-Navratna), should be empowered to make decision regarding forming of Joint Venture with both private and foreign companies including making investment in them subject to

viability of such Joint Venture. The equity in the Joint Venture may also be subscribed by the Government in the PSUs.

12 With regard to the Order Book position of the Company, it has been stated that though the Order Book position of the Company which stands at Rs.610 crore as on 31st May, 2001 is adequate in view of the sales targets laid-down for the year 2001-2002. However, the workload is not sufficient for the appropriate growth of the Company to meet the challenge in the construction sector and for optimum utilisation machinery and manpower. The Company is taking all necessary steps in development of higher level of workload through tenders and negotiations on cost plus, deposit and project management term. In view of the stiff competition in the market and large number of small private companies operating in the construction sector the acquisition of new projects is becoming difficult. In order to overcome this situation, the Company has explored the avenue of Real Estate Projects.

The Committee have also been informed that the trained manpower pool available is being utilised on maintenance contracts and NBCC is making all out efforts to secure as many as maintenance contracts. During the last few years, NBCC has secured maintenance contracts from ESIC, EPFO, STC etc. Further for optimum utilisation of resources by NBCC, it is suggested that the Government may allocate Central Government Non-Plan Projects, Commercial portion of Central Government Projects, Maintenance of Government Buildings etc. on the similar line as being allocated to the CPWD.

The Government may also give necessary directives to CPWD, State PWD, HUDCO, DMRC and other Government Departments to award their projects to NBCC on nomination/negotiation basis on agreed terms. The State Governments may also be advised to extend the facility of purchase preference to PSUs for enhancing their business. The Government may also grant permission for development of land at Pushp Vihar in Delhi and Mangedo Lane in Kolkata on commercial terms for real estate projects.

13. The Committee have been apprised that Purchase Preference to PSUs is valid upto 31st March, 2002. When asked about the impact on business development of the company with the withdrawal of 'Purchase Preference' available to NBCC, the Committee have been informed that the Public Sector as a whole has to meet certain social obligations while functioning as commercial entity and also has to fulfill the Government Statutory requirements. Therefore, the Public Sector has to incur extra expenses and due to this sometimes the offers of Public Sector Enterprises in open competitive bidding is slightly higher as compared to private parties. In order to utilise the resources of PSUs developed over the years with the investment of the Government, opportunity is provided to PSUs to take up the projects on the Purchase Preference basis.. In case of withdrawal of Purchase Preference, the Public Sectors will lose the option of matching the lowest price and consequently there may be idling of resources and consequential under-

utilisation of government investment in PSUs, due to non award of works to them.

14. It has been stated in the Annual Report that NBCC has successfully adopted new technologies viz. Upflow Anaerobic Sludge Blanket System (UASB) for execution of Sewage Treatment Plant; No-Dig Technology for laying of underground utility services and Slip Form / Jump Form Technology for construction of Cooling Towers / Chimneys development of Real Estate Projects, Project Management and maintenance contracts. NBCC is also on the move to introduce newer concepts in construction of low-cost houses for slum dwellers in collaboration with the Jaunpur Building Centre near Delhi.

When asked to specify the new concepts introduced by NBCC in construction of low cost houses of slum dwellers in collaboration with the Jaunpur Building Centre, the Committee have been informed that NBCC had discussions with Jaunpur Building Centre regarding development of low cost housing for slum dwellers. NBCC is also working out schemes for low cost housing for slum dwellers and had identified some technologies which are cost effective and can be adopted for rapid construction of such houses. Such projects are primarily developed by Central and State Governments for Welfare of slum dwellers. With the technologies available, NBCC is in a position to take up such projects, provided such opportunity is given by the Central/State Government. However, none of the technologies could be

adopted physically on ground as NBCC has not secured any such project from Central or any State Government.

15. It has been stated in the Brief submitted to the Committee that a sum of Rs.149.38 crore is outstanding to be realised from Libya (Rs.85.83 crore) and Iraq (Rs.63.55 crore).

When asked to state the reasons for such huge sums remaining outstanding from Libya and Iraq and the measures taken by the Company to recover the outstanding loan amounts from these countries, the Committee have been informed as under :-

Libya

Reasons for delay in realisation of dues

- Cumbersome procedure for clearing of bills
- Non-settlement of tax demands
- Non-issue of final acceptance certificate by clients
- Hold-up Political level
- Non-implementation of decision taken by Indo-Libyan Joint Commission during April, 1995.

Towards the realisation of outstanding dues from Libyan Clients, the Corporation stated that it is maintaining an office in Libya with skeleton staff. In addition a consultant was appointed to settle the tax demand, which was assessed on national income instead of actual profits. The tax assessed since inception to 1989-90 was to the tune of MLD 7.506 (Rs.67.55 crore) which with the help of consultants has been reduced to MLD 1.771 (Rs. 15.94 crore).

Further, LOI was issued to another consultant for the realisation of our dues on “Success fee basis” but this consultant has revised its offer, which is not acceptable to NBCC, the matter is further being pursued.

Iraq

Reasons for delay in realisation of dues

- With prolonged Iran-Iraq war the financial position of Iraq became very bad.
- Government of India keeping in view its long term commercial and political interest entered into a Deferred Payment Agreement (DPA) with the Government of Iraq.
- As per this agreement Indian project exporters were advised by the Government of India to accept payments of their ongoing contracts under DPA from the Government of Iraq.
- With the subsequent out-break of war between Iran and Kuwait even the payments due under DPA were also not released by the Government of Iraq.
- With the imposition of U.N. embargo, the DPA between Government of India and Government of Iraq also could not be renewed after December, 1990.

The dues covered under DPA are being realised through the Task Force on settlement of Iraqi dues appointment by the Government of India. As per this arrangement the amount notified to Exim Bank by the Central Bank of

Iraq is assigned to the Government of India and the amount is released to the Corporation in cash/RBI Bonds by the Government of India. The dues notified to Exim Bank beyond 30.9.95 is still pending. Government of India has appointed an another Committee to make recommendations for settlement of dues notified to Exim Bank beyond 30.9.95. The dues against projects executed on cash basis have been authorised by the Iraqi clients to Central Bank of Iraq/Al-Rasheed Bank for release in foreign currency. However, due to the continuing UN sanctions in Iraq, the release of payments by Iraqi Authorities is still pending. The matter has been followed up with Ministry of Commerce and the Overseas Construction Council of India.

16 About the outstanding dues from various organisations, the Committee have been informed that Rs.14801.52 lakh is outstanding against the various organisations. The Committee have also been informed that various follow-up action are being taken by the project incharges to realise these dues from the clients organisations. A separate cell has been set up at the corporate office for effective coordination and monitoring the realisation of closed projects dues. This cell is providing all necessary support to the projects in realisation of long pending dues from clients. In addition the matter is also taken up at the level of the concerned Administrative Ministry or Corporate Office wherever situation so demands. In case of disputes, the action is taken as per contract agreement which inter-alia provides invoking of Arbitration.

17 About grant for payment of interest to Oil Industries Development Board (OIDB), the Committee have been informed that NBCC has executed a

contract for construction of Fourth Oil Berth at Butcher Island Bombay (Now Mumbai). The above contract was awarded to NBCC in June, 1979 at a cost of Rs.5.05 crore. As per the contract this work was to be completed by July, 1982. However, the work got delayed on account of various reasons beyond the control of NBCC. Since there were substantial changes in the scope of contract due to change in design parameters and decided to abandon the project as it anticipated huge losses on this account but Government of India compelled NBCC to carry on with the work and to complete the project by stipulated date. NBCC made it clear that it will be able to complete the above project on schedule if the funds are made available by the Government. Therefore, OADB provided a loan of Rs.13 crore to NBCC for execution of the project. Before accepting any loan from OADB, NBCC had also made it clear to the Government that it will not be possible for NBCC to accept any liability on account of repayment of OADB loan and interest thereon. It was also agreed in the meeting of the Committee of Secretaries dated 22.9.1981 that the interest liability on OADB loan would be treated on the same term as of repayment of principal amount. Though, the dispute for reimbursement of actual expenditure incurred in execution of the project was settled through the arbitration award, the issue for repayment of loan and interest thereon remained unsettled. The matter for settlement of dispute for repayment of OADB loan and interest thereon was referred to the Committee on Disputes (COD). The COD after considering the case agreed to provide financial assistance to NBCC for repayment of loan to the OADB.

As per the above decision Government has already provided a grant of Rs.13 crore to NBCC for repayment of OADB loan. It is requested that the Government may be requested to consider providing of another grant of Rs.13 crore for payment of interest on above loan in line with decision taken in the meeting of the Committee of Secretary dated 22.9.1981. It may also be submitted that with the present financial crunch being faced, it is not possible by NBCC to clear the interest liability from its resources.

18 The Committee have been informed that the Board of Directors of NBCC consists of a Chairman-cum-Managing Directors, two (2) Functional Directors – Director (Projects) and Director (Finance), two (2) Government Directors and three (3) Non-official Part-Time Directors. The Committee have also been informed that one post of Director (Planning) on the Board of Directors of NBCC is lying vacant. This post is lying vacant since September, 1994. The filling-up of this posts has been kept in abeyance as per Ministry of Urban Development and Poverty Alleviation decision conveyed vide letter Np.17030/26/94-PS dated 7th November, 1994.

19 The actual manpower strength of the Company as on 30th June, 2001 is given as under :-

DISCIPLINE	EXECUTIVE	NON-EXECUTIVE	TOTAL
Engineering	596	30	626
Finance	209	119	328
Pers. & Admn.	110	161	271
Material Management	29	79	108
Field Level	--	1810	1810
	944	2199	3143

When asked whether any study has been carried out/proposed to be carried out to find out the adequacy or otherwise of the manpower in the company keeping in view the volume of work and diversified business handled by the company, it has been informed to the Committee that recently all the Zonal Heads were asked to assess the manpower requirement/shortage with reference to the number of units, current workload and the projected business development targets. The exercise has revealed that in relation to these factors, the shortage at the executive and supervisory level is negligible. The surplus at the operative/field level is mainly because of composition of the field level workforce. In certain categories, such as Operators, Technicians, Helpers, Chowkidars, there is surplus workforce to the extent of 500. The composition of the field level workforce is proposed to be altered firstly by training the workforce of direct construction trades, such as masonry, carpentry, painting, plumbing, wiremen by in-house training. However, such training to be successful is dependent upon the education background, age and trainability of the employees. In case these efforts do not yield the desired results, the excess manpower shall be eased out by offering attractive voluntary retirement compensation and lastly by retrenchment if there are no takers for the compensation package.

The Committee have also been informed that the proposal to roll back the age of retirement is under consideration of the Ministry of Urban Development. In case it is approved, forty five Executives at the middle level and senior level will retire by December, 2002. This will lead to shortage at the

executive level. The senior and middle level vacancies can be filled up by promotion, which in turn will cause shortage at the induction level. The vacancies at induction level will have to be filled open market recruitment.

About the Voluntary Retirement Scheme, the Committee have been informed that under the existing scheme, compensation is payable @ salary of 35 days for every completed year of service and 25 days for each year of balance service until Superannuation subject to a minimum of Rs.25,000/-. Under the scheme, the compensation available is not attractive enough, particularly for those, who are in the young age group. The Corporation is considering introducing a modified V.R. Scheme with the approval of the Board of Directors under which the compensation available shall be at the rate of 45 days of salary for every completed year of service and 30 days of salary for the balance service. Modification of VR scheme shall require the approval of the Administrative Ministry.

The Committee have also been informed that in order to become cost effective in the present competitive scenario, NBCC intends to dispense about 500 field workers through V R Scheme in the next three years. In order to dispense the surplus workers through VRS, a grant of Rs.6 crore per annum for the next these years may be provided for payment of VRS compensation.

RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

FORMATION OF JOINT VENTURES

The Committee find that the National Building Construction Corporation Limited (NBCC) is facing difficulties in forming joint ventures with reputed foreign and Indian private companies. The Committee have been informed that forming of Joint Ventures with Foreign Companies, involve equity participation. Joint Venture with foreign companies requires approval of Government which inter alia means getting the approval of Cabinet Committee on Economic Affairs (CCEA). The CCEA approval is a long-drawn process and normally takes 6 to 12 months to complete all the formalities. The foreign companies are not ready to wait for such a long period and as a result, the opportunities for which the Joint Venture Company is proposed are lost during the intervening period. The Committee recommend that the Board of Directors of the Corporation should be empowered to take decisions regarding forming of Joint Venture with both private and foreign companies, including decisions about making investment in them subject to viability of such Joint Venture. The equity in

**the Joint Venture may also be subscribed by the
Government in the PSUs.**

RECOMMENDATION NO. 2

NEED FOR PROVIDING MORE GOVERNMENTAL ORDERS TO NBCC

The Committee have noted that the construction industry in India, after the opening up of the Indian economy, is facing tremendous competition specifically from the multi-national companies. On account of stiff competition with private firms, for hi-tech construction projects, it has become very difficult to secure new projects with good profit margin. These projects are few and many of these are now coming up on Build-Own-Operate – Transfer (BOOT) / Build-Own-Operate- Maintain (BOOM) concept, where NBCC is not in a position to make any such investments, thus resulting in the reduction of workload and consequently reduction in overall profit margin for the company. The Committee recommend that in order to overcome this situation, Government should allocate the work relating to the Non-Plan Projects, Commercial portion of Central Government Projects, Maintenance of Government Buildings, etc. The Central Government PSUs /other Departments (like HUDCO, DMRC, CPWD, Delhi PWD, DJB, etc.) under the Ministry of Urban Development should be directed to allocate some portion of their

projects to NBCC on negotiated terms. The Committee also recommend that all the State Governments should extend the facility of purchase preference to NBCC, accept Bank Guarantee from NBCC as EMD in lieu of cash and not to insist on 'Net Worth' for pre-qualification of their projects.

RECOMMENDATION NO. 3.

GRANT FOR OPERATION OF VRS

The Committee have been informed that the NBCC is having about 3143 employees as on 30th June, 2001, out of whom about 1810 employees are field level workers on its regular roll. The Committee have also been informed that with the changed working concepts in the construction sector, that is, execution of projects through deployment of modern cost-effective equipment, the services of most of the workers on regular roll remain unutilised. As such the Corporation finds that about 500 field level workers are surplus and these employees may be offered Voluntary Retirement in the next three years. The Committee recommend that in order to bring about cost-effectiveness in the present competitive scenario, where most of the Private Sector, Multi-National / Joint Venture Companies manage with low overheads, NBCC should be provided with a grant of Rs. 6 crore per annum for the next three years for payment of VRS compensation so that surplus employees can be dispensed with. In this connection, the Committee further recommend that the Modified Voluntary Retirement Scheme submitted by the Board of NBCC should be approved by the Government immediately.

RECOMMENDATION NO. 4

EXTENSION OF PURCHASE PREFERENCE FACILITIES BEYOND 31.2.2002.

The Committee note that the withdrawal of Purchase Preference available to NBCC after 31.3.2002, will have an adverse impact on the business of the Company. The Committee have been informed that the Public Sector as a whole has to meet certain social obligations while functioning as commercial entities and also have to fulfill the Government statutory requirements. Therefore, the Public Sector has to incur extra expenses and due to this sometimes the offers of Public Sector Enterprises in open competitive bidding is slightly higher as compared to that of the private parties. In order to utilise the resources of PSUs developed over the years with the investment of the Government, the Committee feel that opportunities should be provided to PSUs to take up various projects through a system of Purchase Preference . With the withdrawal of the Purchase Preference Scheme, the Committee are of the opinion that the Public Sector will not be in a position to bag the projects for execution and consequently this will lead to idling of resources and under-utilisation of Government investment in PSUs due to non-award of works to them.

The Committee, therefore, recommend that the Purchase Preference Scheme should be extended by the Government beyond 31.3.2002 at least for a period of five more years.

RECOMMENDATION NO. 5

OUTSTANDING DUES FROM IRAQ

The Committee note that NBCC had completed a large number of projects in Iraq during the period from 1976 to 1990 and payments for these projects have been held up by the Iraqi clients due to prolonged Iran-Iraq war. The Committee also note that the Government of India, keeping in view its long term commercial and political interest, entered into a Deferred Payment Arrangement (DPA) with the Government of Iraq under which the payments due to the Corporation were staggered and could be received in installments. A balance sum of Rs. 63.50 crore for Iraqi projects is still pending for settlement. The Committee recommend that the Government of India should take immediate steps to help NBCC realise the outstanding dues, keeping in view the difficult financial position of the Company.

RECOMMENDATION NO. 6

OUTSTANDING DUES FROM LIBYA

The Committee note that NBCC completed 25 projects in Libya during the period from 1976 to 1987 and a sum of Rs. 85.83 crore is pending to be released by the Libyan clients to the NBCC. In addition to the above, NBCC has also lodged interest claims for Rs. 120 crore on account of delay in payment. The Committee understand that in view of the politico-economic conditions prevailing in Libya it is not certain when these dues from Libya could be realised. Since the Corporation had taken huge loans at high rates for executing the projects in Libya, the Committee feel that the Government of India should release 50% of the above dues to liquidate the borrowings in order to avoid further interest on these borrowings. The Committee feel that the offer of the Corporation to assign its receivable from Libya in favour of Government of India to the extent of the amount released by the Government should be considered favourably in order to help out the Company which is in dire financial straits.

RECOMMENDATION NO. 7

GRANT FOR PAYMENT OF INTEREST TO OIDB

The Committee have been informed that the NBCC had executed a contract for construction of the Fourth Oil Berth at Butcher Island near Mumbai. The project was executed by the Company due to the compulsion of Government of India to complete the project by a stipulated date although NBCC desired to withdraw from the project in view of huge anticipated losses in the project. NBCC had offered to complete the project on schedule only on condition that funds would be made available by the Government. Under these circumstances the Oil Industries Development Board (OIDB) provided a loan of Rs. 13 crore to NBCC for execution of the project and while accepting the loan, the NBCC had made it clear to the Government that it will not be possible for NBCC to accept any liability on account of repayment of OIDB loan and interest thereon. Therefore, the Committee of Secretaries agreed in September, 1981 that the interest liability on OIDB loan would be treated on the same terms as that meant for repayment of principal amount. Since the matter of repayment of IODB loan and interest thereon remained

unsettled, the matter was referred to Committee on Disputes (COD). The COD after considering the case had agreed to provide financial assistance to NBCC for repayment of (loan) only the principal to the OADB and not for the repayment of interest thereon. The Committee feel that the Corporation should be provided with necessary grant for payment of interest also in view of the decision taken by the Committee of Secretaries in September, 1981. The Committee feel that this matter should be immediately resolved in favour of NBCC which is already facing a situation of financial crunch.

RECOMMENDATION NO. 8

OUTSTANDING DUES FROM VARIOUS ORGANISATIONS

The Committee note that a sum of Rs. 148.01 crore is due from various organisations including Central Government/ State Governments/ Public Sector Enterprises of both the Centre and the States. The Committee feel that the huge outstandings should be urgently realised from the various clients by taking up the matter at the highest political level by the administrative Ministry. The Committee feel that the outstanding dues have adversely affected the financial health of the Company and its ability to go in for various new projects. The Committee desire that a time bound action plan should be chalked out in this matter by the administrative Ministry for urgent execution.

RECOMMENDATION NO. 9

NEED FOR REVIVAL PLAN/RENEWAL PACKAGE

The Committee note that the Balance Sheet of NBCC does not present a bright picture about the financial health of the Company. The Committee feel that such a Balance Sheet will act as an impediment in the matter of obtaining funds from the commercial banks by the Company and therefore, there should be some initial help from the Union Government in favour of the Company. The Committee wish to point out in this regard that NBCC has been operating in the construction sector without any budgetary support from the Government from 1991 onwards. The Committee, therefore, recommend that the Government should formulate a revival plan/renewal package in favour of NBCC immediately to enable the Corporation perform better and to prevent it from becoming sick.

RECOMMENDATION NO. 10

VACANCY IN BOARD OF DIRECTORS

The Committee note that the post of Director (Planning) in the Board of Directors of NBCC has been lying vacant from September, 1994 onwards. The Committee have been informed that the filling of this post has been kept in abeyance by the administrative Ministry in November, 1994. The Committee feel that there should be sufficient number of Functional Directors in the Board of Directors in NBCC in order to help the Board to take correct business decisions. The Committee, therefore, recommend that the post of Director (Planning) on the Board of Directors of NBCC should be filled up by taking appropriate measures.

ANNEXURE – I

**TOUR AS ACTUALLY PERFORMED BY THE COMMITTEE ON PUBLIC
UNDERTAKINGS TO CHANDIGARH AND SHIMLA
FROM 2ND JULY, 2001 TO 6TH JULY, 2001**

(MEMBERS ASSEMBLED AT CHANDIGARH)

DATE & DAY	TIME	VISIT & DISCUSSION
2.7.2001 (Monday)	1500 hrs	Discussion with the Officers of Housing & Urban Development Corporation
	1700 hrs	Discussion with the Officers of National Building Construction Corp. Ltd.
(NIGHT HALT AT CHANDIGARH)		
3.7.2001 (Tuesday)	0915 hrs	Discussion with the Officers of Semi-Conductor Complex Ltd.
	1430 hrs	Departure for Shimla by Road
	1800 hrs	Arrival Shimla
(NIGHT HALT AT SHIMLA)		
4.7.2001 (Wednesday)	1200 hrs	Discussion with the Officers of Rural Electrification Corporation Ltd.
(NIGHT HALT AT SHIMLA)		
5.7.2001 (Thursday)	1000 hrs	Discussion with the Officers of National Fertilizers Ltd.
(NIGHT HALT AT SHIMLA)		
6.7.2001 (Friday)	1000 hrs	Discussion with the Officers of Nathpa Jhakri Power Corp. Ltd.

DISPERSAL

ANNEXURE – II

**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED CHANDIGARH AND SHIMLA
FROM 2ND TO 6TH JULY, 2001**

S. NO.	<u>NAME</u>	DATE OF JOINING	DATE OF LEAVING
1.	Prof Vijay Kumar Malhotra, Chairman	4.7.01 SHIMLA	7.7.01 SHIMLA
2.	Shri Prasanna Acharya	2.7.01 CHANDIGARH	6.7.01 SHIMLA
3.	Prof. S. P. Singh Baghel	2.7.01 CHANDIGARH	6.7.01 SHIMLA
4.	Shri Sudip Bandyopadhyay	3.7.01 CHANDIGARH	7.7.01 SHIMLA
5.	Shri Ram Tahal Chaudhary	2.7.01 CHANDIGARH	7.7.01 SHIMLA
6.	Shri Ajay Singh Chautala	2.7.01 CHANDIGARH	2.7.01 CHANDIGARH
7.	Shri Shiv Raj Singh Chauhan	2.7.01 CHANDIGARH	7.7.01 SHIMLA
8.	Smt. Sangeeta Kumari Singh Deo	3.7.01 CHANDIGARH	5.7.01 SHIMLA / 6.7.01 CHANDIGARH
9.	Shri Rajiv Pratap Rudy	2.7.01 CHANDIGARH	6.7.01 SHIMLA
10.	Shri Tarit Baran Topdar	3.7.01 SHIMLA	5.7.01 SHIMLA
11.	Shri Suresh Kalmadi	3.7.01 CHANDIGARH	5.7.01 SHIMLA / 6.7.01 CHANDIGARH
12.	Shri B. P. Singhal	2.7.01 CHANDIGARH	6.7.01 SHIMLA
13.	Smt Ambika Soni	2.7.01 CHANDIGARH	3.7.01 CHANDIGARH
14.	Shri Ranjan Prasad Yadav	2.7.01 CHANDIGARH	7.7.01 SHIMLA

SECRETARIAT

- | | |
|-----------------------|------------------|
| 1. Shri S Bal Shekar, | Director |
| 2. Shri L. N. Gaur, | Under Secretary |
| 3. Shri Girdhari Lal, | Executive Asstt. |

**LIST OF OFFICIALS OF NATIONAL BUILDING
CONSTRUCTION CORPORATION LIMITED WHO WERE
PRESENT DURING DISCUSSION WITH THE COMMITTEE ON
PUBLIC UNDERTAKINGS AT CHANDIGARH ON 02.07.2001**

1. Shri Arup Roy Choudhary Chairman –cum –Managing Director

2. Shri Madhur Narain Director (Finance)

3. Shri L.R.Batham Chief Engineer
