

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1969-70)**

(FOURTH LOK SABHA)

FIFTY-EIGHTH REPORT;

**Action taken by Government on the Recommendations
contained in the Twenty-fifth Report of the Committee
on Public Undertakings (Fourth Lok Sabha)
on Praga Tools Ltd. [Paras in Section IV
of Audit Report (Commercial), 1968].**

MINISTRY OF DEFENCE

(DEPARTMENT OF DEFENCE PRODUCTION)



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CONTENTS

	PAGE
COMPOSITION OF COMMITTEE	(iii)
COMPOSITION OF STUDY GROUP VI ON ACTION TAKEN REPORTS	(v)
INTRODUCTION	(vii)
I. Report	1
II. Recommendations that have been accepted by Government.	2
III. Recommendations which the Committee do not desire to pursue in view of Government's reply.	13
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.	14
V. Recommendations in respect of which final replies of Government are still awaited.	15
APPENDICES :	
I. Circular No. 93 dated 24.6.1969	16
II. Ministry of Defence letter No. F. 12 (4)/69/D (PS)-PCI, dt. 18-8-69	21
III. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCII, dt. 18-8-69	22
IV. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCIII dt. 23-8-69	25
V. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCIV, dt. 23-8-69	27
VI. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCV dt. 23-8-69	29
VII. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCVI dt. 6-9-69	31
VIII. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCVII dt. 6-9-69	33
IX. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCVIII, dt. 6-9-69	34
X. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCIX, dt. 6-9-69	36
XI. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCX, dt. 6-9-69	37
XII. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCXI, dt. 6-9-69	39
XIII. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCXII, dt. 6-9-69	41
XIV. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCXIV, dt. 25-9-69	43
XV. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCXV, dt. 25-9-69	44
XVI. Ministry of Defence letter No. F. 12 (4)/69/D(PS)-PCXVI, dt. 25-9-69	46
XVII. Analysis of the Action Taken by Government on the recommendations contained in the 25th Report of the Committee on Public Undertakings (Fourth Lok Sabha)	47

COMMITTEE ON PUBLIC UNDERTAKINGS (1969-70)

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Shri M. N. Kaul—*Under Secretary.*

*Appointed Chairman w.e.f. 10th December, 1969 *vice* Shri G. S. Dhillon resigned.

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SECRETARIAT

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

Shri M. N. Kaul—*Under Secretary.*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Fifty-eighth Report on the action taken by Government on the recommendations contained in the Twenty-Fifth Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Praga Tools Ltd. [Paras in Section IV of Audit Report (Commercial), 1968]

2. The Twenty-fifth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 21st February, 1969. Government furnished their replies indicating the action taken on the recommendations contained in the Report by the 7th November, 1969 in six batches.

3. The replies of Government to the recommendations contained in the aforesaid Report were considered and approved by the Committee on the 4th December, 1969 and the Chairman was authorised to finalise the Report on the basis of the decision of the Committee and present it to Parliament.

4. The Report has been divided in 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 reply;
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee;
- (v) Recommendation 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 Twenty-fifth Report of the Committee on Public Undertakings (Fourth Lok Sabha) is given in Appendix XVII. It would be observed therefrom that all the 17 recommendations made in the Report have been accepted by Government.

M. B. RANA,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
January 12, 1970.

Pausa 22, 1891 (S).

CHAPTER I

REPORT

The Committee would like to record that replies of Government to the recommendations contained in the Twenty-fifth Report on Praga Tools Ltd., [Paras in Section IV of Audit Report (Commercial), 1968] which have been seen and concurred in by the Ministry of Finance (Defence) and the Comptroller and Auditor General of India were received in time and to the satisfaction of the Committee.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

The Committee find that non-inclusion of all essential items of expenditure and inadequate provision in respect of certain items are common lapses of the estimates contained in the project report estimates. If the Ministry/ management of an undertaking acts with proper thought and foresight revision of estimates in many cases can be avoided. Upward revision of estimates later on not only puts extra burden on the public exchequer, but also affects the cost of production adversely. The Committee hope that the management of Praga Tools will now ensure that the various projects under execution at present will be completed within the latest revised estimates.

(Paragraph 2.5)

Reply of Government

The recommendation has been noted by the Govt. and Praga Tools Ltd. Praga Tools Ltd., have confirmed that the projects under execution will be completed within the latest revised estimates. They have also issued internal instructions to all the concerned officers of the Company who deal with the matters connected with the preparation of the project estimates to ensure inclusion of all essential items of expenditure (including customs duty, freight and insurance charges etc.) in the project estimates so as to avoid wide fluctuation in the Project Costs and the profitability due to such revision *vide* Company Circular No. 93 dated 24-6-69 (Appendix I). Necessary instructions have also been issued by the Ministry of Defence to all Defence Public Sector Undertakings under their letter No. F. 12(4) [69]D (PS)-PC.I, dated 18-8-69 (Appendix II).

[Ministry of Defence Office Memo. No. F. 12(4) [69]D (PS), dated 16-9-1969].

Recommendation (Serial No. 2)

The Committee are of the opinion that with the revision of the estimates the economics and profitability of the projects should have been worked out again. They are constrained to note that in spite of

a clear directive from the Board of Directors in July, 1966 for reviewing the pricing policy and improving productivity, no effective steps have been taken in this direction. They hope that the economics of the projects would now be reviewed without any further loss of time and profitability maintained as far as practicable.

(Paragraph 2.9)

Reply of Government

The Committee's recommendation has been noted by Praga Tools Ltd. They have started reworking the economics/profitability of all projects taking into consideration revised increased expenditure. The result of the review being undertaken by the Company in this regard will be intimated to the Lok Sabha Secretariat in due course. Necessary instructions regarding working out of economics and profitability of the projects in cases of significant upward revision of Project estimates have also been issued to all Defence Public Sector Undertakings under Ministry of Defence letter No. F. 12(4)|69|D (PS)-PC.II, dated 18-8-69 (Appendix III).

[Ministry of Defence Office Memo. No. F. 12(4)|69|D (PS), dated 16-9-1969].

Recommendation (Serial No. 3)

The Committee are sorry to note that the question of compensation for supply of wrong components by the collaborators in the 1st phase of the C.V.A. Drill Chuck was not even taken up with the suppliers. They feel that sufficient safeguard should have been provided in the agreement against supply of wrong parts, which in this case resulted in considerable delay in completion of the third stage of the Project. A suitably penalty clause could, to some extent, have compensated the loss suffered by the Praga Tools Ltd. on this account. The Committee suggest that Government should include a penalty clause for supply of wrong or defective equipment in all future contracts.

(Paragraph 3.6)

Reply of Government

The recommendation of the Committee has been noted by the Ministry of Defence and Praga Tools Ltd., for future action. The Company has also issued necessary instructions to all the concerned officers of the Company *vide* Company Circular No. 93 dated 24-6-1969 (Appendix I). General instructions have also been issued to all Public Sector Undertakings and concerned Sections in the Ministry *vide* Ministry of Defence letter No. F. 12(4)|69|D (PS)-PC.III, dated 23-8-69 (Appendix IV).

[Ministry of Defence Office Memo. No. F. 12(4)|69|D (PS), dated 16-9-1969].

Recommendation (Serial No. 4)

The Committee are sorry to note that the officials of the Company were casual about location of valuable imported equipment contained in two cases which were shipped by the collaborators in September, 1962 but were lost in transit and could be located only after 4 months. This only goes to prove that the procedure for receipt and inspection of equipment were not adequate. They feel that the circumstances under which the two cases were not collected should have been investigated and responsibility fixed. They hope that suitable guidelines would now be drawn up to avoid occurrence of such a mistake in future.

(Paragraph 3.10)

Reply of Government

The recommendation of the Committee has been noted by Praga Tools Ltd. No. personal responsibility could be fixed for the missing toolings as the officers dealing with the particular case have since left the service of the Company. Praga Tools Ltd. have now issued suitable instructions to the concerned officers of the Company to avoid occurrence of such mistakes in future *vide* Company Circular No. 93 dated 24-6-69 (Appendix I). General instructions have also been issued to all Defence Public Sector Undertakings and concerned Sections in the Ministry of Defence *vide* letter No. F. 12(4) (69)D (PS)-PC.IV, dated 23-8-1969 (Appendix V).

[Ministry of Defence Office Memo. No. F. 12(4) (69)D (PS), dated 16-9-1969].

Recommendation (Serial No. 5)

The fact that the full capacity of the C.V.A. Drill Chuck Project could not be exploited even after its completion is no justification for the delay in completion. No effective steps were taken by the management to train and impart the necessary skill to the personnel for maintaining the sophisticated equipment before the completion of the project. The Committee hope that the personnel by now have been trained to handle the machinery and equipment and their productivity is upto the mark. Regarding labour trouble, the Committee can only urge the management as well as the union leaders to make every effort for maintaining harmonious relationship with one another so that production in this vital Defence project does not suffer.

(Paragraph 3.12)

Reply of Government

The recommendation of the Committee has been noted by Praga Tools Ltd. The Company has also confirmed that the personnel have

now been trained to handle machinery and equipment of Drill Chuck Project and their productivity is upto the mark. Relations with labour are now satisfactory and it is hoped that this will help to improve the productivity of the Company. The Company has issued suitable instructions for timely selection/ recruitment and training of the personnel who would be required to handle the sophisticated machinery and equipment concerning any new Project so as to maintain its productivity upto the mark, *vide* Company Circular No. 93 dated 24-6-69 (Appendix I). General instructions have also been issued to all Public Sector Undertakings and concerned Sections in the Ministry of Defence *vide* letter No. F. 12(4) |69|D (PS)-PC.V, dated 23-8-1969 (Appendix VI).

[Ministry of Defence Office Memo. No. F. 12(4) |69|D (PS), dated 16-9-1969].

Recommendation (Serial No. 6)

The Committee is distressed to note that only because the management wasted a period of 14 months in arriving at a decision over a procedural matter a large amount of foreign exchange credit was allowed to lapse which resulted in delaying an important project (Pratt Lathe Chuck). They are also surprised that the matter was not brought to the notice of Ministry at any stage. They are sure that if the Ministry had themselves kept a watch on the progress of the project they would have come to know of the delay and taken timely action. At this stage the Committee can only hope that with the change in the management and the Board of Directors, such a situation will not occur in future and decisions on vital matters will be taken by the management promptly and confidently. They feel that the Ministry should also not hesitate to help and guide an undertaking particularly where defence production is involved.

(Paragraph 3.16)

Reply of Government

The recommendation of the Committee has been noted by the Ministry of Defence and Praga Tools Ltd. for future action. The Company has also issued necessary instructions to all its Officers *vide* Company Circular No. 93 dated 24-6-1969 (Appendix I). Ministry of Defence have also issued general instructions to all Defence Public Sector Undertakings and concerned sections *vide* letter No. F. 12(4) |69|D (PS)-PC.VI, dated 6th September, 1969 (Appendix VII).

[Ministry of Defence Office Memo. No. F. 12(4) |69|D (PS), dated 27-9-1969].

Recommendation (Serial No. 7)

Non-completion of stage III of the Tool and Cutter Grinder has been attributed to delay in placing orders for the machinery. The management not only signed the Collaboration agreement with M/s. A. A. Jones and Shipman Ltd. without finalising the working arrangements, but also proceeded in a leisurely manner to place the orders for the machines. All these lead to the conclusion that the management did not make any effort to settle the issue at an early date. The Committee deprecate indifferent attitude of the management which led to the delay in arriving at a final decision to place the orders for the required machinery.

(Paragraph 3.20)

Reply of Government

The recommendation of the Committee has been noted by Praga Tools Ltd. The Company has issued necessary instructions to the concerned Officers to avoid such lapses *vide* Company Circular No. 93 dated 24-6-1969 (Appendix I). General instructions have also been issued to all Defence Public Sector Undertakings and concerned sections in the Ministry of Defence *vide* letter No. F. 12 (4) /69/D (PS)-PC.VII, dated the 6th September, 1969 (Appendix VIII).

[Ministry of Defence Office Memo. No. F. 12 (4) /69/D (PS), dated 27-9-1969].

Recommendation (Serial No. 8)

It will be seen that even though the collaboration agreement with the French Firm was signed on the 8th June, 1966 for the import of Machinery for Milling Machine Project, the contract formally came into force only on the 14th August, 1967 *i.e.* after a period of 14 months. Difficulties experienced were of routine procedural nature. The Committee feel that it is another instance of inept handling of the project and had the Government machinery acted promptly these procedural difficulties could have been overcome or time-lag reduced.

(Paragraph 3.24)

Reply of Government

The observations of the Committee have been noted by the Ministry of Defence and Praga Tools Ltd. The Company has issued suitable instructions in the matter *vide* Circular No. 93 dated 24-6-1969 (Appendix I). Necessary instructions have also been issued to all Defence Public Sector Undertakings and concerned sections in the Ministry of Defence to avoid the types of the delays referred to, *vide* letter No. F. 12 (4) /69/D (PS)-PC.VIII, dated 6th September, 1969 (Appendix IX).

[Ministry of Defence Office Memo. No. F. 12 (4) /69/D (PS)-PC.VIII, dated 27-9-1969].

Recommendation (Serial No. 9)

After examining the reasons for delays in completion of the various projects of Praga Tools Ltd., the Committee cannot help feeling that there was a lack of coordination between the undertaking and the Department of Defence Production as also between other concerned Ministries. They hope that all efforts would now be made by the management and the Ministry to avoid recurrence of such delays in future.

(Paragraph 3.25)

Reply of Government

The recommendation of the Committee has been noted by the Ministry of Defence and Praga Tools Ltd. The Company has issued necessary instructions to avoid such lapses *vide* Company Circular No. 93 dated 24-6-69 (Appendix I). General instructions have also been issued to all Defence Public Sector Undertakings and concerned sections in the Ministry of Defence *vide* Ministry of Defence letter No. F. 12 (4) |69|D (PS) PC-IX, dated 6th September, 1969 (Appendix X).

[Ministry of Defence Office Memo. No. F. 12 (4) |69|D (PS), dated 27-9-1969].

Recommendation (Serial No. 10)

The Committee are unhappy with the present state of affairs in the Company. Labour troubles appear to be the perennial problem of the Undertaking. The Committee desire that ways and means should be devised to boost the labour morale and increase their productivity. The Committee are concerned to note the continual poor quality of the castings produced by Praga Tools' foundry as well as of these obtained by it from outside foundries.

They would suggest immediate steps to locate required quality castings from alternate sources, till they can themselves meet the demand. Reasons for falling market for machine tools of Praga should also be analysed and the selling organisation strengthened to build up additional markets for their products.

(Paragraph 3.34)

Reply of Government

The recommendation of the Committee on Public Undertakings has been noted by Praga Tools Ltd. The labour relations between the Management and the recognised Union have shown improvement since January, 1969. The supply position of quality castings from outside sources has improved and the Company has confirmed that this problem is now satisfactorily solved. The quality of production in the Company's own foundry has also improved. Steps are also being taken to strengthen the Selling

Organisation of the Company by recruiting Regional Managers at the important places e.g. Delhi, Calcutta and Bombay. The Company has already established a Regional Office in Delhi and this is functioning since 1-6-1968. The Company has issued suitable instructions for prompt and proper checking of the materials received from the suppliers (foreign as well as indigenous) *vide* Company Circular No. 93 dated 24-6-69 (appendix I). Suitable general instructions have also been issued to the Defence Public Sector Undertakings and concerned sections in this Ministry *vide* Ministry of Defence letter No. F. 12 (4) /69/D (PS) -PC-X dated 6th September 1969 (Appendix XI).

[Ministry of Defence Office-Memo. No. F. 12 (4) /69/D (PS) dated 13-10-1969].

Recommendation (Serial No. 11)

The Committee regret to note that the break-down of the hammer in the Forge and Foundry Division resulted in a loss of production of nearly Rs. 30 lakhs. It appears to them that the causes of the break-down were not fully investigated by the management and as such it is not clear as to how the mishap occurred. The Committee would, therefore, recommend that before the new tup is assembled and put into operation, it should be ensured that the factors which caused the earlier break-downs are carefully investigated and eliminated so as to avoid such break-downs in future. (Paragraph—3.37).

Reply of Government

The recommendation of the Committee on Public Undertakings has been noted by Praga Tools Ltd. The Company has stated that the matter was investigated. For this purpose, discussions were held by the Managing Director and the Technical staff with Ordnance Factories, Expert from the manufacturers of the Hammer and also with a Technical representative of the Polish Consulate in Bombay. As a result of these discussions, the Hammer was completely taken out from the old foundation and re-erected after rectifying the defects in the foundation, and a new tup was fitted on to the Hammer. For this erection, a retired Technical Officer from the Ordnance Factories was appointed for nearly three months. The Hammer is now working satisfactorily. The Company has also taken further preventive measures towards the safety of the tup by re-adjustment of the allied motion-arms whenever the dies are changed. With the change in weight of die blocks the motion-arms are suitably re-set so that the piston after a rebound traverses the backward stroke in a regulated manner not to bang against the stop-piston provided below the piston cover. This is being checked most meticulously from the time the new tup was fitted on to the Hammer. The Company is keeping a shift-wise vigil on the tightening of nuts and bolts and checking up of various springs, so that any flaw will be detected at the out-set itself, and not allowed to develop into a

major break-down. General instructions have also been issued to all Defence Public Sector Undertakings to avoid the types of lapse referred to in the observations of the Committee on Public Undertakings *vide* Ministry of Defence letter No. F. 12 (4) /69/D (PS) -PC. XI dated 6th September 1969 (Appendix XII).

[Ministry of Defence Office-Memo. No. F. 12 (4) /69/D (PS) dated 7-11-1969].

Recommendation (Serial No 12)

The Committee are not convinced with Government's reply that because of the limitation of floor space 66 per cent achievement of theoretical rated capacity was considered satisfactory for the Praga Tools Foundry. The limitation of floor space should have been taken into consideration before fixing the rated capacity of the Foundry. It is unfortunate that the management did not take adequate steps to provide necessary floor space. They suggest that the Management should immediately assess the additional floor space requirements and take steps to provide it. They feel that such a matter should not have been allowed to stand in the way of achieving rated capacity in the foundry. (Paragraph—3.42).

Reply of Government

The position existing in the Foundry was reviewed by the Board of Directors of the Company at their meetings held on 20-11-68, 20-12-1968 and on 22-1-1969. Certain steps have been taken by the Management as a result of which the production has started improving. The total production of castings in the Praga Tools Foundry during the first six months of 1969-70 (*i.e.* April to September 1969) has been 382 M/Tons, as compared to 165 M/Tons for the same period during the previous year. Action has also been taken to provide increased space to a limit extent to allow re-organisation and partial modernisation of the Foundry. Suitable general instructions have also been issued to all Defence Public Sector Undertakings to ensure prompt remedial measures, wherever lack of floor space or other similar factors are found to be coming in the way of achievement of the rated capacity of a project *vide* Ministry of Defence letter No. F. 12(4) | 69/D (PS) -PC. XII dated 6th September 1969. (Appendix XIII).

[Ministry of Defence Office Memo No. F.12 (4)|69D (PS) Dated 1-11-1969].

Recommendation (Serial No. 13)

The Committee regret to note the continued shortfall in rated capacity of the Foundry. In 1966-67 the shortfall was 70 per cent whereas in 1967-68 it was 64.2 per cent *i.e.* only an improvement of 5.8 per cent. They would stress the need for further augmenting the efforts to achieve the rated capacity as early as possible. (Paragraph—3.44).

Reply of Government

Please see the reply to recommendation No. 12 (Para 3.42). During the year 1968-69, actual production of castings in the Praga Tools Foundry was of the order of 381.00 M|T as compared to the rated capacity of 807.80 M|T resulting in a shortfall of 52.80 per cent in terms of the rated capacity. It is hoped that the position will improve after the proposed modernisation of the Foundry.

[Ministry of Defence Office-Memo. No. F. 12 (4) /69/D (PS) dated 1-11-1969].

Recommendation (Serial No 14)

The Committee note that some steps have been taken to reduce wastage and effect economy in the cost of production. They, however, feel that further concerted efforts are required to improve the quality of tools and labour management relationship. (Paragraph 4.5).

Reply of Government

In order to improve the quality of their products, Praga Tools Ltd. have taken steps to appoint a qualified design engineer and also to hire the services of the experts of National Productivity Council for study of methods, utilisation of modern machines, inspection, planning and co-ordination. As a result of the discussions held with the Labour Union, the labour relations in the Company have also improved. General instructions have also been issued by the Ministry to all Defence Public Sector Undertakings *vide* Ministry of Defence letter No. F. 12 (4) /69/D (PS) -PC-XIV, dated 25-9-1969 (Appendix XIV) to take concerted steps, where these are not being taken already, to reduce wastages so as to effect economy in the cost of production and also to improve the quality of their products (where necessary). The need for maintaining harmonious labour management relations has also been emphasised in these general instructions.

[Ministry of Defence Office-Memo. No. F. 12 (4) /69/D (PS) dated 24-10-1969].

Recommendation (Serial No. 15)

The Committee are not sure that the entire unutilised labour in the various divisions of the Company is due to market slump or sporadic workload. They would recommend that a review of the labour requirements should be made in the context of the existing demand and the production capacity. If any surplus labour is found in any division, it should be retrenched or suitably absorbed elsewhere.

(Paragraph-5.4)

Reply of Government

The recession in the Engineering industry is the main cause for reduction in the work-load of the Company. In order to meet the situation, the Company has taken up diversification of its lines of production. Meanwhile the Company has been asked to carry out review of the labour requirements in its various Divisions in the context of the existing demand and production capacity and the results of this review will be intimated to the Lok Sabha Secretariat in due course. The recommendation of the Committee that "if any surplus labour is found, it should be retrenched or suitably absorbed elsewhere", has been noted. General instructions to the Public Sector Undertakings on this point have also been issued, *vide* copy of letter No. F. 12 (4) /69/D (PS)-PC-XV dated 12th September, 1969. (Appendix XV).

[Ministry of Defence Office-Memo. No. F. 12 (4) /69/D (PS) dated 1-11-1969].

Recommendation (Serial No. 16)

The machines have been purchased by the Company from time to time without planning for their specific use. From the information furnished by the Ministry to the Committee it appears that seven machines are lying unsold and a large number of machines of various usages have remained idle in the past for considerable periods of time on a number of occasions. Purchase of machines, without planning their use beforehand not only leads to blocking of capital and impairs the value of the machines by way of depreciation, but also vitally affects the economy of the Company. The Committee desire that all possible steps should be taken to avoid the purchase of unnecessary machines in future and to fully utilize those which have already been purchased. Machines should be disposed of as soon as they are found surplus to the requirements.

(Paragraph—6.7)

Reply of Government

The recommendation of the Committee on Public Undertakings has been noted by Praga Tools Ltd. The Company has now readvertised in Press for early disposal of the seven surplus machines. Offers for 5 out of 7 machines have been received and the Company is negotiating for final confirmation of the offers with the successful tenderers. The Company has also issued internal instructions to all concerned to avoid lapses of the type referred to in the Committee's Report hereafter *vide* Company Circular No. 93 dated 24-6-1969 (Appendix I). General instructions have also been issued by the Ministry to all Defence Public Sector Undertakings to see that the machinery is not purchased without proper planning so that purchase of unnecessary machinery is avoided and the machinery which

has already been purchased is fully utilised. The Undertakings have also been advised to take prompt steps to dispose of surplus machinery as soon as any items are found surplus to the requirements of the Undertakings *vide* Ministry of Defence letter No. F. 12 (4) /69/D (PS) -PC-XVI, dated 25-9-1969. (Appendix XVI).

[Ministry of Defence Office Memorandum No. F. 12 (4) |69|D (PS) Dated 1-11-1969].

Recommendation (Serial No. 17)

The Committee hope that the Ministry and the Management will do their best to set the affairs of the company right and ensure that it functions efficiently and shows profits soon.

(Paragraph 7.2)

Reply of Government

The recommendation has been noted by Praga Tools Ltd. and the Ministry of Defence.

[Ministry of Defence O.M. No. F. 12 (4)|69|D (PS) dated 27-9-1969].

CHAPTER III

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

NIL

CHAPTER IV

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

NIL.

CHAPTER V

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

NIL.

NEW DELHI;

January 12, 1970

Pausa 22, 1891 (Saka)

M. B. RANA,

Chairman,

Committee on Public Undertakings.

APPENDIX I

PRAGA TOOLS LIMITED

COMPANY CIRCULAR NO. 93.

SUBJECT:—Project Formulation and Implementation.

Various projects undertaken in Praga had certain shortcomings, due to which, there had been considerable delay and confusion in the implementation of the Projects. The shortcomings are briefly as under:—

- (i) Non inclusion of all essential items of expenditure and inadequate provision in respect of certain items resulting in the subsequent upward revision of estimates thereby affecting the profitability of the projects;
- (ii) Non provisioning of sufficient safeguards with suitable penalty clause for supply of wrong components by the collaborators, (C.V.A. Drill Chuck Project) ;
- (iii) Not taking effective steps for training and imparting necessary skill for the personnel for handling and maintaining the sophisticated equipment;
- (iv) Avoidable delay in decision making due to procedural matters resulting in the lapse of Foreign exchange credit and delay in completion of Project (Pratt Lathe Chucks Project) ;
- (v) Signing of the Collaboration agreement (in case of Tool & Cutter Grinder Project) without finalising working arrangements resulting in the delay in placing orders for required machinery;
- (vi) Purchase of Machinery without planning for their specific use and non disposal of machines as soon as they are found surplus to requirements.

It could, therefore, be seen from the above that in case adequate precautions were taken at the time of the preparation of Project Reports and drawing up of agreements with Foreign Collaborators the lapses pointed out by the Committee could have been avoided.

In order to avoid, in future, similar or other lapses the following instructions, in brief, are laid down which should be strictly followed by all the concerned officers of the Company who deal with the matters connected with a Project

(i) Preparation of Project Report:

Preparation of feasibility studies forms an important and essential exercise before a Project is taken up for implementation. The Planning Commission (Committee on Plan Projects) have compiled a manual outlining the fundamental elements of such studies. In drawing up the Project Report this manual may usefully be consulted. The salient features of this manual are given in Annexure I but whenever necessary reference should be made to the manual copy. The following aspects of each Project will have to be examined among other things.

- (a) Demand.
- (b) Preliminary Technical Feasibility.
- (c) Preliminary economic Feasibility.
- (d) Total Capital Cost.
- (e) Methods of implementation.

In working out the Economics of the Project, care should be taken to see that adequate care is taken regarding the fluctuation in market demand flexibility of Pricing Policy and improving Productivity to maintain the profitability.

In working out the capital cost of the Project, all essential items of expenditure (inclusion of customs duty, freight & insurance charges etc.) should be provided for in the estimates which should be reasonable so as to avoid wide fluctuation in the Project Costs and the profitability due to such revision.

The Project Report should also indicate in definite terms the machinery & equipment to be procured from abroad as well as indigenously.

(ii) Drawing up of agreements with Foreign Collaborators|Suppliers on deferred payment terms.**(a) Technical Know-how:**

In respect of the Technical Know-how clause provision should be made so as to enable the Company to sub licence the technical know-how|product design|engineering design under the agreement to another Indian Party, should it become necessary.

(b) Technical Know-how Fee & Royalty:

In the case of payment of lump sum amount for technical know-how it should be subject to Indian Taxes. In the case of payment of Royalty, the rates should be as minimum as possible without guaranteed ceiling and should be subject to Indian taxes. The Royalty rates for different industries have been fixed by Govt. of India and these rates should be adopted *vide* M. of D. F. No. 17 (155) [68]D (PS) dated 24-9-1968. Instructions issued by Government of India, from time to time, on this matter should be consulted.

(c) Drawings, Toolings & Components:

In the case of Drawings, Jigs & Fixtures, Toolings etc., and other technical know-how information, adequate provision should be made for its timely supply and number of copies with suitable penalty clause for delay and wrong supplies. Similar penalty clause should also be inserted in the agreement for the delayed or wrong supplies of components and sub-assemblies. In every case of drawings, transparencies must be obtained.

(d) Training of Company Employees:

Adequate provision should be made in the agreement for inplant training of Company's employees, without any reservation, in the works of the Collaborators. The Collaborators should not only train the employee in the general manufacturing technique of the product but also should undertake to train in the handling and maintaining the sophisticated machinery and equipment wherever necessary.

(e) Visit of Collaborators experts to our Works:

In the event of the visit of Collaborators experts to our works care should be taken to provide a clause in the agreement fixing their number, fee and halting expenses, clearly defining the amount payable in Foreign exchange and Indian Currency.

(iii) Implementation of Project:

After the Project is sanctioned by the Board of Directors of the Company, the sanction of the Government of India as necessary should be obtained and get foreign exchange as quickly as possible. All delays in procedural matters should be avoided and bottlenecks if any should be resolved by taking up timely action at appropriate levels in the Administrative Ministry. All delays in the signing of agreement and placement of orders on Collaborators|Suppliers should be avoided. In case of any delay, personal contacts must be made and delays avoided.

(iv) Processing of Purchase of Machinery:

Simultaneously with the action to obtain sanction by Govt. of India of the Project, action should be initiated for D.G.T.D. clearance for machines to be purchased. Thereafter prompt action should be taken to apply for release of Foreign exchange and issue of import licences. Simultaneously action should also be taken to obtain quotations for machinery to be purchased and concurrence and sanction of M.D./Board obtained. Any procedural bottleneck which is likely to lead to the lapse of foreign exchange or undue delay which adversely affects the progress of the Project, should be promptly brought to the notice of the Administrative Ministry at the appropriate level. While placing the orders, it should invariably be ensured that penalty clauses are included for the delayed or wrong supply of machinery and equipment.

Steps should also be taken to ensure that the consignment of machinery and equipment including the toolings, jigs and fixtures and components are promptly cleared from the Port of Entry and transported to our stores. These consignments, on arrival should be promptly and properly checked and any wrong or missing items should be immediately reported to the Collaborators/Suppliers and steps taken to replace the same without any delay. This will also apply in the case of orders placed on the indigenous suppliers prompt action should also be taken to ensure that the Collaborators/Suppliers adequately compensate the Company in respect of the said wrong/short supplies.

(v) Selection and Training of Personnel:

As soon as any project is sanctioned, steps should be taken to select the technical personnel with suitable qualifications who have to be entrusted with the manufacturing process of the product. Selection also should be made of the employees who should have the necessary technical knowledge to handle the sophisticated machinery and equipment and maintain its productivity up to the mark. In case the necessary skill is not available in the factory, action should be initiated either to recruit or train them for this purpose. Action to procure training equipment if any in time is also necessary. The duration and nature of the training should also be decided before hand. In selecting the personnel for training at the works of the Collaborators/Suppliers proper action should be taken to see that only suitable candidates are selected and sent abroad. The personnel so selected should sign an agreement to serve the company for a period of 3-5 years depending on the nature of training, on their return.

(vi) Periodical Review of Progress of the Project:

Periodical review of the projects on hand should be made once in every six months to bring out any bottleneck and deviations due to un-

foreseen contingencies. If any revision in the original estimate is necessary, prompt action should be taken to obtain the necessary sanction and workout the revised profitability of the Project and report to the appropriate authorities. Variations in estimated foreign exchange requirements above 5 per cent or in the total rupee value above 10 per cent should invariably be submitted to M.D./Board for approval. The committee of Public Undertakings have advised that efforts should be made to eschew the common tendency to underestimate in the initial stages.

Date 24th June, 1969.

Sd/- K. SUBRAMANIAM,

Financial Adviser & Chief Accounts Officer.

ANNEXURE

(Vide Company Circular No. 93)

Salient features of the Manual of Planning Commission (Committee on Plan Projects) on the feasibility studies for Public Sector Projects.

The preconstruction period of a Project needs to be considered as three distinct phases.

- (a) Preliminary Project Formulation Phase.
- (b) Feasibility study and report.
- (c) Project Report.

The preliminary project Formulation Phase has the objectives of:

- translating broad economic objective into preliminary industrial projects,
- recommending that feasibility studies be undertaken one or more of these projects.

The feasibility study and report is prepared to enable the most economical size, product pattern and process to be chased for the project. Technical development of the project is taken as far as necessary to evaluate the commercial and national economic aspects of the said factors.

The project report contains the complete technical design for the project. Although, much technical development has taken place in the feasibility study, generally insufficient information has been developed for making detailed technical plans and estimates and for awarding contracts. It is this work that is carried out after the feasibility study is approved and is documented in a Project Report.

In a commercial profitability analysis, it is suggested that the price of locally produced article be used in the study. If the article is not produced locally or local price is unrealistic (due to excess demand, price control etc.) then the landed cost (c.i.f. value plus duties) should be taken.

In measuring original investment in the profitability analysis, the total capital employed should be used, irrespective of whether it is loan capital or equity capital.

The Commercial Profitability of proposed project should be calculated by two methods:—

The average return on original capital investment.

The present worth of the discounted cash flow for the project.

APPENDIX II

NO. F.12 (4) |69|D (PS) -PC.I

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 18th August, 1969.

To

(i) The M.D.,

*HAL|BEL|BEML**|MDL|GRW|PTL

*10 Copies

**3 Copies

(ii) Manager,

G.S.L., Vasco-da-gama,

Goa.

SUBJECT:—*Project Estimates—Need to take into account all essential items of expenditure e.g. customs duty, freight and insurance charges, etc.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertaking, the Committee on Public Undertakings in its 25th Report have observed that omission of customs duty, freight and insurance charges from the original estimates is a common lapse and that if the undertaking|Ministry had acted with forethought, the need for subsequent revision of the estimates on this account would not have arisen. The Committee have further pointed out that the upward revision of estimates later on not only puts extra burden on the public exchequer but also affects the cost of production and economics of the Projects adversely. It is, therefore, requested that suitable instructions may please be issued to all officers concerned with the formulation of Project Estimates in your undertaking to see that while working out the capital cost estimates of new projects, *all* essential items of expenditure (including customs duty, freight, ocean as well as inland and insurance charges etc.) are duly provided for in the estimates which should also be realistic and reasonable so as to avoid subsequent wide fluctuation in the project costs

and the profitability due to such revision. It should also be made the responsibility of the Finance Deptt. of the undertaking to ensure that the requirements are complied with in all future Project Estimates.

Yours faithfully,

Sd/- MOHINDAR SINGH,

Under Secretary to the Government of India.

Copy to:—D (HAL-I) |D (HAL-II)|D (BEL) |D(GRW|MD) |D(Proj)|
D(Prod) |D(NE)|D(Prod-Admin) |Dte. of P&C.

Copy also to: JS (PS) |JS (ALP)|DS(PS) |DS (R&A) |US(PS) |OSD
(GRW|MD) .

APPENDIX III

NO. F.12 (4) |69|D (PS) -PC.II

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 18th August, 1969.

To

- (i) The Managing Director,
HAL|BEL|BEML|MDL|GRW|PTL
(ii) Manager,
G.S.L., Vasco-da-gama, Goa.

SUBJECT:—Project Estimates—Need for revision of the economics and profitability of the projects in cases where the Project Estimates undergo essential revision.

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial), 1968 relating to one of the Public Sector Undertakings the Committee on Public Undertakings in its 25th Report have observed that with the (upward) revision of the Project Estimates of the Company's Projects, the economics and profitability of these projects should have been reviewed. The Committee further pointed out that inspite of a directive from the Board of Directors for reviewing the pricing policy and improving productivity, consequent upon the revision of project estimates, no effective steps had been taken by the Company. It is, therefore, requested that wherever the Project Estimates of any Project formulated by your undertaking undergo significant upward revision, the economics, profitability and pricing policy concerning the particular items should be reviewed so as to improve their profitability. This may also kindly be brought to the notice of all concerned in your undertaking for appropriate action on the above lines, as and when, this becomes necessary. The Board of Directors of the undertaking should be kept informed of the progress of action taken in this regard from time to time.

Yours faithfully,

Sd/- MOHINDAR SINGH,

Under Secretary to the Government of India.

Copy to:—D(HAL-I) |D(HAL-II)|D (BEL)|D (GRW|MD) |D (Prod.) |
D(NF)|D(Proj) |D (PROD-ADMIN) .

Copy also to:—JS (PS)|JS (ALP) |DS(R&A) |DS (PS) |US(PS) |
OSD(GRW|MD).

Copy to Dte. of P.&C.

APPENDIX IV

NO. F.12 (4) |69|D (PS) |PC.III

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 18th August, 1969.

To

- (i) The Managing Director,
HAL Bangalore (10 copies)
BEL Bangalore
BEML Bangalore (3 copies)
MDL Bombay
GRW Calcutta
PTL Secunderabad
- (ii) The Manager,
Goa Shipyard Ltd., Vasco-da-gama, Goa.

SUBJECT:—*Need to include a penalty clause in Collaboration|Supply Agreements to compensate the loss suffered by the Undertakings due to receipt of wrong specifications or wrong|defective supplies from the Collaborators|Suppliers.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertaking, the Committee on Public Undertakings in its 25th Report have observed that the question of compensation for supply of wrong components was not even taken up with the suppliers and that sufficient safeguards should have been provided in the agreement against supply of wrong parts which in the particular case resulted in considerable delay in completion of the Project. The Committee further observed that a suitable penalty clause could, to some extent, have compensated the loss suffered by the Undertaking on this account. The Committee have suggested that Government should include a penalty clause for supply of wrong or defective equipment in all future contracts. It is, therefore, requested that instructions may please be issued to all officers concerned with the formulation of Contracts/Agreements or Purchase Orders etc. in your Undertaking to see that while preparing Contract Agreements in future

a suitable penalty clause providing for compensation in the event of supply of wrong specifications or wrong or defective equipment|stores, is inserted in all future Contracts or Agreements. If the Collaborators|Supplies do not in any case agree to the insertion of a penalty clause, other suitable steps should nevertheless be taken to safeguard the interests of the Company in case any wrong or defective supplies cause loss to the undertaking or delay the execution of any Project.

Yours faithfully,

Sd/- MOHINDAR SINGH,

Under Secretary to the Government of India.

Copy to:—D(HAL-I) D (HAL-II) |D (BEL) |D GRW|MD)|D(Prod.)|
D (NF) | (Proj)|D(Prod-Admin)|Dte. of P&C|D.P.O. (Contracts) .

Copy also to:—JS (PS) |JS(ALP) |DS(PS)|DS(R&A)|US (PS) |
OSD (GRW|MD) .

APPENDIX V

NO. F. 12(4)|69|D(PS)-PC. IV

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 23rd August, 1969.

To

- (i) The Managing Director,
HAL Bangalore (10 copies)
BEL Bangalore
BEML Bangalore (3 copies)
MDL Bombay
GRW Calcutta
PTL Secunderabad.
- (ii) The Manager,
Goa Shipyard Ltd., Vasco-da-gama, Goa.

SUBJECT:—*Need to draw up suitable procedures|guidelines for ensuring proper receipt and inspection of equipment|stores and prompt notification of shortages|discrepancies to the suppliers.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial), 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the officials of the Company were casual about location of valuable imported equipment contained in two cases which were shipped by the collaborators in September, 1962 but were lost in transit and could be located only after 4 months. This proved that the procedure for the receipt and inspection of equipment was not adequate. The Committee was of the view that the circumstances under which the two cases were not promptly collected|located should have been investigated and responsibility fixed. The Committee also desired that suitable guidelines be drawn up to avoid occurrence of such a mistake in future. The observations of the Committee would equally apply to indigenously procured stores. It is, therefore, requested that suitable instructions may please be issued to all officers concerned with the procurement and inspection of machinery, stores, materials, if such instructions do not already exist, to ensure that all items of stores on arrival, should be promptly and properly checked and any wrong supply or shortages immediately notified to the suppliers who should be required to make good the

wrong supplies or shortages with the least possible delay. The question of requiring the suppliers to pay suitable compensation for such wrong or short supplies should also be considered if the wrong or short supply is likely to cause a loss to the undertaking.

Yours faithfully,

Sd/- MOHINDAR SINGH,

Under Secretary to the Government of India.

Copy to: D (HAL-I) | D (HAL-II) | D (BEL) | D (GRW|MD) | D (Prod.) |
D (Proj) | D (Prod-Admin) | D (NF) | Dte. of P&C.

Copy also to: JS (PS) | JS (ALP) | DS (PS) | DS (R&A) | US (PS) | OSD
(GRW|MD).

APPENDIX VI

NO. F. 12 (4)|69|D (PS)-PC. V

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 23rd August, 1969.

To

The Managing Director,
HAL Bangalore (10 copies).
BEL Bangalore.
BEML Bangalore (3 copies).
MDL Bombay
GRW Calcutta
PTL Secunderabad.

(ii) The Manager,
Goa Shipyard Ltd., Vasco-da-gama, Goa.

SUBJECT:—*Implementation of the Projects—(i) Need for selection and training of personnel to be entrusted to handle sophisticated machinery and equipment, and (ii) maintaing of cordial labour relations in the Undertakings.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the fact that the full capacity of the Project could not be exploited even after its completion is no justification for the delay in completion. The Committee have further observed that no effective steps were taken by the Management of the Undertaking to train and impart the necessary skill to the personnel for maintaining the sophisticated equipment before the completion of the project. The Committee also urged the Management as well as the labour leaders to make every effort for maintaining a harmonious relationship so that the production in the Defence project does not suffer. It is, therefore, requested that suitable instructions may be issued to all officers concerned with the implementation of the Projects in your undertaking to see that as soon as any project is sanctioned, timely steps should be taken to select|recruit and

train the personnel who would be required to handle the sophisticated machinery and equipment so as to maintain its productivity upto the mark. It is needless to emphasise that constant efforts should be made by the Management to maintain harmonious relations with labour in the Undertaking.

Yours faithfully,

Sd/- MOHINDAR SINGH,

Under Secretary to the Government of India.

Copy to: D (HAL-I) | D (HAL-II) | D (BEL) | D (GRW|MD) | D (Prod) |
D (Proj) | D (NF) | D (Prod-Admin) | Dte. of P&C.

Copy also to: JS(PS)|JS (ALP) |DS (PS)|DS(R&A) |US (PS) |
OSD (GRW) |MD).

APPENDIX VII

No. F. 12 (4) |69|D (PS) —PC. VI

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 6th September, 1969.

To

(i) The M.Ds.,@

HAL|BEL|BEML|MDL|GRW|PTL.

@3 Copies

*10 Copies

(ii) Manager, GSL,
Goa.

SUBJECT:—*Implementation of Projects—Need for timely utilisation of foreign exchange allocation.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial), 1968 relating to one of the Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the Committee was distressed to note that because the management wasted a period of 14 months in arriving at a decision over the procedure to be followed regarding placing of orders on the suppliers, a large amount of foreign exchange credit allocation lapsed resulting in delaying an important project. The Committee have also observed that if the administrative Ministry had kept a watch on the progress of the project, they would have come to know of the delay and could have taken timely action. The Committee have finally expressed the hope that such a situation will not occur in future and decisions on vital matters will be taken by the Management promptly. The Committee have added that the administrative Ministry should also not hesitate to help and guide an undertaking particularly where Defence production is involved. It is, therefore, requested that suitable instructions may kindly be issued to the officers of your Undertaking dealing with the implementation of the projects to ensure that progress of implementation of the Projects is not held up due to procedural tangles. Any such difficulties which cannot be resolved at the Project Officers' level should be promptly brought to the notice of the higher Management

who may take up the matter with the administrative Ministry if Government assistance on any point is called for. In particular, it is important to ensure that all procurement action under Foreign Exchange allocation is progressed with promptness so that the foreign exchange allocation does not lapse.

SECTION OFFICER.

Yours faithfully,
Sd/- MOHINDAR SINGH,
Under Secretary to the Government of India.

Copy to:—

D(HAL-I)|D (HAL-II) |D(BEL)|D (GRW|MD) |D (Prod) |D
(NF) |D (Proj) |D (Prod-Admin) |Dte. of P&C.

Copy also to:— JS (PS) |JS (ALP) |DS (PS) |DS (R&A) |US (PS) |OSD (GRW|
MD).

APPENDIX VIII

No. F. 12 (4) |69|D (PS) —PC. VII

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 6th September, 1969.

To

The Managing Director,
HAL|BEL|BEML|MDL|GRW|PTL
The Manager,
Goa Shipyard Ltd., Vasco-da-gama, Goa.

SUBJECT:—*Need for timely placement of orders for the machinery and tooling etc. required for the Projects.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the Management not only signed the Collaboration Agreement for one of the Company's projects without finalising the working arrangements, but even subsequently proceeded in a leisurely manner with regard to the ordering of the machinery, thus leading to delay in achieving the Project target. The Committee have depreciated the indifferent attitude of the Management in progressing the Project. It is, therefore, requested that suitable instructions may kindly be issued to all Officers concerned with the formulation and execution of Projects to make sure that working arrangements relating to Collaboration Agreements are finalised before such Agreements are signed, and action regarding ordering of the required machinery and tooling etc. finalised with the requisite degree of speed so that the execution of Projects or the achievement of Project targets is not delayed.

SECTION OFFICER.

Yours faithfully,

Sd|— MOHINDAR SINGH,

Under Secretary to the Government of India.

Copy to:—D (HAL-I) |D (HAL-II) |D (BEL) |D (GRW|MD|D (NF)|
D (Prod) |D (Proj) |D (Prod-Admin) |Dte. of P&C.

Copy also to:—JS (PS) |JS (ALP) |DS (PS) |DS (R&A) |US (PS) |OSD
(GRW|MD).

APPENDIX IX

No. F.12 (4)|69|D (PS)-PC. VIII

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 6th September, 1969.

To

(i) The M.D.,

HAL|BEL|BEML|MDL|GRW|PTL,

(ii) Manager, G.S.L.

Goa.

SUBJECT:—*Implementation of the Projects—Need for taking prompt action regarding (i) according of Government approval (ii) issuance of import licences; and (iii) finalisation of contracts.*

Sir, *Audit Report*

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the progress of implementation of one of its Project was affected due to delay in the procurement of machinery and tooling. Even though the collaboration agreement with the Foreign firm was signed in June, 1966, the purchase contract for machinery|tooling was concluded much later and came into force only in August 1967 i.e. after a period of 14 months. The Committee have further observed that the difficulties reported by the Company in progressing the matter were of routine procedural nature. The Committee remarked that this was an instance of inept handling of the project and added that had the Government machinery acted promptly, these procedural difficulties could have been overcome or the time-lag reduced. It is, therefore, requested that suitable instructions may kindly be issued to all officers concerned with the implementation of the Projects, recruitment, training and Purchase|Stores or work relating to import Licences etc. to see that all these matters are attended to with due promptitude. Procedural difficulties, if any, which may be beyond the powers of the Company to resolve may

kindly be brought to the notice of the Government without delay for necessary advice or assistance.

Yours faithfully,
Sd/- MOHINDER SINGH,
Under Secretary to the Government of India.

Copy forwarded to:—

- D (HAL-I)|D (HAL-II)|D (BEL)|D (GRW|MD)|D (Proj)|D (Prod)|D (NF) |D (Prod-Admin) |Dtc. of P&C. It is requested that prompt action may kindly be taken in the matter whenever the cases of the types referred to above are received by them.

Copy also to:—JS (PS)|JS (ALP)|DS (PS)|DS (R&A)|US (PS)|OSD (GRW|MD).

APPENDIX X

No. F|12 (4)|69|D (PS)-PC. IX

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 6th September, 1969.

To

(i) The M.D.,
HAL|BEL|BEML|MDL|GRW|PTL,

(ii) Manager, G.S.L.,
Goa.

SUBJECT:—Need to have better coordination between the Public Sector Undertakings and the Deptt. of Defence Production to avoid delays in the implementation of Projects.

Sir,

I am directed to say that while examining the Audit Para regarding reasons for delays in completion of the various projects, appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that there was lack of coordination between the Undertaking and the Deptt. of Defence Production as also between other concerned Ministries. The Committee have expressed the hope that all efforts would now be made by the Management and the Ministry to avoid the recurrence of such delays in future. It is, therefore, requested that the progress of implementation of all Projects sanctioned for or undertaken by your Company may please be closely watched and also periodically reported to the Board of Directors of your Undertaking as well as the administrative Section of the Ministry. Wherever, the progress of any Project is likely to be affected by procedural problems which cannot be resolved by the Company, the matter should be brought to the notice of the Ministry for advice|assistance without delay.

Yours faithfully,

Sd| MOHINDER SINGH,

Under Secretary to the Government of India.

Copy to:—

D (HAL-I)|D (HAL-II)|D (BEL)|D (GRW|MD)|D (NF)|D (Prod)|
D (Proj)|D (Prod-Admin)|Dte. of P&C. It is requested that full
cooperation may kindly be extended to the Undertakings so as
to avoid delays in the implementation of their Projects.

Copy also to:—JS (PS)|JS (ALP)|DS (PS)|DS (R&A)|US (PS)|OSD (GRW|
MD).

APPENDIX XI

NO. F.12 (4) |69|D (PS) -PC X

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 6th September, 1969.

To

- (i) The Managing Director,
HAL|BEL|BEML|MDL|GRW|PTL,
- (ii) The Manager,
G.S.L., Vasco-da-gama, Goa.

SUBJECT:—*Need to have cordial labour relations, procurement of good quality of raw material and to boost the sales of the Public Sector Undertakings.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have shown anxiety about the perennial difficulties with the labour in the Undertaking. The Committee desired that ways and means should be devised to boost the labour morale and increase their productivity. The Committee was also concerned to note the continual poor quality of a particular component produced by the Undertakings' own production unit as well as of those obtained by it from outside sources. The Committee have emphasised the urgent need to locate required quality components from alternate sources. The Committee have emphasised the urgent need to locate required quality components from alternate sources, till the undertaking is itself in a position to produce items of the requisite standard. The Committee have also desired that the reasons for the falling market for the products of the Undertaking should be analysed and the selling organisation strengthened in order to build up additional markets for their products. It is, therefore, requested that efforts may be made to maintain harmonious labour relations in your Undertaking in so far as it lies within the powers of the Management. -The need for arranging timely procurement of components| materials of the required standard for the Company's production requirements may also be impressed on officers concerned with Production.

Planning and Control, as also the Purchase Organisation of the Undertaking where the components and raw materials are manufactured by the Undertakings themselves, steps as required, may kindly be taken to achieve and maintain the desired level of quality, so as to avoid high percentage of rejections in inspection. In case of any fall in the market demand for the company's products, the reasons should be analysed with a view to devising remedial measures. The Undertakings should also strengthen their Selling Organisation, where necessary, in order to increase the sales.

Yours faithfully,
Sd/- MOHINDAR SINGH,
Under Secretary to the Govt. of India.

Copy to:—D (HAL. I) | D (HAL. II) | D (BEL) | D (GRW|MD) | D (NF) | D (Prod.) | D (Proj) | D (Prod-Admin) | Dte. of P&C.

Copy also to :—JS (PS)|JS (ALP)|DS (PS)|DS (R&A), US (PS)|OSD (GRW|MD).

APPENDIX XII

NO. F.12 (4) |69|D (PS) -PC-XI

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 6th September, 1969:

To

The Managing Director,
HAL|BEL|BEML|MDL|GRW|PTL,
The Manager,
Goa Shipyard Ltd., Vasco-da-gama, Goa.

SUBJECT:—*Need for prompt and proper checking and investigation of the causes of break-down of machinery obtained from the suppliers (foreign as well as indigenous).*

Sir,

I am directed to say that while examining the Audit Para appearing in the Central Government. Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the break-down of one of the Company's main Equipments resulted in a substantial loss of production. The Committee felt that the causes of the break-down were not fully investigated by the Management and as such it was not clear as to how the mishap had occurred. The Committee have recommended that before the replacement equipment is assembled and put into operation, it should be ensured that the factors which had caused the earlier break-downs are carefully investigated and eliminated so as to avoid such break-downs in future. It is therefore, requested that necessary instructions may kindly be issued to all officers concerned with the procurement, installation and commissioning etc. of machinery in your undertaking to see that the machinery obtained from the suppliers (foreign as well as indigenous) is properly checked and the defects observed, if any, are promptly brought to the notice of the suppliers for early replacement of defective equipment where this is called for. The question of claiming damages|compensation may also be considered in such cases where appropriate. The factors responsible for the break-down of the

machinery should also be carefully investigated and guarded against, so as to eliminate the possibility of repetition of break-downs.

Yours faithfully,

Sd/- MOHINDAR SINGH

Under Secretary to the Govt. of India.

Copy to: D (HAL. I) | D (HAL. II) | D (BEL) | D (GRW|MD) | D (NF) |
D (Prod.) | D (Proj) | D (Prod-Admin) | Dte. of P&C.

Copy also to: JS (PS) | JS (ALP) | DS (R&A) | DS (PS) | US (PS) | OSD
(GRW|MD).

APPENDIX XIII

NO. F.12 (4) |69|D (PS) -PC.XII

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 6th September, 1969.

To

The Managing Director,
HAL|BEL|BEML|MDL|GRW|PTL,
The Manager,
Goa Shipyard Ltd., Vasco-da-gama, Goa.

SUBJECT:—*Need for providing of adequate floor space where the rated capacity of Projects cannot be achieved due to shortage of space.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial) 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the rated capacity of the Foundry of the Undertaking could not be achieved due to shortage of floor space. The Committee further observed that the limitation of floor space should have been taken into consideration before fixing the rated capacity and that it was unfortunate that the management did not taken adequate steps to provide necessary floor space. The Committee have suggested that the Management should immediately assess the additional floor space requirements and take steps to provide it. The Committee felt that such a matter should not have been allowed to stand in the way of achieving rated capacity in the Foundry. It is, therefore, requested that the progress in achieving the rated capacity of various Projects in your Undertaking may please be regularly reviewed and wherever lack of floor space or other similar factors are found to be coming in the way, appropriate remedial measures may please be taken promptly so that the planned rated capacity is achieved at the earliest. While formulating the Project Report/Feasibility Study etc., it may also be ensured that the

layout is planned commensurate. With cost of construction, so that adequate space is available for production shop, stores, etc.

Yours faithfully,
Sd/- MOHINDAR SINGH,
Under Secretary to the Govt. of India.

Copy to:—D (HAL. I) | D (HAL. II) | D (BEL) | D (GRW|MD) | D (Proj) |
D (Prod) | D (NF) | D (prod-Admin) | Dte. of P&C.

Copy also to:—JS (PS) | JS (ALP) | DS (PS) | DS (R&A) | US (PS) | OSD
(GRW|MD).

APPENDIX XIV

NO. F.12 (4) |69|D (PS) -PC. XIV

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 25th September, 1969.

To

The Managing Director,
H.A.L. Bangalore. (10 Copies).
B.E.L. Bangalore.
B.E.M.L. Bangalore. (3 Copies).
M.D.L. Bombay.
G.R.W. Calcutta.
P.T.L. Secunderabad.

The Manager,
G.S.L. Vasco-da-gama, Goa.

SUBJECT:—*Need to reduce wastages and effect economy in the cost of production as also to improve the quality of products and Labqur—Management relations in the Undertakings.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial), 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have noted that some steps towards improved working, e.g. material control and inventory control had been taken by the Company to reduce wastages and effect economy in the cost of production. The Committee, however, felt that still further concerted efforts were necessary to improve the quality of the Company's products and also the Labour Management relationship. The observations of the Committee are brought to your notice with the request that concerted steps may please be taken, if these are not being taken already, to reduce wastages, etc. in order to effect economies in the cost of production in your Undertaking also. Appropriate steps may also be taken to improve the quality of the products, where this is necessary. The necessity for maintaining harmonious Management-Labour relations hardly needs any emphasis.

Yours faithfully,

Sd/- MOHINDAR SINGH,

Under Secretary to the Govt. of India.

Copy to:—D (HAL. I) |D (H.A.L. II) |D (BEL) |D (GRW|MD) |D (Prod) |D (Proj)|D (NF)|D (Prod-Admin)|Dte. of P&C.

Copy also to'—JS (PS) |JS (ALP) |DS (PS) |DS (R&A) |US (PS) |OSD (GRW|MD).

APPENDIX XV

NO. F.12 (4) |69|D (PS) |PC.XV

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 12th September, 1969

To

- (i) The Managing Director,
HAL|BEL|BEML|MDL|GRW|PTL,
- (ii) The Manager,
GSL, Vasco-da-gama, Goa.

SUBJECT:—*Review of Labour requirements—Retrenchment or diversion elsewhere of surplus labour.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial), 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have recommended that a review of the labour requirements of the Undertaking should be made in the context of the existing market demand for the products and the production capacity of the Undertaking and that if any surplus labour is found in any Division, it should be retrenched or suitably absorbed elsewhere. The above recommendation is brought to your notice for appropriate action.

Yours faithfully,

Sd/- MOHINDAR SINGH,
Under Secretary to the Govt. of India.

Copy to:—D (HAL-I) |D (HAL-II) |D (BEL) |D (GRW|MD) | Director-
rate of P&C.

Copy also to:—JS (PS)|JS (ALP)|DS (PS)|DS (R&A)|US (PS)|USD (GRW|
MD).

APPENDIX XVI

No. F. 12 (4) |69|D (PS)-PC.XVI

GOVERNMENT OF INDIA
MINISTRY OF DEFENCE

New Delhi, the 25th September, 1969.

To

The Managing Director,
H.A.L. Bangalore (10 Copies).
B.E.L. Bangalore
B.E.M.L. Bangalore (3 Copies)
M.D.L. Bombay
H.R.W. Calcutta.
P.T.L. Secunderabad.

The Manager,
G.S.L. Vasco-da-gama, Goa.

SUBJECT:—*Need to have proper planning for the purchase and utilisation of machinery and early disposal of surplus machines.*

Sir,

I am directed to say that while examining the Audit Para appearing in the Audit Report (Commercial), 1968, relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings in its 25th Report have observed that the machines were purchased by the Company from time to time without planning for their specific use. The Committee further observed that while seven surplus machines were lying unsold at the time of their examination of Audit Para, a large number of machines of various usages had remained idle in the past also for considerable periods of time on a number of occasions. The Committee remarked that purchase of machines without planning their use beforehand not only led to blocking of capital and impaired the value of the machines by way of depreciation, but also vitally affected the economy of the Company. The Committee have recommended that all possible steps should be taken to avoid the purchase of unnecessary machines in future and to fully utilise those which have already been purchased. The Committee further desire that the surplus machines should be disposed of as soon as they are found surplus to the requirements. It is, therefore, requested that necessary instructions may be issued to all officers in your

undertaking concerned with the purchase utilisation of machinery to see that in future, the machines are not purchased without proper planning so that purchase of unnecessary machinery is avoided and those which have already been purchased are fully utilised. Prompt steps should also please be taken to dispose of surplus machinery as soon as any items are found surplus to the requirements of your Undertaking.

Yours faithfully,
Sd/-MOHINDAR SINGH,
Under Secretary to the Govt. of India.

Copy to: D (HAL-I)-D(HAL-II) |D(BEL.) |D (GRW|MD) |D (Prod)|
D (Proj) |D (NF) |D(Prod-Admin) |Dte. of P&C.

Copy also to: JS (PS)|JS (ALP)|DS (PS)|DS (R&A)|US (PS)|OSD| (GRW|
MD).

APPENDIX XVII

(Vide para 5 of Introduction)

Analysis of the action taken by Government on the recommendations contained in the Twenty-fifth Report of the Committee on Public Undertakings (Fourth Lok Sabha).

I. Total number of recommendations	17
II. Recommendations that have been accepted by Government (<i>vide</i> recommendations at Sl. Nos. 1 to 17):	
Number	17
Percentage to Total	100%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply	Nil
IV. Recommendations in respect of which final replies of Government have not been accepted by the Committee.	Nil
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. Jains & 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 Poul 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 Indis, India House, Aldwych, LONDON W.C.-2.	59
32.	Jsyana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.	66			

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