

**ESTIMATES COMMITTEE
(1963-64)**

**FIFTY-FOURTH REPORT
(THIRD LOK SABHA)**

**MINISTRY OF STEEL, MINES & HEAVY
ENGINEERING**

(DEPARTMENT OF MINES AND METALS)

Action taken by Government on the Recommendations
contained in the Hundred and Twenty-Fifth Report
of the Estimates Committee (Second Lok Sabha) on
the late Ministry of Steel Mines & Fuel

THE NEYVELI LIGNITE CORPORATION LTD.



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1964/Vaisakha 1886 (Saka)

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ESTIMATES COMMITTEE
1963-64

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*Elected w.e.f. 16th August, 1963 vice Dr. K. L. Rao ceased to be a member of the Committee on his appointment as a Minister.

INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Fifty-Fourth Report on the Action taken by Government on the recommendations contained in the Hundred and Twenty-Fifth Report of the Estimates Committee (Second Lok Sabha) on the late Ministry of Steel, Mines & Fuel—The Neyveli Lignite Corporation Ltd.

2. The Hundred and Twenty-Fifth Report was presented to the Lok Sabha on the 11th April, 1961. Government furnished their replies indicating the action taken on the recommendations contained in this Report between March 26, 1963 and March 24, 1964. The replies were examined by the Study Group 'E' of the Estimates Committee (1963-64) at their sitting held on the 10th September, 1963. The report was adopted by the Committee on the 21st April, 1964.

3. The Report has been divided into the following five Chapters:

- I — Report
- II — Recommendations that have been accepted by Government.
- III — Recommendations which the Committee do not desire to pursue in view of the Government's reply.
- IV — Replies of Government that have not been accepted by the Committee.
- V — Recommendations in respect of which final replies of the Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Hundred and Twenty-Fifth Report of the Estimates Committee (Second Lok Sabha) is given in Appendix IV. It would be observed therefrom that out of 20 recommendations made in the report, 55% have been accepted by Government and 15% of the recommendations the Committee do not desire to pursue in view of the Government's reply. Of the rest, replies of Government in respect of 25% of the recommendations have not been accepted by the Committee, while final replies to 5% of the recommendations are still awaited.

NEW DELHI;
April 21, 1964
Vaisakha 1, 1886 (S).

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

CHAPTER I

REPORT

In paragraphs 10 to 13 of their Hundred and Twenty-Fifth Report (Second Lok Sabha) on the Neyveli Lignite Corporation Ltd., the Estimates Committee had pointed out that the total cost of the integrated project which was originally estimated at Rs. 68·90 crores had been increased to Rs. 94·19 crores i.e. by nearly 37 per cent and that the expected date of completion of the various constituent units of the Project had on an average been set back by more than two years although there had been apparently no appreciable change in the nature or capacity of those units. They, however, expressed a feeling that the Project as a whole was now appearing to be working at a tempo which seemed to assure that the present revised schedules would be kept up and that there would be no further delays. In their reply sent in March 1963, Government stated that it was expected that the overall cost of the integrated project would increase further by 22% and the final estimates were under Government's scrutiny. There had also been some delays here and there in the time schedule owing to reasons beyond the control of the Corporation. Nevertheless, it was hoped that the overall revised schedule would be kept up with slight adjustments.

2. In the latest reply sent in March, 1964 the Ministry has now stated that at the time of formulation of Third Plan in May 1961, the total cost of the Project rose to Rs. 94·66 crores against Rs. 94·19 crores as provision of Rs. 5·91 crores for the housing of the personnel belonging to 'Common Services' of the Project was increased to Rs. 6·38 crores. Owing to the increase under housing, establishment and welfare amenities of the Project personnel, enhancement of the rate of customs duty on imported goods, freight charges, increases in cost of materials both in India and abroad, appreciation in foreign currency and insurance charges under the Emergency Risks (Factories) Insurance Act, 1962, the total cost of the project is now estimated to be of the order of Rs. 117·72 crores, representing an increase of Rs. 23·06 crores over the earlier estimate of Rs. 94·66 crores.

3. It will thus be seen that as against the total original estimated cost of Rs. 68·90 crores, the anticipated cost is now placed at Rs. 117·72 crores i.e., an increase of Rs. 48·82 crores (71 per cent). The actual commissioning of the various units of the project has also been further delayed. *The Committee are concerned at the abnormal rise in the estimated costs of the project and the delays in commissioning of the units.*

4. *In their earlier reports the Committee had emphasised that the estimated cost of such projects should be prepared as realistically as possible in the beginning which should be available to Government and Parliament before a project was approved. They had also pointed out that it was not correct to undertake a project on the basis of incomplete estimates and to subsequently increase the*

outlay thereon. The Committee consider that the delays partly contribute to the high costs of the projects. They would, therefore, urge the Government and the Corporation to take energetic action to ensure that the completion of the various constituent units is not delayed beyond the target dates now fixed. The Committee would also suggest that due care and thought should be given by Government before any further increase in the overall cost of the Integrated Project is sanctioned.

5. In view of the frequent revisions in the estimates of a number of projects, the Committee would also recommend that a study of the reasons for increasing the original estimates of these projects be undertaken by the Ministry of Finance with a view to benefit from this experience and to ensure that in future estimates are prepared as realistically as possible in the very beginning.

6. In para 24 of the Report, the Committee had suggested that with a view to promote the manufacture of indigenous plant and machinery, the Corporation should endeavour to intimate their requirements of the plant and machinery for the next four to five years to the Development Wing of the Ministry of Commerce and Industry (now called Department of Technical Development). The Government in reply, have stated that it was doubtful whether manufacture of specialised items of plant and machinery which would be required by the Neyveli Lignite Project after development, would be possible in India before the establishment of a heavy foundry and the production of special steel. Besides in view of the rapid advances being made in Engineering technology and manufacture of machinery and in design and control, forward planning to the extent of four to five years would not be prudent, in the context of the Corporation's requirements.

7. The Committee do not agree with these views. They feel that there is no insuperable difficulty in intimating the future requirements of plant and machinery for the next four to five years to the Department of Technical Development. It is all the more necessary because heavy industries like Heavy Engineering Corporation Ltd. have already been set up in the public sector to manufacture Heavy Machinery and equipment. The Committee would, therefore, reiterate their earlier recommendation and suggest that the Corporation should endeavour to intimate their long term requirements for the plant and machinery to the Department of Technical Development

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 2)

The Committee feel that it would perhaps be desirable to treat the investment of the Madras Government as a repayable loan which can be discharged, if necessary, so as to obviate the interest charges. They recommend that a decision in the matter may be taken at an early date. (Paragraph 15).

Reply of the Government

Both the Central Government and the Madras Government have agreed in principle that the latter's investment in the Lignite Project will be treated as a repayable loan and the actual mode of repayment is now under examination. The existing arrangements whereby the State Government are entitled to a share in the profits of the Project, is also under review by the Government.

[*Ministry of Mines and Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963*]

Further information desired by the Study Group

Decision when arrived at may be intimated to the Committee.
(*L.S.S. O.M. No. 18PU/62, dated June 17, 1963*)

Further reply of Government

The matter has been examined, in detail, with the Government of Madras and both the Central Government and the State Government have come to the conclusion that the investment of the Madras Government in the Neyveli Lignite Corporation be treated as a loan in perpetuity bearing interest at 4½ per cent. per annum.

[*Ministry of Mines and Fuel O.M. No. 10(37)/61-CX, dated November 8, 1963*]

Recommendation (Serial No. 4)

(a) *The Committee find that not much advance planning has been done in the matter of utilisation of by-products. They feel that unless some vigorous efforts are made, the by-products of the Project are likely to go waste at least for some time. It is not necessary for the Corporation if its resources do not permit economic exploitation of the by-products to take this work on themselves. Necessary planning and research may, however, be carried out by the Corporation and all encouragement given by publicity and other avenues to enable the exploitation of the by-products to be taken up by enterprising parties.*

(b) *They further suggest that avenues for setting up medium and small scale industries should also be fully explored in consultation with the State Government, Planning Commission and the Ministry of Commerce and Industry. In this connection, the desirability of appointing a Technical Expert Committee to undertake a survey and also to recommend the industrial development of the entire areas with regard to by-products and other resources available may be considered by Government without delay. (Paragraph 22).*

Reply of the Government

In order to explore fully the possibility of utilizing lignite and its by-products, etc., a Laboratory was established at Neyveli as early as 1951. The work so far done in this Laboratory has highlighted the availability of various by-products so that further industries based on these by-products could be developed. This Laboratory is engaged at present on the following items of work:—

- (a) High-temperature coke from Neyveli Lignite for use in metallurgical industries.
- (b) Utilisation of fly ash, which will be a by-product under the Neyveli Thermal Power Station, as a substitute for cement in concrete and hollow blocks.
- (c) Making of light weight aggregate from fly ash.
- (d) Electricorode carbon from lignite tar.
- (e) Utilisation of Neyveli lignite char for the reduction of Salem Iron Ores.
- (f) Ceramics from Neyveli Clay, processed in the Clay Washing Plant.
- (g) Preparation of sand from rejects from the Clay Washing Plant for glass manufacture.
- (h) Recovery of waxes from lignite.
- (i) Hydrogenation of lignite tar to make different grades of fuel oils.
- (j) Char fines and briquette chips for use in brick kilns and other Industries.
- (k) Utilisation of char fines as domestic fuel.
- (l) Refractories from fire clay.

The Neyveli Lignite Corporation have taken action to bring these facts to the notice of the interested parties. Besides, samples of by-products like fly-ash, with its analysis, have also been sent by the Corporation to Government Departments and research institutes in the Madras State for their study.

It will thus be seen that attention is being paid to the utilisation in due course of by-products of the various schemes of the Integrated Project.

(b) The extent to which medium and small scale industries could be set up in the private sector with a view to developing the area industrially, by utilising these by-products and other resources, is being explored by Government. In fact, the Government of Madras have already set up a Committee to suggest schemes for the development of industries based upon the by-products of the Neyveli Project. The Lignite Corporation are rendering necessary assistance to this Committee.

[Ministry of Mines and Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963]

Recommendation (Serial No. 5)

The Committee recommend that special attention may be paid to find out the feasibility of using lignite, after necessary treatment, not only in low shaft furnaces but also in blast furnaces. For this, if found feasible, will prove a boon for the development of iron and steel industry in the South. (Paragraph 23).

Reply of the Government

Government have already set up a Technical Committee to explore how best lignite coke from Neyveli could be used for the production of pig iron from Salem and other iron ores. Once production of pig iron is feasible, there would be no major technical obstacle in the way of steel production. Bulk samples of lignite have already been sent to East Germany for conducting certain tests. The present indications are that from Neyveli lignite a suitable coke could be made for use in low shaft furnaces.

[Ministry of Mines and Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963]

Recommendation (Serial No. 7)

The Committee feel that since marketing and communications are subjects of vital importance to the prosperity of the Project, it is very desirable that programme of laying the Railway lines should be completed by the time the Project goes into production so as to facilitate the quick transportation and marketing of its products. (Paragraph 25).

Reply of the Government

Urea (1,52,000 tons/annum) and carbonised briquettes (3,80,000 tons/annum) will be the major products to be marketed from the first half of 1966 and it is expected these will mostly be consumed in the Madras State and in the neighbouring areas of adjacent States. The existing Railway lines going out of Neyveli and joining the Cuddalore-Vriddhachalam line will serve to transport these products from Neyveli to the various consuming centres. Besides, work has also commenced on the scheme to construct a metre gauge line joining Salem and Bangalore. It is expected that this line, when completed, by early 1966, according to the present time schedule, will

further facilitate the quick transport and marketing of the various products.

[*Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963*]

Recommendation (Serial No. 8)

The Committee recommend that a Regular Evaluation Unit should be set up in the Corporation with a view to watch the progress made and also in achieving economies in construction costs of the entire Projects. (Paragraph 26).

Reply of the Government

The Corporation has already set up a Committee to consider economy in construction costs and also for achieving the same. The Committee is functioning effectively, its main work being (i) to conduct a continuous examination of the construction of civil works in order to ensure an objective consideration of the overall cost; (ii) to keep the cost of the construction programme of the project constantly under scrutiny with a view to ensuring that all suggestions made from time to time in Government circulars for achieving economy in construction costs are fully carried out; and (iii) to review once a month the rates adopted for the execution of works and to find ways and means for revising the costs, whenever necessary.

[*Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963*]

Recommendation (Serial No. 10)

The Committee appreciate the various measures adopted by the Corporation to promote cooperation amongst the employees for encouraging and financing the Cooperative Societies. They also suggest that such cooperative efforts may be encouraged by other Public Undertakings. (Paragraph 29).

Reply of the Government

The recommendation of the Estimates Committee has been circulated to all Ministries with the suggestion that similar cooperative efforts may be encouraged by other public undertakings under their administrative control.

[*Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963*]

Recommendation (Serial No. 13)

While the Committee note the reasons given by the Corporation that the large complement of non-technical staff is due to the Project being under construction, they trust that all efforts, would be made by the Corporation to keep its ministerial and other staff to the minimum. Once the Project comes into production, they trust there would be no difficulty in following the pattern of the German Lignite Mining Corporation in keeping its non-technical staff to the minimum. (Paragraph 37).

Reply of the Government

The Corporation engaged non-technical and technical personnel strictly with reference to the programmed volume of the work and expenditure. Every effort is and will be made to secure the utmost economy in the employment of all categories of staff.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963]

Recommendation (Serial No. 15)

The Committee fail to understand why the number of sanctioned posts was increased from year to year when these could not be filled up by the Corporation. They suggest that the assessment of the staff should be made more realistically having regard to the availability of persons etc. The exhibition of a large number of unfilled sanctioned posts have an adverse psychological effect on the staff in position. (Paragraph 40).

Reply of the Government

In the Neyveli Lignite Corporation, according to the procedure being followed, an estimate is made before the close of each year, of the anticipated requirements of staff in each category. The utilisation of this sanction, however, is subject to sufficient justification being advanced by the utilising office. For this reason, the gap between the number sanctioned and number utilised gradually tapers towards the end of the year. Even then, the gap has been sizable on account of the paucity of qualified candidates in the country.

There is no evidence that the exhibition of a large number of unfilled sanctioned posts has had an adverse psychological effect on the staff in position.

However, the recommendation of the Estimates Committee is kept in view and action has also been taken to review the position relating to staff.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated September 2, 1963]

Recommendation (Serial No. 17)

The Committee recommend that special efforts should be made for recruitment of candidates belonging to Scheduled Castes and Scheduled Tribes so that the prescribed quotas are filled up within a reasonable period of time. (Paragraph 42).

Reply of the Government

The Neyveli Lignite Corporation reserve posts for candidates belonging to Scheduled Castes and Scheduled Tribes according to the instructions issued by the Government from time to time. In the advertisements published with all India coverage, the number

of posts reserved in each category for these candidates, is indicated. Necessary rosters for all categories of staff are maintained and reservation of vacancies is also carried forward to subsequent years in cases where scheduled castes/scheduled tribes candidates are not available to fill the reserve vacancies. Special consideration is shown to candidates belonging to scheduled castes/scheduled tribes, when assessing their suitability for appointment and standards are relaxed in their favour when possible. Copies of advertisements for posts with reservation for scheduled castes/scheduled tribes are circulated to certain associations and organisations whom the Government of India have recognised as representatives of Scheduled Castes/Scheduled Tribes.

In spite of this, it has not been possible to recruit candidates belonging to scheduled castes/scheduled tribes in adequate numbers for all the posts reserved for them. However, efforts will continue to be made to recruit candidates belonging to the Scheduled Castes/Scheduled Tribes in order to fill up the prescribed quota.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963]

Recommendation (Serial No. 18)

The Committee feel that in setting up all Public Undertakings, except those which are predominantly developmental, the economics of the Project should be worked in advance in sufficient detail. Apart from other considerations, the requirements to be met should be that the estimated earnings of the concern are not only sufficient to provide for a fair return on the capital invested after providing for adequate reserves and depreciation, but also accumulation of sufficient funds over a specified period for financing further expansion of related new projects, so that the drain on the Public Exchequer for starting new undertakings is largely avoided. Alternatively, the undertaking should be in a position, after a specified period, to redeem from its accumulated funds its capital which can be utilised by Government for other purposes.

The Committee recommend that henceforth, while setting up a Public Undertaking, its economics should be suitably worked out taking into account the above requirements and placed before Parliament when funds are sought for this purpose. So far as the Neyveli Lignite Corporation is concerned, the Committee hope that the check-list by Government will indicate that the above requirements are fulfilled. (Paragraph 46).

Reply of the Government

In so far as the Integrated Neyveli Lignite Project is concerned, the economics of each of the constituent schemes of the Project has been worked out by the various authorities, including M/s. Powell Duffryn Technical Services, London, a firm of technical consultants from the United Kingdom, whose services were obtained under the Colombo Plan, even before the Project was sanctioned, after taking into account all the important technical aspects involved. The economics of the Project has been under review from time to time, the latest assessment being the one made available to the Estimates Committee, which has been included as Appendix IV of their 125th

Report. The aforesaid assessment would have to be revised further, as the individual cost of the component schemes has gone up for inevitable reasons. (After the increase is finally known, the economics of the Project would be worked out afresh.) In any case, it is expected that the Project will yield a reasonable return after allowing for depreciation and various reserve funds.

Besides, in accordance with the present decision of the Government out of the total anticipated capital outlay, including expansion schemes, of Rs. 135 crores, the extent of funds to be made available as equity capital would be Rs. 80 crores only, the balance of Rs. 55 crores being financed through repayable loans from Central Government. It will thus be observed that in this case, as recommended by the Estimates Committee, Government's intention is that after a specified period, the Corporation should be in a position to redeem from its accumulated funds considerable amounts, which Government can utilise for other purposes.

As regards the recommendation that the economics of the Project should be brought to the notice of Parliament at the stage of seeking funds, it may be stated that the setting up of a public undertaking is normally treated as a new service and funds therefor are obtained by specific provision in part II of the Budget Estimates or by a specific provision in the Supplementary Grant. While it may not always be possible to place the details of the economics of the project before Parliament when funds are sought, the Ministries concerned will, when funds are asked for public undertakings at the time of initial setting up, give to the extent possible, in the documents supporting the original budget provision or the supplementary demands as the case may be, the information required by the Committee.

A copy of the Checklist for Preliminary Outline of the Third Five Year Plan, relating to the Lignite Corporation, prepared in February, 1960, when it was required by the Planning Commission, is placed at Appendix II for scrutiny by the Committee.

[*Ministry of Mines and Fuel O.M. No. 10(37) /61-CX, dated June 11, 1963*]

Recommendation (Serial No. 19)

The Committee trust that Government will examine the question of policy to be followed by the Public Undertakings in providing for depreciation bearing the suggestion made in this para in mind and issue clear instructions to be followed by all Public Undertakings in the matter. (Paragraph 47).

Reply of the Government

Necessary instructions are being issued by the Ministry of Finance to all undertakings which are following 'diminishing balance method' to switch over to the 'straight-line method' as soon as may

be convenient. For this purpose the overall percentage of annual depreciation may be worked out on the basis of composition of different classes of assets and their useful lives (as suggested by their Technical Consultants or as may be dictated by their own or other experience).

[Ministry of Mines and Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963]

CHAPTER III

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

Recommendation (Serial No. 11)

In para 7 of their 80th Report, the Committee expressed the view that all wholly Government-owned Public Undertakings should generally be in the form of Statutory Corporations and the company form should be an exception to be resorted to only for organisations of a specified nature. They do not consider that there are any special reasons to make an exception in this case. (Paragraph 32).

Reply of the Government

As stated in the reply to Para 7 of the 80th Report, the public sector units are mostly managed by Companies registered under the Companies Act and some are run as departmental undertakings. The Company form has the advantage of allowing the necessary flexibility and autonomy needed for the successful operation of Commercial enterprises. Parliamentary control over the Companies is exercised under the special provisions of the Companies Act (relating to the submission of the Annual Reports to Parliament and Audit by the Comptroller and Auditor General). The Joint Committee of Parliament on State Undertakings that will be appointed will also keep itself continuously informed of the working of public sector units through (a) examination of their reports and accounts (b) examination, in the context of the autonomy and efficiency of the undertakings whether their affairs are being managed in accordance with sound business principles and prudent commercial practice.

[Ministry of Mines & Fuel O.M. No. 10(37)/
61-CX, dated March 26, 1963].

Recommendation (Serial No. 14)

The Committee feel that there should be some uniformity in the classification of staff in all Public Undertakings. The Committee recommend that Government should examine the desirability of classifying various categories of the staff in the Corporation on a uniform pattern in the other Public Undertakings after taking into account the classification of services laid down by the Central Government. (Paragraph 38).

Reply of the Government

The nature and responsibilities of staff differ from undertaking to undertaking, depending upon the size, line of production, etc. The pay scales of posts also vary from undertaking to undertaking.

Posts under the Government or any undertaking are generally classified or categorised into different grades for specific purposes, such as, recruitment, promotion, imposition of penalties, medical benefits and grant of allowances such as, Travelling Allowance, etc. As the Committee have already accepted in Chapter III of their 135th Report (Second Lok Sabha), complete uniformity in the pay scales of undertakings is not practicable. Besides, while uniformity may be desirable, a measure of flexibility and autonomy has necessarily to be allowed for the varying nature and activities of the undertakings. In the circumstances, uniform classification of staff, whose nature and responsibility vary from undertaking to undertaking is not possible. The classification of personnel adopted by the Lignite Corporation conforms to the broad division of personnel and has been adopted mainly for convenience and publicity.

[Ministry of Mines & Fuel O.M. No. 10 (37) /
61-CX, dated September 2, 1963].

Recommendation (Serial No. 20)

The Committee feel that the system of Cost Accounting introduced in the various Public Undertakings should have some uniform basis. They feel that the Government should get the concurrence of the Comptroller and Auditor General while introducing any system of Cost Accounting in the Public Undertakings and subsequent modifications thereto. (Paragraph 48).

Reply of the Government

Uniform cost accounting, as is generally understood in costing terminology, means the use of same costing methods and procedures for different factories in the same industry or combine. Adoption of uniform costing envisages classification, appropriation and allocation of expenditure, both direct and over-head, on a pre-determined uniform basis. This obviously necessitates adoption of the same method of costing by all the undertakings concerned. As Government Companies are engaged in diverse industrial activities, adoption of any one method of costing and cost procedures is not feasible. It may, however, be stated that as between the various units owned by the same Government Company and engaged in the same activity (e.g. Hindustan Steel Limited) uniformity as to the costing methods and procedures is possible.

Any costing system to be of real service should be allowed to evolve gradually within the concern itself with due regard to the requirements of a particular business. The costing system should not be planned on an elaborate and disproportionately costly scale from the commencement and no efforts should be made to align the business as to fit it in with the system so installed. The installation and operation of any system of costing also requires an intimate knowledge of the organisation and management of the particular concern, its manufacturing processes, the system of production and material control, etc. It, therefore, appears appropriate to cast the responsibility on the individual Government Companies to orga-

nise their costing department on scientific and rational lines which could be conveniently and effectively accomplished by them by recruiting qualified cost accountants with practical industrial experience. As a matter of fact, the Government companies have been, time and again, exhorted by the Department of Company Law Administration to instal proper system of costing and most probably a few of them, including the Neyveli Lignite Corporation, have already done so.

It will be observed from the foregoing that costing is essentially an internal management function and no uniform costing formulae can be laid down for all the Government Companies. In the circumstances, it would be inappropriate to require these Companies to refer the costing systems actually in operation to the Comptroller and Auditor General and obtain his concurrence, even if his organisation were in a position to advise Government Companies on the subject. It may, however, be mentioned that the directions recently issued by the Comptroller and Auditor General (Appendix III) to the statutory auditors of the Government Companies under section 619(3) (a) of the Companies Act, 1956, require the statutory auditors to generally examine in the course of their audit the system of cost accounting in force in the Companies under their audit and offer comments on the effectiveness thereof. On the basis of such comments of the statutory auditors, it would be open to the Comptroller and Auditor General to make his suggestions, if any, in this regard.

*[Ministry of Mines & Fuel O.M. No. 10(37) /
61-CX, dated March 26, 1963].*

CHAPTER IV

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

Recommendation (Serial No. 1)

The Committee feel that the Project as a whole now appears to be working at a tempo which seems to assure that the present revised schedules will be kept up and there will be no further delays. It is true that the Project was altogether new which might have called for a more cautious approach. The Committee even so feel that there were several avoidable delays as indicated in para 11 and 12 of the Report. They would particularly mention that there could be little justification for the long delay in taking a decision on the Briquetting and Carbonisation Plant for which tenders have been received at the end of 1959. (Paragraph 13).

Reply of the Government

It is expected that the overall cost of the Integrated Project would increase further by about 22 per cent. The final estimates are under Government's scrutiny. There have been some delays here and there in the time-schedule owing to reasons beyond the control of the Neyveli Lignite Corporation. In the case of the Thermal Power Station, the delay was due to the fact that all the component parts of the first unit were not received by due date from the suppliers. There has been some delay in the procurement of iron and steel from indigenous sources also because of inability of the manufacturers to supply the material in time and as per the specifications required by the Corporation. This has resulted in the Fertilizer Plant being delayed by nearly 3 years. Nevertheless, it is hoped that the overall revised schedule would be kept up with slight adjustments.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963].

Further information desired by the Study Group

“(i) Latest actual/estimated cost of each unit of the Integrated Project and the precise reasons for the increase from the original cost of the units; and

(ii) Original and actual dates of completion and commissioning of the various units of the Project.”

(L.S.S. O.M. No. 18-PU/62, dated June 17, 1963).

Further reply of Government

I. Latest actual/estimated cost of each unit of the Project and reasons for the increase:

The total cost of Rs. 94·19 crores of the Integrated Neyveli Lignite Project shown at page 7 of the 125th Report included a provision of Rs. 5·91 crores towards cost of housing of the personnel belonging to "Common Services" of the Project. When the total cost was reviewed in May, 1961, in connection with the formulation of the Third Five Year Plan, the provision for such housing was estimated to be of the order of Rs. 6·38 crores, recording an increase of Rs. 0·47 crores. At the time of the formulation of the Third Plan, therefore, the total cost rose to Rs. 94·66 crores (or, say, Rs. 94·70 crores), against Rs. 94·19 crores adopted by the Estimates Committee.

2. Owing to the increase under housing, establishment and welfare amenities of the Project personnel, enhancement of the rate of customs duty on imported goods, freight charges, increases in cost of materials both in India and abroad, appreciation in foreign currency and insurance charges under the Emergency Risks (Factories) Insurance Act, 1962, the total cost is now estimated to be of the order of Rs. 117·72 crores, representing an increase of Rs. 23·06 crores, over the earlier estimate of Rs. 94·66 crores. An analysis of the increase is given in the statement at Appendix I. The increase under each of the aforesaid items is briefly dealt with in the succeeding paragraphs.

(i) *Housing*.—Out of the increase of Rs. 324·85 lakhs, a sum of Rs. 198·85 lakhs, was due to increase in the cost of works and building materials. The balance of Rs. 126 lakhs represents the amount spent on the old colony, which was not reckoned in the earlier estimates.

(ii) *Establishment, Common Administration and Welfare Amenities*.—An amount of Rs. 123·51 lakhs, out of the total increase of Rs. 689·51 lakhs, is attributable to increase in establishment required directly for the mining, thermal power, fertiliser and briquetting and carbonisation schemes, as the earlier estimates proved inadequate. The balance of Rs. 566 lakhs consists of Rs. 365 lakhs towards personnel belonging to "common services", allocable to the thermal, fertiliser and briquetting and carbonisation schemes, which was not taken into account in the earlier estimates. The remaining sum of Rs. 201 lakhs represents increase in establishment charges owing to the extension of the construction phase of the Project caused by unforeseen delays.

(iii) *Customs Duty on imported goods*.—(a) The earlier estimates assumed customs duty at 8½ per cent of the cost of the complete thermal plant and 10 per cent in respect of the fertiliser plant. Actually, however, the customs authorities levied the *ad valorem* duty applicable to parts of the plants, as and when received, at rates averaging 27 per cent of the plant cost. With effect from 1st April, 1961, there was an increase in the customs duty varying from 10 per cent to 15 per cent. As over 80 per cent of the plant and equipment

for the thermal power and the fertiliser schemes was actually received only after 1st April, 1961, there was an increase of Rs. 375·51 lakhs under customs duty prior to 1st April, 1963.

(b) Under Section 23 of the Finance Act, 1963, a surcharge of 10 per cent of the duty already chargeable was made. As a result, therefore, on account of the fertiliser and the briquetting and carbonisation schemes, there was an increase of Rs. 212·80 lakhs in the customs duty from 1st April, 1963.

The total increase under (a) and (b) was Rs. 588·31 lakhs.

(iv) *Freight charges, handling, insurance, clearance, stevedoring and Bank Commission.*—The earlier estimates included a provision of 6 per cent of the F.O.B. value of the equipment on this score. Since then, there has been a general increase on each of these charges by about 10 per cent. Besides, an expenditure of Rs. 37 lakhs incurred towards the countersigning charges for bank guarantees was not anticipated earlier. The total increase under this head was Rs. 122·34 lakhs.

(v) *Increase in cost of civil works, erection, etc. on account of increase in cost of materials and labour, both in India and abroad.*—Out of the increase of Rs. 400·60 lakhs Rs. 223·16 lakhs was due to increase under civil works on account of increased cost of building materials, like cement, blue metal, sand and bricks, variation in site conditions in some cases from those assumed earlier and diversion of roads and construction of new bridges to facilitate transport of heavy equipment from Madras harbour to Neyveli.

The balance of Rs. 177·44 lakhs was due to increase in quantity of consumables based on actual requirements as also increase in their costs.

(vi) *Increase in cost of plant and equipment due to increase in quantity, increase due to appreciation in foreign currency, etc.*—The total increase is Rs. 373·25 lakhs, of which Rs. 195·65 lakhs is due to increase under contractual obligations. Owing to non-availability of indigenous steel, for local fabrication work, erection of the fertiliser plant got delayed. As a result, the suppliers invoked *force majeure clause*, which involved additional expenditure of Rs. 72 lakhs. Escalation charges under the various contracts came to Rs. 45 lakhs. Change in the official exchange rate of Deutschmark and Lira accounted for an increase of Rs. 59·48 lakhs. Besides, steel had to be imported for the fertiliser plant and the indigenous content of the equipment in the case of the briquetting and carbonisation plant had to be increased, leading to an increase of Rs. 20 lakhs.

The balance of Rs. 177·60 lakhs was due to earlier provision in respect of the construction plant and equipment having proved inadequate and the necessity to purchase items such as, pumps, crawler tractors, blast hole drills, lathes, lorries, etc.

(vii) *Emergency Risks (Factories) Insurance Act, 1962.*—Under the Emergency Risks (Factories) Insurance scheme, formulated under the aforesaid Act, factories are called upon to take out a policy of insurance in respect of their properties and the Corporation have

estimated that during the construction phase and after the construction phase during the period of trial runs, when the plants have to be insured at full cost, the premia would amount to Rs. 98 lakhs.

II. Original and actual dates of completion and commissioning of the various units of the Project:

Lignite, after extraction from the mine, cannot be stored for a long period. The mining has, therefore, to synchronise with the setting up and commissioning of the consuming units. According to the original schedule prepared in 1956, the 250 MW thermal power station was to be commissioned in December, 1961 and the fertiliser and briquetting and carbonisation schemes were expected to commence production in December, 1961. This schedule could not, however, be achieved owing to the following reasons:

(a) *Thermal Power Station.*—The original schedule assumed that orders for the plant would be placed in 1957. But, this scheme had to be tied up with the Indo-Soviet 500 (now 112·5) million Rouble Credit Agreement of November, 1957 and contracts with the Soviet Organisation could be concluded only in May, 1959. After completion of erection, the first, second, third and fourth 50 MW units of the power station were commissioned in May, 1962, January, June and October, 1963 respectively. The fifth unit is expected to be commissioned shortly, when the power station will be in operation to full capacity.

(b) *Fertiliser Scheme.*—The original scheme was to produce ammonium sulphate based on gypsum. As already noted by the Committee in their Report, in view of certain practical difficulties in producing this fertiliser, it was decided to produce Urea and contracts were concluded only in October, 1959. Subsequently, owing to non-availability of indigenous steel for local fabrication work, there was some delay even in starting erection and steel had to be imported. The scheme is now expected to go into production by February, 1966.

(c) *Briquetting and Carbonisation Scheme.*—In this case, samples had to be sent abroad for preliminary tests and thereafter, further studies on the behaviour of lignite were undertaken. Subsequently, specifications were drawn up, tenders invited and after negotiations, the contract could be concluded only in March, 1961. Based on the progress of work so far, it is expected that the scheme will go into full production by December, 1965.

(d) *Clay Washing Scheme.*—The scheme went into production in December, 1961, as scheduled.

It will be seen from the foregoing that full production of lignite at the targeted rate of 3·56 million tonnes will be achieved by February, 1966.

[Ministry of Steel, Mines and Heavy Engg. D.O. No. 10(37)/61-CX, dated March 24, 1964].

Comments of the Committee

Please see paras 1 to 5 of Chapter I.

Recommendation (Serial No. 6)

The Committee feel that with a view to promote the manufacture of indigenous plant and machinery required by the various undertakings, it is very essential to have longterm planning. For this purpose, the Corporation should endeavour to intimate their requirements for the next four to five years to the Development Wing of the Ministry of Commerce and Industry. (Paragraph 24).

Reply of the Government

The plant and machinery to be utilised in the Neyveli Lignite Project after development would mostly be of a specialised nature, some being used for the first time in India. It is doubtful whether manufacture of these specialised items would be possible in India before the establishment of a heavy foundry and the production of special steel. Besides, in view of the rapid advances being made in Engineering Technology and manufacture of machinery and in design and control, forward planning to the extent of four to five years would not appear to be prudent, in the context of the Neyveli Lignite Corporation's requirements.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963].

Comments of the Committee

Please see paras 6 & 7 of Chapter I

Recommendation (Serial No. 9)

The Committee regret to observe that proper care had not been taken regarding the construction of quarters in the new township. They urge that action should be taken to remove the defects in the plaster of the walls and replace the defective wood-work at the expense of the persons who are responsible for the same. (Paragraph 28)

Reply of the Government

The plaster cracks and other defects which were all of minor nature, have been rectified. In order to complete the quarters quickly, in some cases timber had to be used before it became completely dry or seasoned. To wait for the timber to mature, would have resulted in delaying the completion of the building. The defective wood-work is also being rectified. These defects cannot be attributed to the lack of supervision. The making good of the defects at the cost of those responsible does not seem justifiable.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963].

Comments of the Committee

The Committee do not consider the reply as satisfactory. They would like to be informed whether after "rectification" there are no defects in the quarters of the new township. They would also like to be informed of the total additional expenditure that has been incurred on this account and how the same has been debited by the Corporation. The amount recovered on this account, if any, from the contractors may also be stated.

Recommendation (Serial No. 12)

Since the Integrated Lignite Project is comprised of four main constituent units, the Committee feel that Government should examine the desirability of appointing more full-time Directors and each entrusted with the responsibility of managing one or more different constituent units of the Project. (Paragraph 35).

Reply of the Government

Government consider that having separate full-time Directors, each entrusted with the responsibility of managing one or more different constituent units of the Project, would result in the Corporation's business being transacted on a compartmental basis, instead of in an integrated and co-ordinated manner. Besides, it is not necessary to have too large a number of Directors, as it might make the Board unwieldy and less efficient. It is also felt that the work-load on the Board would be reduced substantially when the schemes enter the production phase. Government, therefore, consider that the objective behind the Estimates Committee's proposal could be more conveniently achieved by paid heads of the constituent schemes, who need not be Directors on the Board.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX, dated March 26, 1963].

Comments of the Committee

The Committee reiterate their earlier recommendation and invite attention of the Government to the recommendation contained in para 28 and 29 of their Fifty-Second Report (Third Lok Sabha) on the Personnel Policies of Public Undertakings.

Recommendation (Serial No. 16)

The Committee recommend that regular Service Rules for the employees of the Corporation should be framed as early as possible. They also suggest that the desirability of framing uniform Standing Service Rules for the employees of all Public Undertakings may also be considered by Government. (Paragraph 41).

Reply of the Government

The recommendation that the Corporation should frame regular service rules as early as possible is accepted. Rules regulating probation, fixation of pay, conduct, service condition and Medical benefit have already been issued. Travelling allowance and leave rules are being framed. Action to draw up further rules in order to regulate other conditions of service will be taken up one after another, in the light of actual experience.

Government, however, do not think it feasible to frame uniform standing service rules for employees of all public undertakings since these rules would have to suit not only local conditions but also the specific requirements of technical personnel, etc., which vary from project to project. For example, the rules would have to take note of the hazard of occupation, climatic conditions of work, scales of pay,

cost of living in the area or region, etc., or the different levels and types of professional skill required. This requires a flexibility of approach which will not be possible if uniform rules and conditions are imposed on public undertakings.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX dated March 26, 1963]

Comments of the Committee

No doubt the specific requirements of various undertakings might vary from each other but model rules could, however, be framed which might be adopted by the public undertakings with suitable modifications to suit the specific requirements of the bodies, nature of the work and the technical personnel. The Committee, therefore, reiterate their earlier recommendation. In this context they would refer to the recommendation contained in para 117 of their Fifty-Second Report (Third Lok Sabha) on Personnel Policies of Public Undertakings.

CHAPTER V

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

Recommendation (Serial No. 3)

(a) *The Committee are somewhat surprised to find that as between the representatives of the Corporation and of the Ministry there was no identity of view in the interpretation of that part of the Agreement viz., whether the net profit which was to be shared in lieu of royalty and other payments due to the Government of Madras for the lignite was the net profit on mining part of the Integrated Project or all the various constituent parts of the Integrated Project—now sanctioned and any others that may be sanctioned in future as parts of the Integrated Project. They consider that there is room for different interpretations.*

(b) *The Committee are of opinion that apparently the full implications of this important aspect were not considered and clearly laid down by the Government. Normally royalty is associated with the mining operations unless it pertains to any patent rights and technical 'know-how' etc. Since the question is likely to assume greater importance in the years to come with possible expansions and new additions to the Integrated Project, the Committee recommend that this matter should be examined without delay in all its aspects and the implications of the agreement clearly set out so that there may be no room for different constructions to be put on the agreement later on. (Paragraphs 17—19).*

Reply of the Government

Both the Central Government and the Madras Government have agreed in principle that the latter's investment in the Lignite Project will be treated as a repayable loan and the actual mode of repayment is now under examination. The existing arrangements whereby the State Government are entitled to a share in the profits of the Project, is also under review by the Government.

[Ministry of Mines & Fuel O.M. No. 10(37)/61-CX dated March 26, 1963]

Further information desired by the Study Group

Decision when arrived at may be intimated to the Committee

(L.S.S. O.M. No. 18—PU/62, dated June 17, 1963)

Further reply of Government

As regards recommendation No. 3, dealing with the arrangement for the sharing of the profit between the Government of India and the Government of Madras, it may be stated that the question is

under detailed examination in consultation with the Government of Madras and the Lignite Corporation and it may take time before a final decision is taken.

[Ministry of Steel, Mines & Heavy Engg. D.O. No. 10(37)/61-CX dated March 24, 1964]

Comments of the Committee

An early decision may be taken in the matter and intimated to the Committee.

NEW DELHI;
April 21, 1964.
Vaisakha 1, 1886 (S)

ARUN CHANDRA GUHA,
Chairman,
Estimates Committee.

APPENDIX I

Increase in cost of various schemes of the Integrated Neyveli Lignite Project from the earlier estimates of Rs. 94.66 crores to Rs. 117.72 crores.

Rs. in lakhs

Particulars	1	2	3	4	5	6	7
		Mining	Thermal Power	Fertiliser	Briquetting and Car-bonisation	Clay Washing	Total
Earlier estimated cost before allocation of charges for housing of common services personnel		2032.00	2172.00	2610.00	2000.00	14.00	8828.00
Charges for housing 'Common Services' personnel allocable to various schemes'		174.00	84.00	150.00	230.00	..	638.00*
TOTAL (A)		2206.00	2256.00	2760.00	2230.00	14.00	9466.00*

Items of Increases

(i) Housing	73·57	12·91	193·84	44·53	..	324·85
(ii) Establishment, Common Administration and Welfare amenities	119·23	136·56	261·72	172·00	..	689·51
(iii) Customs duty on imported goods	..	209·77	120·11	258·43	..	588·31
(iv) Freight charges, handling, insurance, clearance, stevedoring and Bank commission	..	23·91	68·93	29·50	..	122·34
(v) Increase in cost of civil works, erection etc. due to increase in cost of material and labour, both in India and abroad	27·12	150·27	141·88	81·33	..	400·60
(vi) Increase in cost of plant & equipment due to increase in quantity, increase due to appreciation in foreign currency etc.	43·35	35·80	221·37	72·73	..	373·25
(vii) Insurance under Emergency Risks (Factories) Insurance Act, 1962	4·90	23·57	40·26	29·27	..	98·00

Less anticipated variations under 'Receipt and Recoveries' on capital account

(-)	5.00	(+)	4.00	(-)	189.47	(-)	100.47	..	(-)	290.91
Net increase (b)	263.17	596.79	858.64	587.32	..	2305.924				
Revised cost (a)+(b)	2469.17	2852.79	3618.64	2817.32	14.00	11771.92				

Rs. 117.72
of
crores

*Note**—At page 7 of their 125th Report relating to the Neyveli Lignite Corporation, the Estimates Committee had adopted a figure of Rs. 591 lakhs in respect of the cost of housing for Common Services' personnel. Actually, when the total cost of the Integrated Project was reviewed in May, 1961, in connection with the formulation of the Third Five Year Plan, the cost of such housing was estimated to be of the order of Rs. 638 lakhs, recording an increase of Rs. 47 lakhs over the figure of Rs. 591 lakhs. Consequently, there is a corresponding increase of Rs. 47 lakhs in the total estimates of Rs. 9419 lakhs appearing in the aforesaid Report.

APPENDIX II

Check list for preliminary Outline of the Development Programme for the Third Five Year Plan

INDUSTRY : INTEGRATED LIGNITE PROJECT, NEYVELI

A. *Progress in the Second Five Year Plan :*

1. Number of units and their capacity (basis estimated to be specified) on 1-4-1956 and 1-4-1959 (State-wise).

Initial Mine cut to excavate lignite with a target of 3.5 million tons per annum.

1-4-1956 . . . Nil.

1-4-1959 . . . Overburden being removed by conventional equipment. Specialised Machinery first unit under erection.

Thermal Power Station Scheme to produce Thermal Power with a target of 250 M.W. per annum.

1-4-1956 . . . Nil

1-4-1959 . . . A contract for the supply of working drawings was concluded with the Soviet Suppliers, Messrs. Technoexport, while the contract for the supply of equipment was being finalised. (Since concluded in May 1959). Civil Works in progress.

Fertilizer Production Scheme to produce about 1,52,000 tons of urea with a fixed nitrogen content of 70,000 tons per annum.

1-4-1956 . . . Nil

1-4-1959 . . . The final draft report on the analysis and recommendations on the tenders received in November, 1958 for the Fertilizer Unit was under scrutiny (contracts since concluded in October, 1959).

Briquetting and Carbonising Scheme to yield about 3,80,000 tons of low temperature carbonised briquettes.

1-4-1956 . . . Nil

1-4-1959 Detailed Project Report and draft specifications for the Briquetting and Carbonisation Plant were being finalised. (Since finalised in April, 1959 and Global tenders called for fixing 15-12-1959 as the last date. Tenders have since been received from India Supply Mission, Washington on 29-12-1959 and are under scrutiny of the Lignite Corporation).

Clay Washing Scheme :—to yield 6,000 tons of clay.

1-4-1956 Nil

1-4-1959 The Project Report on the installation of a Clay Washing Plant was under consideration. (The Government of India have agreed to the floating of tenders in India. The tenders received are under scrutiny of the Lignite Corporation).

2. New Units and substantial expansions with their capacities which have gone into production during 1956-57, 1957-58 and 1958-59.

NIL

3. Schemes under implementation by the end of 1958-59 which are expected to be in operation by 1960-61 capacity.

NIL

4. Actual production in 1955-56, 1956-57, 1957-58, 1958-59 and estimates for 1960-61.

Actual production Nil

Estimates for 1960-61 Nil

5. Estimates of total investment and foreign exchange expenditure actually incurred or expected to be incurred on schemes under (2) and (3) during Second Plan period.

	Second Plan provision (Rs. in crores)	Foreign exchange (Rs. in crores)
1. Mining Scheme	20.32	10.50
2. Thermal Power Station Scheme	15.78	9.66
3. Fertilizer	13.13	5.60
4. Briquetting and Carbonisation . . . . .	..	..
5. Clay Washing	0.07	..
	49.30	25.76

6. Problems and experience of the Industry in building up new capacity and securing optimum utilisation of available capacity which have significance in guiding future developments.

The Integrated Lignite Project is in the development stage. The problems will arise and experience can be gained only after some years in the production stage.

B. Programme for the Third Five Year Plan :

1. Estimate of requirements in 1960-61 and 1965-66 together with the basis of the forecasts—Export requirements to be mentioned separately.

(a) Mining of additional 2.5 million tons of lignite per annum, *i.e.*, a total output of 6 million tons per annum.

	Total (Rs. in crores)	Foreign exchange (Rs. in crores)
1960-61 . . . . .	..	..
1961-62	0.65	0.57
1962-63	1.80	1.42
1963-64	1.30	0.86
1964-65 . . . . .	..	..
1965-66 . . . . .	..	..
TOTAL FOR III PLAN PERIOD	3.75	2.85

(b) Expansion of Thermal Power Station by 3 units of 50 M.W. Power each.

1960-61 . . . . .	..	..
1961-62	0.50	..
1962-63	9.68	6.68
1963-64	3.31	1.31
1964-65	1.51	0.01
1965-66 . . . . .	..	..
	15.00	8.00

(c) Scheme for production of 3,00,000 tons of High Temperature Carbonised Briquettes per annum.

1960-61 . . . . .	..	..
1961-62	0.87	0.795
1962-63	2.40	0.825
1963-64	6.15	5.475
1964-65	4.68	0.855
1965-66 . . . . .	..	..
	14.10	7.95

2. Target of capacity and production recommended for 1965-66.

Mining Scheme	Six million tons per annum
Thermal Power Scheme	400 M. W. capacity.
Fertilizer Production Scheme	1,52,000 tons of Urea per annum.
Briquetting and Carbonisation Scheme	Low temperature coke, 3,80,000 tons of low temperature carbonised briquettes and High temperature coke 3,00,000 tons.
Clay Washing Scheme	6,000 tons of clay per annum.

NOTE : The working of the project is on the basis of 3 shifts.

(2) 3. Additional capacity required to achieve the targets under through—

(a) New Unit	Three lakh tons of high temp. coke
(b) Expansion of existing Unit	2.5 million tons of lignite ; 150 M. W. capacity of Thermal Power.

4. Total investment and the machinery component thereof for establishment of the additional capacity under (3) above.

	<i>Total cost</i>
Mining Scheme	Rs. 375 lakhs
Machinery component	Rs. 292.13 lakhs
of which Rs. 285 lakhs denotes foreign exchange	
	<i>Total cost</i>
Thermal Scheme	Rs. 1500 lakhs
Machinery component	Rs. 816 lakhs
of which Rs. 800 lakhs denotes foreign exchange	
	<i>Total cost</i>
Briquetting & H.T. Carbonisation Scheme	Rs. 1410 lakhs
Machinery Component	Rs. 810 lakhs
of which Rs. 795 lakhs denotes foreign exchange.	

5. Replacement problems in the Industry and the anticipated investment or renovation of Plant and Machinery in the Third Plan:

Cannot be anticipated at this stage, when the Project has not gone into production.

6. Preliminary break-up of major items of equipment needed under 4 and 5 in terms of quantity and/or value.

Mining Scheme :

One additional Bucket Wheel Excavator 700 litres and other auxiliaries	Rs. 285 lakhs
---	---------------

Thermal Scheme :

Three Units of 50 M.W. with spares	Rs. 800 lakhs
--	---------------

H.T. Coke :

- | | |
|--|------------------|
| (a) Conveying ; crushing and drying equipment | } Rs. 795 lakhs. |
| (b) Briquette presses | |
| (c) Carbonisation and by-product recovery etc. | |

7. Additional employment in the Industry on the basis of production target recommended.

Mining Scheme: 250 persons of all categories like Bucket Wheel Excavator crew etc.

Thermal Scheme : 300 persons

H.T. Coke : 1200 persons

8. Consumption of raw materials components, fuels, electric power in 1960-61, and 1965-66 quantity and value of important raw materials/components envisaged to be supplied.

- (a) From indigenous sources ; and
(b) From external sources.

In 1965-66 :

Mining Scheme	In the production stage Electric Power will be consumed from Thermal Station.
Thermal Station Scheme	2.5 million tons of lignite per annum.
Fertilizer Scheme	0.5 million ton of lignite per annum.
Briquetting and Carbonisation Scheme	1.5 million tons of lignite per annum for low temperature briquettes. 1.5 million tons of lignite per annum for high temperature carbonised briquettes.

9. Any other points of interest : Nil

C. Aspects For Later Detailed Study :

1. Preliminary recommendations relating to the size of plants, processes to be adopted, regional location of new units etc.

Recommendations for expansion of the scope of the Integrated Production units have been furnished above.

2. Measures recommended for reducing cost and increasing efficiency in the Industry.

To be assessed later.

APPENDIX III

Directions issued by Comptroller & Auditor General of India to Auditors of Government Companies under Section 619 (3) (a) of the Companies Act, 1956 [Ministry of Commerce and Industry—Department of Company Law Administration File No. 1(21) CL. IV/62]

I. System of accounts and book-keeping

(1) Has the Company issued appropriate instructions laying down the respective duties and responsibilities of various officers in regard to the maintenance of accounts? Does the auditor consider, on the basis of test checks exercised that the accounting system is adequate for purpose of preparation of final accounts as well as for purpose of "auditing in depth" which involves tracing a transaction through its initial to final stage? If not, what are the main deficiencies?

(2) Are the books of account and the accounts records properly maintained up-to-date? If not, the deficiencies may be pointed out.

The auditor may indicate when the final draft of the accounts is given for audit.

(3) In regard to a Company with subsidiary units or branches, does the Head Office maintain proper control accounts of branches? Is there any drawback in the system of control accounts maintained?

(4) Is the allocation of expenditure during construction between Capital and Revenue properly done so that the cost of an identifiable unit of plant (e.g. Coke Oven in Steel Plant) can be ascertained? If not, the defective cases should be indicated.

II. Internal Control

(1) Has the Company issued adequate instructions indicating the financial powers of heads of branches and their subordinates? Does the procedure provide for adequate financial checks and safe-guards?

(2) Is there an internal audit system? Are you satisfied that the important points thrown up by the internal audit have been considered by the Administration and necessary action taken? If not, indicate the more important points on which consideration/action is outstanding. Have any drawbacks in the system come to your notice?

(3) Does the Company prepare the budget for a financial year with adequate details sufficiently in advance? If so, the actual performance in regard to control over revenue and expenditure in relation to budget provision may be indicated.

III. *Manufacturing and Production Accounts*

(1) Does the Company maintain periodical quantity accounts of production of the major products? How do these compare with the periodical targets fixed?

(2) Does the Company prepare accounts indicating the cost of unit of its major products? Have you any general comments to make on the effectiveness of the system of cost accounting?

(3) Are records maintained for determining the rejections in production? Have you noticed any abnormal variations?

IV. *Profit & Loss Account*

(1) On what basis are the selling prices of various products of the Company fixed? How do they compare with the cost of production?

(2) Has adequate financial provision been made for maintenance of plants and machinery? Are there standby plants? If so, how far are they worked during the year as ascertained from the records of the Company?

(3) Has the Company obtained any waiver or moratorium of interest on loans obtained by it from Government or others? To what extent has the Profit and Loss Account of the year been affected by such a concession?

V. *Balance Sheet*

(1) What are the total volume of books debts during the last four years as on the date of the respective balance sheets? What are the amounts of debts outstanding for more than one year?

(2) Does the system of procurement and disposal of stores ensure that (i) stores much in excess of the reasonable requirements of maintenance and production are not accumulated; (ii) the amount of (a) surplus and (b) unserviceable stores are periodically determined; and (iii) surplus and unserviceable stores are disposed of without undue delay? Have you any comments on the operation of the system?

VI. *General Review*

(1) What is the ratio of long term loans advanced to the Company to the paid up Capital?

(2) What is the return on Capital invested (Share Capital, long term loans and free reserves) during the last four years?

(3) What is the (i) ratio of closing stock to net sales, (ii) ratio of net profit to net sales, (iii) ratio of cost of sales (goods) to net sales (iv) ratio of current assets to current liabilities, over the four years ending with the year's amounts which are audited?

(4) What are the subsidies/grants paid during the last 5 years by Government to the Company?

(5) What is the trend of maintenance cost of Service units for the benefit of the staff during the last four years? Are *proforma* accounts maintained in respect of their operation? If so, what are the results?

VII. *General*

Have you any other observations to make in regard to the accounts of the Company or their financial working?

APPENDIX IV

(Vide Introduction)

Analysis of the action taken by Government on the recommendations contained in the 125th Report of the Estimates Committee (Second Lok Sabha)

I. Total Number of Recommendations made	20
II. Recommendations that have been accepted by Government (<i>vide</i> recommendation Nos. 2, 4, 5, 7, 8, 10, 13, 15, 17, 18 and 19)	
Number	11
Percentage to total	55%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> Recommendation Nos. 11, 14 and 20)	
Number	3
Percentage to total	15%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendation Nos. 1, 6, 9, 12 and 16)	
Number	5
Percentage to total	25%
V. Recommendations in respect of which final replies of the Government are still awaited (<i>vide</i> recommendation No. 3)	
Number	1
Percentage to total	5%

