

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1968-69)**

**(FOURTH LOK SABHA)**

**THIRTY-FIFTH REPORT**

**Action taken by Government on the recommendations relating to the Hindustan Shipyard Ltd., the Fertilizer Corporation of India Ltd., and the Hindustan Steel Ltd., contained in the Seventh Report of the Public Accounts Committee (Third Lok Sabha) on Audit Report (Civil), 1962—Chapters VIII and IX.**



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NEW DELHI**

*April, 1969/Chaitra, 1891 (Saka)*

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C O R R I G E N D A

Thirty-fifth Report of the Committee on Public Undertakings on the Action taken by Government on the recommendations contained in the Seventh Report of the PAC (Third Lok Sabha) on Audit Report (Civil), 1962, Chapters VIII and IX.

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COMMITTEE ON PUBLIC UNDERTAKINGS  
(1968-69)

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Shri S. C. Mookerjee—*Deputy Secretary*,

Shri M. M. Mathur—*Under Secretary*.

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## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this **Thirty-Fifth Report on the Action Taken by Government on the recommendations relating to the Hindustan Shipyard Ltd., Fertilizer Corporation of India Ltd., and the Hindustan Steel Ltd., contained in the Seventh Report of the Public Accounts Committee (Third Lok Sabha) on Audit Report (Civil), 1962—Chapters VIII and IX.**

2. The Seventh Report of the Public Accounts Committee (Third Lok Sabha) was presented to the Lok Sabha on the 8th March, 1963. It contained 29 recommendations relating to the following public undertakings :

Name of the Public Undertaking	Serial No. of the recommendations	Para Nos.
(1) Indian Airlines Corporation .. .. .	1— 5	5— 9
(2) Hindustan Shipyard Ltd. .. .. .	7— 9	12—14
(3) Fertilizer Corporation of India Ltd. .. .. .	10—16	16—22
(4) Hindustan Antibiotics Ltd. .. .. .	17—20	23—26
(5) National Coal Development Corporation Ltd. ..	21—23	27—29
(6) Hindustan Steel Ltd. .. .. .	24—30	30—36

3. Out of 29 recommendations, 14 recommendations, viz. Serial Nos. 1 to 5, 17 to 23, 24 and 25 have already been dealt with by the Public Accounts Committee in their **Twenty-Sixth Report (Third Lok Sabha)** presented to the Lok Sabha on the 30th April, 1964. Replies of Government to the remaining 15 recommendations viz. Serial Nos. 7 to 16 and 26 to 30 contained in that Report were received on 21st July, 1966, 28th April, 1967, 6th September, 1967, 8th February, 1968 and 23rd December, 1968.

4. The Committee considered the replies on the 28th March, 1969. The Committee authorised the Chairman to finalise the Report and present it to Parliament.

The Report has been divided into the following five Chapters :—

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

5. An analysis of the action taken by Government on 15 recommendations *ibid* contained in the Seventh Report of the Public Accounts Committee (Third Lok Sabha) is given in Appendix VI. It would be observed

(vi)

therefrom that out of 15 recommendations, 60% have been accepted by the Government and the Committee do not desire to pursue 33.33% of the recommendations in view of Government's reply. Replies in respect of 6.67% of the recommendations have not been accepted by the Committee.

NEW DELHI;

April 18, 1969

Chaitra 28, 1891 (S)

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

## CHAPTER I

### REPORT

**CLAIMS UNDER MARINE INSURANCE POLICY FOR MILLION TONNE PLANT—  
DURGAPUR STEEL PLANT OF HINDUSTAN STEEL LTD.—PARA 36 OF SEVENTH  
REPORT OF THE PUBLIC ACCOUNTS COMMITTEE (THIRD LOK SABHA).**

#### **Recommendation (Serial No. 30—Para 36)**

In their recommendation at Serial No. 30, the Public Accounts Committee expressed the opinion that the time taken by the Project authorities in preferring most of the final claims had been on the high side, even after making due allowance for the procedural requirements to be fulfilled. That Committee had desired to be furnished with a report showing the progress made in the finalisation of claims.

2. In their reply, Government have stated that under 1 M.T.P. total claims amounting to £ 8,14,476-15-4 and Rs. 6,80,434.78 paise were registered with INSPOOL up to 31-3-65 including those preferred up to 31-12-61 and 31-7-63. No further claims were lodged beyond 31st March, 1965 as nothing was awaiting preferment. Based on the available records and documents which Durgapur Steel Plant were able to furnish, INSPOOL settled the claims up to 31-3-65 for £ 3,65,820-4-0 and Rs. 1,97,232.58 paise leaving a sum of £ 4,48,656-11-4 and Rs. 4,83,202.20 paise as outstanding. In view of the fact that all the connected documents could not be furnished to INSPOOL at a very belated stage and as both INSPOOL and HSL were anxious to finalise these outstanding claims, final settlement of the aforesaid outstanding claims was agreed upon by the Company in May, 1965 at £ 2,86,671-18-0 and Rs. 3,77,708.00 on an *ad hoc* basis without obtaining the prior approval of the Board of Directors. The matter was placed before the Board only on 8th January, 1968 for obtaining an ex-post-facto approval of the settlement. The Board, while according the ex-post-facto approval observed as under :—

“The Board noted that out of total claims registered with INSPOOL by Durgapur Steel Plant relating to the Million Tonne Plant of £ 8,14,476-15-4 d and Rs. 6,80,434.78 paise up to March, 1965, a sum of £ 4,48,656-11-4 d and Rs. 4,83,202.20 paise was outstanding as on 31-3-1965. Included in this outstanding amount were claims relating to about 400 cases which could not be evaluated for want of complete documentation. The claims value of these 400 cases as preferred by the Plant was £ 2,09,869-3-4 d and Rs. 280,085.76 paise. The board noted the reasons for non-availability of complete documentation and the circumstances in which an *ad hoc* settlement was reached with the INSPOOL in May, 1965 for a total amount of £ 2,86,671-18-0 d and Rs. 3,77,708. The Board accorded its approval for the overall settlement reached by the General Manager, Durgapur Steel Plant with the INSPOOL. While the Board appreciated the difficulties in procuring all supporting documents needed for establishing such insurance claims from agencies outside the control of HSL, the Board desired that all due care should be taken to ensure that insurance claims in future are supported by proper documentation.”



3. Subsequently, a note (Appendix I) explaining the reasons for non-availability of complete documentations and circumstances in which the settlement was made with INSPOOL without the prior approval of the Board was submitted to the Board in their 126th Meeting held at Calcutta on 26th August, 1968. The Board observed as under :—

“The Board considered the note on the above subject and desired that in respect of such settlements which were beyond their powers, the General Managers should secure the prior approval of the Board of Directors/Chairman and further that there should be no avoidable delay in bringing such matters like the present one to the notice of the Board.”

4. The Committee regret to note that there was delay of two years and seven months in obtaining even the ex-post-facto approval to the settlement of May 1965. It is rather surprising that the Board accorded its approval first and a Note explaining the reasons for want of documents and the circumstances in which that settlement was made was submitted to the Board much later. The Committee hope that, in future, such settlements as are beyond the powers of the General Managers, the prior approval of the Board of Directors/Chairman would be obtained and the avoidable delay in bringing such matters as the present one to the notice of the Board will not arise. The Committee also trust that the existing system of documentation in HSL would be placed on a sound footing so as to eliminate such delays in future.

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## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

#### *HINDUSTAN SHIPYARD LTD.*

#### **Recommendation (Serial No. 7)**

The Committee feel that the performance of the Shipyard still leaves much to be desired, as the profit during 1960-61 works out to only 0.2% of the total capital employed on the undertaking. Further, the fact that the construction of ships is still being subsidised by Government indicates that the Shipyard has not yet become fully self-supporting, total subsidy paid upto 31-3-61 being Rs. 509.18 lakhs. The Committee trust that no effort will be spared in planning and organisation with a view to improving the working of the Shipyard. (Paragraph 12)

#### **Reply of Government**

The recommendation of the Committee is noted.

2. The question of improving the planning and organisation of the Shipyard with a view to increasing the productivity of the Yard has been actively engaging the attention of the Government. An Indian firm of consultants, M/s. Daya Shankar & Associates, having collaboration arrangements with a British firm of Production consultants, was appointed in January, 1966 to suggest measures for improving the production capacity of the Yard. The Consultants have recommended in their reports submitted from May to December, 1966 the introduction of production and material control measures for and the reorganisation and development of the yard. Action has been taken on some of their recommendations. Production control has been introduced in the Blacksmith and Hull Department. Network analysis has been introduced for planning purposes. It is proposed to extend the production control system gradually to other departments. Standardisation of steel plates and their requirements cycles are being finalised. Arrangements have been made with Yugoslav and Polish firms for bulk supply of machinery and components for ships V.C.'s 162 to 167.

During the year 1966-67, Shipyard made a profit of Rs. 3.68 lakhs on a total capital of Rs. 1,575.00 lakhs employed. The percentage of profit to the capital employed works out to 0.23. During the year, Rs. 156.00 lakhs were received by the Shipyard as subsidy from Government. The total subsidy paid to the Shipyard from 1st April, 1961 to 31st March, 1967 was Rs. 785.00 lakhs.

3. These measures along with the improvement being effected in the handling facilities in the Hull Shop and the crane facilities at the berths, would, it is expected, enable the yard to increase its annual output to 50,000 DWT per annum from next year. The present capacity of the Shipyard is about 35,000 DWT per year.

4. Government have accorded sanction in July, 1967 to a scheme for the construction of a larger dry dock as an adjunct to the Shipyard. This dock will be capable of accommodating vessels up to 57,000 DWT.

5. Very recently the following steps have been taken to reorganise the set up of the Shipyard :—

- (a) A retired official has been appointed as the Chairman of the Board of Directors.
- (b) A new Managing Director of the Shipyard assumed charge on 1st June, 1967.
- (c) The functions of the Director of Ship Construction have been separated from those of the Managing Director and an officer from the Navy assumed charge on 19th June, 1967 as Director of Ship Construction.
- (d) A Director has been appointed in the Ministry one of whose special responsibilities will be to attend to the work relating to the Shipyard.
- (e) A Special Development Officer has been appointed in the Shipyard to attend to its development programme.
- (f) The difficulties faced by the Shipyard from time to time are systematically reported to each meeting of the Board with copy to the Ministry.
- (g) A study by the officers of the Shipyard is under way for examining the possibilities of reducing the delivery period of ships and their cost.

[Ministry of Transport & Shipping O.M. No. SY-5(9)/63, dated the 8th February, 1968]

#### **Recommendation [Serial No. 8(i)]**

In the opinion of the Committee, strict adherence to the time, schedule is of prime importance in a commercial organisation like the Shipyard specially in the background of the general shortage of Indian ships. Any complacency shown in this regard was bound to have an adverse effect on the prospective purchasers. The Committee would like to be informed of the progress made from year to year in reducing the foreign exchange element in the construction of ships. (Paragraph 13)

#### **Reply of Government**

The Government as well as the Management of the Shipyard realise the importance of adhering to the time-schedule of ship construction in the Yard. Unfortunately, however, it has not been possible to adhere to the schedules due to delays in receipt of shipbuilding materials and equipment, particularly imported materials, paucity of foreign exchange, want of modern machinery and lay out of the Yard, and lack of adequate ship repair facilities.

2. With a view to improving the materials supply position, contracts have been signed with Yugoslav and Polish suppliers, for supply of shipbuilding equipment and machinery for as many as six ships under rupee payment terms. As a result of this package-deal arrangement, the supply position has improved very much and it is hoped that the Shipyard should be able to maintain its construction schedules.

3. The Board of Directors of the Shipyard while approving its latest dule of ship construction (16th schedule) have resolved that the schedule should be strictly adhered to and the various conditions to be fulfilled to achieve the targets be reviewed at each of the Board meetings.

4. With a view to accelerating the development of indigenous manufacture of shipbuilding equipment and machinery, Government of India have appointed a Standing Committee in November, 1957 (reconstituted in February, 1966) known as the Ship Ancillary Industries Committee with the following terms of references :—

- (i) to discuss the question of standardising the material and ancillary equipment required for ship-building and ship-repair work and recommend which of them should be standardised for production in the country so as to minimise the foreign exchange expenditure;
- (ii) to recommend on the steps to be taken to encourage the indigenous production of material and ancillary equipment required by the ship building and ship-repairing industries;
- (iii) to examine the question of the training of personnel required for the development of the above ancillary industries and make suitable recommendations, keeping in view the steps that are already being taken by the Department of Transport in this connection; and
- (iv) to examine other technical problems which may be referred to it from time to time and make suitable recommendations thereon. In pursuance of the recommendations made by this Committee in their Second Report submitted to Government in May, 1966 an Implementation Committee has been set up in May, 1967 to ensure follow-up action on the various recommendations of the Ship Ancillary Industries Committee. The recommendations have been accepted by Government and have been/being implemented wherever feasible. A Development Cell is being constituted among the three public sector Shipyards, viz. the Hindustan Shipyard Ltd., Visakhapatnam, the Garden Reach Workshops Ltd., Calcutta and the Mazagon Dock Ltd., Bombay for encouraging the indigenous production of marine equipment and machinery. This Cell apart from codifying, categorising and laying down priorities for items to be produced indigenously, will provide technical specifications and design and data to interested entrepreneurs. It will also consider the pooling of resources as well as demand for common items with a view to ensure viability of orders.

5. Government have recently approved the project for the manufacture of marine diesel engines by the Garden Reach Workshops, Calcutta. It is expected that the first marine engine would be available by 1969.

6. The Shipyard is making continuous efforts to substitute indigenously manufactured items for imported ones in the construction of ships. The value of indigenous items used by the Yard since 1957 comes to approximately Rs. 1 crore. During the financial year 1966-67, orders worth Rs. 25.76 lakhs have been placed on indigenous manufacturers in lieu of materials imported hitherto. It will be seen from the table given below

that there has been a steady increase in the percentage of indigenous materials except in the case of V.C. 136, which is specialised craft being a Naval Survey Vessel and which necessarily had to be fitted with a good deal of expensive imported equipment,

Year	V.C. No.	Percentage of imported material	Percentage of indigenous material
(1)	(2)	(3)	(4)
1961-62	148	87.32	12.68
	146	87.22	12.78
1962-63	147	84.58	15.42
	149	79.01	20.99
	150	79.29	20.71
1963-64	151	76.20	23.80
	152	74.34	25.66
1964-65	153	77.66	22.34
	136	84.81	15.19
1965-66	154	70.03	29.97
	155	73.37	26.68
	156	73.39	26.61
1966-67	157	71.44	28.56
	158	68.23	31.77

[Ministry of Transport & Shipping O.M. No. SY-5(9)/63, dated the 8th February 1968]

#### Recommendation [Serial No. 8(ii)]

The Committee had desired to be furnished with a note stating the installed capacity of the Shipyard and the extent to which it was being utilised. The Committee regret to observe that the information is still awaited. (Paragraph 13)

#### Reply of Government

The requisite information was furnished to the Lok Sabha Secretariat for information of the Committee vide this Ministry's O.M. No. SY-5(36)/61, dated 28th June, 1963 (Appendix II).

[Ministry of Transport & Shipping O.M. No. SY-5(9)/63, dated the 8th February 1968]

#### Recommendation (Serial No. 9)

The Committee feel that the existing procedure regarding fixation of price of ships is far from being satisfactory. The Committee would urge that the formula which was being devised in consultation with the ship-owners to provide incentive to the Shipyard to reduce the cost of construction may be expedited as it is long overdue. (Paragraph 14)

#### Reply of Government

After examination of the issues involved and taking into account the effect of devaluation, a new pricing formula has been evolved for the ships VC 162 onwards to be built at the Hindustan Shipyard. The new pricing

formula is based on the principle of world parity price which will be determined by striking an average of West German, Japanese and Yugoslavia prices prevalent at the time of signing of the contract. The basic price will be the parity price so determined plus 15% thereof.

The Committee reconstituted to examine the working of the Hindustan Shipyard Ltd. is *inter alia* required to recommend a suitable pricing formula for determining the sale price of the ships.

[Ministry of Transport & Shipping O.M. No. SY-5(9)/63, dated the 8th February 1968]

### FERTILIZER CORPORATION OF INDIA LTD.

#### Recommendation (Serial No. 10)

(i) The Committee observe that although the production during the year 1960-61 and 1961-62 has shown some improvement over the low production during 1959-60, it is still far from satisfactory. In pursuance of their earlier recommendation in paras 27-28 of the 25th Report (1959-60) the Committee were informed that the fall in production had been engaging the earnest attention of the Company and the Government. They trust that effective measures would be taken by the Corporation to ensure that the rated capacity of the plant is achieved early.

(ii) The Committee would also invite attention in this connection to the recommendation of the Tariff Commission in December 1959 that Government should ask the Coal Controller to take immediate steps to make available to Sindri Fertilizers and Chemicals Limited such grades of coal as would enable it to obtain the right blend for its coke production regularly and in adequate quantities from nearby collieries. They desire that the matter should be pursued with the Coal Controller. (Paragraph 16)

#### Reply of Government

(i) Please see Appendix III.

(ii) The matter was pursued with the late Ministry of Mines & Fuel. Sindri's full requirements of Dishergarh Coal from Bajdih and Methani collieries are now being allotted and difficulties on this count have ceased since November, 1963.

\*(Ministry of Petroleum & Chemicals O.M. No. 18/4/63-Ferts.III, dated 28-4-67)

#### Recommendation (Serial No. 12)

(i) The Committee are surprised to note that despite an additional expenditure of over Rs. 1 crore the actual production capacity of the plant would still be about 10% less than the original targets. They trust that all-out efforts would be made to attain the optimum capacity of the plant soon. The Committee are also of the view that constant and vigorous efforts are necessary to reduce the costs of production so that these are less than the landed cost of the imported items.

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\*During factual verification of this Report, Comptroller and Auditor General of India pointed out that this reply was not routed through Audit.

(ii) The Committee also desire that the question of reducing the retention price of urea should be reviewed without any further delay.  
(Paragraph 18)

**Reply of Government**

(i) Please see Appendix IV.

(ii) The retention price of urea has been reduced with effect from 1-4-62 and is as follows :—

For 1962-63	.. .. .	Rs. 628 per M. ton
For 1963-64	.. .. .	Rs. 620 .. .. .
For 1964-65	} .. .. .	} Rs. 582 .. .. .
For 1965-66		

[Ministry of Petroleum & Chemicals O.M. No. 18/4/63-Ferts.III, dated 28-4-1967]

**Recommendation (Serial No. 14)**

The Committee agree with the views of the Comptroller and Auditor General and recommend that the practice of declaring dividend from the general reserve fund in circumstances disclosed in this case should be discontinued forthwith.  
(Paragraph 20)

**Reply of Government**

Noted.

[Ministry of Petroleum & Chemicals O.M. No. 18/4/63-Ferts.III, dated 28-4-1967]

**HINDUSTAN STEEL LTD.**

**Recommendation (Serial No. 27)**

The Committee note that the representative of Hindustan Steel Limited, could not justify the delay in placing order for spares. However, the Department of Iron and Steel and the Development Wing of the Ministry of Commerce and Industry have now addressed themselves to the problem and have already initiated measures to obviate delays in procurement of materials from abroad. The Committee trust that the introduction of these measures will result in elimination of the cases of the present type.  
(Paragraph 33)

**Reply of Government**

Noted.

[Ministry of Iron & Steel O.M. No. Parl. (10)-6/63 dated the 21st July 1966]

**Recommendation (Serial No. 28)**

While the Committee note the Hindustan Steel's hope that surplus sanitary fittings (costing Rs. 1.93 lakhs) would be utilised in houses and public buildings to be constructed under the Expansion Scheme, they cannot help observing that, before placing the order for the material, the Project authorities had failed to make a proper assessment of their requirements. The Committee trust that the Project authorities will be more careful, while making such purchases in future. They would like to be informed of the disposal of the surplus material.  
(Paragraph 34)

### Reply of Government

A public auction for disposal of surplus materials, besides materials in stock intended for departmental use, was held on 17-4-64 in Township Stores premises, Durgapur Steel Plant.

Among other things the following sanitary Fittings were put to auction :

- (1) Shower Fittings 569 sets—Rs. 60,000.00.
- (2) Kitchen Sinks (Mosaic) 400 Nos.—Rs. 64,400.00.
- (3) Mortice Latches 6,000 Nos.—Rs. 1,06,000.00.

As the prices offered by the highest bidders were very low when compared to the reserve prices, the materials were withdrawn from the auction.

The stock position in respect of Kitchen Sinks and Shower Fittings as on 31st March, 1964 and of Brass Mortice Latches as on 4th June, 1964 is given below :—

- (1) Kitchen Sinks—649 Nos. valuing Rs. 1,04,813.50.
- (2) Shower Fittings—819 Sets valuing Rs. 86,830.38.
- (3) Brass Mortice Latches—6,272 Nos. Rs. 1,04,866.27.

It has been confirmed by the Chief Engineer of the Plant that 819 sets of shower roses and 649 Nos. of Kitchen Sinks which were declared surplus will be consumed fully in Durgapur Steel Plant. Regarding 6,272 Nos. of surplus Brass Mortice Latches 3,901 Nos. will be utilised by Durgapur Steel Plant and the General Manager has opined that the Balance of 2,371 Latches would also be utilised by the Plant in proper manner as early as possible.

After utilisation of the materials for maintenance and construction, the stock position as on 30-9-66 was :—

- (1) Kitchen Sinks 441 sets valuing Rs. 71,221.50p.
- (2) Shower fittings 713 sets valuing Rs. 75,592.25p.
- (3) Mortice Latches 4,135 sets valuing Rs. 69,137.20p.

[Ministry of Iron & Steel O.M. No. Parl. (10)-6/63  
dated the 6th September, 1967]

### Recommendation (Serial No. 29)

The Committee regret to observe that, before purchasing the machines from Defence Disposals, the Project authorities had not made a proper assessment of the usability of the machines. The Committee also fail to understand why the Project authorities had taken more than five years in coming to a decision regarding the disposal of the machines, when, as was stated in evidence, it was not considered worthwhile to spend foreign exchange on importing spare parts to make them serviceable. The Committee desire that the matter should be expedited. (Paragraph 35)

### Reply of Government

The Plant has sold all the materials for a total amount of Rs. 46,176.10p against the purchase price of Rs. 41,700.

[Ministry of Iron & Steel O.M. No. Parl. (10)-6/63  
dated the 6th September, 1967 and 21st November, 1967]



## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLY FERTILISER CORPORATION OF INDIA LTD

#### Recommendation (Serial No. 11)

The Committee need hardly emphasise the imperative need of extensive use of fertilizers to step up the output of food and commercial crops. In order to attract the agriculturists, it is necessary that the final price of fertilizers payable by the consumers should be kept as low as possible by effecting economies both in the cost of production and in the expenses incurred by various intermediary agencies. (Paragraph 17)

#### Reply of Government

The Ministry of Food & Agriculture (Department of Agriculture) are concerned with the recommendation about price of fertilizers being kept as low as possible by effecting economies in the expenses incurred by the various intermediary agencies. That Ministry has already replied to this point *vide* Ministry of Food & Agriculture (Department of Agriculture) U.O. No. 1-4/64-MAI, dated 7-10-64 (Appendix V) addressed to the Lok Sabha Secretariat. In the manufacture of ammonium sulphate approximately 62-65% of the works cost is the cost of raw materials (coal and gypsum) and packing material, and 18% the cost of utilities. These three items alone account for 80-83% of the works cost. Labour and supervision amount to only 6.5% of the works cost and general overheads 12.5%. During the past few years the average delivered cost of raw materials such as coal and gypsum have been rising steadily. To illustrate, the rise in unit prices between 1958-59 and 1963-64 is given below :—

*Rates F.O.R. Sindri in Rs. Per Tonne*

	1958-59	1963-64	% increase
Coking Coal .. .. .	27.55	33.85	23
Steam Coal .. .. .	23.12	27.72	20
Gypsum .. .. .	42.03	55.20*	31

\*Of this, the increase in freight alone has been of the order of Rs. 8-0. Rest of the increase has been due to use of Pakistan gypsum.

#### Reduction in cost of Production :

The rise in cost of the ammonium sulphate is purely on account of rising costs of raw materials and freight in the country over which the Company has no control. On the other hand, labour supervision charges and general overhead per tonne have remained steady over several years.

\*[Ministry of Petroleum & Chemicals O.M. No. 18/4/63-Ferts. III dated 28-4-1967]

#### Recommendation (Serial No. 13)

The Committee would reserve their comments in the matter as the final report regarding the cost of production of coke is still awaited.

(Paragraph 19)

\*During factual verification of this Report, Comptroller and Auditor General of India pointed out that this reply was not routed through Audit.

### Reply of Government

No comments.

[Ministry of Petroleum & Chemicals O.M. No. 18/4/63-Ferts. III dated 28-4-1967]

### Recommendation (Serial No. 15)

The Committee regret to note that the Company had been put to a heavy loss due to lack of proper planning and defective designing of the plant. They desire that the matter should be reviewed with a view to fixing the responsibility for the defective designing of the plant. (Paragraph 21)

### Reply of Government

The Fertilizer Corporation of India have reported that the designers of the Semi-water gas plant had given the following specifications for coke size at the time when the contract was placed with them :—

“Coke over 4” will be crushed in the crusher house and fines below ½” will be screened but before the coke is charged into the generators.”

Subsequently, when the question of inviting tenders for Coke Oven was being considered, Messrs Power Gas Corporation were once again consulted about the coke size. Messrs. Power Gas Corporation at that time advised that the best size range for the Gas Plant would be between 2” to 3” i.e. 50 to 70 mm. It was again recommended that all fines below ½” should be screened out as the small size fuel reduces the output from the generators.

At that time Sindri was purchasing hard metallurgical coke from the market, the size available was between ½” and 18”. The coke was crushed and screened to obtain the right size coke for the generators. With this type of coke, it was found that with the increasing proportion of lower size coke i.e. ½” to 1½” size the generators gave increasing amount of troubles.

In the invitation to tenders for the Coke Oven Plant, the end use of the coke was mentioned and it was stipulated that coke grading should be between 2” to 3” i.e., as per advice of M/s Power Gas Corporation. It was only later, after the tenders were received that they were asked to give indication of the size range which they would be in a position to produce and it was after discussions with the tenderers that a firm size range was evolved for the purposes of guarantee tests. The size range specified was 40 to 100 mm, 10 to 40 mm and below 10 mm. The tenderers were asked to indicate the percentage that they would be able to guarantee in these size ranges. The idea was that the maximum quantity in the higher size range should be obtained so that it can be subsequently processed for getting the maximum quantity of usable coke for the Gas Plant. The important point to be taken note of is the fact that no Coke Oven Plant can produce coke whose size range will be such as can be directly used in the gas generators. In all cases the coke has to be crushed and screened to obtain proper grading before usage in the generators.

When the Coke Oven Plant went into production and we were using some of the best grade coals available, the performance of the gas generators even when using coke upto 100 mm. was found to be quite satisfactory; but crushing had to be resorted to even at that time to prepare proper grade of coke. Subsequently with the deterioration of the quality of coals, it was

experienced that the higher size fraction reduced the output of the generators. In a number of tests conducted in the year 1956-57 the best size range of coke (produced from the type of coals that were being used in the Coke Oven Plant) was found to be 16 to 75 mm. Earlier crushing and screening arrangements which were provided in the old Gas Plant as well as in the Coke Ovens, were not quite satisfactory and as such it was decided to relay the coke handling system and provide two stage crushing and screening to get the best range required for the Gas and Lean Plants.

From what has been stated above, it would be clear that there was no serious defect in designing or planning the Coke Oven Plant. The size of coke that can be obtained from an oven is a function of the width of the Oven. As it is the oven size at Sindri is non-standard and smaller than the conventional ovens. If we had specified a smaller size range than 40 to 100 mm for the major portion of the coke output from the ovens, then this would have meant installation of still narrower ovens and the cost of the installation of such a plant for the same output of coke would have been much higher and the operating cost would have also increased. In all these cases the normal practice is to strike a balance between the optimum size range of coke needed for the process and the economics of coke oven installation for producing this. As regards the breeze formation, the same is inevitable when the coke is crushed to prepare it for usage in gas generators. Two stage crushing (double crushing) was introduced in 1958 and this reduces the breeze formation. It is true that there has been an increase in the formation of breeze from this coke and this is mainly due to the fact that we are using roughly 50% of high volatile semi-coking coals in the coal blend which makes the coke comparatively weak. Besides this, another factory that contributes to the formation of breeze is the storage and handling of coke.

Comparing the breeze formation at the coke production point with the total breeze formed by way of handling, crushing etc. is not correct. On the other hand the total breeze formed should be compared with the total coke produced since ultimately this is the quantity that is declared as unusable in the gas generators. On this basis, the total coke production between the years 1954-55 to 1960-61 works out to 14.8 lakhs approximately and as against this, the total quantity of coke lost as breeze comes to 2.56 lakhs and this works out to a percentage of 17.3. If out of this 6% is taken out as that formed during the manufacture of coke, then the additional breeze formation due to crushing and rehandling of coke works out to 11% only. Considering that in the Sindri Unit coke of two different size ranges are necessary for the gasification in the Gas and Lean Gas Plants which in turn requires elaborate crushing and screening arrangements to get right size of coke for two plants the above additional loss of breeze is not considered as excessive.

[Ministry of Petroleum & Chemicals O.M. No. 18/4/63-Ferts. III dated 28-4-1967]

#### **Recommendation (Serial No. 16)**

It is apparent that before installing the coke oven plant the question of the quality of coke needed for proper gas production did not receive due attention of the management. The Committee would also like to point out that as the use of inferior grade of coal adversely affects the production of ammonium sulphate, the prospects of utilising the machine in future appear

to be limited. As such, the extra expenditure of Rs. 44 lakhs incurred in the initial procurement of the coke oven plant and Rs. 7.24 lakhs (approx.) representing 50% of the cost of the second stamping machine-cum-ram car which would be now put to restricted uses has proved infructuous. (Paragraph 22)

### Reply of Government

When the order for the oven was placed on M/s. Carl Still, the Management was of the view that it was really worthwhile to invest an extra amount of Rs. 44 lakhs, over and above the normal cost of Rs. 191 lakhs, for a versatile battery in which both top filling and stamping operations could be carried out. Although subsequent trials have proved that it is difficult to carry out stamping operations continuously without markedly reducing the output of the ovens, nevertheless in a country short of metallurgical coal, trials of the type undertaken by Sindri have been of great value in testing out the practicability of the stamping process. Had Sindri not taken their large scale experiments in the years 1954-56, it is certain that investment (and consequent loss) on a fivefold scale would have occurred at the Rourkela Plant.

(Ministry of Petroleum & Chemicals O.M. No. 18/4/63-Ferts. III dated 28-4-1967)

### HINDUSTAN STEEL LTD

#### Recommendation (Serial No. 26)

(i) The Committee feel concerned that despite their repeated exhortations since 1958-59 the amount of demurrage charges payable from year to year has been persistently increasing, instead of getting altogether eliminated. (The total demurrage paid from 1-12-56 to 31-3-62 amounts to as high a figure as Rs. 74.21 lakhs). This state of affairs, deplorable as it is, would not only push up the cost of end product at the Project but also impede the optimum utilisation of the wagon capacity of the country. The Committee were informed that both the Hindustan Steel Ltd. and the Railways were now seized of the matter. They trust that effective steps will be taken by them, in close collaboration with each other, with a view to ensuring that the demurrage charges are reduced to the barest minimum, if not eliminated altogether.

(ii) The Committee desire that effective steps should be taken by the Project authorities to recover the balance amounting to Rs. 41,000 from the contractors at an early date. (Paragraph 32)

### Reply of Government

Some of the important factors leading to the incurring of high demurrage are still present. These are inadequate mechanical facilities to handle speedily the new wagons introduced by the Railways viz., Box type wagons, manual handling, inadequacy of loco power. While the position of loco power has since improved, with the arrival of eight locomotives, the facilities for mechanical handling for the Box type wagons are not likely to be available in the near future. The statement made before the PAC during evidence that "Tipplers have, however, since been provided for mechanical handling of Box type of wagons" was a general statement. In Bhilai tipplers have been installed only in Coal Yard and in Durgapur one tippler

for handling box wagons has since been installed while another is still under installation. So far as Rourkela is concerned, no provision has been made to provide tippers at the one million tonne stage and even after expansion tippers will be provided only in the Coal Yard to handle Box wagons containing coal. Iron ore coming in Box wagons will continue to be unloaded as at present by manual handling.

Steps taken by the Hindustan Steel Limited to overcome the various difficulties which lead to the payment of demurrage : They include

1. Improved operation resulting in quicker release and movement of wagons.

2. Acceptance by the Railways to give relief for the bunching of trains. The relief has been provided in the forms of greater margin of time between successive loads of Box coal and Box Iron Ore.

3. Insistence to exclude loads returned for adjustment for demurrage calculations and subsequent acceptance of this by the Railways.

4. The following relief has since been given by the Railways :—

- (a) Sick wagons are excluded from demurrage calculations.
- (b) Relief for forming block rakes : On and from 1-4-64 the Railways have granted a relief of 12 hours for ordinaries and 24 hours for bogies (in addition to the usual free time) for formation of rakes, a similar relief has been given with effect from 1-1-63 even though some of these bills have been paid in full.
- (c) Manual operation of Box wagons containing limestone, dolomite, etc. In consideration of the Rourkela Plant being designed for self-discharging wagons only the question of additional relief for manual operation of Box wagons containing limestone, dolomite, etc. was taken up with the Railway Board who issued instructions on 1-6-64 that in the case of Rourkela Steel Plant, freetime of 24 hours be allowed for Box wagons containing dolomite from Bilaspur area and limestone from Satna.
- (d) Similarly, in respect of Boxes fitted with screw couplings, instructions have been issued by the Railway Board that these wagons may be treated as 'ordinary' for purposes of calculation of demurrage on cumulative basis; no change, however, being made in the freetime applicable to such Box wagons.
- (e) Additional freetime for unloading sticky contents in monsoon period. In the revised demurrage rules in force from 1-4-64 the Railways have granted additional 1 hour for 4 wheelers and 2 hours for bogies wagons during the monsoon period.

There has been improvement of the position due to sustained liaison between the Plant and South Eastern Railways and whatever unresolved arguments could be there about the freetime, the same are being finalised at the Railway level, even though occasionally assistance of the Ministry is also sought for. The amount of demurrage claimed by the Railways during 1961-62 is Rs. 29.37 lakhs, against which payment made to the Railways is Rs. 20.75 lakhs.

During 1962-63 demurrage claimed by the Railways was Rs. 27,27,348. An amount of Rs. 17,06,496 has been paid to the Railways in full and final settlement of the claims.

The amount of demurrage claimed by the Railways and paid during 1963-64 is as follows :

Month and Year	Originally billed by Railways	Revised bill after checking	Paid to Railways		Total paid	Amount withheld
			1st Inst.	2nd Inst.		
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
April, 1963 ..	2,09,024	1,72,040	1,54,704	17,336	1,72,040	—
May, 1963	2,65,880	2,12,136	—	—	2,12,136	—
June, 1963 ..	3,29,792	2,79,896	—	—	2,79,896	—
Supplementary						
June, 1963 .. ..	—	480	—	—	480	—
July, 1963 .. ..	—	3,14,360	—	—	2,84,360	30,000
Supplementary						
July, 1963 .. ..	—	896	—	—	320	576
August, 1963 ..	—	2,66,808	—	—	2,36,808	30,000
September, 1963	—	1,97,952	—	—	1,69,576	28,376
Supplementary						
September, 1963 ..	—	960	—	—	792	168
2nd Supplementary						
September, 1963 ..	—	192	—	—	192	—
October, 1963 ..	—	1,42,184	—	—	1,24,744	17,440
November, 1963 ..	—	1,58,176	—	—	1,46,472	11,704
December, 1963 ..	—	1,56,552	—	—	1,26,112	30,440
January, 1964 ..	—	1,20,600	—	—	92,888	27,712
February, 1964 ..	—	81,656	—	—	56,504	25,152
March, 1964 .. ..	—	1,37,784	—	—	41,776	96,008
<b>TOTAL .. ..</b>		<b>22,42,672</b>	<b>1,54,704</b>	<b>17,336</b>	<b>19,45,096</b>	<b>2,97,576</b>

In addition to the above, a payment of Rs. 10 lakhs has also been made in full settlement of claims disallowed for the period for March, 1961 to December, 1962.

As regards outstanding demurrage charges of Rs. 0.41 lakh, the outstanding amount now is Rs. 0.22 lakh only.

[Ministry of Iron & Steel O.M. No. Parl. (10)-6/63  
dated the 21st July, 1966]

## CHAPTER IV

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

#### *HINDUSTAN STEEL LTD.*

#### **Recommendation (Serial No. 30)**

In the opinion of the Committee, the time taken by the Project authorities in preferring most of the final claims had been on the high side, even after making due allowance for the procedural requirements to be fulfilled. The Committee were, however, assured that all the claims would be finalised during the next 6 to 8 months. They would like to be furnished with a further report in the matter. (Paragraph 36).

#### **Reply of Government**

Under 1 M.T.P. total claims amounting to £ 8,14,476-15-4+ Rs. 6,80,434.78 paise were registered with INSPOOL up to 31-3-65 including those preferred up to 31-12-61 and 31-7-1963. No further claims were lodged beyond 31st March, 1965 as nothing was awaiting preferment. Based on the available records and documents which DSP were able to further INSPOOL settled the claims up to 31-3-65 for £ 3,65,820-4-0 and Rs. 1,97,232.58 paise leaving a sum of £ 4,48,656-11-4 and Rs. 4,83,202.20 paise as outstanding. In view of the fact that all the connected documents could not be furnished to INSPOOL at a very belated stage and as both INSPOOL and HSL were anxious to finalise these outstanding claims, final settlement of the aforesaid outstanding claim was agreed upon by the Company in May, 1965 at £ 2,86,671-18-0 and Rs. 3,77,708.00 on an ad hoc basis without obtaining the prior approval of the Board of Directors. The matter was placed before the Board only on 8th January, 1968 for obtaining an ex-post-facto approval of the settlement. The Board, while according the ex-post-facto approval observed as under :—

“The Board noted that out of total claims registered with INSPOOL by Durgapur Steel Plant relating to the Million Tonne Plant of £ 8,14,476-15-4d and Rs. 6,80,434.78 paise up to March, 1965, a sum of £ 4,48,656-11-4d and Rs. 4,83,202.20 paise was outstanding as on 31-3-1965. Included in this outstanding amount were claims relating to about 400 cases which could not be evaluated for want of complete documentation. The claims value of these 400 cases as preferred by the Plant was £ 2,09,869-3-4d and Rs. 2,80,085.76 paise. The Board noted the reasons for non-availability of complete documentation and the circumstances in which an ad hoc settlement was reached with the INSPOOL in May, 1965 for a total amount of £ 2,86,671-18-0d and Rs. 3,77,708. The Board accorded its approval for the overall settlement reached by the General Manager, Durgapur Steel Plant with the INSPOOL. While the Board appreciated the difficulties in procuring all supporting documents needed for establishing such insurance claims from agencies outside the control of HSL, the Board desired that all

due care should be taken to ensure that insurance claims in future are supported by proper documentation”.

Subsequently a note (Appendix I) explaining the reasons for non-availability of complete documentation and circumstances in which the settlement was made with INSPOOL without the prior approval of the Board was submitted to the Board in their 126th Meeting held at Calcutta on 26th August, 1968. The Board observed as under :—

“The Board considered the note on the above subject and desired that in respect of such settlements which were beyond their powers, the General Managers should secure the prior approval of the Board of Directors/Chairman and further that there should be no avoidable delay in bringing such matters like the present one to the notice of the Board.”

\*[Ministry of Steel, Mines & Metals O.M. No. Parl. (10)-6/63, dated the 23rd December, 1968]

#### **Comments of the Committee**

Please see para 4 of Chapter I of the Report.

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\*During factual verification of this Report, Comptroller and Auditor General of India pointed out that this reply was not routed through Audit.



**CHAPTER V**

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

**NIL**

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

**NEW DELHI;**  
*March, 1969*  
*Chaitra, 1891*

## APPENDIX I

(vide Recommendation at Sl. No. 30 Page 2)

### DURGAPUR STEEL PLANT

*Note on the overall settlement reached with Insurance Pool in respect of claims under the Marine Insurance Policy for Million Ton Plant*

1. Total value of claims lodged with the Insurance Pool under the Marine Policy for Million Ton Plant was £ 8,14,476 and Rs. 6,80,435. Of these claims, the Insurance Pool had by 31st March, 1965 settled in full claims valued at £ 3,65,820 and Rs. 1,97,000 leaving a balance of £ 4,486,56 and Rs. 4,83,202.

Of these balance outstanding claims as on 31st March, 1965, claims valued at £ 23,693 and Rs. 5,416 were transferred to the Operation Policy because these had been erroneously included in the MTP.

2. The consignments in respect of which these claims had been lodged had arrived during the year 1958 onwards, it was felt that time (Dec., 1964) that any further delay would only prejudice our claims. The circumstances under which supporting documents (of which the short landing certificate of the Port Commissioner, short/damage certificates of the Railways were some of the basic documents) were not available were carefully considered. It was seen that proper tally could not be made at Calcutta Port during the peak period of arrival of FOB consignments, (1958, 1959 & 1960); 'B' forms were not properly issued by the Calcutta Port Commissioners and required amendment in certain cases; the amended 'B' forms could not be submitted to the Steamer Agents in time, arrangement for necessary Insurance or Steamer Survey at docks for breakages and damages could not be held in some cases due to heavy movements of goods; packages which were moved through rail were unloaded at Durgapur at different sidings by the various ISCON members; unloading was not, in most cases, supervised by the Railway Staff and as such, short/damage certificates against the loss/damage were not given by the Railways. In the absence of these, the Insurance Pool was not in a position to pursue the claims with the Steamer Agents or Railways and their loss ratio in respect of the Policy was very high as in the case of Rourkela policy where the circumstances were identical.

Some of the other documents not available were inspection reports of the shipped materials, repair/replacement approvals of M/s. ICC, certificates of ISCON, etc. and it was in the absence of these that 400 initial claims at the end of December 1964 were converted into value claims on an *ad hoc* basis (£ 2.10 lakhs + Rs. 2.80 lakhs).

The alternatives at that time were either to reach a negotiated settlement with the INSPOOL as had been provided by the Board in the case of Rourkela or to go on pursuing with the INSPOOL with little prospects of meeting the full amount as, under the terms of the policy, INSPOOL was on strong ground in rejecting the claims.

3. There were certain other factors which were taken into consideration in reaching a negotiated settlement with the Pool. These were :—

- (a) *Refractory* : As refractory materials had larger possibilities of damage in transit, suppliers used to supply excess in number as advised in the material invoices. In the tally sheets excess bricks received were always recorded. Insurance Pool took the stand that excess materials as received should be adjusted against the breakages/damages or shortages under such consignments. Refractory claims were mainly based on weighment and in a number of cases benefit of the extra bricks had not been taken into account while preferring the claim even on weighment basis. Further, where the refractory bricks had been rejected as sub-standard, the insurer cannot be held liable. (It was on these considerations that claims amounting to £ 10,238 on account of refractories were withdrawn by the Plant).
- (b) There were a number of cases where no replacement had been ordered by the Plant.
- (c) There were claims for shortages of materials in packages received intact. Here, the Insurance Pool disclaimed liability since there were no damage to the packages.
- (d) There were a certain number of cases where the claims of the Insurance Pool for short landings on Carriers had become time barred and where they could not get the benefit of Gold Clause agreement.
- (e) Basis for arriving at average loss values in some claims was not correct and the value claimable items was very high in these cases.

4. Considering all the circumstances as detailed in paras 2 and 3 above the Plant considered it prudent to go for a negotiated settlement with the Pool rather than let the cases drage. Having regard to the facts that (a) majority of these consignments had come in the years when the organisation at the port was not fully geared to the task of receiving and reloading the entire equipments to the two Steel Plants, (b) the Railway representatives were not at all the sidings at the Plant site, (c) heavy incidents of loss to the INSPool, and (e) absence of supporting documents in some cases, the settlement made was a fair and equitable one. Here it may be mentioned that the circumstances and the deficiencies in the claims were practically the same as in the case of Rourkela and the Solicitors had in case advised for a negotiated settlement.

5. It may be pertinent to mention here that as a result of experience gained in M.T.P. arrangements for receipts of 1.6 expansion consignments at the Port, reloading in wagons and final receipts at Durgapur were greatly improved, and as a result thereof, the losses under the 1.6 Expansion policy had been only negligible.

6. As regards responsibility, it may be stated that considering all the circumstances under which the entire plant and equipment for the MTP was received at the port and transported to Durgapur, it was perhaps not considered necessary to pursue this.

Sd/- R. C. SURI,  
(FA & CAO)  
11-5-68.

## APPENDIX II

[Vide Recommendation at Sl. No. 8(ii) Page 6]

*Copy of O.M. No. SY-5(36)/61, dated 28th June, 1963, from Ministry of Transport & Communications (Department of Transport, New Delhi to the Lok Sabha Secretariat), New Delhi.*

**SUBJECT :—Public Accounts Committee— Consideration of Appropriation Accounts (Civil), 1960-61 and Audit Report (Civil), 1962.**

The undersigned is directed to refer to the Lok Sabha Secretariat Office Memorandum No. 2/1/71/62/PAC, dated the 9th October, 1962 on the subject noted above and to enclose 45 copies of a note containing information on the following points concerning Hindustan Shipyard required by the Public Accounts Committee :—

- (i) Installed capacity of the Hindustan Shipyard; and
  - (ii) extent to which the capacity is being utilised and the proposals with regard to full utilisation thereof in the near future.
2. The note has been vetted by the Director of Commercial Audit.

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GOVERNMENT OF INDIA  
MINISTRY OF TRANSPORT & COMMUNICATIONS  
(DEPARTMENT OF TRANSPORT)

**SUBJECT :—Public Accounts Committee— Consideration of Appropriation Accounts (Civil), 1960-61 and Audit Report (Civil), 1962.**

The Public Accounts Committee, at their meeting held on the 20th September, 1962, desired to be furnished with further information on the following points concerning the Hindustan Shipyard Ltd. :—

- “(i) The installed capacity of Hindustan Shipyard Limited.
  - (ii) To what extent is the capacity being utilised and what are the proposals with regard to full utilisation thereof in the near future.”
2. The information on the above points is given below :—
- (i) Installed capacity : 25-30,000 DWT per year, provided the ships it is required to build are of 10,000 DWT or above.

**Note :** The Shipyard have expressed the view that in the present circumstances and the State of development of the ship-building industry in the country, it is inadvisable to refer to the Shipyard's rated capacity, production, etc., either in terms of the number of ships built or DWT for the following reasons :—

- (a) The size and type of ships built (over which the Shipyard has no control as it is decided by the owner) has a vital bearing on the amount of tonnage produced. For example, if the

Yard built dry cargo ships of 6,000 DWT during a particular year, its production in terms of deadweight in that year would be much smaller than that in another year in which it might build say, tankers or ships of much larger size, say, of 12,000 DWT; in the case of tankers for the same tonnage the quantum of work involved would be much smaller owing to the outfit work being much less.

- (b) Although it is common practice everywhere to express shipping and construction of ships either in terms of DWT or GRT regardless of the types and sizes of ships included in such tonnage, the impact of the varying types and sizes on the total tonnage gets automatically counter-balanced and adjusted in the total output which is generally very large in the case of the advanced maritime countries. In countries like India where the output is very low, the effect of the varying types on the annual output becomes very pronounced.

Another important factor which makes it difficult to measure the production of the Yard correctly during a particular year, is that apart from the vessels constructed and delivered during the year, a lot of work done during the year is represented by the uncompleted ships which is shown in the Shipyard's accounts as "Works-in-progress".

**(ii) Present production capacity and proposals for full utilisation**

On an average the present production of the Shipyard is about 20,000 DWT per year. The shipyard have been trying to utilise their existing capacity to the maximum extent, and following are some of the steps taken or proposed to be taken for increasing the annual production of the Shipyard :—

**(a) Short-term measures**

- (1) Improving the efficiency and productivity of the Shipyard workers by training and job control.
- (2) Securing higher training for technical staff such as Shipbuilding Draughtsmen, by arrangement with firms from which the Shipyard imports its ship-plans or other equipment, etc.
- (3) Constantly pressing its claims for adequate and timely release of foreign exchange for its import requirements.
- (4) An Advisory Committee on Ancillary Industries related to Ship-building and Ship-repairs known as the Ship Ancillary Industries Committee has been appointed to discuss and recommend the standardisation of ship-building material and equipment, and to recommend steps to encourage indigenous production thereof, and to examine the question of training of personnel to man such ancillary industries.
- (5) Persuading ship-owners to agree to place orders for one or two standard types of ships to be manufactured at the yard.

(b) *Long-term measures*

The Government have sanctioned the construction of a drydock at Visakhapatnam at an estimated cost of Rs. 269 lakhs. A proposal for the further extension of the fitting out jetty by another 300 feet at an estimated cost of Rs. 25 lakhs is at present under consideration.

Sd/- NAGENDRA SINGH,  
*Additional Secretary to the Govt. of India.*

NEW DELHI:

*Dated the 28th June, 1963.*

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### APPENDIX III

(Vide Recommendation at Serial No. 10, Page 7)

The production of ammonia in the old C.C.C. Plant in 1961-62, 1962-63 were 89,384 tonnes and 1,02,335 tonnes respectively. Since the plant is rated for a production of 96,000 m. tonnes only, the production of ammonia in 1962-63 has actually been 6% above the rated capacity. The production of ammonia (old C.C.C. plant) for the years 1963-64, 1964-65 and 1965-66 were 94,497 tonnes, 93,264 tonnes and 97,780 tonnes respectively.

As regards the production of Ammonium Sulphate, the plant was designed for producing 3,50,000 long tonnes per year, when using gypsum of 93% purity (Gypsum from Doudkhel-Kewra now in Pakistan.). However, due to the use of low grade gypsum, having purity of 80—82% only from Rajasthan, the Ammonia efficiency in sulphate has gone down with the result that their present consumption of ammonia per tonne of sulphate is around 0.30 (i.e. for one unit of ammonium sulphate 0.30 units of ammonia is required) as against the designer's figure of 0.27. Besides this the Corporation are committed to the sale of 4 to 5 thousand tonnes of Ammonia for defence purposes. Considering the above facts, the Corporation are convinced that, under the existing conditions, the maximum production of sulphate possible is only 3,20,000 M. tonnes. All out efforts towards getting gypsum of better filtering qualities and higher purity have been of no avail. The existing mines (both departmental and those belonging to M/s. Bikaner Gypsums Ltd.), are practically exhausted. It has also been established that reserves of good quality gypsum, that could be economically mined for use at Sindri, are not much and can at best last for another 4 to 5 years only. In view of these difficulties, as a long-term measure, the possibility of changing the present process of using gypsum to that of direct neutralisation with sulphuric acid is being actively considered. If the latter proposal materialises the Corporation shall be in a position to eliminate their dependence on gypsum and they will further be able to operate the plant at the designed capacity.

As a first step, it was decided by the Fertilizer Corporation of India Ltd. that ammonium sulphate required for Double Salt manufacture, will be made by direct neutralisation with sulphuric acid. For this purpose a firm commitment had been made to Messrs. Pyrites and Chemicals Development Company Ltd., for purchase of 200 tonnes of sulphuric acid from their 400 tonnes/day plant which Messrs. Pyrites and Chemicals Development Company Ltd. are going to instal at Sindri.

As a second step the Fertilizer Corporation of India Ltd. also decided that in the course of the next few years, the use at Sindri of Rajasthan gypsum of low purity should be eliminated, and that it should be substituted by the use of approximately 950 tonnes of sulphuric acid per day (3,14,000 tonnes per year). Messrs. Pyrites and Chemicals Development Company Ltd. were formally asked whether they would be able to arrange the supply of this additional quantity of acid (amounting to 750 tonnes per day over and above 200 tonnes per day now committed for offtake) in the

course of the next two or three years or alternatively the Fertilizer Corporation of India Ltd. could make its own arrangements for a production unit. They have indicated that there would be no objection to Fertilizer Corporation of India Ltd., making its own arrangements but with the proviso that the plant should be so planned that it may start with the use of sulphur as feedstock but at a later stage be capable of switching over to the use of pyrites. Fertilizer Corporation of India Ltd. are drawing up a project report and estimates to cover this new unit. This is under preparation.



## APPENDIX IV

(Vide Recommendation at Sl. No. 12, Page 8)

The rated annual output of Double Salt and Urea given in the tabulated statement in sub-para 2 of this para of the Committee's Report, appears to have been based on the understanding given by the contractors as mentioned in the letter of instructions to proceed with the erection of the Expansion Plants, that the plant was expected to give 345 times the daily output of it was built according to their design and commissioned after the supervision of their technicians. This was, however, not supported by any guarantee. There has never been any guarantees or tests to demonstrate this capacity. The claim was obviously only sales talk as the plant was laid out in 2 streams (without any spare equipment), having about 13 process steps for conversion of Coke Oven Gas to Urea and 17 steps for Double Salt. The stoppage of any one of the equipments for scheduled and unscheduled maintenance for clearing would mean that the production of the whole plant would come down to 50% of its capacity. In view of this, a more exact assessment of the annual capacity was undertaken by the Planning & Development Division of the Corporation. According to this, allowing for overhauls, catalyst changes, and cleaning of equipments, the maximum number of days the streams were available for operation, at full load under the best optimum conditions was only 285 days. The equivalent production of ammonia is 53,800 tonnes and Urea and Double Salt 21,000 and 1,15,000 tonnes, respectively. At present, due to the failure of the Lean Gas Plant to deliver to the guaranteed capacity all the Coke Oven Gas is not available for conversion into ammonia and a part of it is used in the coke oven plant itself for heating the ovens. On an average, only 70% of the total gas is available for ammonia synthesis. This means that under the existing conditions, the maximum ammonia production possible from the expansion plant is only 70% of 53,800 tonnes *i.e.*, 37,660 tonnes. The equivalent production of Double Salt and Urea will be 70,000 tonnes and 18,000 tonnes, respectively. As against the estimate of 37,660 tonnes production of ammonia in the expansion plant during 1961-62 and 1962-63 have been 28,637 and 38,627 tonnes respectively. In 1961-62, the expansion plant was running on only one stream for most of the time due to insufficient gas supply from coke ovens and damage to one Nitrogen compressor. However, in 1962-63 the Lean Gas Plant was worked at the maximum capacity possible and both streams in the Expansion Plant were in commission. The production of Double Salt and Urea are correspondingly lower as it is dependent upon the ammonia produced in the Expansion plants.

The Double Salt plant was designed for a production of 400 tonnes per day, but the contractors could achieve a production of 342 tonnes only during the guarantee test run. Besides this, another factor which has affected double salt production has been the poor quality of gypsum used in the sulphate plant. As per the design, sulphate liquor equivalent to 250 tonnes per day for the manufacture of 400 tonnes of double salt has to be supplied from the old sulphate plant. Since the Corporation have been experiencing lot of difficulties in the sulphate plant due to the use of inferior quality

gypsum, supply of sulphate liquor to Double Salt Plant has been much restricted. In the words, if the sulphate liquor to double salt had to be maintained at the required level, this would have in turn affected the production of ammonium sulphate in the main plant. The Expert Committee appointed by the Board, in 1961, have recommended the installation of the following major equipment in order to step up the production of the Expansion Plants :

- (i) Installation of additional producers in the Lean Gas Plant to make up for the shortfall in gas used for heating the ovens.
- (ii) Installation of the following equipments in different sections of the plants to increase the time efficiency :
  - (a) One spare Coke Oven-cum-cracked gas compressor (Gas Reforming Plant).
  - (b) One additional pump-turbine set (Gas Reforming Plant).
  - (c) One spare Re-circulator (Ammonia Plant).
  - (d) One spare CO<sub>2</sub> compressor in the Urea Plant.

While all preliminary work like calling for tenders, scrutiny of tenders, etc. had been completed sometime back, no order could be placed for want of release of foreign exchange. The Ministry of Finance, however, allotted foreign exchange of Rs. 13 lakhs on 28th November, 1964 and orders being placed by the Corporation for the various items covered by this allocation.

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## APPENDIX V

(Vide Recommendation at Sl. No. 11, Page 10)

### Recommendation

The Committee would also invite attention in this connection to their recommendation in para 1.7 of their 7th Report (1962-63) that in order to attract the agriculturists it is necessary that the final price of fertilizers payable by the consumers should be kept as low as possible by effecting economies both in the cost of production and in the expenses incurred by various intermediary agencies. The Committee, therefore, desire that Government, should urgently review their pricing policy for the fertilizers keeping in view the objects of the Pool. The prices of various type of fertilizers should be so fixed as to ensure that the benefit of lower imported price/cost of production was actually passed in the consumers to promote their sale and wider use.

[S. No. 133 Appendix III to  
Twenty-third Report (Year)  
1963-64].

### Action taken by Government

The question regarding effecting economies in the cost of production, has been referred to the concerned Ministry i.e. the Ministry of Petroleum & Chemicals (Department of Chemicals) for necessary action. The possibility of reducing the procurement prices of indigenous fertilizers was recently examined in a meeting attended by Secretaries (Coordination) Ministry of Finance, Ministry of Petroleum and Chemicals, Ministry of Agriculture etc. A table indicating the final procurement prices fixed at the meetings given below :—

Name of the Unit	Product	Year		
		1962-63	1963-64	1964-65 to 1966-67
1. Fertilizer Corporation of India, Sindri.	Sulphate of Ammonia	Rs. *329	Rs. *330	Rs. 316 per M.Ton F.O.R. Sindri.
	Amm. Sul Nitrate	*443	*440	426 Do.
	Urea	*628	*620	582 Do.
2. Fertilizer Corporation of India, Nangal Unit.	Cal. Amm. Nitrate	*305	*268	256 per M. Ton F.O.R. Naya Nangal.
3. M/S Hindustan Steel Ltd., Rourkela Factory.	Do.	*305	*268	256 per M. Ton F.O.R. Rourkela.
4. FACT. Alwaye	Amm. Sulphate	*330 per M.T.F.O.R. Alwaye	*316 per m. ton F.O.R. /Kalamassery. Alwaye	

\*These prices are inclusive of excise duty. The excise duty applicable for the period 1-4-1963 to 29-2-64 is averaged over the year 1963-64.

Steps have also been taken to reduce the margin of distribution allowed to intermediary agencies wherever possible. In that connection the distribution margin allowed to the distributors of Tea Plantations in the North East India has been reduced by Rs. 10/- per Metric tonne i.e. from Rs. 30/- to Rs. 20/- per tonne w.e.f. 1-4-1964 in the case of Ammonium Sulphate. The distribution margins allowed to their distributors of plantations in the South are under review.

With a view to promote intensive utilisation of fertilizers the Pool price of Urea, which is a concentrated fertilizer has since been reduced by Rs. 100/- per Metric Tonne with effect from 1-1-1964. The entire benefit of this reduction has been passed on to the consumers.

Sd/- (I. J. NAIDU)

*Joint Secretary to the Govt. of India*

*Lok Sabha Secretariat, New Delhi.*

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*Deptt. of Agriculture, U.O. N. 1-4/64 M.A.I., Dated 7-10-1964.*

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## APPENDIX VI

(Vide para 5 of Introduction)

*Analysis of the action taken by Government on recommendations contained in the Seventh Report of the Public Accounts Committee (Third Lok Sabha)*

I.	Total number of recommendations made .. .. .	*15
II.	Recommendations that have been accepted by Government (Vide Sl. Nos. 7, 8, 9, 10, 12, 14, 27, 28, 29)	
	Number .. .. .	9
	Percentage to total .. .. .	60%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (Vide Sl. Nos. 11, 13, 15, 16, 26)	
	Number .. .. .	5
	Percentage to total .. .. .	33.33%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide Sl. No. 30)	
	Number .. .. .	1
	Percentage to total .. .. .	6.67%
V.	Recommendations in respect of which replies from Government are still awaited	
	Number .. .. .	Nil

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\*Excluding 14 recommendations already dealt with by the Public Accounts Committee in their 26th Report (Third Lok Sabha).

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>DELHI</b>			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	<b>MANIPUR</b>		
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	38.	Shri N. Chaaba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	<b>AGENTS IN FOREIGN COUNTRIES</b>		
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			

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