

**Committee on Public Undertakings
(1968-69)**

(FOURTH LOK SABHA)

THIRTY-FOURTH REPORT

**Action taken by Government on the Recommendations
Contained in the Thirtieth Report of the
committee on Public Undertakings
(Third Lok Sabha)**

**BHILAI STEEL PLANT OF
HINDUSTAN STEEL LIMITED
(MINISTRY OF STEEL AND HEAVY ENGINEERING)**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1969/Chaitra, 1891(S)

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C O R R I G E N D A

THIRTY-FOURTH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (1968-69) ON ACTION TAKEN BY GOVERNMENT ON THE RECOMMENDATIONS CONTAINED IN THE THIRTIETH REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS (THIRD LOK SABHA) ON BHILAI STEEL PLANT OF HINDUSTAN STEEL LTD.

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3	35	Line one in the footnote	'At'	'at'
6	5	22	"Further Reply to Government	"Further Reply <u>of</u> Government"
28	33	25	'HL'	HSL
32	-	9	'After'	'Apart
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(1968-69)

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Shri A. L. Rai—*Deputy Secretary.*

Shri M. M. Mathur—*Under Secretary.*

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Thirty-Fourth Report on the Action Taken by Government on the recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (Third Lok Sabha) on Bhilai Steel Plant of Hindustan Steel Limited.

2. The Thirtieth Report of the Committee was presented to the Lok Sabha on the 22nd April, 1966. The replies to the recommendations contained in the Report were received on the 7th January 1967, 15th January, 1968 and 22nd January, 1968. Further information desired by the Committee in respect of certain recommendations was furnished by the Government on the 20th June, 1968, 16th September, 1968 and 20th February, 1969. The replies of Government to the recommendations contained in the aforesaid Report were considered and approved by the Committee. The Committee authorised the Chairman to finalise the Report and present it to Parliament.

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

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

5. An analysis of the action taken by Government on the recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (Third Lok Sabha) is given in Appendix III. It would be observed therefrom that out of 42 recommendations contained in the Report 79 per cent have been accepted by the Government and the Committee do not desire to pursue 12 per cent of the recommendations in view of Government's reply. Replies in respect of 9 per cent of the recommendations have not been accepted by the Committee.

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

NEW DELHI:

April, 18, 1969

Chaitra 28, 1891 (S).

CHAPTER I

A. SURPLUS STORES AND SPARES—PARAS 122, 123 AND 132—136 OF THIRTIETH REPORT (THIRD LOK SABHA).

Recommendations (Serial Nos. 28, 29 and 33)

Material and equipment worth Rs. 5.565 crores was found to be surplus on completion of the 1 million tonne capacity of the Bhilai Steel Plant. A survey was conducted in September-October, 1964 which revealed that materials and equipment worth Rs. 2.51 crores was lying surplus.

2. The Committee on Public Undertakings (3rd Lok Sabha) recommended that an enquiry should be held by H.S.L. into the circumstances under which such over-provisioning of stores was made. If the enquiry revealed *mala fide* or lack of exercise of ordinary prudence, the explanation of the persons concerned should be called and suitable action taken. The Committee hoped that this would act as a deterrent in future.

3. The Committee stressed that the tendency to over-spend foreign exchange in such a manner was to be deprecated and that all measures should be taken by Government to put an end to such mistakes in future.

4. In reply to these recommendations the Government stated that H.S.L. had constituted a Committee for that purpose and that the report of the Committee was awaited. Additional information was called from the Ministry and they were asked as to when the enquiry Committee was constituted by H.S.L. and when it was expected to give its report.

5. In their reply the Ministry have furnished the following information :

"HSL have explained that there has been some delay in setting up the Committee to look into this matter, because when HSL was taking steps to constitute the Committee consisting of few outside experts, the Government announced the formation of a High level Committee constituted under the aegis of the Bureau of Public Enterprises to go into the question of inventory control and allied matters in HSL, NCDC, Fertilizer Corporation and Heavy Electricals with a view to identifying the factors responsible for higher inventories in these undertakings and advising the Government/Undertakings remedial measures for containing the inventories limit. Because of this HSL initially thought of postponing the constitution of their own Committee since it would have amounted to a duplicate study. Later as the report of the Government Committee was found to be getting delayed, HSL reconsidered the matter and constituted a Committee on 30-12-67 under the Chairmanship of its Financial Adviser. The report of this Committee is now awaited. Further action will be taken after the receipt of the Committee's report".

6. The Committee regret to note that there has been inordinate delay in constituting an Enquiry Committee. The reason advanced by the Ministry for the delay in setting up the Committee is not convincing. The Committee set up by Government under the aegis of the Bureau of Public Enterprises to go into the question of inventory control was not expected

to fix personal responsibility for any lapse on the part of the officials who were instrumental in huge accumulation of materials and equipment in the Bhilai Steel Plant. The specific recommendation of the Committee on Public Undertakings should not have been allowed to remain unimplemented for nearly two years.

7. Neither the Committee constituted by the Bureau of Public Enterprises nor that constituted by HSL has submitted its report. Thus the very purpose for which the enquiry was to be held in accordance with the recommendation of the Committee on Public Undertakings has been lost by this delay.

8. The Committee hope that the Enquiry Committee set up by HSL would finalise its report without any further delay and suitable action would be taken against persons responsible for accumulation of stocks in the Bhilai Steel Plant.

B. WORKING CAPITAL—PARAS 142—146 THIRTIETH REPORT
(THIRD LOK SABHA).

Recommendation (Serial No. 35)

9. The Committee on Public Undertakings were not convinced that effective measures were being taken by the Bhilai Steel Plant in regard to controlling of the working capital as it has increased from 5.3 in 1962-63 to 6.4 in 1964-65 expressed in terms of months of expenditure. If effective steps had been taken this figure would have come down and not risen. The Committee recommended that the Plant and the Head Office should take effective steps to bring the working capital within the prescribed limits, as this effects the profitability of the Plant.

10. In reply to this recommendation the Ministry stated that the working capital requirements had gone up due both to accumulation of semi-finished and finished stocks on account of recessionary conditions and due to the provision of credit facilities to selected consumers. It was further added that the HSL had appointed a Committee to review working capital requirements and recommend steps for keeping them down to the minimum in the context of the difficult market conditions.

11. Additional information was called from the Ministry and they were requested to state as to when the Committee was constituted by HSL and when it was expected to give the Report.

12. In their reply the Ministry have furnished the following information :—

“HSL have appointed a Committee to review working capital requirements and recommend steps for keeping it down to the minimum. However, from 1965-66 onwards, there has been a further rise in the working capital due to accumulation of semi-finished and finished stocks on account of onset of recession, due to provision of credit facilities to selected consumers, etc.”

13. The Committee are sorry to note that the Government have not given any reply to the specific question as to when the Committee to suggest steps to bring down the working capital of HSL within the prescribed limits was appointed as recommended by the Committee on Public Undertakings. The obvious conclusion is that action was not taken in time

according to the recommendations made by them in April, 1966. The Committee cannot also feel happy that from 1965-66 onwards there has been a further rise in the working capital due to accumulation of semi-finished and finished stocks. They would like to stress that the report of the Committee set up by HSL should be finalised without further delay and all efforts should be made to check this trend of continuous increase in the working capital.*

*A Note regarding working capital submitted by the Hindustan Steel Ltd. At the time of factual verification may be seen at Appendix—II.

It is seen from this note that the Ministry was not well informed or gave information to the Committee in the first instance without proper verification. This is regrettable.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

While some delays in construction could be expected owing to the lack of experience in setting up a complex project like a steel plant, the Committee feel that delays over a year can hardly be justified. (Paragraph 12)

Reply of Government

Delays are of three kinds :—

- (a) In authorisation from competent authority before implementation.
- (b) During implementation due to delay in receiving equipment.
- (c) During implementation due to administrative ineffectiveness.

HSL has been asked to suggest any modifications of improvements to the existing procedures for stream-lining with a view to avoid delays in construction. HSL has also been asked to include necessary penalty clause in the contracts to cover any delay on the part of Contractor/Suppliers except that such a clause may not be possible in Govt. to Govt. contracts.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M.
No. Parl.(6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 2)

The Committee do not consider that the difficulties in regard to the completion of the various units of the 2.5 million tonne expansion mentioned in paras 17 and 18 were unsurmountable and beyond the control of the Plant authorities. Difficulties like delays in obtaining steel and having to import it as a last resort had arisen in the construction of the one million tonne plant also. It thus appears that the experience of the one million tonne stage was not utilised to avoid similar difficulties during the present expansion. It is clear that the anticipation of steel supplies was incorrect. That this should happen when the production capacity of each steel plant was known, when most of the steel required was produced in the Plants of the Hindustan Steel Limited, and when all the steel required is distributed by the H.S.L. to the various consumers on the basis of fixed priorities is a matter of serious concern. It was only in 1963, when all the steel should have reached the fabricators that it was discovered that 5,000 tonnes of steel would not be available in the country and would have to be imported. The Committee regret to observe that there was lack of foresight and vigilance in this regard. It is hoped that greater care would be taken in this matter in the next expansion programme. (Paragraph 19)

Reply of Government

The indigenous availability of structural steel is much better now than 1961-62 when the expansion schemes of the three steel plants were launched. As a result such problems are not likely to arise.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. Parl.(6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 3)

The Committee have already referred to the need for simplifying the procedure relating to sanctioning of foreign exchange and import licences for public undertakings in para 127 of their Thirteenth Report on Management and Administration of Public Undertakings. They suggest that the procedure in this regard should be simplified. (Paragraph 21)

Reply of Government

A liberalised import licensing procedure has been evolved. Steel Plants have been included in the list of priority industries for their requirements of raw materials and spares. For these items unlike in the past the Plant need not get specific foreign exchange release from Government. Applications could be sent to the CCI&E through D.G.T.D. who after vetting the applications from indigenous angle, would send them to CCI&E for licensing.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. Parl.(6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 4)

It has to be mentioned that the original schedule of commissioning the 2.5 million tonne expansion was revised 6 times within a period of 2 years. Realistic estimation of completion targets is essential, but such revisions should not be made every time a delay occurs. Once a time schedule is prepared, all efforts should be made to fulfil the targets in time. (Paragraph 22).

Reply of Government

Noted.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. Parl.(6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 5)

The Committee hope that it will be possible to finalise the details of the expansion of the Plant to 3.5 million tonne capacity at an early date and take up the preparation of the Detailed Project Report without further delay. The Bhilai Steel Plant is already behind the Durgapur and Rourkela Steel Plants in this matter and the Committee hope that it will make all efforts to regain the lost time. (Paragraph 26)

Reply of Government

Fourth Plan Steel Development plans have not been finalised, pending a re-appraisal of steel demands. The expansion of Durgapur Steel Plant has

been deferred. As far as Bhilai is concerned, study of the Techno Economic Report on expansion has been completed. Inter-ministerial consultations are being held to determine the product-mix of its expansion to 3.2 million tonnes.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. Parl.(6)-10/68, dated the 15th January, 1968]

Further information called for by the Committee in respect of recommendation at (Serial Nos. 5, 11, 13 and 14)

1. When was NCAER entrusted with the job of making a demand study of iron and steel. How much time would it take to submit its report?
2. What are the causes which led to delay in completion of study by NCAER and submission of its report?
3. Would it be possible to determine successfully the product-mix of the expansion of Bhilai Steel Plant to 3.2 million tonnes prior to the completion of the study of steel demands?
4. How much time would it take to finalise the Fourth Plan Steel Development Plan? Reasons for delay in finalisation may be given.

[Lok Sabha Secretariat O.M. No. 21-PU/67, dated the 15th February, 1968]

Further Reply to Government

1 and 2

The National Council of Applied Economic Research was commissioned to prepare the fresh demand study on steel on October 24, 1966. According to the terms and conditions for the study, it was requested to be completed within 15th months, from this date viz. by January 24, 1968. The report was actually submitted by the NCAER on February 15, 1968. Considering the fact that NCAER had to submit an interim report in May, 1967, on a request from this Department, which was not earlier envisaged in the original terms of reference the time taken for preparation of the study appears reasonable.

3. The Product-mix for the further expansion of the Bhilai Steel Plant beyond 2.5 million tonne stage is currently under consideration and the recommendations of the NCAER are being taken into account for its finalisation.

4. The formulation of the Fourth Five Year Plan for iron & steel has been delayed as a part of the delay in the framing of the Fourth Five Year Plan. Consequent on the economic recession, paucity of resources both internal and foreign exchange, the estimates of demand for steel had to be re-checked. A Steering Group has since been constituted to examine the long term demand for steel, pig iron, alloy & special steel, and formulate estimates of demands during the Fourth Plan and Fifth Plan periods and thereafter recommend the capacity and production targets. After the Group's report is received (expected by the end of the year) the programme will be

considered and finalised by the Ministry in consultation with the Planning Commission and other concerned Ministries.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. BHI-13(16)/68, dated the 20th June, 1968 and 16th September, 1968]

Recommendation (Serial No. 6)

The Committee think that the progress in developing manufacturing capacity in respect of equipment has been rather slow. To achieve indigenous equipment to the extent of 58 per cent at the 3.5 million tonne expansion stage is not satisfactory. The Committee hope that during the Fourth Plan period accelerated progress in this regard would be made. The object should be to set up a steel plant with wholly indigenous equipment and know-how. (Paragraph 29)

Reply of Government

We have taken steps along with HEC to set up facilities for construction of steel plants from indigenous equipments.

[Ministry of Iron and Steel O.M. No. Parl.(6)-10/66, dated the 7th January, 1967]

Recommendation (Serial No. 8)

The Committee were informed that the transport bottleneck would continue as long as the defects in the Russian locomotives are not rectified. It is understood that efforts are being made to replace the engines of these locomotives. The Committee are unhappy with the present state of affairs both on account of the bottleneck which these locomotives are creating and on account of the very high cost of their maintenance. Both these factors are having an adverse effect on the cost of production and it is necessary to take urgent measures to rectify the situation. The Committee recommend that the efforts to replace the engines of these locomotives should be expedited. The Railway Board should also be consulted for expert advice on the subject, if not already done. (Paragraph 36)

Reply of Government

Suitable engines for replacing the diesel engines of Russian Locomotives are not available in India at present. Replacement of these engines would involve capital modifications in each one of the locomotives and will take fairly long time. However, Bhilai Steel Plant is in touch with certain firms engaged in this line, to frame a programme of modifying these locomotives.

Constant liaison is, however, maintained by the Bhilai Steel Plant with the Railways, to see if locos of the type required by the Steel Plants could be developed.

Indications are now available that the Railway Workshops could be able to meet a substantial part of the diesel loco requirements of the Plant.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl.(6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 9)

The Committee are glad to learn that the percentage of rejections of rails will go down in 1965-66. They do not, however, appreciate the argu-

ment that because the production of sub-standard rails had been below 19 per cent during the last three years, therefore there was no loss on their production. Had there been no rejections of rails, the net value of Rs. 39.42 lakhs (the difference in sale value between sub-standard and good rails) would have realised had there been no rejections. Public Undertakings cannot be complacent about rejections or sub-standard products as costs of both material and labour are involved. Every efforts should be made to avoid such a loss. In the opinion of the Committee a figure of 12 per cent rejections is on the high side, which should warrant a close scrutiny by the General Manager and the Head Office. They should take concrete measures to bring down this figure. The Committee also recommend that efforts should be made to obtain a better price for untested 105 lbs rails. (Paragraph 45)

Reply of Government

All our efforts are continuously being made with a view to reduce rejections. To some extent these rejections are not due to any defect in rolling but because there are differences in inspection standards. The Russians are of the view that our standards are relatively rigorous in this respect.

As regards prices, there has been an upward revision from Rs. 530 per tonne for 105 lbs. untested rails in April, 1966 to Rs. 570 in May, 1967. [Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 10)

The Committee feel that it is not proper to fix the price of ammonium sulphate produced by the Bhilai Steel Plant on par with that of TISCO and IISCO. The gross block per tonne of saleable steel in the case of TISCO and IISCO is much less than the corresponding figure relating to the HSL plants, as the private sector plants were constructed several years back when the cost was less. The Committee understand that during the last 3 years, the Plant had approached the Government of India several times for a revision of the price of ammonium sulphate price paid to it. The Chief Cost Accounts Officer had also been asked to examine the costs of the plant but he had not done so. The Committee recommend that this should be undertaken at an early date. (Paragraph 48)

Reply of Government

The Chief Cost Accounts Officer has completed the study of the Cost of production of Ammonia Sulphate in Durgapur and Bhilai, on the basis of which, the retention price will be reviewed shortly.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 11)

It is evident from the observations of the Secretary, Ministry of Iron and Steel and Head Office that declining demand for pig iron is going to present a problem. The Committee therefore recommend that Government should make a realistic survey of the demand in the country. That the estimate of demand prepared by the DGTD and the Ministry of Iron and Steel varied

to the extent of 25 per cent and that even the lower estimates of the Ministry were higher than the off-take, indicates that there is no proper procedure for calculating the demand. Unless this is done on a scientific basis and the Government is able to know the exact demand for a particular item unnecessary imports might be made or the capacity in the steel mills for the production of this item might be over or under estimated. (Paragraph 54).

Reply of Government

We have decided to commission a fresh demand study on iron and steel by NCAER. It may also be mentioned that demand estimates are generally based on the capacities of units based on the individual product. In the case of pig iron there would be the cast iron foundries. The declining demand for pig iron is, however, not so much lack of foundry capacity, but lack of demand for the finished products of the foundries caused by a fall in the demand for castings as a result of the general slowing down of the economy in many sectors.

[Ministry of Iron and Steel O.M. No. Parl.(6)-10/66, dated the 7th January, 1967]

Further information called for by the Committee and further reply of Government

(Please see reply to recommendation at Serial No. 5).

Recommendation (Serial No. 12)

When the expansion of the Steel Plants takes place the problems of selling the grade of pig iron with lower silicon content will also correspondingly increase. A quick market survey for its disposal at home and abroad should therefore be carried out. (Paragraph 56)

Reply of Government

Noted. Appropriate action is being taken for market survey at home and abroad.

[Ministry of Iron and Steel O.M. No. Parl.(6)-10/66, dated the 7th January, 1967]

Recommendation (Serial No. 13)

Though the Secretary of the Ministry of Iron and Steel informed the Committee that this slump in merchant products was a temporary phase, the Committee feel that it is necessary for the Government to study the demand position carefully before deciding the product-mix of the expanded Plants. There would be no purpose in rolling products in excess of the demand or for which there is no demand. (Paragraph 61)

Reply of Government

It was in the light of these factors that it was decided to reassess steel demand for Fourth Plan planning. This study has been entrusted to the NCAER.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/68, dated the 15th January, 1968]

Further information called for by the Committee and further reply of Government

(Please see reply to recommendation at Serial No. 5).

Recommendation (Serial No. 14)

The Committee desire that before taking a final decision on the product-mix of the steel plants, in the public sector including Bhilai the demand for various products should be carefully studied. (Paragraph 62)

Reply of Government

It was in the light of these factors that it was decided to reassess steel demand for Fourth Plan planning. This study has been entrusted to the NCAER.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl.(6)-10/68, dated the 15th January, 1968]

Further information called for by the Committee and further reply of Government

(Please see reply to recommendation at Serial No. 5).

Recommendation (Serial No. 15)

There is a steep rise in compensations paid from Rs. 9,265 in 1963-64 to Rs. 2.44 lakhs in 1964-65 even though it represents only a negligible fraction of 1 per cent of the total sales. There should be no complacency about this matter and efforts should be made to give service a free of complaint. As regards the reason that customers do not specify their requirements in detail resulting in wrong supplies, the Committee suggest that no supply should be effected unless the Plant is definite about the specifications required by the customer. The Sales Office should resolve all these matters and give clear instructions to the Plant. The Committee suggest that the question of giving facilities to the customers to inspect the goods before despatch might be examined. (Paragraph 66)

Reply of Government

Noted. While in respect of many customers like Railways such inspection facilities already exist. But the question as to the extent to which such facilities can be extended to all customers has to be examined carefully having regard to the fast rate of production of these modern mills. The matter is, therefore under the consideration of Hindustan Steel Limited.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl.(6)-10/68, dated the 15th January, 1968]

Recommendation (Serial No. 17)

The Committee hope that arrangements for selective crushing will be made at the Bhilai Steel Plant also. (Paragraph 71)

Reply of Government

At present none of the Steel Plants has facilities, for selective crushing. Just now considerable foreign exchange is required for setting up selective crushing and preparation equipment, particularly for the screens, which are of a special type, as otherwise they would not work well whenever there is moisture in the coal. If the air cyclone separation process being developed at the CFRI becomes industrially feasible, doing away with these special screens, it would help all the Steel Plants in their planning to set up Selective Crushing and preparation equipment.

However HSL are thinking of introducing this facility in one of their plants, keeping in view the practical, technological and economic difficulties faced by them. Technical specifications of the necessary equipment are being finalised. There is provision in the Project Report for Bokaro Steel Plant for installing selective crushing equipment in Stage II of the plant.

In so far as Bhilai is concerned the matter is being studied in connection with the Detailed Project Report received from the USSR on the coal preparation facility and the 6th Blast Furnace Complex.

[Ministry of Iron and Steel O.M. No. Parl.(6)-10/66, dated the 7th January, 1967]

Recommendation (Serial No. 18)

In view of the high rate of fines in the iron ore, adequate number of sintering machines will have to be provided at the Plant. The Committee hope that an early decision will be taken for providing two additional sintering plants, as recommended by Gipromez. (Paragraph 76)

Reply of Government

The detailed project report on Sintering plant expansion by installation of one more sintering machine and for modifications to the existing machines has been accepted. This additional sintering machine is likely to be commissioned in early 1970.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl.(6)-10/66, dated the 15th January, 1968]

Recommendation (Serial No. 20)

The Committee hope that it would be possible for the Bhilai Steel Plant to instal the equipment for oil injection before long. The Oil and Natural Gas Commission should also take energetic steps to produce the required quantity of furnace oil in the country. (Paragraph 86)

Reply of Government

The question of supply of fuel oil to meet the Bhilai Steel Plant's requirement has already been intimated to the Ministry of Petroleum and Chemicals who have taken a note of the phased demand of the Bhilai Steel Plant during the Fourth Plan period.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968]

Recommendation (Serial No. 21)

The Committee see no reason why the Bhilai Steel Plant cannot plan its requirements of refractories ahead of time specially since this is a recurring requirement. The Ministry of Iron and Steel have informed the Committee that it would be possible for the refractory manufacturers to expand their capacities according to the needs of the steel plants by diversifying their existing licensed capacities for other types of refractories. The Committee have already recommended in their twenty-ninth report on the Durgapur Steel Plant that encouragement should be given to the manufacturers of refractories in India to manufacture all the types required by the Steel Plants. (Paragraph 91)

Reply of Government

Please see the answer to recommendation at S. No. 19—Para 73 in the 29th Report of the Committee on Public Undertakings (Copy enclosed). Appendix I.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl.(6)-10/66, dated the 15th January, 1968]

Recommendation (Serial No. 22)

There is considerable force in the argument of the Indian Refractory Makers Association that the refractory industry is put to difficulties when each Plant lays down its own specifications which are quite different from those of the I.S.I. Economic production also becomes difficult when each Plant lays down its own specifications. The Committee recommend that the matter should be examined by a Technical Committee consisting of representatives of all the steel plants and the Indian Standards Institution. That Committee may study the specifications used by the various plants and evolve common standard specifications for adoption by all the Plants. (Paragraph 92)

Reply of Government

The Indian Standards Institution was requested to set up a Technical Committee to study the Specifications used by the various plants and evolve a common standard Specification for Refractories for adoption by all Steel Plants. A Technical Committee of the Indian Standards Institution consisting of representatives of HSL Steel Plant, Tata Iron and Steel Co., Indian Iron and Steel Co., and refractory manufacturers has already started work. A number of Indian standards have been revised and some new standards have been formulated to take care of the requirements of steel plants in the country.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl.(6)-10/66, dated the 15th January, 1968]

Recommendation (Serial No. 23)

The Committee regret that losses on account of shortages of raw materials have been treated lightly and considered as inevitable. It is only from this year that a watch is being kept over them. The loss of Rs. 80 lakhs to 1 crore of raw materials in each Plant due to handling losses and pilferage cannot be ignored and every effort should be made to reduce them. Apart from the measures already taken, the Committee hope that precautions will be taken to prevent pilferage particularly from within the works. This matter should also form part of a periodical review by the Head Office and Government. (Paragraph 97).

Reply of Government

Raw material losses have been under constant review since the last two years. These losses have been reported on the basis of the difference between the book balance, which represents material received as per R/R weight, and the ground balance which is computed by estimating the volume of ground heaps of different shapes & sizes and multiplying the same with the average specific gravity of the materials. This method—which is the only practicable one—is, basically, unscientific and is liable to margins of

human error. Part of the loss is, therefore, more apparent than real. The problem is, therefore, being tackled now in the following manner :—

The loss is being watched in two stages—the one from the loading-point till receipt at the Plant end. 100% weightment for certain items & a percentage weighing for other is being recorded over a period to determine the degree of normal loss—*i.e.*, between actual weight received and R/R weight for which payment is made. The normal loss would consist of driage and transportation losses. As a result of these studies, the normal allowable percentage of loss has already been lowered in case of coal.

As for the losses within the plant, a certain amount due to weathering pulverization and handling is normal. Systematic pilferage in any significant quantities of raw material like iron ore, manganese or coal from the plant stock is ruled out. Variations in stock after receipt in the Plant is, therefore, due only to consumption. It is now proposed to adopt the practice followed by TISCO & IISCO of monthly/quarterly reconciliation and adjust the consumption figures. Since the consumption norms are watched by the Superintendents of the Production Units through the monthly cost-sheets, any abnormal variations calling for investigation would be immediately brought to light.

[Ministry of Iron and Steel O.M. No. Parl. (6)-10/66, dated the 7th January, 1967].

Recommendation (Serial No. 25)

The Committee fail to understand why the suitability of the Brick making machines was not properly assessed before purchasing them from the USSR. When the Plant authorities came to the conclusion that these machines were not needed by them, arrangements should have been made to dispose them off. The Committee found that this was not done. On the other hand in response to an enquiry from the National Building Construction Corporation who were wanting to purchase such machines, the Bhilai Steel Plant replied on 4th January, 1962 "Since the Brick making machines imported Ex-USSR will be required by us during Expansion Work, it is regretted that we are unable to spare the same". The National Buildings Construction Corporation was then obliged to import the machines from abroad.

The Plant has held on to the brick making equipment for over 8 years after coming to the conclusion that they were of no use to them. Four years back an offer from another public undertaking for their purchase was rejected. Thus valuable foreign exchange has not only been blocked by their purchase but further amounts had to be spent for purchase of similar equipment by another sister concern because of refusal to part with the equipment. If the Plant required the machines only at a later date, they could at least have been loaned out. The Committee can only express their regret over it and hope that the plant authorities will show better prudence in future. (Paragraph 108-109).

Reply of Government

Noted. The HSL authorities have been making continuous efforts for the disposal of the brick making machine. It has been reported that the National Buildings Construction Corporation had informed the Plant autho-

rities, that they are not interested in the machine as it does not suit their requirements.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 26)

Twenty trolleys purchased in 1958 at a cost of Rs. 1.85 lakhs were lying unused. They were found unsuitable for the work for which they were purchased. During evidence it was admitted that trolleys had not been inspected before purchase to find out whether they would serve the purpose. No responsibility was fixed in this case. Such infructuous expenditure should be avoided in future. (Paragraph 113).

Reply of Government

Noted.—

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 27)

The Committee regret to note that although the construction of the plant had started in 1957 and production started in 1959, it was only in April, 1964 that a scientific system of inventory control was introduced. It is also regrettable that the Plant took more than 2 years in introducing the system after the company auditors had pointed out the necessity for it. (Paragraph 116).

Reply of Government

As pointed out in the Audit Reports of 1962-63 and 1963-64 a number of improvements have been made in the inventory control system of the Plant. The full scientific system introduced in 1964 was based some what also on the preparatory work done in 1962-63 and 1963-64.

All possible endeavour is being made by the Plant to assess the requirements on as realistic basis as possible, having regard to the facts known at present, on the basis of which future forecasts can be made.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 30)

The Committee expect that the surplus stores will be utilised during expansion or in the Bokaro Steel Plant. The Controllers of Stores of all the Plants including Bokaro should be supplied with a list of these stores and they should be instructed to avoid fresh imports of these items. Audit may also like to keep a watch on this matter. (Paragraph 124).

Reply of Government

Surplus stores (left over after MTP construction) to some extent have already been utilized during expansion of Bhilai Steel Plant. The lists of such items have already been sent to Bokaro Steel Plant and other Steel

Plants under Hindustan Steel Limited with a view to finding out the possibility of utilisation of some of the items from the surpluses.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 31)

It hardly needs to be pointed out that most medical stores have a time limit beyond which they cannot be used. The loss caused by such excess stocking has to be avoided. The Committee hope that the new system introduced by the Plant would not permit overstocking. They suggest that the H.S.L. should introduce a uniform system in this regard in all the steel plants. (Paragraph 126).

Reply of Government

A joint purchase and accounts procedure has been issued in March, 1966 by the Bhilai Steel Plant, stipulating that rate contracts should be entered into on an annual basis; stocking should, as far as possible, be on a three-monthly basis and that despatches of fresh supplies should be regulated on this basis. All items which are of date expiry level are taken on a separate register which is reviewed every month by one of the senior Medical Officers.

Hindustan Steel Limited are looking into the general question of streamlining the procedure for the purchase of medical stores in the various Plants. [Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 32)

The Committee regret to note that the Plant allowed valuable cost iron steel scrap to be covered by slag. It is unfortunate that even temporary separate storage arrangements could not be made by the Plant authorities during a period of over 3 years with the result that scrap worth Rs. 27.78 lakhs was lost. (Paragraph 131).

Reply of Government

Since June, 1962, proper storage arrangements for the C. I. Skull scrap have been made. The reclamation also is being carried out since then. All the old skull scrap has since then been blasted and is being consumed on a regular basis.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 34)

The upward revision of estimates of capital expenditure necessitated due to incomplete estimates being prepared initially has been the subject of criticism of this Committee and the estimates Committee in the past. The Committee would like to reiterate that estimates of capital investment for setting up a project should, as far as practicable, be complete in all respects. The practice of seeking the approval of Government bit by bit is misleading. The Committee would suggest that the Government should refuse to entertain

incomplete schemes. A check about the completeness of the estimates can be carried out if the suggestion made in para 150 of the Committee's Thirteenth Report is implemented. (Paragraph 141).

Reply of Government

The Manual of Feasibility Studies brought out by the Planning Commission taken into account the deficiency in this regard. Under the present arrangement the procedure falls broadly under the following three stages :—

- (1) Project formulated on the basis of the Five Year Plan.
- (2) Preparation of preliminary Project Report/Feasibility Study.
- (3) Preparation of Detailed Project Report.

The main point to be covered in Feasibility Report are Demand Study, Technical features, location, Project Estimates (including foreign exchange component of capital costs giving detail in escapable imports of plant and equipment). Project Estimates (Operating and production costs), profitability and cash-flow analysis, and cost-benefit analysis. Thus it will be seen that the procedure now to be followed would cover the deficiencies which had been noticed in the past.

[Ministry of Steel, Mines and Metals (Department of Iron & Steel) O.M. No. Parl. (6)-10/66, dated the 22nd January 1968].

Recommendation (Serial No. 37)

The sales outlook at the moment is not very bright and it is doubtful if the Plant will be able to produce to the optimum capacity, due to lack of orders. This will adversely affect the profitability. The Committee hope that all efforts will be made by the Plant to increase its productivity and sales if necessary by diversification and development of new products and to reduce its costs by efficient methods so that forecasts of profits are achieved. The Sales Office will have to exert more towards this end. (Paragraph 155).

Reply of Government

This is being done. A quarterly assessment of market prospects and production programme is done by the Chairman jointly with the Plant Managers and the Sales Manager. Continuous efforts are also being made by HSL. for export of iron and steel. During the year 1965-66, they exported 54,000 tonnes for Rs. 2.21 crores. As against this during 1966-67, HSL exported 2,69,000 tonnes for a value of Rs. 9.21 crores. These exports have increased further during 1967-68 and up to the end of October about 4,33,364 tonnes of iron and steel has been exported for a total value of Rs. 17.46 crores. As a measure of diversification, a larger volume & variety of special steel Products are being produced and supplied from Bhilai Steel Plant.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 38)

The Committee are not convinced that the measures taken by the Plant to reduce demurrage are bearing fruit judging by the fact that the demur-

rage paid is rising rapidly year by year instead of decreasing. This matter should be examined at the highest level in the Plant and effective measures taken to reduce the demurrage charges to the minimum. An expenditure of Rs. 28 lakhs per year on this account cannot be treated lightly. (Paragraph 159).

Reply of Government

The following steps have been taken by the Plant to reduce the detention of wagons and demurrages—

- (i) All incoming wagons are Card-indexed.
- (ii) A demurrage meeting is held daily where representatives of Stores, Shipping Department and Raw Materials unit get together and prompt action is taken by all concerned wherever delay is noticed.
- (iii) Floating wagon balance Registers have been introduced at each station/yard inside the works to facilitate through movements and placements.
- (iv) Railways have been requested to hand over empty creosote and other tank wagons on one hook by one train so that delay in sorting is avoided.
- (v) Close liaison is maintained with points of origin of raw materials and wherever necessary, loading is regulated.
- (vi) Railways have been requested to exclude wagons detained, emptied or loaded, on account of Railway restrictions and defects.
- (vii) Supervision on performance of Ore Bridge Cranes and Tiplers has been tightened.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 39)

The Committee feel that all the three Steel Plants should have a uniform procedure of cost allocation so as to facilitate comparison of corresponding costs in the steel Plants. This will help the Plants and the Head Office to compare the costs of the three Plants *inter-se* and enable the Management to take timely steps to reduce them where the Plant is at a disadvantage *vis-a-vis* other plants. This should also lead to a healthy element of competition between the plants. (Paragraph 161).

Reply of Government

This has already been done for most units. There are, however, peculiarities in process in some units which necessitate slight deviations. These are also being taken up in periodical Cost Controller's meeting convened at the Head Office. Despite differences in production techniques, HSL is carrying out inter-plant comparison of cost of production at ingot stage every month

[Ministry of Steel, Mines and Metals (Department of Iron & Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 40)

It is evident that the estimates of manpower requirements given in the D. P. Rs. both for one million tonne stage and 2.5 million tonne stage, were very wide off the mark. The collaborating agency should have been given all necessary data about the Indian conditions so that realistic estimates of staff could have been made. The staff strength has subsequently been re-fixed a number of times. The refixation done by the Head Office and the Plant itself subsequently was also found to be incomplete.

The over-staffing in the Steel Plants has been admitted to some extent. The Plant should determine the overall strength required for the 2.5 million stage. Once this figure is determined, attempts should be made to run the Plant within that limit (Paragraphs 166-167).

Reply of Government

The manning for the Plant for the 2.5 million tonne stage (operation departments) has already been finalised and all attempts will certainly be made to run the Plant within these limits.

As regards determination of the overall strength required for the 2.5 million tonne stage, the Industrial Engineering Department of the Plant has already been entrusted with the job of making a detailed study of the manpower requirements for departments outside the Plant (Operation), such as Finance, Purchase, Security, Town Administration, Medical Department, Mines Department, Personnel Department, Law Department, Labour Department, etc. Studies in some sections of these departments have been completed and studies in other sections are under progress. The strength of the Administrative Departments will be fixed on the basis of this study.

[Ministry of Steel, Mines and Metals (Department of Iron & Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968]

Recommendation (Serial No. 41)

The Committee are unhappy about the rise in overtime allowance to the tune of Rs. 24 lakhs in a single year. Overtime allowance should not be admitted as a matter of course, but allowed sparingly. Only the Heads of Departments should be authorised, to sanction overtime and when ever they do so they should state the reasons therefor. The General Manager should also keep a watch (Paragraph 169).

Reply of Government

A drill has been evolved whereby the department-wise overtime payments are reviewed in General Manager's Coordination meeting once a week and the expenditure controlled to the extent feasible.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 42)

The Committee appreciate that the setting up and running of a complex project like a steel plant is a stupendous task, requiring high degree of managerial and technical skills and financial resources. But at least some of the short-comings, referred to in the Report could have been avoided if proper planning had been done and timely action taken.

Notwithstanding these deficiencies and problems it is heartening that production in the Plant is above the rated capacity. The Committee trust that the Plant will make concreted efforts to increase its efficiency and thereby profitability in future. (Paragraphs 171-172).

Reply of Government

Noted.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

CHAPTER III

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

Recommendation (Serial No. 7)

It will be seen that production was affected during the expansion stage due to late receipt of locomotives. The Plant was aware that the Russian locomotives were ineffective and extremely expensive to maintain. Therefore, negotiations should have been carried out with the Russians from the beginning to find an alternative source for the locomotives. It is mainly due to failure to initiate timely action for the purchase of locomotives that the production suffered to that extent. (Paragraph 35)

Reply of Government

The contract for the supply of equipment was entered with M/s. Tiazhpromexport for the expansion of Bhilai Steel Plant to 2.5 M.T. capacity, on 9th February, 1962.

The Counsellor for Economic Affairs, Embassy of USSR, in his letter No. AP/18/25/2711, dated 8th October, 1962 submitted the project technical requirements for manufacturing and delivery of DEC model locomotives to be supplied to Bhilai Steel Plant from Czechoslovakia.

The Czechoslovakian Experts visited Bhilai and the technical requirements for the 750 H.P. DEC model locomotives were discussed with them. The matter was further discussed by the Bhilai Steel Plant with the Chairman Tiazhpromexport and clearance was given for purchase of these locomotives after the specifications had been cleared from Railway Research and Design Standards Organisation, Lucknow.

In October, 1964, M/s. Tiazhpromexport informed Bhilai Steel Plant that the locomotives will be delivered in batches of 3—9 locomotives within the 4th quarter of 1964 and the last batch would be shipped not later than 25th December, 1964. In fact, the first batch arrived in January, 1965. But their partial assembly and movement to Bhilai was held up for want of Czech Experts who actually arrived in March 1965 after several reminders when the work of assembly was taken up. Further assembly of these locomotives could actually be started sometime in May, 1965 and first locomotive was ready for service in early July, 1965 and the last one became ready for service in early January, 1966. This was mainly due to the fact that the Czech experts came in batches and the erection work was done in one shift, to begin with until Indian staff became familiar with these locos.

It will thus be seen that there has been no delay in initiating the procurement action for the Czech locomotives. There were, however, delays in the deliveries of the consignments and then again in erection and assembly of locomotives due to delayed arrival of the erection crew.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968]

Recommendation (Serial No. 16)

It does not appear that problem of variations in ash content of coal can be solved by negotiations with the Collieries. Installation of a blending equipment at the Plant seems to be the best solution. In the initial stages, the installation of the equipment was not looked upon with favour in view of the increase in the already high capital cost of the Plant. In view of the prevailing circumstances it might be examined if it would be in the interest of the Plant to instal a coal blending equipment. (Paragraph 68).

Reply of Government

Variation in Ash :

As regards the possibility of bringing about uniform ash content in the washed coal, it may be mentioned that as all the washeries are working to produce washed coal at an accepted limit of 17% on an average there would be normally no undue variation in ash in washed coal. There may be one or two per cent variation in day-to-day supplies depending upon the quality of raw coal feed and the gravity of separation etc. In so far as raw coal sent directly to Steel Plants is concerned, it appears difficult to maintain consistency in the quality of supplies.

2. Fresh negotiations with collieries for long-term contracts with joint-sampling provisions are under way. The feasibility of joint sampling is being examined jointly by representatives of the Joint Working Group of the Collieries Association and HSL. The provision of coal blending equipment for the 4th Plan expansion stages of the plants is being examined.

3. The existing facilities for blending of coal in the three Steel Plants under HSL and action/suggestions for improvement are described below :

Bhilai :

About 70% of the incoming coal is received in the coal storage yard and the rest is taken straight to the blending bins. Since, 30% of the coal is in any case taken to the blending bunkers without having to go over the yard, it was felt that the facilities required need to be improved. This matter is being studied in connection with the Detailed Project Report received from the USSR on coal preparation facilities under 6th Blast Furnace Complex.

Rourkela :

The arrangements consist of blending bunkers which facilitate accurate proportioning.

Durgapur :

The arrangements at Durgapur consist of horizontal stacking with vertical reclaiming. As this arrangement does not facilitate proper blending, it is proposed to instal blending bunkers as at Rourkela during the 3.4 million tonnes expansion at Durgapur.

[Ministry of Iron & Steel O.M. No. Parl. (6)-10/66, dated the
17th January, 1967]

Further information called for by the Committee

When was the matter regarding provision of coal blending equipment for the plants taken up for examination? How much time would it take to arrive at a decision?

Has any tentative decision been taken in this regard? If so, what?

[Lok Sabha Secretariat O.M. No. 21-PU/67 dated the 15th February, 1968]

Further Reply of Government

Reply furnished to the Committee earlier may please be referred to. It was stated therein that the facilities for blending of coal at Bhilai needed to be improved and that the matter was being studied in connection with the Detailed Project Report received from the U.S.S.R. on Coal preparation facilities under the Sixth Blast Furnace Complex. In regard to the Rourkela Steel Plant, it was stated that the existing arrangements consisting of blending bunkers facilitate accurate proportioning. Regarding Durgapur Steel Plant it was stated that as arrangements did not facilitate proper blending, the installation of blending bunkers as at Rourkela had been proposed as part of Durgapur's 3.4 MT expansion. The present position is as under :

Durgapur

Consequent on the deferment of the 3.4 million tonne expansion of Durgapur, the Central Engineering and Design Bureau of Hindustan Steel Limited, examined whether provisions for crushing and accurate blending of coal should be installed at the Plant in advance of future expansion. Based on a report submitted by them in February, 1968, the Board of Directors of Hindustan Steel Limited approved in June, 1968 the following :

- (a) Providing an alternative route for clean coal from Washeries to the stock beds by the installation of belt conveyors. This would, among other things, enable controlled blending of coal.
- (b) Rectification of the existing reclaiming machine whereby its availability is enhanced and output augmented.

The construction of these facilities is in progress.

Bhilai

The Detailed Project Report for the coal preparation plant which is being installed as part of the 7th Coke oven battery under the Sixth Blast Furnace Complex at Bhilai provided for additions and modifications, which would overcome the existing deficiencies in the blending arrangements. These additions and modifications are being implemented. Construction of a number of new junctions, mixing bins, final crushing station, mixing station, bridges and galleries, is in progress. The reconstruction of coal storage facilities is also in hand.

[Ministry of Steel, and Heavy Engineering O.M. No. BHI-26(3)/68 dated the 20th February, 1969]

Recommendation (Serial No. 19)

Considering the quantum of savings in the cost of production and the small capital investment involved, the Plant should have gone in for a desilicisation plant earlier. If such a plant had been installed the rate of

consumption of iron ore would have been reduced and the wear and tear of the refractories would have also gone down. The Committee recommend that the necessary plant should be fabricated and installed. (Paragraph 82)

Reply of Government

There has been a gradual improvement in the silicon content of the Blast Furnace metal. The silicon content is likely to be reduced further with the addition of a higher proportion of sinter. In these circumstances, the installation of immediate de-siliconisation facility does not seem technically necessary.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66, dated the 15th January, 1968]

Recommendation (Serial No. 24)

The Committee regret to observe that the Plant did not obtain the necessary equipment for change of top gear and relining of blast furnaces in time. Investigation should be held into the causes of delay and responsibility fixed. With a view to avoid recurrence of mistakes of this nature in future, a long term programme for capital repairs should be drawn up and definite time schedule prescribed for the ordering of equipment starting and completion of work etc. (Paragraph 103)

Reply of Government

There are two factors involved in it. The first is the planning of the spare parts for capital repairs of the blast furnaces and the second is shutting down of the blast furnaces actually for repairs.

It is admitted that some delay has occurred in the matter of planning of capital repairs of blast furnaces in 1961 and 1962.

Initially there was some delay in placing the indents with Soviet Suppliers but thereafter the delay was mainly on the part of the Soviet suppliers and it was after a good deal of effort that the plant was able to enter into draft contracts in respect of these supplies.

It may also be added that the order position was such that the Plant had to work almost at more than 100% capacity. In the second place, the technology of the repairs was completely new and long preparations were necessary. Thirdly, it was essential that it should be supervised in the first instance by some Soviet experts. These Soviet experts were not available until January, 1965.

The condition of the furnaces was, however, examined very frequently, Photographs were taken of internal condition by punching holes into the shell. Extensive repairs were carried out to the top gear in hot conditions which has never been done in India before.

In short, every thing possible was done to keep the furnaces working fairly effectively but it is true that they would not work as efficiently as new furnaces or on which capital repairs have been carried out.

It was planned that one of the furnaces would be shut down as soon as the fourth blast furnace was available for commissioning. This was ex-

pected in June-July, 1964. However, due to delay in the supply of equipment from the U.S.S.R., it was not possible to commission the 4th furnace until December, 1964.

The postponement of capital repairs was therefore inevitable.

The planning of all the future repairs has now been put on a scientific basis and there should be no trouble in carrying out these repairs as and when necessary.

Only a lead time of four to six months will have to be given to the Planning Cell constituted for this purpose so that they can get ready for starting the repairs. Technique and men are now available for carrying out this work.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. Parl. (6)-10/66 dated the 15th January, 1968].

Further information called for by the Committee

Have the causes of delay in placing the indents with the Soviet suppliers been investigated? If so, what were the findings?

Has any responsibility been fixed for this delay? If so, with what results?

[Lok Sabha Secretariat O.M. No. 21-PU/67 dated the 15th February, 1968]

Further Reply of Government

HSL have now informed that the capital repair programme, such as re-lining of Blast Furnace, etc., have since been put on a scientific basis and there is no likelihood of recurrence of such delays in future.

Regarding the delay in this case in placing of indents with the Soviet Suppliers and subsequent delay in supplies by the Soviet Suppliers, as already explained, both HSL and the Soviet Suppliers are responsible. HSL have stated that the initial delay was on their part, and later, on the part of the Soviet Suppliers, but any investigations at this stage are likely to embarrass the USSR Suppliers as it was a matter of joint responsibility. Whilst accepting HSL's view that any investigations into the delay for the period after placing of the indents by HSL, is likely to embarrass the Soviet Suppliers without any corresponding benefit, HSL is being asked to investigate the delays up to the time of placing of the indents.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. BHI-13(16)/68, dated the 20th June, 1968]

Recommendation (Serial No. 36)

The Committee fail to understand as to why Rs. 30.61 lakhs, which represent charges for treatment availed of in the Plant's hospital, water charges etc. could not be settled for such a long time. The Committee recommend that urgent steps including legal proceedings should be taken to recover these as well as the other outstanding debts. Where defective procedure is responsible for the delays, suitable action should be taken to streamline it with a view to avoid future delays. (Paragraph 148).

Reply of Government

A sizeable proportion of these outstandings relate to Government Departments and other public bodies where legal action to recover them may not be desirable. Nevertheless, vigorous action is being pursued to reduce these outstandings.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M.

No. Parl. (6)-10/66, dated the 15th January, 1968]

Further information called for by the Committee

It has been clearly stated in para No. 147 of the Report that the unrealised dues of Rs. 30.61 lakhs relate to private parties. But Government in their reply to recommendation at serial No. 36 have stated that sizeable proportion of these outstandings relate to Government Departments and other public bodies where legal action to recover them may not be desirable.

On what basis has it been said in the Government reply that the outstandings relate to Government departments? Details of outstandings may be given.

[Lok Sabha Secretariat O.M. No. 21-PU/67, dated the 15th February, 1968]

Further reply to Government

Para 147 of the Report in question covers the total outstanding debts amounting to Rs. 86.22 lakhs as on 31-3-1966. The reply given by Govt. to Committee's recommendation No. 36 was also drafted in the context of these overall outstandings and not specifically confined to the debt of Rs. 30.61 lakhs only. So far as the outstanding amount of Rs. 30.61 lakhs from private parties etc. for treatment at Plant's hospital water charges, etc. is concerned, the position is that in September 1966, when Govt.'s reply was given, a sum of Rs. 12.17 lakhs only was outstanding. The details of this sum of Rs. 12.17 lakhs are as under :

Nature of charges	Dues from Govt. Deptt.'s	Dues from shopkeepers & others.	Dues from employees.	Total
(Rs. in Lakhs)				
1. Rent for shops and lands	1.39	1.60	—	2.99
2. Medical charges	0.51	0.18	0.09	0.78
3. Water charges	0.33	—	—	0.33
4. Transport charges	—	—	0.06	0.06
5. Rent for quarters				
(i) from 1.4.64 onwards	—	—	0.07	0.07
(ii) prior to 1.4.64	—	—	7.94	7.94
TOTAL	2.23	1.78	8.16	12.17

It will be seen from this statement that an amount of Rs. 9.94 lakhs pertains to employees, shop-keepers and others, and Rs. 2.23 lakhs are due from Govt. Departments. So far as Govt. Departments are concerned, due to vigorous personal contacts and correspondence, they have now started paying. Legal proceedings against shopkeepers and others were instituted and their credit facilities were also suspended. The procedure has been streamlined since January, 1964 so as to avoid accumulation under this head. Allotments of quarters, occupations, vacations and changes are intimated by the Estate Department promptly and directly to the Wages Group in the Finance Department which thereafter the recovery commences. The assessment of rent, etc., is made automatically every month on mechanised ac-

counting through I.B.M. and a watch is kept on these amounts. Changes in the rate of pay, etc. of the employees which affect the assessment of rent are promptly noted on the I.B.M. statement by the concerned Wages Group. A report on the assessment and recovery together with cumulative figures is submitted to General Manager every month. These steps have enabled the plant to achieve a recovery rate in respect of house rent of about 99.5 per cent every month.

HSL have now reported that with all the steps taken a balance of Rs. 7.94 lakhs for the period prior to 1-4-64 now remain to be recovered. It is expected that this will also be adjusted.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel) O.M. No. BHI-13(16)/66, dated the 16th September, 1968].

CHAPTER IV

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

Recommendation (Serial No. 28)

The excessive over-stocking of stores and spares, in Bhilai is a matter of serious concern. The existence of surplus stores and spares to the tune of Rs. 5.565 crores on completion of the 1 million tonne stage and Rs. 2.51 crores in 1964 is an indication of a serious lacuna in the provisioning system. As a result of this valuable foreign exchange had been unnecessarily spent on the purchase of these items. (Paragraph 122).

Reply of Government

The surplus spares and stores relate to :—

- (i) operational stores for 1 million tonnes plant;
- (ii) stores required for expansion to 2.5 million tonne stage.

Rs. 5.565 crores stores relate to expansion programme which was mostly in steel items. These surplus stores made it possible for the plant to proceed quickly ahead with the next expansion programme. There is hardly any foreign exchange component in it. Surplus of Rs. 2.51 crores in 1964 was in respect of non-moving operation stores. The foreign exchange component of these stores is Rs. 1.21 crores. These became non-moving because :—

- (1) spares received from USSR along with the main equipment for use during erection and left over after the completion of erection work;
- (2) low consumption compared to what was anticipated;
- (3) changes in drawings and design;
- (4) change of furnace roofs from acid to basic (in the case of refractories).

[Ministry of Steel, Mines and Metals (Department of Iron and Steel), O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 29)

The Committee recommend that an enquiry should be held by the HSL into the circumstances under which such over-provisioning of stores was made. If the enquiry reveals *mala fide* or lack of exercise of ordinary prudence, explanation of the person concerned should be called and suitable action taken. This will act as a deterrent in future. The tendency to overspend foreign exchange in such a manner is to be deprecated and all measures should be taken by Government to put an end to such mistakes in future. (Paragraph 123).

Reply of Government

HSL has constituted a Committee for this purpose. The Report of the Committee is awaited.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel), O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Recommendation (Serial No. 33)

Out of Rs. 2.33 lakhs worth of spares declared surplus spares worth Rs. 31.617 were issued to Works and of the spares worth Rs. 2.05 lakhs (which were not declared surplus) spares worth Rs. 12.208/- had been utilised upto November, 1965 and it was hoped that further utilisation would be made during the expansion stages.

The Committee have already recommended a thorough enquiry into the cause of over-provisioning of stores and spares in para 123 and hope that unnecessary purchase will be avoided in future. (Paragraph 135-136).

Reply of Government

HSL has constituted a Committee for this purpose. The report of the Committee is awaited.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel), O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Further information called for by the Committee

When was the enquiry Committee constituted by HSL and when are they expected to give their report ?

[Lok Sabha Secretariat, O.M. No. 21-PU/67, dated the 15th February, 1968]

Further Reply of Government

H.L. have explained that there has been some delay in setting up the Committee to look into this matter, because when HSL was taking steps to constitute the Committee consisting of few outside experts, the Government announced the formation of a High Level Committee constituted under the aegis of the Bureau of Public Enterprises to go into the question of inventory control and allied matters in HSL, NCDC, Fertiliser Corporation and Heavy Electricals with a view to indentifying the factors responsible for higher inventories in these undertakings and advising the Govt./Undertakings remedial measures for containing the inventories limit. Because of this HSL initially thought of postponing the constitution of their own Committee since it would have amounted to a duplicate study. Later as the report of the Government Committee was found to be getting delayed, HSL reconsidered the matter and constituted a Committee on 30-12-1967 under the Chairmanship of its Financial Adviser. The report of this Committee is now awaited. Further action will be taken after the receipt of the Committee's report.

[Ministry of Steel, Mines and Metals (Department of Iron and Steel), O.M. No. BHI-13(16)/68, dated the 20th June, 1968]

Comments of the Committee

Please see Paras 6 to 8 of Chapter I of the Report.

Recommendation (Serial No. 35)

The Committee are not convinced that effective measures are being taken by the Plant in regard to controlling the working capital as it has increased from 5.2 in 1962-63 to 6.4 in 1964-65, expressed in terms of months of expenditure. If effective steps had been taken this figure would have come down and not risen. The Plant and the Head Office should take effective steps to bring the working capital within the prescribed limits, as this affects the profitability of the Plant. (Paragraph 146).

Reply of Government

The working capital requirements have gone up due both to accumulation of semi-finished and finished stocks on account of recessionary conditions and due to the provision of credit facilities to selected consumers. HSL have appointed a Committee to review working capital requirements and recommend steps for keeping them down to the minimum in the context of the difficult market conditions.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel), O.M. No. Parl. (6)-10/66, dated the 15th January, 1968].

Further information called for by the Committee

When was the enquiry Committee constituted by HSL and when are they expected to give their report?

[Lok Sabha Secretariat, O.M. No. 21-PU/67, dated the 15th February, 1968]

Further Reply of Government

HSL have appointed a Committee to review working capital requirements and recommend steps for keeping it down to the minimum. However, from 1965-66 onwards, there has been a further rise in the working capital due to accumulation of semi-finished and finished stocks on account of onset of recession, due to provision of credit facilities to selected consumers, etc.

[Ministry of Steel, Mines & Metals (Department of Iron & Steel), O.M. No. BHI-13(16)/68, dated the 20th June, 1968].

Comments of the Committee

Please see Para 13 of Chapter I of the Report.

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

NIL

G. S. DHILLON,
Chairman,
Committee on Public Undertakings.

NEW DELHI:
April 18, 1969

Chaitra 28, 1891(S)

APPENDIX I

(Vide reply to recommendation at Serial No. 21 page 12)

Statement showing action taken by Government on the recommendations contained at Serial No. 19, Paragraph 73 of the 29th Report of the Committee on Public Undertakings on Durgapur Steel Plant.

Recommendation

Considering that the Indian Refractory Industry has been established for a long time and there is considerable idle capacity at present, the Committee desire that Government should encourage the indigenous manufacturers to diversify their production to replace the imported refractories. This would not only utilise the idle capacity, but also help in saving the much needed foreign exchange.

Reply of Government

Our constant efforts have been to avoid imports as far as possible and practicable. Durgapur Steel Plant has imported only those refractories which are either not manufactured in India or the indigenous products are not upto the standard. During the year 1965-66 (Durgapur Steel Plant did not import any refractories.

The refractories industry is already being encouraged by the Government to utilise its idle capacity by diversifying production to manufacture special types of refractories which have still to be imported. With this object in view, major manufacturers of Refractories were addressed by Directorate General of Technical Development in 1966 to indicate their requirements of balancing equipment for the purpose and submit import applications. Import applications were received from certain manufacturers and foreign exchange to the tune of Rs. 75 lakhs has already been sanctioned while another Rs. 25 lakhs have been recommended.

APPENDIX II

(Vide foot-note at Page 3 of the Report)

Note regarding working capital submitted by the Hindustan Steel Ltd. at the time of factual verification.

With reference to paras 10 to 13 of the Draft Report, it is necessary to clarify that the Committee appointed in December, 1967 with Financial Adviser, HSL as Chairman was concerned with the spares inventory in the Steel Plants including the Bhilai Steel Plant, which forms a significant proportion of the working capital. After from this Committee, which dealt with the spares inventory, there was no Committee for reviewing working capital requirements generally. The review of working capital is a managerial function which is being exercised on a continuous basis. The Board of Directors of HSL, review plant-wise working capital at each of their meetings which generally take place once a month. Besides there is a detailed quarterly review of plant-wise working capital as part of Chairman, HSL's quarterly review of performance of each plant. Through these Reviews, where every ingredient of working capital is gone into, the working capital is kept under close and continuous check.

The Committee under the Chairmanship of the Financial Adviser, HSL which went into the question of spares submitted its Report in May, 1968. Based on the recommendation of the Committee, a Central Organisation has been set up at the Head Office at Ranchi to classify stores and spares according to usage, to set up stock limits and reorder levels for different categories of stores and spares, to bring about standardisation of spares, components, subassemblies and equipment and to identify possibilities for disposal of surplus items.

So far as raw materials which form another component of working capital are concerned, the stock limits for the three main plants including Bhilai have been revised, by the Board. As a result of the revision of these stock levels, the number of days consumption of HSL as a whole for raw materials would come down from 24 days to 17 days consumption and in terms of value by about Rs. 22 million.

As regards stocks of semi-finished and finished products at Bhilai which is another important ingredient of working capital and to which special reference has been made in para 13 of the Draft Report, a special drive was organised during the last year to bring down the accumulations, taking advantage of the improving market conditions. As a result, saleable steel and in process stocks at Bhilai have come down drastically as shown by the figures below :—

	Stock in '000 tons as on		Percentage reduction
	1.4.69	1.4.69	
Steel ingots	129.8	71.2	45.1
Saleable Steel	126.0	65.0	47.9
Rolled steel (interprocess material)	98.1	39.8	59.4

When appraising Bhilai's working capital position, it should be specially recognised that this plant contributes a major share to the country's iron and steel exports. Exports from Bhilai went up from Rs. 1.05 crores in 1965-66 to Rs. 5.7 crores in 1966-67, Rs. 24.7 crores in 1967-68 and to about Rs. 31 crores in 1968-69. Export entail significant increases in working capital requirements in several ways. Firstly the exports of certain products like rails from Bhilai are effected in terms of deferred payment terms extending over seven or more years. Secondly, several days and sometimes weeks elapse between the rolling of the products for exports and their actual shipment, since on the one hand the rolling has to be dovetailed with the overall production planning for economic utilisation of resources and the requirement that a sizeable quantity has to be accumulated before shipments can be effected and on the other hand, the shipments depend upon the contract delivery schedules, the availability of vessels, etc. This factor causes an increase in working capital. Thirdly, it takes time to secure the drawback of excise and the settlement of subsidy claims. An increase in working capital requirements is thus an inescapable consequence of the significant increase in Bhilai's export effort.

The foregoing facts have been cited to show that, on the one hand, sustained action has been taken to control working capital as recommended by the Committee of Public Undertakings in their Thirtieth Report on Bhilai and, on the other hand, there are factors like increasing exports etc., which exert an upward pressure on working capital requirements.

APPENDIX III

(Vide Para 5 of Introduction)

Analysis of action taken by Government on the recommendations contained in the Thirtieth Report of the Committee on Public Undertakings (3rd Lok Sabha).

I. Total number of recommendations made	42
II. Recommendations that have been accepted by Government (<i>vide</i> recommendations at Sl. Nos. 1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, 20, 21, 22, 23, 25, 26, 27, 30, 31, 32, 34, 37, 38, 39, 40, 41 and 42)	33
Percentage to Total	79%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>Vide</i> recommendations at Sl. Nos. 7, 16, 19, 24 and 36 ..	5
Percentage to Total ..	12%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>vide</i> recommendations at Sl. Nos. 28, 29, 33 and 35 ..	4
Percentage to Total ..	9%
V. Recommendations in respect of which final replies of Government are still awaited ..	Nil

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
DELHI			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	36.	Hind Book House, 82, Janpath, New Delhi.	95
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	37.	Bookwell, 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.	96
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	MANIPUR		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul, High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	AGENTS IN FOREIGN COUNTRIES		
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	39.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.—2.	59
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66			



1969 BY LOK SABHA SECRETARIAT

**PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT
OF BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE
MANAGER, GOVERNMENT OF INDIA PRESS, FARIDABAD.**
