

**ESTIMATES COMMITTEE**  
**1957-58**

**THIRTEENTH REPORT**

(SECOND LOK SABHA)

**ACTION TAKEN BY GOVERNMENT ON THE RECOM-  
MENDATIONS CONTAINED IN THE TWENTY-  
SEVENTH REPORT OF THE ESTIMATES COM-  
MITTEE (FIRST LOK SABHA) RELATING TO  
THE HINDUSTAN ANTIBIOTICS (P) LTD.,  
AND THE HINDUSTAN INSECTI-  
CIDES (P) LTD.**



सत्यमेव जयते

**LOK SABHA SECRETARIAT**  
**NEW DELHI**  
*April, 1958*

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## CORRIGENDA

Thirteenth Report of the Estimates Committee.

Page (iii), para 4, line 2, for 'Twenty-Second'  
Read 'Twenty-Seventh'.

Page 18, Serial No.7, column 4, line 2, delete  
'any'.

Page 37, Serial No.1, column 5, line 4, for  
'received' read 'réceived'.

Page 43, column 5, line 1, for 'main1' read  
'mainly'.

Page 48, column 5, line 7, delete ','

Page 63, Serial No.12, column 5, line 1, for 'at'  
read 'to'.

Page 63, Serial No.12, column 5, line 8, for  
'with with' read 'with what'.

Page 63, Serial No.12, column 5, line 9, for  
'Commitœc' read 'Committee'.

Page 64, column 5, line 7, for 'dasire' read  
'desire'.

Page 64, column 5, line 11, for 'âacid' read 'acid'.

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Shri A. R. Shirali . —

*Deputy Secretary.*

Shri C. S. Swaminathan —

*Under Secretary.*

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\*Ceased to be a Member on his appointment as Deputy Minister with effect from 2nd April, 1958.

## INTRODUCTION

I, the Chairman of the Estimates Committee having been authorised by the Committee, present this Thirteenth Report of the Estimates Committee of the Second Lok Sabha on the action taken by Government on the recommendations contained in the Twenty-seventh Report of the Estimates Committee of the First Lok Sabha.

2. The Twenty-seventh Report of the Estimates Committee of the First Lok Sabha was presented to the House on the 18th May, 1956. The Government furnished their first replies to the recommendations pertaining to the Hindustan Insecticides (Private) Limited on the 19th January, 1957 and the Hindustan Antibiotics (Private) Limited on the 15th November, 1957. A sub-Committee of the Estimates Committee (1957-58) examined the replies pertaining to the Hindustan Insecticides (Private) Ltd., on the 11th September, 1957. The replies pertaining to the Hindustan Antibiotics (Private) Ltd. were examined by a Sub-Committee of the Estimates Committee (1957-58) on the 7th March, 1958.

3. The Report has been divided into four Chapters. :

I. Report.

II. Recommendations that have been accepted by the Government.

III. Replies of the Government that have been accepted by the Committee.

IV. Replies of the Government that have not been finally accepted by the Committee and are being pursued.

4. An analysis of the action taken by the Government on the recommendations contained in the Twenty-second Report is given at Appendix IV.

NEW DELHI;  
*The 15th April, 1958*

BALVANTRAY G. MEHTA,  
*Chairman,*  
*Estimates Committee.*

## CHAPTER I REPORT

### The Hindustan Antibiotics (Private) Ltd.

While the Committee were considering the replies of the Government to the recommendations contained in their Twenty-seventh Report relating to the Hindustan Antibiotics (Private) Limited, it came to their notice that the figures of production of penicillin which were furnished by the late Ministry of Production and, were reproduced in para 18 of the Report were misleading as they related to first stage crystals and not to the finished product. The Ministry not only did not refer to this distinction while furnishing the data, but actually compared production figures relating to first crystals with the target figure which referred to finished penicillin. This led the Committee to believe that the target of 750,000 mega units per month *i.e.* 9 million mega units per year, as envisaged in the Plan of Operations had been reached in February, 1956, when in fact the figures of production related only to first crystals and not to finished penicillin. The factual error was not pointed out even when the draft report was sent to the Ministry for factual verification. *The Committee take a serious view of this lapse on the part of the late Ministry of Production. They would recommend that this matter should be investigated by Government and responsibility fixed therefor. They further suggest that Government should take all precautions in future to prevent recurrence of such lapses.*

2. *The Committee would, in this connection, like to satisfy themselves about certain aspects of the present working of the Hindustan Antibiotics (Private) Limited, and would, therefore, like to have details on the points included in Appendix III of this Report.*

3. In para 20 of the Report, the Estimates Committee recommended that the annual report of the Ministry should take cognisance of delays in the execution of projects and should give the reasons causing the delay. In reply the Government stated that they agreed that wherever delays occurred in the implementation of the projects, the annual reports of the undertakings concerned should take note of all such delays and state the reasons therefor. *The Committee while welcoming the reply of the Government would reiterate the earlier recommendation that such information should also be given in the Annual Reports of the Ministry concerned, since the latter Reports are of use to Members of Parliament during the discussion on the Budget in the House.*

4. In para 27, the Estimates Committee recommended the appointment of a Technical Committee consisting of Chemical Engineers, Cost Accountants and experienced Administrators to examine the

staff requirements not only of the Hindustan Antibiotics (Private) Limited but also of the Hindustan Insecticides (Private) Limited. *It was the intention that this should be an independent Committee. If the technical Sub-Committee envisaged in the reply of the Government is a departmental Committee, it would not satisfy that intention. The Committee, therefore, reiterate their earlier recommendation.*

### **The Hindustan Insecticides (Private) Ltd.**

5. In para 55 of the Report, the Estimates Committee observed that the construction work on the factory did not proceed according to the time schedule, in spite of the changes in the latter from time to time and there had been considerable delay in working to the targets. They came to the conclusion that there was failure to draw up a workable plan and to execute the work expeditiously.

In reply, Government stated that the delays referred to by the Committee were not due to bad planning but to other factors. According to them, the main delay was in the construction of factory buildings which was due mainly to the non-availability of essential materials such as steel and cement.

In this connection, the Committee would like to point out that whereas under the Plan of Operations, the buildings for the factory had to be completed before August, 1953, the site was actually handed over to the C.P.W.D. only on the 2nd July, 1953. From the replies furnished by the Ministry to detailed questions of the Committee, it is seen that steel and cement were available in time. The details furnished in this reply do not bear out the earlier statement made by the Ministry that "the delay in the construction of the factory building, which was the main factor that prevented the factory from going into production on the target date, was due mainly to non-availability of essential materials such as steel and cement."

*The Committee, therefore, feel that their earlier opinion was correct and would emphasise the need for such works being better planned and carried out without unnecessary delays.*

Referring to the mention in para 55 of the Report regarding the receipt of the equipment, the Ministry have stated that the last consignment of equipment was received at the factory site by about November, 1953 and not earlier as mentioned by the Committee in their report. The observation of the Committee was based on the remarks made by the Ministry when the Draft Report was sent for factual verification. *The Committee therefore find that there is a contradiction between the earlier remark and the reply under reference. They also observe that in a written reply, the Government had stated that complete machinery was received by the middle of 1954. The Committee take a serious view of these conflicting statements. They desire that the Government should look into this matter and reconcile the discrepancies in the different replies furnished to "*

**CHAPTER II**  
**RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

Serial No. of recommendations.	Ref. to Para No. of Report	Summary of Recommendations.	Reply of the Government
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• 1	2	3	4
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**The Hindustan Antibiotics (Private) Ltd.,**

11	28	<p>The Committee desire that every effort should be made to maintain a high standard of research and to see that the results of the research are also of sufficient use to the factory in particular and to the manufacture and use of antibiotics in the country in general.</p> <p>Apart from sampling and testing research of a developmental nature should also be undertaken.</p>	
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Government accept the recommendation of the Committee.

*(The Min. of C & I O.M. No. P & D-16(41) 56, dated the 15th November, 1957).*



12

The Committee desire that a determined effort should be made to reach self-sufficiency in raw materials required for the manufacture of Penicillin.

29

Government accept the recommendation of the Committee. Raw materials such as groundnut meal, groundnut oil, cane sugar, formaline and acetone are already being procured from indigenous sources. Every attempt is being made to progressively replace other imported raw materials by indigenous supplies. However, as a rule, in the manufacture of penicillin such replacements can only be made by a process of experimentation during production.

Serial Nos. 12 & 13

13

The Committee note that there is plenty of scope for further improvement in the replacement of raw materials by indigenous materials and desire that further effort should be undertaken for replacement of the imported articles by the indigenous materials. The Committee also feel, that publicity of the requirements of the factory may make the private industries help in the matter.

30

(Please see against S. No. 12).

(The Min. of C & I O.M. No. P & D 16(41)/56, dated the 15th November, 1957).

The Committee recommend that on expiry of the present contract with the selling agents on the 31st March, 1956, opportunity should be given to other firms to compete for selling the Company's products so that the best terms may be available to the Government and country-wide sales should be effected.

The Committee desire that appointment of Selling Agents should be made by calling for open tenders. While selecting the Sales Agents, it should be ensured that every State is covered and so far as possible agencies are given only to those firms which have extensive sale organisations within the State.

Government have accepted this recommendation. Press advertisements on a nation-wide scale were issued and response received from 99 firms who desired to be considered for appointment as selling agents. Of these, 20 firms who have country-wide sales organisation and who satisfy the terms and conditions laid down in the advertisement were selected for further consideration. The Board of Directors have since selected four out of the twenty firms with head offices at Bombay, Calcutta, Madras and New Delhi. The terms and conditions include *inter alia* fixation of retail price of penicillin by the Company.

(Min. of C & I O. M. No. P & D-16(41)/56, dated the 15th November, 1957).

Production of the factory is distributed through selling agents but whose retail selling prices are not subject to any agreement. In order to avoid any undue profit being made by the selling agents the Committee suggest that the terms of agreement with the agents should provide that no such cases of profiteering in the retail price arise. This point may be borne in mind when inviting tenders for appointment of agents when the present contract expires next year.

17 In order to avoid incurring any loss, care should be taken to see that the selling price is as far as possible not below the cost of production and that at any rate it includes a certain amount of return on capital, etc.

The recommendation of the Committee is accepted but as the Committee itself has observed in para 37, the dumping of foreign-made penicillin in the country makes it difficult immediately to fix the selling price of the penicillin manufactured at Pimpri at above the cost of production plus a return on capital. However, as far as possible, this recommendation will be implemented.

*(The Min. of C & I O. M. No. P & D-16(41)/56, dated the 15-11-57).*

18 The Ministry have stated that the successive reduction in the selling price of bulk Penicillin which at present is below the cost of production is entirely attributable to excessive world-wide competition and the dumping of foreign-made Penicillin in the country. The Committee would like urgent examination to be made as to what steps should be taken against dumping if any.

The recommendation of the Committee is accepted. Action has already been taken to reduce the competition from the dumping of imported penicillin. The import quota of bulk penicillin has been reduced to 5% of the best of last three years imports. It has also been decided in consultation with the trade that before licensing further imports, the bottling plants will be required to take the surplus of the production of bulk penicillin of the Pimpri Factory at such prices as Government might fix.

*(The Min. of C & I O. M. No. P & D-16(41)/56, dated the 15th November, 1957).*

23

41 The details of the scheme worked out for imparting practical training to students, artisans, etc. in the factory should be furnished to the Committee.

The details of the various schemes for imparting practical training to students, artisans etc. in the factory are given in Appendix I.

*(The Min. of C & I O. M. No. P & D -16(41)/56, dated the 15th November, 1957).*

23

42 The Committee feel that adequate publicity has not been given to the high standard of the penicillin manufactured in the factory. In view of the fact that the product faces keen competition from manufacturers of world-wide reputation, very wide publicity should be given by advertisements and other means to the product manufactured in this factory to enable it to secure its proper place in the market.

The recommendation is accepted. Steps have already been taken to give suitable publicity through the press and by the issue of illustrated brochures. The Company is also participating in exhibitions and fairs.

*(The Min. of C & I O. M. No. P & D-16(41)/56, dated the 15th November, 1957.)*

24

43 A representative of the State Government should also be associated with the Board of Directors, as this would enable close touch, being maintained with the State Governments. The Committee also suggest that Members of the State Legislature and of Parliament may be associated with the Board of Directors so as to represent the non-Official viewpoint.

As pointed out by the Committee itself a senior official of the Bombay Government is on the Board though this particular officer has since retired from service. On the expiry of the term of this Director the question of including a representative of the State Government as such will be considered.

This is a general issue pertaining to all company-managed undertakings of Government. Directors are usually chosen by Government

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having regard to their experience in industry, trade or administration. Whenever such men are available from Members of Parliament or State Legislatures they are appointed and the Boards of Directors of several company-managed undertakings of the Central Government include Members of Parliament and Members of State Legislatures.

*(The Min. of C & I O. M. No. P & D-16(41)/56, dated the 15th November, 1957).*

45 The examination of the utility of "waste mycelium" and affluent water for agricultural purposes after suitable treatment, may be conducted with expedition so that full use of these waste products is made with profit.

Before the waste products are put to agricultural and other uses, it should be carefully examined that they do not contain substances deleterious to soil bacteria, plant or animal life.

The recommendation is accepted. The Research Section of Hindustan Antibiotics Private Limited are examining the possibilities of utilising these waste products. While doing so the suggestion made by the Committee that before the waste products are put to agricultural and other uses it should be carefully examined that they do not contain substances deleterious to soil bacteria, will be borne in mind.

The question will also be referred to the Indian Council of Agricultural Research for undertaking experiments in waste mycelium from agricultural point of view.

*(The Min. of C & I O. M. No. P & D-16(41)/56, dated the 15th November, 1957).*

46 The Committee note that the Board of Hindustan Antibiotics Limited have approved a plan to give facilities to a glass factory to set up a fully automatic machine for making neutral glass vials, adjacent to the Penicillin Factory. The Committee suggest that care should be taken that the arrangement with the glass factory does not result in any commitments by the Hindustan Antibiotics Ltd., to accept the product of the new glass factory regardless of its quality, price etc. and that the interests of the Company are fully protected.

As recommended by the Estimates Committee the Hindustan Antibiotics Private Ltd. in arranging for the establishment of a glass factory has taken particular care to declare specifically in the Agreement that the Company would not be bound to take any portion of the output of the new glass factory and that any purchases by Hindustan Antibiotics Private Limited will depend entirely on the quality of the products offered, their price and other relevant factors. The interests of the Company have thus been duly protected as recommended by the Estimates Committee.

(The Min. of C & I O.M. No. P & D-16(41)/56, dated the 15th November, 1957).

#### The Hindustan Insecticides (Private) Ltd.

6 In view of the fact that the factory is situated in a very highly industrialised, area, considerable difficulties have been experienced in obtaining suitable land as near the factory as possible for the purpose of providing residential quarters for the staff. The matter has not been yet finalised, but it appears that Delhi Improvement Trust has recently made an offer of 5½ acres of land which factory propose to accept for putting

6 The Committee have observed that while deciding on the location of the site of such factories, care should be taken to see that important factors such as the availability of land in the vicinity for providing residential quarters for the staff, are given full consideration. The recommendation is accepted. In the case of all State undertakings under this Ministry, the highest priority is being given to the provision of suitable residential quarters for the staff in the vicinity of the undertaking. In

up quarters. The Committee would observe that care should be taken in future to see that such important factors in location of the site of a factory are given full consideration before a decision is taken.

the case of the D.D.T. Factory, the position is that the need for providing residential accommodation was not so acute in the early stages as most of the employees of the Factory were permanent residents of Delhi who already had private accommodation of their own which they may not perhaps have liked to give up in order to migrate to the Industrial Area outside the town. With the expansion of the activities of the Factory the Board of Directors have decided to secure land and construct houses to accommodate a little over 50% of the staff. The Delhi Improvement Trust who were approached in the matter, have offered to provide 5½ acres of land for the purpose at a cost of Rs. 2 lakhs. Construction of the necessary quarters will now be taken up without delay.

(The Ministry of Production O. M. No. Fy. V. 14(55)/56, dated the 19-1-57).

As at present constituted, the Board of Directors of the D.D.T. Factory includes a member who is at the same time Director of the Managing Agents of the DCM Chemical Works, Ltd., which supplies raw materials to the D.D.T. Factory, consumes the waste products

Here the Committee have commented on the fact that one of the members of the Board of Directors of the Hindustan Insecticides is also a Director of the DCM Chemical Works Limited which supply raw materials to the D.D.T. Factory. The Committee have expressed dissatisfaction with this arrangement

and is an interested party in the matter of the dispute about the proprietorship of the land on which the D.D.T. Factory is situated. The Committee would observe that while they entirely agree with the need for appointing Directors with business experience etc. in this particular case, however, from a perusal of the minutes of the Board of Directors they are not satisfied with the arrangements as very important matters connected with the supply of raw materials of the factory and the disposal of the waste products have come up frequently and have formed subjects of difference of opinion between the non-official Directors and the other Directors. The Committee would suggest that this matter should be reconsidered by the Ministry.

and have recommended that this matter should be reconsidered by the Ministry. Shri Charat Ram, an industrialist of repute and a Director of the Managing Agents to the D.C.M., the leading chemical manufacturers in Northern India, was nominated to the Board of Directors of Messrs. Hindustan Insecticides one year after the execution of the agreement with the D.C.M. for the supply of the raw materials. Since the price of the raw materials had already been fixed in the agreement, there was no occasion or opportunity for Shri Charat Ram to utilize his position or even to appear to do so on the Board to the benefit of Messrs. D.C.M. On the other hand his presence on the Board apart from general advice based on his wide experience in the industrial field, has resulted in the smooth flow of the raw materials to the D.D.T. Factory and in the solving without difficulty of such problems as normally arise in the case of such supplies. The sale of bye-products was quite smoothly negotiated. The question of resumption of land from the D.C.M. is being dealt with at a very high level by the concerned Ministries with which Shri Charat Ram has no connection. It may be observed that the presence of Shri Charat Ram on the Board of Directors of the D.D.T. Factory has not hampered the authorities concerned in the least from taking all action necessary for the resumption of the lands from Messrs. D.C.M. It may also be clarified that it has been the



established practice for Shri Charat Ram not to participate in the discussions on those matters brought before the Board of Directors which have any bearing on the relations between the D.D.T. Factory and Messrs. D.C.M. or in which Messrs. D.C.M. may be said to have an interest. The Board of Directors in any case is appointed for each year after the annual general meeting. The recommendation of the Estimates Committee that this appointment may be reconsidered, will be borne in mind.

12

(Ministry of Production O.M. No. Fy. V. 14(55)/56, dated the 19th January, 1957).

There is at present no Director of D.C.M. on the Board of Directors of the Hindustan Insecticides, (P) Ltd.

(Ministry of Commerce & Industry Production Wing O.M. No. Fy.V. 14(55)/56, dated the 8th July, 1957).

### CHAPTER III

## REPLIES OF THE GOVERNMENT THAT HAVE BEEN ACCEPTED BY THE COMMITTEE

Serial No. of recommendations	Ref. to Para No. of Report	Summary of Recommendations	Reply of the Government
1	2	3	4

#### The Hindustan Antibiotics (Private) Ltd.

1 13 The Committee are given to understand that the manufacture of penicillin only has been taken up so far and that the manufacture of Streptomycin has been held over for the second phase. Initial steps for this are just being taken in hand. Under the original agreement equipment of the value of £ 850,000 was to be supplied and this was to include streptomycin equipment but as the cost of Penicillin equipment alone has taken up this full monetary provision the plant for streptomycin has not been supplied. The negotiations for getting equipment for the manufacture of streptomycin should be expedited.

Negotiations have already begun with certain reputed manufacturers of streptomycin for technical collaboration. The UNTAA has also been approached for technical assistance in the engineering aspect of the scheme. The reason why this matter cannot be expedited further is the difficulty with regard to foreign exchange as any technical payments in licence fee, purchase of equipments on plant and eventually in royalties.

(The Ministry of C & I O.M. No. P&D-16(41)/56,  
dated the 15th November, 1957.)

2 16

The first accounts since the incorporation of the Company were not prepared and laid before the Company within the period of 18 months after the incorporation of the Company as required under the Articles of Association. The Committee are informed that this was solely due to special difficulties peculiar to the first year when the management passed from the Government to the Company. The Committee consider nevertheless that there has been a serious lapse and would like to emphasise that every effort should be made to bring out the accounts more expeditiously.

The reasons for the delay in the submission of the accounts for the year 1954-55, the first year of the working of the company, have been explained in detail in para 4 of this Ministry's letter No. F.Y-V/16(11)/56, dated the 25th February, 1956, (Appendix II) addressed to Shri M. Sunder Raj, Deputy Secretary, Lok Sabha Secretariat from which it will be appreciated that the delay was due solely to factors beyond the control of the Company. An extract of the relevant para from the letter cited above is attached as Appendix II for reference. Government agree that such accounts should be brought out in time and the management have undertaken to see that the accounts in future are presented well in time in accordance with the provisions of the Companies Act. This has actually been done in 1956.

14

(The Ministry of C & I O. M. No. P&D-16(41)/56, dated the 15th November, 1957.)

4 21

Against the sale price of the total products of the factory of about Rs. 47 lakhs the expenses on staff alone would amount to Rs. 10 lakhs which is a very high proportion of expenditure and steps ought to be taken to reduce the number of staff as far as possible.

The Committee has based its observations on the assumption that; at a rated output of 15 million mega units per annum, the total sale value of the products of the factory would amount to Rs. 47 lakhs calculated on the basis of the trade rate for bulk penicillin, i.e., Rs. 312 per thousand mega units.

It may be pointed out that the factory went into production in August, 1955 only. Upto the 31st March, 1956 it had produced 6.6 million mega units of penicillin (first crystals which represents production during the experimental stage and should not, therefore, be taken into account). During the financial year 1956-57 the factory produced 10,049,554 mega units of bulk penicillin. In addition there were some process and semi-finished stocks on hand at the end of the year. The expenditure on the staff employed in the factory during 1956-57 works out to about Rs. 13 lakhs. Against this, the value of the production during the year is as follows :

15

	(In lakhs)
(a) Value of 10,049,554 mega units of bulk penicillin at 11 annas per mega unit	69.03
(b) Value at cost of process and semi-finished stocks on hand on 31-3-1957	30.00
Total.	99.09

If the above turn-over is taken into account, the expenditure on staff works out to a little over 13 % of the turnover. This is no doubt a little on the high side, but it has to be remembered that the year 1956-57 was the first full production

year of the factory and that in a factory of this nature, the over-heads are bound to be a bit heavy as they include expenditure on research and library equipment. It is expected that production will increase from year to year in future and, as the expenditure on staff will not rise in the same proportion the percentage of over-heads to turn-over will be gradually reduced to a reasonable figure.

[Ministry of C. & I. O.M. No. P&D (41)/56, dated 15-11-1957]

16

The Committee recommend that in working out the scheme for distribution of penicillin to the consuming centres, care is taken that all parts of the country are served and that there is no loss of material by fraudulent or irregular use. The constitution of a Committee consisting of non-officials to supervise the scheme of free distribution may be advisable.

35

The Ministry of Health who will be responsible for the free distribution of penicillin to children, pregnant and nursing mothers have linked this distribution with their scheme for Central assistance to V.D. scheme for the control of V.D. and other treponematoses diseases under the Second Five Year Plan. Under this scheme that Ministry would supply PAM (Penicillin Procaine with Crystalline Penicillin G buffered with Aluminium Monostearate) from Pimpri to various hospitals, clinics and M.C.H. centres. This supply would be over and above the present requirements, the cost of which would be borne by State Governments. As the supply of PAM is thus linked

up with the scheme to be implemented by State Government, it is considered that there is no likelihood of fraudulent and irregular use of the drug. The Ministry of Health, therefore, consider it unnecessary to constitute a committee of non-officials to supervise the free distribution of Penicillin.

*(The Min. of C. & I. O. M. No P & D-16(41)/56, dated the 15th November, 1957).*

#### **The Hindustan Insecticides (Private) Ltd.**

61 There has been considerable variation between the Budget and Revised Estimates and the Actual Expenditure in 1952-53, 1953-54 and 1954-55.

Here the Committee have commented on the considerable variation between the budget and revised estimates and the actual expenditure on the Factory during the first three years commencing from 1952-53. The need for framing budget estimates carefully and as accurately as possible is fully realised so as to avoid marked fluctuations. It will be appreciated, however, that variations are unavoidable for projects during the construction stage and have been provided for in the Budgetary procedure. It would be impracticable to forecast with exactitude the range of expenditure on plant, machinery and installation during the construction phase for any particular year. The budgetary procedure, therefore, provides that estimates of expenditure drawn up for

a particular year may be revised at the appropriate time. So far as the D.D.T. Project is concerned on no occasion has there been a departure from the prescribed procedure in this respect.

[*Ministry of Production O. M. No. Fy. V. 14(55)/56, dated the 19th Jan. 1957*]

65

The Committee consider that the percentage of salaries even during the year in which production had been undertaken, namely, 1955-56, is rather high. They would suggest therefore that the Technical Committee which they have suggested in the case of the Hindustan Antibiotics Ltd., consisting of Chemical Engineers, Cost Accountants and trained Administrators should be asked to examine the number of staff in the various categories in this factory and also to see that the number of supervisory and clerical posts is not excessive.

The Committee have suggested the appointment of a Technical Committee to consider whether any reduction in the staff of the Factory is possible and to see that number of supervisory and clerical posts is not excessive. The staff requirements of the D.D.T. Factory are carefully scrutinised and examined by the Board of Directors of the Company from time to time and additions to the staff are only made when absolutely necessary in the interest of efficiency. The percentage of expenditure on staff to actual production was necessarily on the high side when the Factory was in the construction stage and just commenced production. The bulk of the expenditure at this stage was mainly on the provision of buildings, installation of machinery and staff. When production commenced, therefore, the ratio of ex-

penditure on wages and salary was high when compared to the output of the Factory during the period of experimental production. Since then the position has changed materially and as production increases until the factory reaches its optimum output, this ratio will come down still further. In this connection it may be mentioned that even if from the point of view of existing production only some reduction in staff were considered theoretically possible, it would not be advisable at this stage to contemplate dispersing the trained technical personnel of the factory by reduction as such experienced staff in larger numbers would be needed immediately firstly for the increased needs of a factory that is already being expanded and secondly for the establishment of the Second D.D.T. Factory at Alwaye.

19

(Ministry of Production O. M. No. Fy. V. 14(55))  
56, dated the 19th January, 1957.)

9 68 The Committee recommend that Government should, as soon as practicable, place a copy of the agreement with the D.C.M. Chemical Works on the Table of the Lok Sabha and should also take steps to make public other such agreements as far as possible.

Copies of the agreement with Messrs. D.C.M. are already available in the Library of the Lok Sabha for perusal by the Members. It is felt that publishing the terms of this agreement will not be helpful particularly at the stage when negotiations for the purchase and procurement of similar raw materials for the Second D.D.T. Factory at Alwaye are under way. It would handicap a commercial organisation (as even the



Government owned insecticides company is) in its negotiations if publicity were to be given to each of its customers as to the price at which the factory bought from or sold to another customer.

(Ministry of Production O.M. No. Fy. V. 14(55/56 dated the 19-1-57).

11 72 It appears, that an agreement has now been reached whereby the D.C.M. Chemical Works are to take over all the Hydrochloric Acid produced in the D.D.T. Factory in the first six years. It has been represented to the Committee that it would not be in the public interest to make public the price at which the acid is being disposed of, but the Committee would point out, nevertheless, that it is very advantageous to the D.C.M. Chemical Works. The Committee are of the view that had Government insisted upon the agreement for the disposal of hydrochloric acid forming part of the agreement for the supply of the raw materials by the D.C.M. Che-

20 Commenting on the agreement with Messrs. D.C.M. for taking over the bye-product acids of the D.D.T. Factory, the Committee have expressed the view that had Government insisted upon the agreement for the disposal of bye-product acids forming a part of the agreement for the supply of raw materials, they would have been in a position to obtain a more favourable rate for the acid. The basis of this recommendation appears to be :

(i) that it would have been possible to enter into a contract for the disposal of waste hydrochloric acid even before the construction of the Factory was begun, and

micals Works, they would have been in a position to obtain a more favourable rate for the acid. In that case Government would not have been placed in the unfortunate position of having to enter into negotiations with the DCM. Chemical Works when the latter knew that the DDT. Factory have no other way of disposing of this material if the DCM Chemical Works refused to take the material. The Committee would like this matter to be examined as also the action to be taken against the officers responsible for not having finalised the agreement for the disposal of waste product along with the agreement for the supply of raw materials.

(ii) that if such an agreement had been entered into then a better price for the acid would have been secured.

The former assumption is not correct and the Government do not consider that there is an adequate basis to believe that a better price could have been secured even if it had been found possible to act on this assumption. At the time when the contract for raw materials was being negotiated the Project Authorities had no knowledge of the exact quality of the eventual by-products of the Factory. The head of the UNTA helping the Production Ministry technically on what was a new field, definitely advised that it was impossible to forecast in advance what the composition of the bye-product acids, would be and what would be the percentage of impurities. The fact that the specifications of the bye-product acids were not known and could not be forecast, made it impossible to enter into any contract in advance for their disposal to the D.C.M. The Committee will appreciate that it is not feasible to find a market in the field of chemicals for a commodity the specifications of which are not known. Having regard to the fact that no contract in advance was possible under the circumstances explained above, the best possible action was taken, namely, to have an understanding with the D.C.M. Chemical Works regarding the latter's responsibility for taking the bye-product acid and ultimately it is this

understanding which has enabled the D.D.T. Factory to secure an agreement with the D.C.M. for the sale of the waste acid including the quantity that would result from an expanded production.

So far as the price fixed for the sale of waste hydrochloric acid is concerned, it may be clarified that it compares favourably in comparison to the best price obtainable from any other sources. The agreement which has been negotiated with D.C.M. provides for a price of Rs. 25/- per ton of 33% hydrochloric acid from the beginning of May 1957. The agreement covers a period of six years during which substantial quantities of the bye-product acid will accrue only from the end of the second year and gradually increase. The price that it has been possible to secure for the acid being disposed of at Delhi is considerably higher than the indications that we have been able to get of the highest price obtainable in the market by asking parties interested in the supply of chlorine and sulphuric acid and the purchase of bye-product acid from a second D.D.T. Factory to quote before a site was selected for the II factory (which is what the Committee has suggested should have been for the first factory).

It will thus be realised that no agreement in advance was possible for the disposal of bye-product acid and that even if such an agreement had been possible, there is no reason to think that a better price for the bye-product acid could have been obtained than the price which has been secured under the agreement with Messrs. D.C.M.

(*Ministry of Production O.M. No. 14(55)/56 dated the 19th January, 1957.*)

## CHAPTER IV

### REPLIES OF THE GOVERNMENT THAT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND ARE BEING PURSUED

Serial No. of recommendations	Ref. to Para No. of Report	Summary of recommendations	Reply of the Government	Comments of the Committee
1	2	3	4	5

#### The Hindustan Antibiotics (Private) Ltd.

- 3 17—20 The Committee observe that the anticipation held out in the annual reports of the Ministry do not usually materialise and that subsequent reports do not indicate the reasons why the targets set out in the previous reports have not been reached. The Committee recommend that annual, while welcoming the reply of Government that particulars regarding the delays would be given in the annual reports of the undertakings, the Committee would reiterate the recommendation that such information should be given in the Annual Report of the Ministry concerned as well.

reports should also take cognizance of delays in the execution of projects and should give out the reasons causing the delay.

delays occur in the implementation of the projects, the annual reports of the undertakings concerned should take note of all such delays and state the reasons therefor.

*(The Ministry of C. & I. O. M. No. P. & D.-16(41)/56, dated the 15th November, 1957).*

22

The Committee do not see the need for an official between the Managing Director and the Heads of the various Departments and Sections. They consider that it should be possible for the Managing Director to take up almost all the duties of the general supervision from the General Superintendent by delegation of additional powers, if necessary, to the heads of the Departments or the sections and branches.

*Serial Nos. 5, 7 and 8:*

These recommendations have been accepted in principle and the Board of Directors of Hindustan Antibiotics (Private) Ltd., have been asked to take them fully into account in working out the reorganisation of the establishment of the Company, which is now under way. The staff requirements of the factory in the context of 60% expansion scheme now in progress will also be taken into account in working out the reorganisation.

*(The Ministry of C. & I. O. M. No. P. & D.-16(41)/56, dated the 15th November, 1957).*

The Committee would like to know the latest position regarding the reorganisation of the establishment of the Company and also whether any new posts have been sanctioned since then.

Please see against S. No. 5.

Please see against Serial No. 5

7 24 In the Production Section, the ratio of the number of supervisory staff excluding the Superintendent Production to the total number of operators is 5 : 11. A ratio of one supervisory staff to two workers is too high. The Committee consider that it should be possible to have the operators trained to carry out many of the processes without excessive supervision and that a consequent reduction in the number of supervisory staff should be possible.

This reduction may be effected not in the category of Chargemen, but in the higher grade supervisory staff of Section Supervisors and Foremen. The number of these could be reduced to two in each shift, that is six in all effecting a saving of six posts in grades Rs. 260—500 and above.

6 25 The Committee do not see the need for the 3 officers in the Engineering Section of the factory, especially as there are separate officers for the Production and Clinical Sections. The Committee consider that one post of Superintendent Engineering could easily be dispensed with retaining only the two Assistant Superintendents.

Regarding the other staff in the Engineering Section, the proportion of supervisory staff of Foremen and Chargemen to operators is 22 to 117 that is 1 in 5. Such a high ratio of supervision is wasteful and a reduction in the supervisory staff to at least about 12 so as to maintain a ratio of 1 to 10 should be possible. This can be achieved by reducing the number of posts of Foremen to, say, 5 and the Chargemen to about 7.

23 It should be possible for the Purchase Officer to take over charge of the Stores Section

(Please see against S. No. 5).

Please see against S. No. 5.

So far as the manufacture of Pencillin is concerned, the scope for placing bulk of the position should be examined by the Technical



also, thus dispensing with the post of the Stores Officer. The major items of purchase should ordinarily be based on bulk contracts which would come up for renewal only at long intervals.

contracts is comparatively limited. Bulk contracts can be profitably arranged only when materials with correct specifications required in large quantities are available within the country and when a continuous flow of such materials can be assured without interruption. This is not the case at present. The Purchase Officer of this Company has the duty not only to place orders with various firms for materials required for normal functioning of the factory but is also responsible for arranging procurement of such materials in time. The procurement aspect takes up most of his time and requires constant attention on his part. It is evident that the non-availability of a small spare part for even a short span of time can cause a breakdown of the whole plant. Thus the

Committee as recommended in S. No. 10 of the Report.

successful maintenance in running of the factory depends on a large measure on the undivided attention which the Purchase Officer can pay to his duties. So far as the stores are concerned, the factory has on the average stores valued at about Rs. 75 lakhs. For maintaining the stores in good order and for ensuring that items required are made available without difficulty, the services of a separate stores officer are considered essential. Moreover, the combination of duties relating to proper maintenance of stores may not be considered desirable from other points of view. The economy likely to be achieved by combining the two posts may not, it is felt, be more than the disadvantages referred to above.

*(The Ministry of C. & I. O.M.  
No. P. & D.-16(41)/56, dated  
the 15th November, 1957.)*

26 There is also a high percentage of supervision in the Clinical

The Clinical Products Section has to undertake a number of The Committee recommend that the question of staff strength

Product Section and there is scope for reduction of one or two supervisory staff in this Branch.

activities which have to be carried out under strictly aseptic condition. Constant supervision is, therefore, necessary at this stage, and has to be provided for. When the Estimates Committee visited the factory, production was still at the experimental stage and had not been established. Since then the rate of production has increased considerably, and in 1956-57 the output of first stage crystals was 16.2 million mega units. Most of the first stage crystals will have to be processed in the Clinical products section into various penicillin salts before bottling. It would thus appear that though the staff in this section may have been rather large at the experimental stage, it is no longer the case when the production itself has gone up.

*(The Ministry of C. & I. O. M.  
No. P. & D.-16(41), 56, dated  
the 15th November, 1957).*

of the Clinical Products Section should also be examined by the Technical Committee as recommended in Serial No. 10 of the Report.

The Committee desire that the whole question including the number of technical staff in the various branches required for the working of the factory during the course of and after expansion of production capacity, should be carefully examined without delay by a Technical Committee consisting of Chemical Engineers, Cost Accountants and trained Administrators, who should examine also the staff requirements of other Chemical Industries under the Ministry of Production such as the D. D.T. Factory.

The Board of Directors of the Hindustan Antibiotics (Private) Limited is being advised to set up a technical sub-committee on the lines proposed by the Estimates Committee.

(The Ministry of C. & I. O.M. No. P. & D-16(41)/56, dated the 15th November, 1957).

The Technical Committee recommended by the Estimates Committee was intended to examine the staff requirements not only of the Hindustan Antibiotics (P) Ltd., but also the Hindustan Insecticides Ltd. It was intended that its composition should be of an independent character. The Technical Sub-Committee envisaged in the reply of the Ministry would not satisfy that intention. The Committee would, therefore, like to reiterate the earlier recommendation.

The Committee notice that the scale of accommodation provided in the quarters being built for the lower categories of staff is much lower than the recommendations of the Expert Committee in this regard as well as the CPWD stand-

It is a fact that in the interest of economy slightly lower scales of accommodation than the prescribed CPWD standards have been provided for most categories of the office staff. On the other hand, a somewhat higher scale of

The contention of the Ministry that even the lowest paid worker has been provided with two rooms besides a kitchen and a courtyard with bath and lavatory and the actual area is 350 sq. ft. is not borne out by the details of the actual

ards. There has been a reduction in the scale of accommodation in all categories of staff particularly in the lower categories.

Whatever may be the reasons for such reductions, the Committee suggest that this should not be done at the expense of the lower categories of staff for whom the facilities provided are barely above the minimum necessary for ordinary living.

19 38

The reasons for the fall in the out-turn in the bottling plant of the factory during 1954-55 require examination.

accommodation has been provided for the lowest categories of workers, such as an area of 352 sq. ft. against a standard of 300 sq. ft. Even the lowest paid worker has been provided with 2 rooms besides a kitchen and a courtyard with a bath and lavatory with electricity and water laid on.

[*The Ministry of C. & I. O.M. No. P. & D-16 (41)/56 dated the 15th November, 1957.*]

accommodation given in Appendix VI of the 27th Report, where the actual area of such a quarter is given as 274.5 sq. ft. with only one living room. The discrepancy between the present reply and the earlier may be brought to the notice of the Ministry who may be asked to clarify.

From the remarks of the Ministry it is seen that the production of the bottling plant increased to 44,25,985 vials during 1955-56 as against 17,65,887 vials in 1954. The Committee would like to know the figures for the year 1956-57.

The matter has been examined. The main cause for the fall in the out-turn in the bottling plant of the factory was due to the exacting competition from the dumping of large quantities of the imported penicillin at low prices. To meet this situation the bottling plant at Bombay had to curtail its production in proportion to actual sales, as otherwise there would have

been stock-piling, resulting in loss. Since February, 1956, however, the Company has taken above to improve the sales to Government Organisations and the public inspite of the then existing bias in favour of well-known brands. As a result of these efforts the production of the bottling plant during 1955-56 increased to 44,25,985 vials as against 17,65,887 vials in 1954-55.

[*The Ministry of C. & I. O.M. No. P. & D-16 (41) 56, dated the 15th November. 1957.*]

39 For increasing the out-turn both of the factory and of the bottling plant, the Committee would recommend that a system of payment of wages to staff based on out-turn should be examined and introduced. It is essential that efficiency is maintained at a high figure to make up for the loss in the value as a result of declining prices of penicillin.

20 The Ministry may be asked to intimate the decision when arrived at regarding the possibilities of introducing such a system in the bottling plant.

In a chemical plant the process of manufacture is continuous and the entire production is the result of the collective efforts of all concerned. It is difficult in such a plant to assess the individual out-turn of each worker so as to provide a basis for the payment of wages based on out-turn.

The possibilities of introducing such a system in the bottling

plant where individual output can be more conveniently and accurately gauged is under consideration.

[*The Ministry of C. & I. O.M. No. P.& D-16 (41)/56, dated 15th November, 1957.*]

21 40 Non-officials should also be associated in the Selection Committees for appointment of officials in the factory.

The position so far as recruitment to the posts in the factory is concerned, is briefly as under:

The Managing Director has power to recruit personnel the maximum of whose pay scale does not exceed Rs. 350/- per month. For these posts the Managing Director is assisted by two or three officers of the Company to make the selections and finalise the appointments. For all other posts which are finally approved by the Board an *Ad hoc* Committee is formed in which, apart from the departmental

Although the present procedure might have worked well and no complaints might have been received so far regarding the procedure followed with regard to the recruitment of staff for the factory, it will be certainly advantageous if non-officials of standing are associated in the Selection Committees for appointment of officials in the factory. The arguments advanced by the Ministry do not in any way rule out the possibility of associating non-officials of standing with Selection Committees. The Committee would, therefore, reiterate the recommendations.

and other technical heads including the UNTAA representatives, one or two Directors from the Board are also associated. When considered necessary, an officer of an outside specialised Agency is also invited on the Board e.g., in the case of selection of Assistant Superintendent Engineering (Civil), the Superintending Engineer C.P.W.D. was requested to be on the Selection Board. Such selections are subsequently ratified by the Board on which there are non-official members. Under the Articles of Association of the Company the Board has full discretion to make appointments subject to the condition that appointments carrying salaries of Rs. 2,000 and above require the approval of Government. The present practice has worked very well and no complaints have been received. It is, however, open to the Board if it so desires to associate non-officials with any of the Selection Committees. The issue raised in



the paragraph applies to all Company managed undertakings of the Central Government and is not peculiar to this Company.

*[The Ministry of C. & I. O. M. No. P. & D-16 (41)/56, dated the 15th November, 1957]*

25 | With regard to manufacture of penicillin ointments specialists in skin disease may be consulted in regard to the therapeutic value of penicillin ointment and if their reports are favourable, the manufacture of such ointments should also be undertaken in the factory.

With regard to the manufacture of penicillin ointments the position is that the Penicillin Types Committee which was appointed in 1954 did not recommend the manufacture of ointments because the stability of penicillin in this form and the storage capacity of such preparations in tropical countries present serious difficulties. This question has, however, now been referred to Expert Committee of scientists appointed by Government for examination and advice.

*[The Ministry of C. & I. O. M. No. P. & D-16 (41)/56, dated the 15th November, 1957]*

The results of the examination by the Expert Committee of Scientists appointed by Government regarding the manufacture of penicillin ointments may be intimated to the Estimates Committee in due course.

## The Hindustan Insecticides (Private) Ltd.

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The construction work on the factory did not proceed according to the time schedule in spite of the changes in the latter from time to time and there has been considerable delay in working to the targets. The reasons adduced for the delay indicate a failure to draw up a workable plan and to push the work through expeditiously. As the UNICEF decided to divert the equipment that was intended for another country to India, the equipment also arrived ahead of schedule. Thus for one year the machinery had to be left idle. The Committee are pained to notice that the feature of delay in carrying out the works is being met with frequently in their examination of the State Undertakings and would emphasize the need for such work being better planned and carried out without unnecessary delay.

Commenting on the fact that the construction of the D.D.T. Factory did not proceed according to the time schedule, the Committee have emphasized the need for such work being better planned and carried out without unnecessary delay in the case of State enterprises. The Government agree with the necessity for maintaining a strict time schedule in the case of all their undertakings so that there may be no delay in achieving targets of production. In the case of the D.D.T. Factory, however, it may be clarified that whatever delay occurred was due not to bad planning but to other factors. The position is that under the joint plan of operations for the establishment of this factory, plant and equipment were to be delivered at the site by November, 1953. In accordance with this plan of operations the last consignment of equipment was actually received at the factory site by about November, 1953 and not earlier

The facts now revealed by the Ministry do not bear out their earlier statement that the delay in the construction of the factory buildings, which was the main factor that prevented the factory from going into production by the target date, was due mainly to the non-availability of essential materials such as steel and cement. The Committee are still of the opinion that the delay in the construction of the factory building was not due mainly to non-availability of essential materials such as steel and cement but due to bad planning

The Committee would like to refer to the Ministry's reply that the last consignment of the equipment was received at the factory by about November, 1953 and not earlier as mentioned by the Estimates Committee in their Report. The Committee observe in this connection that the Ministry stated in March, 1956 that the equipment arrived

as mentioned by the Committee in their report. In accordance with the original time schedule the buildings for the factory were to be completed before August, 1953 by the C.P.W.D. It was only in September, 1953, however, that the construction of the buildings for housing the factory could actually be taken in hand. This delay was due to the non-availability of steel and cement, and the other facts mentioned in the report regarding construction. So far as installation of machinery and equipment is concerned, the joint plan of operations provided a period of seven months for the complete erection of the plant. After the buildings were ready the complete task of installation and erection actually took less than seven months due to the highest degree of co-ordination and planning possible having been exercised by

ahead of schedule while earlier they stated that the complete plant was received by the middle of 1954. In view of the conflicting details furnished, the Committee desire that the Ministry may be asked to reconcile the discrepancies regarding the dates as intimated to the Committee regarding the receipt of equipment for the factory.

all concerned in the installation of the plant. It will be observed from the circumstances explained above that so far as the receipt of equipment and installation of the plant are concerned, there was no time lag and the schedule of operations was strictly followed. The delay in the construction of the factory buildings, which was the main factor that prevented the factory from going into production by the target date, was due mainly to the non-availability of essential materials such as steel and cement.

[*Ministry of Production O.M. No. Fy. V. 14(55)/56 dated the 19th January, 1957.*]

(a) The administrative approval for the construction of D.D.T. buildings was granted by the late Ministry of Production on the 20th June, 1953.

[*Ministry of C. & I. O.M. No. P & D-14(55)/56, dated the 17th October, 1957*]

(b) *Date on which building plans were approved.*  
Building plans were approved in two instalments viz., 6-10-53. Revised plans were approved on 14-11-53.

(c) *Date of Technical Sanction.*  
9-7-53.

(d) *Date on which the site was handed over to C.P.W. D.*  
2-7-53.

(e) *Date of invitation of tenders by C.P.W.D. for construction of buildings.*

Tenders were called on 26-8-53 and opened on 9-9-53.

(f) *Date of concluding the contract for construction of buildings.*  
2-11-53.

(g) *Date on which the site was made available to the contractor.* 2-11-53.

(h) *Date of completion of the building as originally specified in the contract. 1-8-54.*

(Ministry of C. & I. O.M. No. P & D-14(55)/56, dated the 9-1-58.)

(i) The DDT factory building were actually completed towards the end of December, 1954.

(Ministry of C. & I. O.M. No. P & D-14(55)/56, dated the 17-10-57)

(i) *Date of submission of Indents for supply of steel and cement for the above project and the date of actual receipt of these materials.*

The CPWD have stated that the Central Stores Division keeps enough stock of steel and cement. Steel was received by the Central Stocks Division CPWD, sometime in September, 1953 but it was actually received by the contractor on 3-11-53.

(Ministry of C. & I. O. M. No. P & D-14(55)/56, dated the 9-1-58).

The CPWD have since clarified their earlier statement against para (j) thereof. According to them it was on 3-11-53 that the supply of steel to the contractor was started. M.S. rounds were supplied at the beginning from the available stock. Girders and Chequer plates which were not available could be supplied to the contractor only in May, 1954. The entire supply of steel required for the work was completed by October, 1954.

[The Ministry of Commerce and Industry O.M. No. A. & I.-14 (55)/56 dated the 26th February, 1958].

It has been explained by the Ministry that the increase in estimate of costs is due to inexperience in this matter as this is a new factory of its

The Ministry have sought to explain the position as it existed. The Committee note that the increase in the estimates of costs amounting to

2 56-57

kind. The Committee are not satisfied with the explanation as the provisions referred to by them are in respect of structural works and land etc., to which this explanation will not apply. The Committee desire to refer to bring to the notice of Government once again the need for careful estimating of costs as otherwise serious losses may occur.

A direct consequence of defective planning and estimates was that even after the machinery was set up production difficulties had been experienced due to the lack of spare parts and the difficulty in obtaining them from abroad quickly.

Factory and have stressed the need for careful estimation of costs in the case of such enterprises if serious losses are to be avoided. The Committee have further concluded that it was because of defective planning that adequate provision was not made in the first instance for the necessary spare parts for running the machinery and plant without interruption. The necessity for careful estimation and forward planning in case of such projects is fully realised and cannot be sufficiently over emphasized. The necessary sequence of events in matters of this kind has very necessarily to be kept in mind. The first stage is the discussion and Negotiation between the Govt. of India and UNICEF on the basis of a rough estimate of cost. It was not until after concluding this and after the Plan of Operation had been signed that UNICEF (an international body with its own rules of procedure as the Govt. of India), could go out

Rs. 15.32 lakhs, falls mainly under the following heads :

	Rs.
(a) Buildings . . . . .	5,19,000
(b) Residential accommodation . . . . .	6,57,000
(c) Equipment . . . . .	3,17,500
(d) Other heads (Salaries & Wages, raw material & office expenses) . . . . .	3,24,000
<b>TOTAL</b> . . . . .	<b>18,17,500</b>

Less savings on

Installations . . . . .	1,83,600
Contingencies . . . . .	1,01,900
<b>Net</b> . . . . .	<b>15,32,200</b>

The Committee observe that no new points have been advanced in reply to the criticism of the Committee and note at the same time that the Ministry have agreed that the necessity for careful estimating and forward planning in the case of such projects is fully realised and cannot be suffi-



to invite tenders for designing the plant then getting fabricated and shipped. It may be explained that so far as estimates in respect of structural works and land are concerned, the estimates framed have been reasonably accurate. In the case of plant and equipment, any variations in the original estimates are due to the fact that the plant and equipment were received by the Government in the form of a gift from the UNICEF. In the absence of any knowledge regarding the type and size of this gift, estimates made in the first instance had necessarily to be tentative and approximate and could at best be regarded as rough forecasts of the anticipated value of the plant and equipment which was to be provided. Such a situation could not be avoided. In order to arrive at an agreement with the UNICEF and the UNTAA this

ently over-emphasized. The Committee hope that in all future projects there would be better planning and realistic estimates.

rough forecast or rough estimate provided as already stated, merely the starting point and basis on which the agreement could be worked out. It was only subsequent to this that UNICEF arranged to have the actual plant designed. When this had been done the Government of India lost no time in preparing detailed plans and estimates of the buildings to house the plant and for the accessories such as stores. There have not been any serious deviations from these estimates. In the circumstances it will be appreciated that whatever variations have been observed in the estimates of costs, these are due purely to the fact that the original estimates were in the nature of a rough approximation and it was only subsequently when the type and design of the plant was made known to us by the UNICEF that detailed and more accurate estimates could be prepared.

So far as provision of spare parts is concerned, it may be mentioned that this question was taken up by the Factory Staff in March, 1954, one year before production was scheduled to begin. The designing of the plant was carried out under special arrangements made for this purpose by the UNICEF. The financial limit fixed by the UNICEF seems to have set the limit for equipment and spares supplied under the joint plan of operation and was received here as a "package unit". It was only after the plant was received, examined and commissioned that any definite view could be formed about probable difficulties in the matter of spare parts. The plant supplied was of a type entirely new to India and it was only after working it for some time that the requirements in the matter of spare parts could be determined. It will be realised that spares could only be

ordered and stocked in the light of the experience gained in actually running the plant. There would have been no point in ordering large quantities of spares without first ascertaining the places at which they could be actually required and this was only possible after some experience had been gained in the running of this new type of plant.

As already explained, it is not a case of standard item of equipment like an automobile, tractor or diesel generator on mass production for which standard spares can be ordered out with the plant. The plant that was supplied to India was designed for the first time specially on the UNICEF invitation to tender and it was learnt subsequently from the designer himself that the precise effects of operating in India conditions of temperature and humidity could not be foreseen. All these facts to be kept in mind.

[*Ministry of Production O.M.  
No. Fy. V. 14(55) 56, dated  
the 19th Jan. 57.*]

62 Some of the features of the D.D.T. Plant were new even for the advisers made available to the factory by the UNTAA. It is surprising that an opportunity to gather a first-hand knowledge of the operation of the plant was not visualized when the agreement was entered into. The Committee would suggest that in future it may be ensured that the technical advisers appointed under any agreement, are aware of all the detailed technical matters connected with the agreement.

Heret he Committee have regretted that an opportunity was not taken to gather a first hand knowledge of the operation of the plant before the agreement was finalised and have suggested that in future it may be ensured that the Technical Advisers appointed under any agreement are aware of all the technical matters connected with the agreement. It is agreed that in the case of plant and equipment ordered by the Government from commercial concerns an opportunity should be taken to gather a first hand knowledge of the plant before the agreement for its purchase is finalised. The Committee also note that in this case although the plant provided had some features which were new even to the technical advisers made available by the UNTAA, they proved equal to the task given to them. The Committee would, however, reiterate the general principle that while entering into any agreement, Government should satisfy themselves that the technical advisers appointed under the agreement are aware of all the detailed technical matters connected with the agreement.

The Committee note that the Government have agreed that in the case of plant and equipment ordered by the Government from commercial concerns an opportunity should be taken to gather a first, hand knowledge of the plant before the agreement for its purchase is finalised. The Committee also note that in this case although the plant provided had some features which were new even to the technical advisers made available by the UNTAA, they proved equal to the task given to them. The Committee would, however, reiterate the general principle that while entering into any agreement, Government should satisfy themselves that the technical advisers appointed under the agreement are aware of all the detailed technical matters connected with the agreement.

ar-se. This, however, did not prevent D.D.T. Factory from being erected successfully—at much less than the cost originally estimated for its installation—and being Operated with Indian staff. Although the plant provided had some novel features, the technical advisers made available by the UNTAA proved equal to the task given to them and there can be no justifiable cause for complaint on this score.

[*Ministry of Production O.M. No. Fy. V. 14(55) 56 dated the 19-1-1957*].

5 It appears that before undertaking the work, full examination of the ownership of the land was not made and the terms of agreement for the purchase of lease of the land were not finalised. It is surprising to note also that the exact location of the site should have been included as an item of the agreement between Government and the International Organisations, even before the negotiations with

The Committee have made certain observations on the transactions connected with the acquisition of land for the D.D.T. Factory. The facts are that the question of ownership of the land in point and all other relevant factors had been examined before this particular area was accepted for locating the Factory. When a scheme was drawn up for the manufacture of D.D.T., all factors and questions were gone into,

Before making comments, the Committee desire that the Ministry may be asked to furnish the following particulars :—

- (i) Reasons for making the first payment to D.C.M. as a part of lease charges while the ownership of the land was in dispute.
- (ii) Terms of the lease regarding payment etc. under which the D.C.M. took the land from the Delhi Improvement Trust.

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the D.C.M. Chemical Works were concluded. This, apart from being unnecessary, could certainly not have been of help to Government in its subsequent negotiations with the D.C.M. Chemical Works who were in a favourable position in that they were aware that Government was already bound to take up the site and were depending on the Chemical Works for the raw materials for the factory.

The Committee do not see the need for payment of Rs. 4000 to D.C.M. Chemical Works as a part of the lease charges even while the ownership of the land has been in dispute and while attempts are being made to obtain the land for Govt.

The Committee would suggest that this matter should be examined in detail to see whe-

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and answers determined for all issues including where the Factory would be located, how and from where the raw materials would be obtained etc. There was subsequent change in one respect which was unobjectionable. The original intention while drawing up the scheme for the production of D.D.T. in India was to make Messrs. D.C.M. Ltd., a minority partner in this scheme, a manufacturing project that depended on the satisfactory availability of raw materials principally, chlorine, sulphuric acid and alcohol. It was primarily on the easy availability of these raw materials in addition to electricity, water and steam that a site adjacent to the D.C.M. Chemical Works was selected for the establishment of the D.D.T. Factory at Delhi. A recital of the fact that the D.

ther the interim payment to the Delhi Chemical Works was necessary. especially when the matter was engaging the attention of another Ministry. Steps should be taken to finalise early the transaction for acquisition of land whether on purchase or on lease.

D.C.M. would furnish the site and supply some of the component raw materials was accordingly included in the plan of operations. The position, however, changed later and Govt. of India decided to make 100% of the investment themselves (instead of associating the D.C.M. as partners in the scheme) and the recital in the plan of operations was changed accordingly. A contract for the drawal of raw materials from the D.C.M., was concluded. It has been stated in the report that the fact that D.C.M. knew that the Government proposed to put up the factory on D.C.M. land "could not have been of help to Government in its subsequent negotiation." All negotiations can begin only on the basis of a particular provisional decision that one party desired to buy or lease a property and the other to sell or lease out a property. If the implied suggestion in the report is that Government would have or may have suffered a disadvantage in the rate, this



did not happen, as was reported to the Estimates Committee themselves. The value of five acres of less suitable land (being not repaired land as the DCM. lands selected for the site was) as certified by the Delhi Improvement Trust, is Rs. 2 lakhs (and this is the actual price charged by them to this Govt. factory itself for a similar area of land). Yet Govt. were able to negotiate an annual rent of Rs. 4,000/- only (just 2% per annum) of the value. Having secured this offer on a firm basis the Govt. decided to enter into possession and begin the project. The Government were well aware of the status of the land and if they did not execute a lease, it was solely in the interests of the project itself—in order to allow themselves time to explore whether it could be secured on terms still more advantageous to Govt. in view of the special history of the

land. If they took the view that the examination of this question through the Delhi Improvement Trust would take time and the factory should not be held up, this decision has been amply justified for the investigation and consideration through the Delhi Improvement Trust, the Delhi State Government and the Central Government Administrative Ministry concerned has in fact taken a very long time and there is no indication that the D.D.T. project will yet get this land on any better terms. During the course of discussions as to whether the land should be taken on lease or by out-right purchase, it was found that under the terms on which the land was given by the Delhi Improvement Trust to the D. C. M., the latter were not entitled to sell it without giving the Trust the first offer. However, in view of the urgency of the matter it was decided in June, 1953, that the Government should actually take over the possession of the

land first as the construction of the Factory buildings had to be rushed through while, the Delhi Improvement Trust could pursue the matter further with D.C.M. Accordingly the land was taken over in July, 1953. The D.C.M. at that time conveyed to Government that they were re-leasing the land in accordance with the terms and conditions of the lease referred to earlier, subject to the approval of the Delhi Improvement Trust. It was then decided that the best course would be to allow the D.C.M. to present the lease deed for approval to the Delhi Improvement Trust when the Delhi Improvement Trust were expected to serve a notice on D.C.M. not to lease the land to Government, but to give the first offer to the Trust to purchase the land as originally stipulated. Until a satisfactory arrangement could be arrived at on this

point, care was taken to see the that the lease with Messrs. D.C.M. was not finalised. The matter was then actively pursued through the Ministry of Health. As a result of the action so taken, Messrs. D.C.M. have the Hindustan Insecticides Limited provided they are given an equivalent area of land in the same locality. This proposition is being examined by the Ministry of Health in consultation with the Chairman, Delhi Improvement Trust and it is expected that the matter will shortly be finalised.

From the course of the transactions described above, it is clear that the necessity of taking immediate possession of the land for the factory before a formal agreement could be reached with Messrs. D.C.M. was due to the fact that the construction of the Factory buildings, had to be rushed through without delay and the site necessarily had to be one which was close to the D. C. M. Chemical

Works from which raw materials were to be drawn. After taking possession of the lands, active steps were taken to explore the possibilities of arriving at a suitable arrangement which could be in the best interest of the Government and it is expected that the question will now be resolved satisfactorily. So far as payments to Messrs. D.C.M. are concerned, it may be mentioned that only one bill and a supplementary bill have so far been paid to Messrs. D.C.M. in respect of the land taken for the Factory, Since November, 1954, all further payments have been held in abeyance pending Government's final decision in the case.

*(Ministry of Production O.M.  
No. FY. V-14(55)/56 dated  
the 19th January, 1957).*

The Sale deed in respect of the land to be acquired for the

D.D.T. Factory has since been finalised by the Ministry of Health in consultation with the Ministry of Law. The Delhi Improvement Trust have been asked to execute the sale deed and to ask the Delhi Cloth Mills to give back 5½ acres of land to be given to the Hindustan Insecticides Private Limited.

*(Ministry of Commerce and Industry (Production wing) O.M. No. FY. V. 14(55)/56 dated the 8th July, 1957).*

66 The Committee are not satisfied with the need for the payment of conveyance and entertainment allowances to the Managing Director. The Committee realise the need for some expenditure being incurred on the entertainment of important visitors to the Factory etc., but such expenditure should be treated as an expense of the Factory to the extent that it is actually incurred and there is no need for payment of a fixed amount of allowance to the Managing

8 The Committee feel that it is necessary to review all such cases and to lay down uniform principles according to which such allowances are to be granted.

87 The Committee have suggested that the question of the payment of Conveyance and Entertainment Allowances to the Managing Director of the Factory may be reviewed and as far as possible withdrawn. It may be clarified in this connection that at the time when the post of Managing Director was filled up, the terms and conditions of this appointment were examined in detail in consultation with the Ministry of Finance. It was only after the Government

Director. The Committee would suggest that such allowances wherever paid, may now be reviewed and as far as possible, the payments withdrawn.

were satisfied that Conveyance and Entertainment Allowances are necessary that these were sanctioned as a part of the Managing Director's emoluments. It will be appreciated that the Managing Director in the course of his duties, is required to receive and entertain important visitors both at the Factory and at his residence. In the interest of the organisation it is necessary for the Managing Director to entertain such visitors socially. It would not be feasible to treat such expenditure as a direct charge on the Factory as such entertainments have to be arranged not only when visitors come to visit the Factory but also when the Managing Director is on tour or at his residence if necessary. The present course, therefore, of providing Entertainment Allowance to the Managing Director provides the only reasonable

alternative. So far as Conveyance Allowance is concerned, the need for it is evident from the fact that the Managing Director has to attend to calls at all times, has to keep in touch with the various sections of the Factory at short notice and has to visit other organisations with which the Factory is concerned. In the absence of a car for the exclusive use of the Managing Director a Conveyance Allowance becomes unavoidable. It is particularly so in the present case as it has not been possible so far to provide suitable house to the Managing Director in the vicinity of the Factory in the absence of which he has to reside at a distance of about 6 to 7 miles from the Factory.

[Ministry of Production O.M.  
No. Fy. V. 14(55)/56, dated  
dated the 19th January, 1957].

69-71 It appears, that due to the peculiar terms of the agreement the D.D.T. Factory is unable to obtain the

The Committee pointed out in para 69 of the report that chlorine is a co-product in the manufacture of caustic soda



benefits of the fall in the market price and to effect a reduction in the rates at which chlorine is being purchased by them. This has been occasioned by the terms of the agreement which permits variation in price only when variations occur in cost and raw materials and any other costs. It is unfortunate that the provision of variations in prices has been made on this basis since the price of chlorine is determined not by the price of raw materials or other costs, but is determined by other factors. The agreement should have provided for a reduction in cost due to those factors which necessarily determine the price or should have at least provided that the rate charged to the D.D.T. Factory who are, probably, the largest single consumers of

to the D.D.T. Factory, the Committee have expressed dissatisfaction with the fact that no provision was made in this contract to enable the D.D.T. Factory to obtain the benefits of any fall in the market price of chlorine. In this connection it may be explained that for good reasons it was necessary to enter into an agreement with the suppliers of raw materials for a fairly long period, namely, six years before putting up the Factory. The economies of the scheme depended on essential raw materials being available to the Factory at reasonable prices during the first years of production. The price that was agreed to for the supply of chlorine in 1953 was reasonable and compared favourably with the price at which chlorine was being sold to other parties at that time. The

by the Electrolytic process and that while on the one hand the country imported caustic soda, on the other hand, the full capacity of the electrolytic caustic soda plants in the country was not utilised as there was difficulty in disposing of the chlorine, which had only a limited market. It is, therefore, a matter of great advantage to the producers of caustic soda by the electrolytic process if the chlorine could be taken off their hands as they would then be able to step up the production of caustic soda. The D.D.T. factory, by the very fact of its location adjacent to the D.C.M. Chemical Works has committed itself to purchase fairly large quantities of chlorine from the D.C.M. Chemical Works. In this context the Committee are unable to appreciate the argument regarding manufac-

the chlorine produced by the D.C.M. Chemical Works should not exceed the rate charged to the other customers of the D.C.M. Chemical Works. The Committee have been assured that the relevant clause in the future contracts will be drawn up correctly. The Committee are unable to understand why these factors were overlooked in fixing the price of chlorine under the agreement or in working out the formula for variation in prices. The Committee would suggest that this matter should be examined by Government as also the action to be taken against the officials responsible therefor.

agreement provided for the price of chlorine and sulphuric acid being adjusted on the cost of basic materials and manufacturing costs but not for other reasons for it would not have been in the interest of the Government to provide for variations on the other grounds. It would be appreciated that Government could under no circumstances afford to put up a new factory without a reasonable assurance of availability of raw materials at a fixed price arranged in advance. It would not have been advisable when launching on this project, to have let the price of chlorine be subject to market fluctuations thus leaving the Factory at the mercy of the suppliers. The Factory would in that case have had to run the risk of rise in prices as well. If Government at the time when the contract was drawn up had wished to take advantage of any possible fall in prices, a Corres-

turing cost of chlorine and escalation for costs of production: They are, therefore left unconvinced by the reply.

The Committee also note that the revised agreement for the supply of supplementary quantities of raw materials between the D.C.M. and Hindustan Insecticides Ltd., provides for the payment of lower prices which are operative only for the supplementary quantities and that the higher rates in respect of the original requirements, which came under adverse comments by the Committee get automatically extended till the currency of the 1957 Agreement.

pending provision would also necessarily have had to be made to cover rise in prices as Government could not expect to be able to negotiate a contract which provides only for the purchasers getting the benefit of a fall in prices. As the Government considered it inadvisable to expose this new enterprise to market fluctuations in prices of raw materials, an agreement for the supply of such materials at a fixed price subject only to escalation for varying costs of production, was arrived at. A reasonable course was thus adopted in entering into an agreement for six years and no longer so that any improvement market conditions could be availed of at the end of such agreement period. In making the original agreement the best possible price, under

the circumstances, prevailing at that time, was secured. It is thus evident that the agreement of 1953 was drawn up in a perfectly normal manner and contains nothing "peculiar".

[*Ministry of Production O.M. No. Fy. V, 14(55):56, dated 19-1-57.*]

In this connection the Committee would also refer to a statement made before them by a non-official witness who is a Chemical Engineer and has also a first hand knowledge of heavy chemical industry that by installing additional equipments worth about a lakh of rupees only in D.D.T. Factory it would be possible for Government itself to undertake the manufacture of Di-Calcium phosphate, a useful non-nitrogenous fertiliser. The Committee are also informed that the matter was considered by Government but was dropped as the prospects were unpromising. The

The Committee have recommended that the possibility of producing Di-calcium Phosphate at the D.D.T. Factory may be re-examined. The Committee were given to understand by a non-official witness that the production of this chemical fertilizer would be possible by installing additional equipment worth about Rs. 1 lakh only at the D.D.T. Factory. In this connection it may be clarified that the actual estimates made by the Development Council for installing a separate di-calcium phosphate plant with a capacity of 4 or 5 tons far exceeded Rs. 1 lakh and was nearer

Regarding the proposal at set up a plant for the production of Di-Calcium Phosphate in the D.D.T. Factory, the Ministry have been asked to state whether the matter has been re-examined and if so, with what results. In this connection, the Committee note from the recent agreement between the Hindustan Insecticides Limited and the D.C.M. that the H. I. L. have undertaken to supply the entire quantity of the by-products to the D. C. M. except that is required by the H.I.L. for the manufacture of D.D.T. or related products. They would like to know whether on account of this

Committee would recommend that the matter may be examined *de novo* in view of the expert opinion expressed before them.

to Rs. 10 lakhs. What is more important from the point of view of the Production Ministry in this case is not the capital cost but the cost of production of dicalcium phosphate and the chance of marketing it successfully. A plant with a capacity of 4 to 5 tons would not be an economic unit. Before arriving at an agreement for the disposal of bye-product acid of the D.D.T. Factory the feasibility of producing dicalcium phosphate from these bye-products had been carefully weighed and the conclusion was reached that it would be better to dispose of the bye-product acid at a fairly good price secured by negotiations instead of launching on the hazardous scheme of an Insecticides Factory trying to produce and develop a market for fertilizers. Having examined the possibilities of the D.D.T.

agreement the factory will be prevented from using the acid, if on such re-examination the manufacture of Dicalcium phosphate is found feasible. Despite the above agreement, the Committee desire that the re-examination should be proceeded with so that profitable utilisation of the hydro-chloric acid might be made at least in the second factory.

Factory producing dicalcium phosphate carefully and in detail the prospects were found unpromising for the reasons explained above. As recommended by the Estimates Committee, however, the matter will be re-examined *de novo* in the light of the prevailing prices of P 205 and hydrochloric acid.

(Ministry of Production O.M.  
No. Fy. II. 14(55)/56 dated  
the 19th January, 1957).

NEW DELHI;  
The 15th April, 1958

BALVANTRAY G. MEHTA,  
*Chairman,*  
*Estimate Committee.*

## APPENDIX I

*The details of the schemes for providing training facilities at the factory.*

- (1) Providing the technical 'know-how' and giving training to personnel in the manufacture of penicillin. (1) This training is imparted to Technology Graduates or Chemical Engineering Graduates sponsored by the Government of India, Ministry of Education as Stipend holders and various universities as a pre-requisite for the award of degrees. The period of training for such candidates is from 2 months to one year. The number of persons trained so far is 14. The programme drawn out for such trainees is given below :—

### *Training Programme short term—*

- 1st Week General introduction to process study of general layout of the factory and distribution of services water, steam, air, chilled water, drainage etc.
- 2nd Week Fermentation.  
to  
4th Week
- 5th Week Extraction and Crystallisation and Solvent Recovery.  
to  
8th Week
- 9th Week Services, water treatment and Boiler House.
- 10th Week Air Compressor, Refrigeration and Cooling Tower.  
to  
11th Week.
- 12th Week Clinical Products.  
13th Week Safety and Fire Fighting.

### *Training Programme long term—*

- 1st Week General introduction to study of general layout of the factory and distribution of services water, steam, air, chilled water, drainage etc.

*2nd to 9th Week. Fermentation—*

- 2nd Week After a short introduction, a study of details of equipment and piping, attached to Foremen.
- 3rd week Preparation of Media.
- 4th to 7th Week. Working along with the operators on the operational control on Fermentation, including Filtration.
- 8th to 9th week. Working with the Foremen, Fermentation.
- 10th week Mycological and Biological Lab.
- 11th week Chemical Laboratory.
- 12th week to 19th week. *Extraction and Crystallization and Solvent Recovery.*
- 12th week After a short introduction study of details of equipment and piping—attached to Foreman.
- 13th week and 14th week Extraction and Crystallization working with the Operators on the operational control.
- 15th week Recrystallization Section.
- 16th and 17th week. Solvent Recovery Section.
- 18th and 19th week. Working with the Foreman, Extraction Crystallization.
- 20th week Services—Boiler House.
- 21st and 22nd week Air Compressor, Refrigeration and Cooling Tower.
- 23rd week Water Purification.
- 24th week 3 days in Workshop and 3 days in Stores to have a general idea of each of these sections.
- 25th week Studying safety aspect of the process.



26th week Studying Fire Prevention and Fire Fighting. The total number of trainees that can be taken in at a time under this head is six.

- (2) Providing technical 'know-how' and giving training to technical personnel in bottling and packing of various forms of penicillin. (2) Same as that of item (1). Number of trainees that can be taken up under this item at a time is 2.
- (3) Training in Laboratory methods of research on antibiotics for the branches of science. (3) This Antibiotics Research Centre has been recognised by the Poona University for post-graduates research working leading to M. Sc. and Ph. D. Degrees. The Bombay University has also been approached for similar recognition.

- (a) Mycology ;  
 (b) Bacteriology ;  
 (c) Biochemistry ;  
 (d) Organic Chemistry ;  
 (e) Physical Chemistry ;  
 (f) Analytical work and Biassay :

Candidates are selected for work as voluntary research workers on the basis of qualifications and interview. They are trained in the laboratory methods to handle the research problems which are being tackled in the respective sections. Research workers are at present working here and they went to take their higher research degree of the University of Poona. As the scheme started only recently no trainee has yet completed his term of research.

The total number of trainees that can be taken in at a time for training under each of the sub-heads of this item is 2.

- (4) Engineering :—  
 (i) Draughtsman (Mechanical).  
 (ii) Draughtsman (Electrical)  
 (iii) Refrigeration (Mechanic)  
 (iv) Turner  
 (v) Welder  
 (vi) Fitter.

The period of training for each of these trades is six months. Two trainees can be taken in at a time in each of item (iii) and for the remaining trades only one trainee can be trained at a time.

## APPENDIX II

(Vide reply to S. No. 2)

*Extract from letter No. FV. 16 (11)156, dated the 25th February 1956 from the Ministry of Production, New Delhi to the Lok Sabha Secretariat.*

\* \* \* \* \*

In the enclosed copy of the report of the Estimates Committee, certain changes have been suggested to take account of the points being made in this note. Some will be self-explanatory. Certain others are explained below.

\* \* \* \* \*

*Paragraph 16.* It should be emphasised that the accounts of the company were prepared in due time. As a limited company, Hindustan Antibiotics Limited, in addition to audit by Government authorities, appointed its own statutory auditors. Since the company had been formed only in June, 1954 the bulk of the expenditure in the books of the company for its initial year was on account of the expenditure incurred by Government in the period before the incorporation of the company and included expenditure by various authorities such as (i) C. P. W. D. on buildings, (ii) payments to the Collector of Poona for land acquisition, (iii) expenditure by D. G. S. D. on purchase of stores and equipment, and (iv) equipment supplied by U. N. I. C. E. F. etc. In respect of all these, the Government accounting authorities could give very little more than the bulk figures and of course, none of the vouchers could be expected to be available with Hindustan Antibiotics Limited. *The delay in presenting duly audited accounts to the shareholders rose solely from the questions raised by the Company Law Auditors*, in respect of various figures communicated by Government authorities from time to time, all of which Hindustan Antibiotics Limited had to accept under normal Government procedure, *i.e.*, the delay could neither be foreseen nor controlled by the Company. It may be noted that for very similar reasons, other auditors in respect of another company, *e.g.*, Hindustan Insecticides Limited, raised very similar questions which also had to be cleared up with them over a period. It is to be emphasised that the delay could occur and did occur *only in respect of the first year's accounts* and solely because of the very different procedure adopted by Government authorities. Such difficulties must arise with Government procedure of accounts which are in the course of reform. As at present, they do create considerable difficulties for Government Companies. For example, the Government accounting authorities communicated the interest on the capital expenditure during the period of construction in Sindhri, roughly two years or more after the project had been transferred to a company. Even one year after the formation of DDT and Penicillin Companies, all debits due from Government accounting authorities were not received either by the DDT Factory or the Penicillin Factory. The Accounts of the Penicillin Company had been prepared in due time and had also been placed before the Management, who had the full benefit of these accounts for the review of its works, control of expenditure and assessing the progress and success of the project etc.

\* \* \* \* \*

### **APPENDIX III**

*Points on which the Committee desire further information.*

- (i) The Budget and Actuals for 1956-57, the budget for 1957-58 and the revised estimates.
- (ii) The method by which financial control is exercised.
- (iii) Latest position regarding production and capacity.
- (iv) Developments regarding recovery from fermented broth and production in other countries.
- (v) Extent of unsold penicillin as on 1st April 1957 and 31st December 1957.
- (vi) Staff strength and extent of work in the Engineering Section.
- (vii) Expenditure on repairs etc., during 1956-57.
- (viii) Testing of the quality of the product manufactured in the last two years.

## APPENDIX IV

Analysis of the action taken by Government on the recommendations contained in the 27th Report of the Estimates Committee (First Lok Sabha).

1. Total number of recommendations.	40
2. Recommendations accepted fully by the Government.	
No.	13
Percentage to total	32½ per cent.
3. Recommendations accepted by the Government partly or with some modifications.	
No.	4
Percentage to total	10 per cent.
4. Recommendations not accepted by the Government but replies in respect of which have been accepted by the Committee.	
No.	4
Percentage to total	10 per cent.
5. Recommendations not accepted by Government and pursued by Committee (including those which are still under consideration by Government).	
No.	19
Percentage to total	47½ per cent.

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