

**ESTIMATES COMMITTEE  
(1968-69)**

**(FOURTH LOK SABHA)**

**EIGHTY-FIFTH REPORT**

**MINISTRY OF INDUSTRIAL DEVELOPMENT,  
INTERNAL TRADE & COMPANY AFFAIRS**

**Recognition of additional capacity in the Barrel  
Industry in spite of its being on the  
banned list.**



**LOK SABHA SECRETARIAT  
NEW DELHI**

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

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(1968-69)

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(iv)

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**Shri G. D. Sharma—*Under Secretary.***

**SUB-COMMITTEE OF ESTIMATES COMMITTEE ON "WOOL,  
NYLON ETC. AND DRUMS & BARRELS".**

**(1968-69)**

**CHAIRMAN**

**Shri P. Venkatasubbaiah**

**MEMBERS**

- 2. Shri Tridib Chaudhuri**
- 3. Shri Hardayal Devgun**
- 4. Shri C. Janardhanan**
- 5. Shri S. Kandappan**
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- 9. Shri F. H. Mohsin**
- 10. Shri Chintamani Panigrahi**
- 11. Shri Shantilal Shah**
- 12. Shri Arangil Sreedharan**

**SECRETARIAT**

**Shri B. B. Tewari—*Deputy Secretary.***

**Shri G. D. Sharma—*Under Secretary.***

## INTRODUCTION

I, the Chairman, Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Eighty-fifth Report on the Ministry of Industrial Development, Internal Trade and Company Affairs—Recognition of additional capacity in the barrel industry in spite of its being in the banned list; which was referred to the Committee by the Speaker, Lok Sabha, under Rule 310 of the Rules of Procedure & Conduct of Business in Lok Sabha.

2. The Sub-Committee took evidence of the representatives of the Ministries of Industrial Development and Company Affairs (now Industrial Development, Internal Trade and Company Affairs), Petroleum & Chemicals and Defence and the Directorate General of Technical Development on the 26th and 27th September, 1968. The Committee wish to express their thanks to the officers of these Ministries and the Directorate General of Technical Development for placing before them the material and information which they wanted in connection with the examination of this subject and for giving evidence before the Committee.

3. The Committee wish to express their thanks to Shri Madhu Limaye, M.P., Shri Samar Guha, M.P., Shri George Fernandes, M.P. and Shri S. M. Banerjee, M.P. for submitting their Memoranda and making valuable suggestions to the Committee.

4. The Committee also wish to express their thanks to the following barrel fabricators and the Oil Companies who furnished memoranda on the subject and for making valuable suggestions to the Committee:—

### *Barrel Fabricators*

1. M/s. Bharat Barrel and Drum Manufacturing Company (Pvt.) Ltd., Bombay-Calcutta.
2. M/s. Standard Drum and Barrel Manufacturing Company (Pvt.) Ltd., Bombay.
3. M/s. Hind Galvanising and Engineering Company (Pvt.) Ltd., Calcutta.
4. M/s. Steel Containers Ltd., Bombay.



5. M/s. Industrial Containers Ltd., Calcutta.
6. M/s. Assam Oil Company Ltd., Digboi.
7. M/s. Hind Containers (Pvt.) Ltd., Visakhapatnam.

*Consumer Oil Companies*

1. Indian Oil Corporation Ltd.
2. ESSO Standard Eastern Inc.
3. Burmah Shell Oil Storage and Distributory Co.
4. Caltex India Ltd.

5. The Report was considered and adopted by the Sub-Committee at their sitting held on the 11th April, 1969 and finally approved by the whole Committee at their sitting held on the 16th April, 1969. .

NEW DELHI;

April 24, 1969.

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Vaisakha 4, 1891 (Saka).

P. VENKATASUBBAIAH,

*Chairman,*

*Estimates Committee*

# CHAPTER I

## INTRODUCTORY

### A. Reference of the Subject to Estimates Committee

1.1. The question of recognition of additional capacity for the production of oil barrels and drums by Government, in spite of the Drums, Barrels & Containers Industry figuring in the banned (rejection) list of industries since 1960, had been attracting the attention of Members of Parliament for sometime and a large number of questions were put and answered in Lok Sabha during the last two years.

1.2. On the 29th February, 1968, Shri Madhu Limaye, M.P. addressed a letter (Appendix-I) to the Speaker drawing his attention to the following facts:—

“In spite of the ban imposed by the Government additional capacity was being sanctioned on the bogus ground that the Defence Department wanted this capacity to be expanded. There is no evidence on record to show that the Defence Ministry had made any such request. It is a fact that Standard Drum and Barrel Manufacturing Company (P) Ltd., Bombay, Hind Galvanising and Engineering Company (P) Ltd., Calcutta and also Bharat Barrel and Drum Manufacturing Company (P) Ltd., Bombay were granted additional capacity as a result of pressure from top ranking bureaucrats.

In spite of the matter being raised in the House several times, I understand that new capacity has been created in this industry at Visakhapatnam. This unit belongs to Hind Galvanising and Engineering Company (P) Ltd., Calcutta. I would, therefore, like you to refer this matter either to the Estimates Committee or the Public Accounts Committee after these Committees have been elected for the coming financial year.”

1.3. With a view to ascertain the factual position in this regard, the Ministry of Industrial Development & Company Affairs (now called the Ministry of Industrial Development, Internal Trade & Company Affairs) were requested to furnish a detailed note for the consideration of the Speaker.

1.4. The Ministry of Industrial Development, Internal Trade and Company Affairs (Department of Industrial Development) furnished a note (Appendix-II). In their forwarding D.O. letter No. 1/(19)/68-LEI(B), dated nil, (received in Lok Sabha Secretariat on 2nd April, 1968), the Joint Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated as follows:—

“I am enclosing a note which explains the background in which capacities of barrel manufacturers have been assessed and recognised. As indicated in the last para of the note, one of the barrel manufacturers has moved the High Court of Delhi for redressal of their alleged grievance against the decisions of the Government of India. You will appreciate that the matter being under consideration of the High Court, it may not be appropriate to take it up for discussion or examination now in the Estimates Committee/Public Accounts Committee.

2. As regards the specific query of Shri Madhu Limaye, you will notice that the attached note shows that there was a specific request from the Petroleum and Chemicals Ministry for reassessment of capacity. A copy of their memo on the subject has been enclosed (Appendix-II) while there was no such request from the Ministry of Defence, the figures quoted in the attached note show that the off take of Defence from the Oil industry in terms of barrels was increasing. You will see, therefore, that there was no mis-statement in any reply given in Parliament.\*\*\*”

1.5. The matter was considered by the Speaker who referred it for examination to the Estimates Committee under Rule 310 of the Rules of Procedure and Conduct of Business in Lok Sabha.

#### **B. Procedure followed by the Estimates Committee/Sub-Committee**

1.6. The Estimates Committee referred this matter for detailed examination to the Sub-Committee which had already been appointed to go into the subject of ‘Import of Wool, Nylon, etc.’ The composition of the Sub-Committee is given at the beginning of the Report.

1.7. On the 25th May, 1968, Shri Madhu Limaye, M.P. was requested to furnish, for the information and use of the Sub-Committee, a memorandum containing any information that he might have on this subject, together with his views regarding the lacunae, defects/irregularities in the licensing of additional capacity for the produc-

tion of Oil barrels and drums, as also any relevant material which he might like to place before the Sub-Committee.

1.8. At the same time the following barrel fabricators and the Consumer Oil Companies were also requested to furnish Memoranda giving their views in regard to any lacunae, defects/irregularities in the reassessment of capacities of the oil barrel fabricators, inspection carried out by the technical officers of the Directorate General, Technical Development and licensing of additional capacity for the production of oil barrels and drums, together with any suggestion for improvement in the procedure in this regard:—

#### *I. Barrel Fabricators*

1. M/s. Bharat Barrel and Drum Manufacturing Company (Pvt.) Ltd., Bombay/Calcutta. (BBDM).
2. M/s. Standard Drum and Barrel Manufacturing Company Bombay. (SDBM).
3. M/s. Hind Galvanising and Engineering Company (Pvt.) Ltd., Calcutta. (HGEC).
4. M/s. Steel Containers Ltd., Bombay.
5. M/s. Industrial Containers Ltd., Calcutta.
6. M/s. Assam Oil Company Ltd., Digboi.
7. M/s. Hind Containers (Pvt.) Ltd., Visakhapatnam.

#### *II. Consumer Oil Companies*

1. Indian Oil Corporation Ltd.
2. ESSO Standard Eastern Inc.
3. Burmah Shell Oil Storage and Distributory Co.
4. Caltex India Ltd.

1.9. During July-August, 1968, the Ministry of Industrial Development, Internal Trade and Company Affairs were requested to furnish written information on a number of points on this subject formulated on the basis of material received from the Barrel fabricators and consumer oil companies etc.

1.10. All the barrel fabricators and consumer oil companies furnished their views on the subject.

1.11. Besides Shri Madhu Limaye, three Members of Lok Sabha, namely, Shri Samar Guha, Shri George Fernandes and Shri S. M. Banerjee, submitted memoranda on this subject.

1.12. The Ministry of Industrial Development, Internal Trade and Company Affairs furnished written information on the various points desired by the Sub-Committee.

1.13. All these documents were circulated to the Members of the Sub-Committee for their information.

1.14. Thereafter the Sub-Committee held four sittings on the 26th and 27th September, 1968, to take oral evidence of the representatives of the Ministry of Industrial Development, Internal Trade and Company Affairs, Ministry of Petroleum and Chemicals and the Directorate-General of Technical Development. After the evidence was over, a list of questions arising out of the evidence tendered by the representatives of the aforementioned Ministries before the Sub-Committee, was forwarded to the Ministry of Industrial Development, Internal Trade and Company Affairs for furnishing written replies. That Ministry furnished written replies in several batches—during the period from the 17th December, 1968 to 26th February, 1969.

1.15. It will be observed that the following specific allegations were made by Shri Madhu Limaye, M.P. in his letter dated the 29th February, 1968 to the Speaker:

- (i) that even after the inclusion of the Drum and Barrel industry in the banned list in 1960, additional capacity in this industry has been sanctioned by Government in violation of the provisions of the Industries (Development and Regulation) Act, 1951;
- (ii) that the reported contention that the additional capacity was created at the instance of the Ministry of Defence is without any basis;
- (iii) that the three barrel fabricators, namely, M/s. Standard Drum and Barrel Manufacturing Co. Pvt. Ltd., Bombay, M/s. Hind Galvanising and Engineering Co., Calcutta and M/s. Bharat Barrel and Drum Manufacturing Co. Pvt. Ltd., Bombay were granted additional capacity as a result of official pressure; and

- (iv) that further additional capacity in this industry has been created by the setting up of a new unit at Visakhapatnam owned by M/s. Hind Galvanising and Engineering Co., Calcutta.

1.16. During examination of the subject, several other matters apart from the allegations referred to in the foregoing paragraphs, came to the notice of the Sub-Committee. These would appear to be relevant and germane to the allegations made by Shri Madhu Limaye, M.P. The Committee have accordingly dealt with these points also in the succeeding chapters.

## CHAPTER II

### DRUM AND BARREL INDUSTRY

#### A. Application of the Industries (Development and Regulation) Act, 1951 to the Industry.

2.1. Drums are required for packing bitumen whereas barrels are required mainly for packaging lubricating oils and to a smaller extent other bulk petroleum products, particularly Aviation Fuels, High Speed Diesel Oil, Kerosene and Light Diesel Oil. For drums, the oil companies are the exclusive customers whereas for barrels a substantial bulk of the fabricating capacity is utilised by the oil companies. 24 Gauge Steel sheets largely and 21 Gauge to a small extent are used for the manufacture of bitumen drums and 18 Gauge Steel Sheets for 40/45 gallon lubricating oil barrels.

2.2. It has been stated by Government that the drum and barrel industry came under the purview of the Industries (Development and Regulation) Act, 1951 with effect from the 1st October, 1953.

2.3. Under the provisions contained in Section 10 of this Act, a system of registration of the then existing industrial undertakings is provided in respect of scheduled industries i.e. industries included in the first Schedule to the Industries (Development & Regulation) Act, 1951. Section 11 of the said Act further provides that barring the Central Government, no person can establish any new industrial undertaking except in accordance with the licence or permission granted thereunder. Manufacture of new articles by existing undertakings is also prohibited except under licence or permission (Section 11A) and substantial expansion or any change in the location of the whole or any part thereof of industrial undertakings which have been registered or in respect of which licence or permission has been issued is also prohibited except under licence or permission of the Central Government—(Section 13) of the Act.

2.4. Under Section 18G of the said Act, the Central Government is empowered to regulate supply and distribution of any articles relating to industry to which the said Act applies. Under Rule 21 of the Registration and Licencing of Industrial Undertakings Rules 1952 framed under the said Act, it is provided that the owner of an industrial undertaking in respect of which licence or permission

has been granted shall be eligible to the allotment of controlled commodities required by him for the construction or operation or for both construction and operation of his undertaking on such preferential basis as the Central Government may determine from time to time.

2.5. Section 24 of the Act prescribes the penalties for contravention or attempts to contravene or abet the contravention of the provisions of the various sections and sub-section of the Act. Section 24(A) provides for penalty for making false statements in relation to the Act. Extracts of relevant Sections of the Act & Rules are given in Appendix-III.

2.6. As already pointed out above, under the provisions of this Act, a license has to be obtained for the establishment of new industrial undertakings, as also for expansion of capacity and manufacture of new articles, etc. by existing industrial undertakings, engaged in the manufacture of any of the scheduled industries, included in the First Schedule of the Act. A Licensing Committee which has been set up under the Registration and Licensing of Industrial Undertakings Rules, 1952, considers all applications for the grant of licences and submits its recommendations to the Government. The decision of Government is taken at the level of the Minister of Industrial Development, Internal Trade and Company Affairs.

2.7. At the time of the application of the Act to the Drum and Barrel Industry in 1953, the following firms were manufacturing 40/45 gallon capacity steel lube barrels:—

1. M/s. Indian Galvanising Co. (1926) Ltd., 11, Goho Road, Ghosury, Howrah.
2. M/s. Electric Welding & Manufacturing Co. (I) Ltd., Naihati, 24, Parganas, West Bengal.
3. M/s. Standard Drum & Barrel Manufacturing Co., King Edward Road, Sewri, Bombay.
4. M/s. Bharat Barrel & Drum Manufacturing Co. Ltd., Shri Sita Ram Mills Compound, Chinchpokli, Bombay.
- \*6. M/s. Assam Oil Co., Digboi, Assam.

#### **B. Drum and Barrel Industry on the Banned List**

2.8. The policy governing industrial licensing was reviewed every six months till June, 1966 and annually since then and announced in the form of two lists:—

- (i) List of "banned industries" also known as the "rejection list", licenses for which are not to be ordinarily granted

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\*This is consumer fabricator.



and applications may be rejected without reference to the "Licensing Committee."

The exceptional features may be various like a special demand, regional angle, export prospects, improvements in plant capacity etc. and on these grounds favourable consideration of an application is possible, although the relevant industry may figure in the banned list.

- (ii) The "merit list" which is an illustrative list of industries for which applications may be entertained, provided that each case will be decided on merits by reference to the Licensing Committee.

These lists are prepared in consultation with the Licensing Committee.

2.9. The list, known as "rejection list" includes industries in which, in view of adequate capacity having been set up/licensed, it is felt that there is normally no scope for creation of additional capacity.

2.10. The Committee have been informed that for the reasons mentioned above, the Drum, Barrel and Container Industry excepting those where the manufacturing is for meeting the applicant's own requirements, has been placed on the "rejection list" of industries since 1960. However, the whole industry was placed on the rejection list during April 1967—March, 1968. The licensing policy for a period of one year affective from 1.4.1968 is also "rejection", although consumers' applications for own requirements of drums and barrels may be considered on merits. The Committee have been informed that at no time since 1960 the industry has been removed from the banned list.

2.11. The list of barrel fabricators together with their licensed capacity in 1960, when this industry was placed on the banned list, is given below:—

Name of Firm	Licensed Capacity
1	2
	tonnes
1. M/s. Bharat Barrel & Drum Mfg. Co., Bombay	18,300*
2. M/s. Standard Drum & Barrel Mfg. Co., Bombay	3,700

\*38 barrels of 40/45 gallon capacity are made out of & tonne of 18 gauge steel sheets.

1	2
3. M/s. Steel Containers Ltd., Bombay	5,860
4. M/s. Industrial Containers Ltd., Calcutta	6,000
5. M/s. Assam Oil Co., Digboi	3,080
	36,940

### C. Assessment of Capacity in 1963-64

2.12. The Committee enquired where the capacity of the Drum and Barrel Industry was increased after placing this industry on the "banned list" in 1960. It has been stated in reply that "M/s. Bharat Barrel and Drum Manufacturing Company and M/s. Standard Drum & Barrel Manufacturing Company, among the barrel fabricators, had been representing to the Government during 1963 that capacities installed by them were very much higher than the originally assessed capacities and therefore had been seeking re-assessment. M/s. Hind Galvanising & Engineering Company, Calcutta also claimed in 1962 that they were capable of manufacturing oil barrels of 40/45 gallon capacity and were requesting approval of the Government for the purpose. Further, the Ministry of Petroleum & Chemicals informed us in June 1964 (copy of letter enclosed at Appendix II) that they had assessed the requirements of the petroleum industry for the year 1964 as needing 4,000 tonnes per month of 18 Gauge drum sheets and that if the requirements of the other consumers were also to be taken into account, then the total supply needed was 4,700 tonnes of drum sheets a month or an annual fabricating capacity of 56,400 tonnes. The total assessed capacity at that time of the oil barrel industry was about 3,000 tonnes per month and, therefore, the supply rate of 4,700 tonnes required by the Petroleum Industry and other consumers could not be effected unless the existing capacities were revised upward or new capacities created. In the circumstances, the Ministry of Petroleum & Chemicals requested that steps should be taken expeditiously to finalise the revision of fabricating capacities of the commercial fabricators so that proper supply rate of barrels was ensured by giving them adequate supplies of drum sheets of special gauge which was regulated according to their capacity. In this context, it was decided to review the oil barrel capacity installed in the country as there were only six units in the line with a view to examining the increased capacities of the various units *vis-a-vis* the larger requirements of oil barrels.....On the basis inspection

carried out by the Technical Officers of the Directorate General of Technical Development during 1963-64, the assessed capacities of all the oil barrel fabricators were considered at an Inter-Ministerial Meeting held on the 19th June, 1964 (Copy of the note for a meeting and minutes of meeting are given at Appendix IV). The matter was further examined in the Ministry on the recommendations made at the meeting with particular reference to the cases of M/s. Standard Drum & Barrel Manufacturing Co., Bombay and M/s. Hind Galvanising and Engineering Company, Calcutta. Ultimately these capacities have been accepted by the Government as a result of which the increased potentiality of the existing units for meetings the growing requirements was appreciated and approved in preference to creating new units in his line of manufacture." It has been further stated that these capacities, assessed by the D.G.T.D. on single shift basis, were accepted for the purpose of raw material allocation.

2.13. The particulars of capacities which were assessed in 1963-64 together with dates of inspection by officers of the D.G.T.D. are given below:

Name of the Firm	Licensed Capacity	Assessed capacity (1963-64) together with dates of inspection by D.G.T.D.	
		tons	tonnes
1. M/s. Bharat Barrel & Drum Manufacturing Co., Bombay	13,800	22,000	5/6-2-46
2. M/s. Bharat Barrel & Drum Manufacturing Co., Calcutta. (a sister concern of 1 above)		5,200	11/12-2-63
3. M/s. Standard Drum & Barrel Manufacturing Co., Bombay	3,700	(6,100) 14,538	(Nov. 61) 13-8-64
4. M/s. Hind Galvanising & Engineering Co. Ltd., Calcutta	..	6,000	Not inspected.
5. M/s. Steel Containers Ltd., Bombay	5,860	8,300	17-12-63
6. M/s. Industrial Containers Ltd., Calcutta	6,000	7,900	7-12-63
7. M/S. Assam Oil Co., Assam	3,080	3,840	..
	<u>36,940</u>	<u>67,778</u>	

### D. Assessment of capacity in 1965

2.14. It has further been stated that due to the representations received, particularly from M/s. Bharat Barrel and Drum Manufacturing Co. Ltd., against the assessment of 1963-64 another assessment was undertaken during 1965. The capacities of the various fabricators indicated in the report of the D.G.T.D. in 1965 were as under:—

Name of the Firm	Re-assessment in 1965 (tonnes p.a. on single shift)		Date of inspection
1. M/s. Bharat Barrel & Drum Manufacturing Co. (P) Ltd., Bombay.	24,800		} Several irregularities noticed by the technical officer.
	(22/23-7-65)		
2. Do. Calcutta	13,200		
	(26-7-65)		
3. M/s. Standard Drum and Barrel Manufacturing Co., Bombay.	17,900	17,900	
	(22-7-65)	(2-9-65 and 4-9-65)	
4. M/s. Hind Galvanising and Engineering Co., Ltd., Calcutta.	8,300	10,260	
	(27-7-65)	(24-8-65)	
5. M/s. Steel Container Ltd., Bombay	8,300	9,450	
	(21-7-65)	(4-9-65)	
6. M/s. Industrial Containers Ltd., Calcutta	11,000	11,000	
	(28-7-65)	(23-8-65)	

2.15. The Committee enquired why the reassessment of capacities of the barrel manufacturers in 1965 was done twice i.e. once in July 1965 and the second time in August-September, 1965 in respect of some manufacturers. In a written note furnished to the Committee it has been stated that on the basis of reports made by the Development Officer in the first instance, the Industrial Adviser undertook a check with a view to seeing if the assessment had been made properly. It was in these circumstances that figures relating to two assessments were indicated during July, 1965 and August-September, 1965. As regards the reasons for the apparent increase in the capacity of M/s. Hind Galvanising and Engineering Company and M/s. Steel Containers Limited between the inspection carried out in July, 1965 and August-September, 1965, it has been stated

that in the case of M/s. Hind Galvanising and Engineering Company the Industrial Adviser had taken the view that when the firm had a spare spot-welding machine, spot-welding could not become a bottlenecking operation. According to him double seaming would be a bottlenecking operation and working on that basis the capacity arrived at by him was 10260 tonnes on single shift as against the figure of 8,300 tons on single shift reached by the Development Officer. In the case of M/s. Steel Containers Limited also, on the basis of the time studies made by the two officers, there was a slight difference in the timings since there was very heavy rain and regular operations were not available to be put on certain machines when the Development Officer visited the Plant.

2.16. Table below gives the licensed capacity of the barrel manufacturers, at the time of imposition of the ban in 1960, the capacity assessed in 1963-64 and the capacity reassessed in 1965:

Name of the firm	Licensed capacity (1960) (in tonnes)	Assessed capacity (in tonnes) (1963-64)	Re-assessed capacity (1965) (in tonnes)
1. M/s. Bharat Barrel & Drum Manufacturing Co., Bombay .	18,300	22,000	24,800
2. M/s. Bhar at Barrel & Drum Manufacturing Co., Calcutta		5,200	13,200
3. M/s. Standard Drum & Barel Manufacturing Co., Bombay .	3,700	14,538	17,900
4. M/s Hind Galvanising & Engineering Co. Ltd., Calcutta		6,000	10,260
5. M/s. Steel Containers Ltd., Bombay . . . . .	5,860	8,300	9,450
6. M/s. Industrial Containers Ltd., Calcutta . . . . .	6,000	7,900	11,000
7. M/s. Assam Oil Co., Assam .	3,080	3,840	3,840
	36,940	67,778	90,450

2.17. It has been stated that the assessment undertaken during 1965 revealed still higher installed capacities and also brought to light certain irregularities on the part of M/s. Bharat Barrel and Drum Manufacturing Co., As their irregularities had to be examined further and the shortage of steel sheets was a continuing problem, it was decided that the 1963-64 single shift assessment should continue for some more time for the purpose of allocation of raw material and not to accept the 1965 assessment. The matter was placed before the Licensing Committee at the meeting held on 13th September, 1966. The Committee endorsed the decision of the Ministry in this regard. Copies of the note for meeting of the Licensing Committee and the minutes of meeting are given at Appendix V.

2.18. The Committee enquired whether the Drum and Barrel Industry was taken out of the banned list when the reassessment of the capacities in 1963-64 was made. In reply it has been stated that the reassessment of the capacities of the barrel manufacturers was undertaken in 1963-64 with the intention not to increase the capacity but to make realistic assessment of the increased capacity necessary to meet the increasing requirements of barrels and that for this purpose it was not necessary to take this industry out of the banned list in 1964. Asked whether the capacity of any other industry on the banned list has similarly been reassessed, it has been stated that "the position of the Barrel Industry in this regard has been unique in the sense that an assessment of the actual installed capacity was felt necessary with a view to meet the increased requirements of oil barrels intimated by the Ministry of Petroleum and Chemicals as also for the reasons that some of the fabricators had been representing to the Government that the then assessed capacities of their units do not correctly represent the installed capacities." It has been further stated that "it may not be possible to give instances of assessment undertaken in identical circumstances. There has, however, been revision of capacity based on increase production achieved by some of the units, for instance in welding electrode industry and steel pipes and tubes industry. There is also the case of asbestos cement industry which has been reassessed during the period when the industry was on the banned list but it was not done simply to make a realistic assessment of the capacity. The reassessment of the capacity was required in the context of sudden increase in the demand of asbestos cement sheets particularly by Defence, consequent on the Chinese aggression so much so that at one stage the distribution of these had to be brought under informal control."

2.19. On being asked why the capacities in this industry were assessed and increased without taking it out of the banned list, the

representative of the Ministry of Industrial Development, Internal Trade and Company Affairs stated during evidence "that the list of banned industries is not prepared under the Industries (Development & Regulation) Act. It was prepared in consultation with the Licensing Committee constituted under the Act. The list was only as a guideline to the various administrative Ministries for disposal of applications. It is not correct to state that units should not be allowed to be set up if an industry was on the banned list. No banned list is contemplated by the Act and there is no statutory significance to such a list."

2.20. Explaining the concept behind the banned list, the representative of the Ministry of Industrial Development, Internal Trade and Company Affairs further stated during evidence that "the concept behind the banned list is to some extent to simplify the work of the Licensing Committee. The Ministries can normally reject such applications without having to bring them up before the Licensing Committee. That does not mean that when an item is in the banned list, it has necessarily to be rejected always. There is a certain amount of discretion vested in the Licensing Committee, in special circumstances, even to recommend the industry in the banned list. In the heading of the list it is stated to be a list of industries in which the applications for licences may ordinarily be rejected without references to the Licensing Committee."

2.21. Asked whether there were any other industries on the "banned list" in which capacities have similarly been increased, the witness stated that the container manufacturing industry, the radio industry and also a few items of drug industries were such industries.

2.22. The Committee have been informed that normally no extra capacity for industry on the banned list was approved but it had happened in the past that a particular application which related to an item on the rejection list was considered because of exceptional features. On being asked, what are the exceptional features which are considered by Government for sanctioning capacities of industries which are on the banned list and what are the industries on the banned list in which additional capacities have been sanctioned on account of exceptional features, it has been stated in reply that the exceptional features on account of which favourable consideration of an application is possible may be various like a special demand, regional angle, export prospects, improvements in plant capacity, etc. In the case of Drum and Barrel Industry, those special features which were kept in view, were stated to be, special demand, regional angle, and improvements in plant capacity.

2.23. Asked whether these exceptional features have the approval of the Licensing Committee the representative of the Ministry of Industrial Development, Internal Trade and Company Affairs stated during evidence that "the Licensing Committee has not laid down any special features or criteria by which they would consider applications favourably particularly as the rejection list has no statutory significance and they are in a position to consider any proposal."

2.24. Elucidating further, the representative of the Ministry of Industrial Development, Internal Trade and Company Affairs added that "It is always possible that a particular application which relates to an item in the rejection list may be deserving of consideration because of certain exceptional features. When that is the case, a summary is prepared for the Licensing Committee and recommendations are made for the processing of such applications without removing it from the rejection list itself."

2.25. Asked whether this procedure was adopted in this case, the witness replied that "In this case we went to the Licensing Committee late after everything was done. The whole matter was placed before the Licensing Committee at a later stage—that was 1966".

2.26. The Committee further enquired whether Government had publicised for general information the considerations under which capacities of industries on the banned list could be increased or reassessed. It has been stated that no general information has been published in this regard.

2.27. On being asked whether the prior approval of the Licensing Committee was taken before increasing the capacity in this industry, the representative of the Ministry stated during evidence that "no prior approval was necessary; We apprised the Licensing Committee of the action taken after everything was done." The witness further added that the whole matter was placed before the Licensing Committee at a later stage that was in 1966.

2.28. The Committee enquired whether any new capacity can be created in a "banned industry" without prior approval of Government, and if so under what rules? The Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated during evidence that "Normally not. I should say; normally it should not be done except with the approval of the Licensing Committee."

Referring to the inter-Ministerial meeting of 19th June, 1964, the witness stated that "It was the inter-Ministerial meeting which



took that decision. Strictly the Licensing Committee is also nothing more than an inter-Ministerial body but there it is done formally whereas these *ad hoc* meetings are not formal. So, strictly even though an inter-Ministerial body took a view, it should have been placed before the Licensing Committee."

2.29. In reply to a question, it has been stated that keeping in view the representations received from the barrel manufacturers, the decision to carry out the reassessment of capacity of barrel manufacturers in 1963-64 was taken in the D.G.T.D. at the level of the Director General and in the Ministry at the level of the Joint Secretary.

2.30. Regarding the decision to have the reassessment of capacities in 1965, the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated during evidence that "There is a note here saying that 'as desired by the Secretary (Industries) I discussed this case together with instructions received from our Minister with Secretary (Industry). Mr. P. L. Sehgal was also present. After a thorough discussion of the problems of drum and barrel industry, it was decided that D.G.T.D. should reassess the capacities of these barrel manufacturers. Only the capacity of barrel manufacturers should be reassessed and not the capacity of the drum manufacturers'. This is a noting of 17th June 1965 and seems to have been decided at a meeting taken by the then Industry Secretary. There was a discussion with the Minister also because it says 'I discussed this case together with the instructions received from our Ministers'."

2.31. As to the reassessment of the capacities made twice i.e., once in 1963-64 and again in 1965, the representative of the Ministry stated during evidence that "the position changed from time to time because the fabricators have been adding machinery either from indigenous source or from established importers. The position kept on changing and, therefore, we wanted to ascertain the correct position regarding the installed capacity that is why reassessment was made twice."

2.32. The Committee note that the Drums and Barrel Industry was laced on the banned list in March, 1960 when the capacity of the barrel fabricators was 36,940 tonnes only. This capacity increased to 67,778 tonnes in 1963-64 and to 90,450 tonnes in 1965. Between 1960 and 1965 the capacity of M/s. Bharat Barrels had increased from 18,300 tonnes to 38,000 tonnes, of M/s. Standard Drums from 3,700 tonnes to 17,900 tonnes, of M/s. Steel Containers, Bombay from 5,860

tonnes to 9,450 tonnes, of M/s. Industrial Containers, Calcutta from 6,000 tonnes to 11,000 tonnes while a new capacity of 10,260 tonnes was created by M/s. Hind Galvanising and Engineering Co., Calcutta. The increase in capacities has generally been due to additions of plant and machinery by the fabricators. The various irregularities and malpractices indulged in by the individual barrel fabricators in increasing their capacity has been dealt with in Section 'F' of this Chapter (II).

2.33. The Committee observe that assessment of capacities in this industry has been made by Government twice i.e. in 1963-64 and 1965 without taking the industry out of the banned list. They further note that the capacities assessed in 1963-64 have also been recognised for the purpose of allocation of raw materials. The Committee are unable to share the view of the Ministry of Industrial Development, Internal Trade and Company Affairs that it was not necessary to take this industry out of the banned list before allowing increased capacity in this industry. The Committee consider that since the policy governing Industrial Licensing is announced periodically in the form of two lists viz. 'list of banned industries' and the 'merit list', normally no applications are to be considered by the Licensing Committee for the grant of industrial licences in respect of the industries in the banned list and intending entrepreneurs would naturally keep away from submitting applications for industrial licence in such industries. The Committee do not also agree with the contention of the Ministry of Industrial Development, Internal Trade and Company Affairs that applications in the banned industries may be considered on account of exceptional features. They note that these exceptional features have not been laid down by the Licensing Committee which is consulted in the preparation of 'banned list' and is the main body which processes applications for industrial licences. It is really disquieting that in this case neither this industry was taken out of the 'banned list', nor was prior approval of the Licensing Committee taken before undertaking assessment of the capacity of barrel manufacturers in 1963-64 and 1965. What is more surprising is that the reassessed capacities of 1963-64 were approved at an Inter-Ministerial meeting in June, 1964 and raw material began to be allotted on the basis of these capacities without the prior approval of the Licensing Committee. This approval was taken after over two years i.e. in September, 1966 although the Licensing Committee meets once every fortnight.

2.34. The Committee note that the re-assessment of the capacities in 1963-64 and 1965 was made mainly as a result of the representa-

tions made by the barrel fabricators.\* The plea that the assessment in 1963-64 was made because increased demand of the Petroleum industries for oil barrels does not hold good in as much as the communication from the Ministry of Petroleum and Chemicals were received in June, 1964 while the physical inspection of the units and assessment of capacities had been made during December, 1963 to February, 1964.

2.35. The Committee feel that the assessment and re-assessment of capacities of the barrel fabricators has been done in an irregular manner. They consider that the normal course which should have been adopted in this case was first to take this industry out of the banned list so that any new entrepreneur interested to enter this profitable industry would have got a fair chance to do so. This apart, additional/new capacities should have been further recognised only after the approval of the Licensing Committee and the Government as required under the Act.

#### E. Re-assessment of capacities of barrel fabricators on account of Defence requirements

2.36. In his letter (Appendix I) to the Speaker, Shri Madhu Limaye, M.P. has stated that "inspite of the ban imposed by the Government, additional capacity was being sanctioned on the bogus ground that the Defence Department wanted this capacity to be expanded. There is no evidence on regard to show that the Defence Ministry has made any such request." On being asked about the factual position in this regard, the Ministry of Industrial Development, Internal Trade and Company Affairs have stated that "while it is true that there was no specific request from the Defence Ministry addressed to this Ministry in respect of oil barrel capacity, the offtake of Defence from the oil industry in terms of barrels was increasing. The offtake of the Defence Ministry from oil companies of lube oil was as follows:—

1961-62	..	28045 barrels
1962-63	..	35067 barrels
1963-64	..	75853 barrels"

2.37. In reply to a question it has been stated by the Ministry of Industrial Development, Internal Trade and Company Affairs that

\*At the time of factual verification, the Ministry have stated that, "As explained elsewhere, the reassessment was undertaken and accepted keeping in view the representations from some of the fabricators as well as the advice from the Ministry of Petroleum & Chemicals. At the meeting of Oil Companies and Barrel Manufacturers held on 21-9-1963, when D. G. T. D.'s representative was also present, the need for reassessing capacities was discussed in view of the growing demand of lube barrels. At the meeting held on 27-12-1963 of Oil Companies and Barrel Manufacturers, when D. G. T. D.'s representative was also present the reassessment was again requested to be done. All these matters were in the background, although the formal communication from the Ministry of Petroleum and Chemicals was received only in June, 1964."

the Ministry of Defence were not specifically asked to indicate their requirements of oil barrels, but their increasing requirement was generally known.

2.38. On being asked to what extent the Defence requirements of oil barrels were being met by the ordnance Factory at Bhusawal and what was the annual production capacity of this factory, it has been stated that the annual capacity of the Bhusawal factory for the production of 44/45 gallon oil barrels is approximately 2,25,000 service barrels or 3 lakh barrels for civil consumers. The Defence requirements of barrels 200 litres and drums of various types are fully met by ordnance factory at Bhusawal. In fact there is a spare capacity for manufacture of barrels 200 litres. This factory has supplied barrel 200 litres to M/s. Indian Oil Corporation. Three purchase orders were placed by the I.O.C. on Ordnance factory, Bhusawal during the last two years for 1,00,020, 1,00,000 and 3,00,000 barrels respectively. The first two orders have been completed at an average rate of 10,000 numbers and 20,000 numbers per month and the third order is being executed.

2.39. The Committee drew the attention of the Ministry to USQ No. 913 answered on 16-11-1967 (Appendix VI) and SQ No. 250 answered on 24th November, 1967 (Appendix VII) wherein it had been stated that as oil barrels were much in demand during 1963-64 for meeting Defence and oil refinery needs, it was decided to register the available manufacturing capacity of M/s. Hind Galvanising and Engineering Company Private Limited which had already been producing small drums and heavy duty barrels although the industry had been placed on the rejection list.

2.40. Asked to elucidate the above reply given in the House with the statement that the Bhusawal Ordnance Factory is not only meeting the Defence requirements of drums and barrels but has spare capacity for the manufacture of barrels, it has been stated that "the spare capacity available with Busawal Factory is not a permanent feature and it is not possible to indicate the spare capacity as production in the Ordnance factory has to be geared suitably to meet the differing requirements from time to time depending upon the conditions in the country. It would, therefore, appear that this capacity can not be taken into account for the purpose of p'anning to meet the requirements of barrels. Further it has also been clarified that. . . . the requirements of lubricating oils by Defence are obtained in trade barrels and in this context. . . . the Industry Ministry can only presume that the Defence requirements of barrels were met by the oil companies along with the lubricating oil supplied in these barrels to the Defence. The oil companies would in turn depend upon the commercial fabricators for their increased requirements of barrels in order to supply increased requirement of lubricating oil to Defence.

As regards replies to Lok Sabha question No. 250 dated 24th November, 1967.....it is pointed out that the circumstances were indicated leading to the recognition of the oil barrel manufacturing capacity of M/s. Hind Galvanising and Engineering Company Private Limited, on account of the fact that these barrels were found to be very much in demand during 1963-64 by the Defence Ministry and oil companies. It was not indicated in these replies that one of the reasons for reassessment was the increased requirements of barrels by Defence. As explained earlier, the reassessment was undertaken and accepted keeping in view the representations from some of the fabricators as well as advice from the Ministry of Petroleum and Chemicals. It is however, pointed out that before the capacity of M/s. Hind Galvanising and Engineering Company Private Limited was recognised, no reference was made to the Ministry of Defence and no request was received from them either. The increasing requirements of Defence were generally known."

2.41. In reply to a question, the representative of the Ministry of Defence stated during evidence that "According to available records, we have not purchased, no Defence Unit has purchased barrels from the Hind Galvanising and Engineering Co. Ltd. during the years 1962-63, 1963-64 or 1964-65."

At this the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated that "one of the items which Hind Galvanising and Engineering Co. Pvt. Ltd. supplied to Chief Engineer, Dantak which is the Border Roads Organisation, it is essentially for the Defence Ministry though not technically the Defence Ministry."

Intervening, the representative of the Ministry of Defence stated in evidence that "actually we got information yesterday (26-9-1968) from the Ministry of Industrial Development and Company Affairs about the answers given in the Parliament about the three Defence Organisations whom the Hind Galvanising and Engineering Company claimed to have supplied barrels during 1962 and 1963".

Subsequently the Ministry of Defence confirmed in a written note that "The position has since been checked and it is found that the Ministry of Defence was not consulted before the assessment of requirements of oil barrels and drums was made by that Departments."

2.42. Asked how the Defence requirements for more oil barrels were known to the Ministry, the representative of the Ministry of

Industrial Development, Internal Trade and Company Affairs stated during evidence that "one of the fabricators viz. Hind Galvanising and Engineering Company Pvt. Ltd., Calcutta mentioned to us that they were supplying barrels to Defence." In reply to another question it was admitted that this information was not collected in a scientific manner either through D.G.T.D. or other Administrative channel.

2.43. The Committee note that the Defence requirements of oil barrels are met from the Ordnance Factory, Bhusawal. However, the lubricating oil supplied by the oil companies in barrels to Defence is stated to be supplied in trade barrels. The Committee are surprised that in assessing increased Defence requirements of oil barrels, the Ministry of Industrial Development, Internal Trade and Company Affairs relied on the information supplied by the manufacturer and did not care to verify it from the Ministry of Defence or the D.G.T.D. They consider that in such cases, the Ministry/Department concerned should have been consulted in order to obtain accurate facts. This has not been done in the present case. The Committee consider it a serious lapse.

2.44. The Committee would also like the Ministries of Industrial Development, Internal Trade & Company Affairs and of Petroleum and Chemicals to take note of the spare capacity available with the Ordnance Factory, Bhusawal with a view to utilise the same in consultation with the Ministry of Defence.

#### F. Expansion/creation of capacities by the Barrel Fabricators

The developments leading to the expansion of capacities and creation of new capacities by the individual barrel fabricators are dealt with in detail in the following paragraphs:

##### (I) *M/s. Bharat Barrel and Drum Manufacturing, Co., Bombay*

2.45. In a written note furnished to the Committee, Government have stated that "M/s. Bharat Barrel and Drum Manufacturing Co., Bombay was granted a carrying on business licence dated 20-11-54 for the manufacture of 3,600 steel barrels and 8,000/10,000 steel drums per day on single shift. On their application for shifting a part of plant and machinery from Bombay to Calcutta, an industrial licence dated 4-11-1959 was granted to them for an installed capacity of 300 tonnes per quarter of 4/5 gallons at Calcutta and subse-

quently the original licence dated 20-11-54 was amended to read as below:—

The Industrial Undertaking shall have an installed capacity for the manufacture of 3,600 steel barrels per day on single shift and of 150 tons per quarter for the manufacture of 4/5 gallon drums.

On an application from them for effecting substantial expansion to the existing industrial undertaking at Bombay, the industrial licence dated 20th July, 1960 was issued to them for the manufacture of drums and barrels for a total capacity of 27,800 tons per annum. In this connection it may be stated that two import licences for an aggregate value of Rs. 25.25 lakhs was issued to the firm in 1955 and 1957 for modernization, rehabilitation and replacement of their plant at Bombay. These licences, however, could not be utilised by them. Subsequently, three other licences for a total value of Rs. 28,75,256 were issued to the firm during 1958 and 1960 for the same purpose. The plant owned by M/s. Bharat Barrels was originally installed in Madras and was worked by the Government through M/s. Standard Vacuum Oil Company during the last war which was later acquired by M/s. Allen Berry & Company, Bombay. M/s. Bharat Barrels purchased this old plant from M/s. Allen Berry in 1952. The import licence dated 16th October, 1958 for a value of Rs. 13,50,656 was issued to them for replacement of their old and unserviceable plant. Later, the firm desired further modernization of their plant and also wanted to renovate their old plant for the purpose of using it for the manufacture of bitumen drums from lighter gauge sheets. The scheme for modernization and renovation was approved by the Licensing Committee and accordingly two licences valued at Rs. 13.60 lakhs (value later on increased by Rs. 35,000) and Rs. 1,29,600 were issued to them. The capacity of the Original plant of the firm was assessed at 18,000 tons for 45 gallon barrels and 1,800 tons per annum for 5/10 gallon drums.

In early 1961 M/s. Bharat Barrels and Drum Manufacturing Company Private Ltd., represented to the Government about the inadequate allocation of steel sheets to them *vis-a-vis* the other fabricators in this line. They also addressed some representation to Maharashtra Chamber of Commerce and to the Engineering Association of India. These complaints were examined in the D.G.T.D. and it was found that there was not much substance in the representations made by the company and in fact they also considered that the

company had gone out of the way to make representations to other bodies without making available to them full facts of the case. The representatives of the company were sent for and at a meeting taken on the 28th February 1961, by the Secretary, Ministry of Commerce and Industry, when the Senior Industrial Adviser (Engg.) was also present the matter was discussed. The position was explained to the company's representatives, who had actually apologised for having taken up the matter with the Chamber under a misapprehension. The company's representatives stated further that their original capacity which was given in tonnage should be indicated in numbers. It was explained to them that there would be no objection in converting the capacity in numbers, but it would not be possible for the D.G.T.D. to give any additional tonnage under the plea that the total tonnage of the recognised number of barrels would be larger. The company's representative agreed that they would not ask for additional raw material, and on this basis it was agreed at the meeting that their capacity in the form of numbers could be recognised after the firm actually gave a letter in writing that they would not ask for additional raw material from the D.G.T.D. on that score. The company's representative also agreed that they would write to the Chamber of Commerce explaining the position and withdrawing the earlier representation which was made, according to them under a misapprehension. Subsequently, in their letter dated 28th February, 1961, confirming their having expressed regret at the meeting for having approached the various associations and the Chamber of Commerce in this regard they also gave an undertaking that they would not press for allocation of raw material on the basis of numbers after their capacity was agreed to be expressed in numbers. It was also explained by them in the letter that the object of asking for the amendment of the licence on the basis of numbers was to enable them to obtain raw material allocation according to the licensed capacity when the steel sheets supply position eased. Thereafter, the industrial licence dated 20th July, 1960 was amended as per letter dated 5th June, 1961 to the following effect:—

“For the words drums and barrels—27,800 tons per annum, read—

- (i) steel barrels 3,600 numbers per day or 10,80,000 numbers per annum on single shift.
- (ii) 4/5 gallons—3,000 numbers per day or 9 lakhs numbers per annum on single shift.



- (iii) steel drums (35/45 gallons capacity) for bitumen packing made from 22-24 gauge M.S. Sheets i.e. 7,84,000 numbers per annum on single shift.

Subject to the condition that the existing S.P.I. capacity in tons will not in any case be altered."

It may be recalled that M/s. Bharat Barrel in terms of the industrial licences held by them had oil barrel manufacturing plant at Bombay and only a part of their capacity for the manufacture of small drums was available in Calcutta. In early 1961 this company submitted an application under the Industrial Development & Regulation Act for shifting part of their capacity for the manufacture of 40—45 gallon oil barrels to Calcutta on the ground that the demand was growing in Calcutta and due to transport difficulties movement of barrels from Bombay to Calcutta was proving difficult. Their application was examined in the D.G.T.D. and it was considered that in view of their programme for modernization, and replacement at the Bombay plant on the basis of import licences granted to them, it would not be possible to consider the proposal of shifting a part of their capacity and as such the proposal would not be feasible, their plant at Bombay being an integrated one. The Licensing Committee at the meeting held on the 16th and 17th March, 1962 recommended rejection of the application as there was no scope at that time for creating further capacity in the Calcutta region. The firm, however, had been representing that the demand of barrels of 40—45 gallons capacity had increased in the eastern region and they would like to adjust their production between the two units, namely, Bombay and Calcutta without involving additional capacity or additional quota of raw materials. In the Ministry's letter dated 22nd May, 1962, their application for shifting of capacity to Calcutta region was finally rejected. The decision was again reiterated in the letter dated 31st August, 1962 on receipt of further representations from the Company. The Company, however, even thereafter continued to write to the Government seeking a review of the decision and pleading for permission to shift a part of their capacity to Calcutta for the manufacture of oil barrels. They were also contending that they would not disturb the modernised plant which they had put up at Bombay and actually with some modifications slight repairs and addition of indigenously available machinery, they would be able to fabricate barrels at Calcutta. It was also made out by them that the Government of West Bengal had assured them of all facilities for setting up a plant in Calcutta. They also undertook that they would not be asking for any revision of their capacity or for additional quota of raw material for the Calcutta Plant and what they wished to do was only to work both the plants in Bombay and

Calcutta within the existing allocation of steel sheets and within their existing capacity according to the licence. According to them they wanted permission to draw part of their raw material quota at Calcutta to work the plant.

While representations from M/s. Bharat Barrels and also from others in their behalf were coming in, it was reported by the D.G.T.D. some time in September 1962 that according to a letter received from M/s. Industrial Containers Ltd., Calcutta M/s. Bharat Barrels had actually shifted some machinery to Calcutta and installed the same for the manufacture of oil barrels. The Director of Industries, Maharashtra was immediately asked to make available a report about the complaint received through Industrial Containers Private Ltd. about the alleged shifting of machinery by M/s. Bharat Barrels and Drum Manufacturing Company. Meanwhile another letter dated 29th October, 1962 copy at Appendix—VIII was received for a favourable consideration of the proposal from M/s. Bharat Barrels & Drum Manufacturing Company for shifting a part of their machinery to the Calcutta region for meeting the requirements of oil barrels. The matter was examined in the Ministry.

Although no confirmation from the Director of Industries, Maharashtra was received, it was considered that in view of the suggested demand in the Calcutta region, it would not be necessary to ask the company to shift back their machinery to Bombay and it would be in order to recognise the shifting of capacity to Calcutta, keeping in view the transport position in the movement of barrels. Although the Licensing Committee had earlier rejected the proposal for shifting the capacity, the decision was taken to allow the shifting with the approval of the Chairman of the Licensing Committee and the Minister. The letter dated 1st December, 1962 conveyed the approval of the Government to the shifting, while administering a warning to them on their objectionable action in contravention of the provisions of the Industries (Development and Regulation) Act, 1951. It was also made clear in the letter that the shifting of machinery to Calcutta would not entitle them to have any additional quota over and above what had already been authorised to them in respect of the plant at Bombay. Copies of extracts are given at Appendix—XIII.

During 1963, this company started sending representations to the Ministry complaining about the inadequate supply of raw material in their favour and also pointing out that the allocation of steel sheets should be made on the basis of the licensed capacity of 27,000 tonnes and not on the earlier assessed capacity which was smaller.

These representations which were received both in the Ministry as well as in the D.G.T.D were examined. The Industrial Adviser commenting on the representation pointed out the various factors necessitating a further and more thorough scrutiny of the case, particularly in view of the fact that reports of misuse of raw material etc. had also come to the notice of the Government. It was indicated further that in the matter of utilisation of the import licence for modernisation, rehabilitation and renovation, there appeared to be a distinct possibility of misuse and further it was also felt that although an import licence was secured for the conversion of an old oil barrel plant into the bitumen drum plant, it was not properly utilised for the purpose. When these irregularities were reported to the Ministry, it was considered that it would not be correct to take a decision without going further into the matter and for that purpose it was also suggested that an on the spot inspection of both the factories at Bombay and Calcutta would be needed, both with regard to the fixation of capacities for the two units and for examination of the manner in which the import licences has been obtained and actually used. When the matter was again referred to the D.G.T.D. in November, 1963, D.G.T.D. arranged an inspection of the factory at Calcutta and on the basis of the finding that the capacity of Calcutta factory was, 5,200 tonnes per annum; the corresponding capacity at Bombay was suggested by the D.G.T.D. to be 13,100 metric tonnes per annum, so that the total capacity remained at 18,300 tonnes only. Meanwhile, in the case of M/s. Standard Drum and Barrel Manufacturing Company, Bombay a decision had been taken during this time that an inspection of all the barrel manufacturing factories would be necessary with a view to re-assessing the capacities of the units on uniform basis. D.G.T.D. had also arranged inspection of the other factories during 1963-64 and furnished their recommendations on the assessed capacities. Although the Ministry had suggested in the case of M/s. Bharat Barrels that both the units at Bombay and Calcutta should be inspected the Industrial Adviser had in his note dated 7th January, 1964 suggested the capacity break-up between the two on the basis of the inspection of the Calcutta factory only. The Senior Industrial Adviser had, however, directed that in view of the Ministry's instructions, the Bombay factory also should be inspected and on the basis of the inspection made on the 5th and 6th February, 1964 by one of the technical officers, the capacity of 22,000 tonnes per annum was suggested for the Bombay factory. The final position that emerged after inspection of all the barrel making units during December, 1963 to February 1964 was that while re-assessed capacities were suggested for all the units, in the case of M/s. Bharat Barrels, the capacities on the basis of inspection were reported to be 22,000 tonnes per

annum for Bombay and 5,200 tonnes per annum for Calcutta. Further examination in the light of irregularities reported by the D.G.T.D. had not, however, been done. M/s. Bharat Barrel & Drum Manufacturing Company had also in their letter dated 17th January, 1964 again urged that their capacities should be re-fixed and allotment of raw material be made to both the units on the basis of certain figures which were claimed by them to be the true capacities. As Minister had desired to see the case in this connection, papers were submitted to him along with the recommendations of the D.G.T.D. in respect of the barrel making units including those of M/s. Bharat Barrels, namely, 22,000 tonnes for Bombay and 5,200 tonnes for Calcutta. The Minister after going through the detailed notings in the case and also the findings of the D.G.T.D. on the spot study, ordered that immediate action should be taken to allocate steel quotas to M/s. Bharat Barrels at the rate of 22,000 tonnes for Bombay and 5,200 tonnes for Calcutta per annum and that the question of increased capacities claimed by the firm, could be examined later. An extract of the minute dated 8th May, 1964 is given at Appendix—IX.

In the light of the Minister's orders and keeping in view the recommendations of the D.G.T.D. on the re-assessed capacities of all the other barrel making units, an inter-Ministerial meeting was held on 19th June, 1964. Decisions were taken at the meeting to recognise the assessed capacities for the purpose of raw material allocation. In the case of M/s. Bharat Barrel Drum Manufacturing Company, it was agreed that raw material would be allocated separately for both Bombay and Calcutta units, according to the recommended figures of re-assessment, namely, 22,000 tonnes at Bombay and 5,200 tonnes at Calcutta. Although the re-assessed capacities on the basis of 1963-64 assessment were accepted for the purpose of raw material allocation, it was observed that the matter did not end there and still M/s. Bharat Barrel and Drum Manufacturing Company had been suggesting that justice had not been done to them in the matter of re-assessment for both the units at Bombay and Calcutta. On a representation dated 25th May, 1965 received from them, the matter was discussed by the Senior Industrial Adviser (Engg) with Secretary, Department of Industry and it was decided that another assessment of the barrel making units should be made with a view to sorting out the controversy, in view of the fact that representations had also been received from others, like the Federation of Indian Manufacturers and M/s. Hind Galvanising and Engineering Company Private Ltd., another

2.46. The capacities of the factories of M/s. Bharat Barrel and Drum Manufacturing Co. at Bombay and Calcutta indicated in the report of the officers of D.G.T.D. at the time of re-assessment of 1965 were as under:

	(In tonnes)		
	Licensed capacity	Assessed capacity 1963	Assessed capacity 1965
(i) Bombay factory	18,000	22,000	24,800
(ii) Calcutta factory	..	5,200	13,200
	18,000	27,200	38,000

2.47. It has been stated that "as regards the 1965 assessment of M/s. Bharat Barrels, the Industrial Adviser had commented upon a number of irregularities on the part of the company, like shifting of machines from Bombay to Calcutta, installation of additional machinery including imported ones, purchase of imported machinery from actual user licence holders, misuse of raw materials, discrepancies in the maintenance of records and submission of steel processing returns."

2.48. After careful consideration of all the facts brought to light by the technical officers "a notice was issued to the Bharat Barrel & Drum Manufacturing Company on the 14th February, 1966 asking them to explain why action should not be taken against them for the various violations of the Iron & Steel Control Order and the contravention of the provisions of the Industries Development & Regulation Act, 1951. The reply received from the firm (dated 26th March 1966) was examined in consultation with the D.G.T.D. and it was observed that their explanation was far from convincing. Although there were certain irregularities in contravention of the Industries (Development & Regulation) Act in the process of their trying to establish additional capacity by installing more machines as well as by shifting machines from Bombay to Calcutta, it was felt that on a balance of consideration, it would not be possible to frame an effective case against them on this ground alone. The reason was largely because the capacity for purpose of allocation had all along been the assessed capacity and not the licensed capacity and as a matter of fact 1963-64 assessment had led to a certain level of recognised capacities which were yet to be regularised by appropriate industrial licences. As more or less similar action would have to lie against other barrel making units also, particularly on

the ground of establishing additional capacities, it was felt that the more appropriate course would be to probe further the irregularities relating to the use of import licences as well as use of raw material. D.G.T.D. had also underlined that there was sufficient ground to sustain a case on this score. After taking into account the various points involved, it was ultimately decided at the level of Special Secretary to issue a warning to them advising them to take special care to avoid the omissions and commissions noticed in the past few years under the various regulations governing their manufacturing activity. They were also told that Government had taken a serious view of the whole matter and any indulgence in such irregularities would naturally have serious repercussions.

Simultaneously, the D.G.T.D. and the Ministry of Iron & Steel were addressed with a view to having a thorough scrutiny made so far as the irregularities were concerned. The matter was also explained suitably in the note for the Licensing Committee which was placed at the meeting held on the 13th September, 1968, suggesting that 1963-64 allocation would have to continue for the present and that the 1965 assessment was not to be accepted for the purpose of raw material allocation. It was also pointed out in the note that the question of assessment on maximum utilization basis could be considered only in due course when the raw material supply position also improved. D.G.T.D. after going through the various records available with them and also obtaining more particulars to the extent possible from M/s. Bharat Barrels submitted a report to the Ministry on the 24th July, 1968. According to the D.G.T.D., scrutiny of the returns over a period reveals an unsatisfactory state of affairs and much more information which was to be made available by the firms would be necessary before reaching any definite conclusion. There was also the reported transfer of steel sheets from one plant to another. These and other matters, it was felt would have to be probed into further before any definite indication could be given about the extent of commissions/omissions on the part of the party.

A meeting was held in the Ministry on the 28th October, 1968, with representatives of the D.G.T.D. and the Department of Iron & Steel and the Law Ministry's representative was also associated. The Department of Iron & Steel had already referred the matter to the Iron & Steel Controller, Calcutta from whom a report was being awaited. After some discussion it was agreed that on the basis of the comprehensive report to be made available by the Department of Iron & Steel including *inter alia*, details of cases pending in courts, further action would be taken to make a reference to the Ministry

of Law indicating as far as possible various provisions of the Act which are attracted with reference to the commissions and omissions of the firm under examination. Suitable action to process the case further would have to be taken on receipt of the advice from the Ministry of Law.

It has been stated in a written note that at the time of 1965 inspection all the barrel manufacturers were asked to give complete details of plant and machinery installed by them indicating the year of purchase and date of installation. An analysis of the statements submitted by the barrel manufacturers indicates that M/s. Bharat Barrel and Drum Manufacturing Co. Bombay have declared to have added the following machines since 1964:

- (i) Decoiler Unit—1 No.—Indigenous.
- (ii) Roller Leveller—1 No.—Indigenous.
- (iii) Star 4' Shearing machine—1 No.—Indigenous.
- (iv) Roller gravity conveyor—1 No.—Indigenous.
- (v) 160-Ton Press fitted  
with 2" and 3/4" clinching  
double-die—1 No.—Imported.
- (vi) Roller gravity conveyor—1 No.—Indigenous.
- (vii) Barrel Testers.—3 Nos.—Indigenous.

It has been stated that no additions were declared by M/s. Bharat Barrel and Drum Manufacturing Co. Calcutta since 1964. It has further been stated that although "M/s. Bharat Barrel, Bombay did not declare to have added any substantial machinery which goes directly towards the production of barrels, but even then there has been some 10 per cent increase in the figure of assessed capacity which might have resulted due to various measures taken by the firm to improve material handling, workers efficiency etc. or due to the reasons stated above. The assessment figures of their Calcutta Plant has shown very large increase which is obviously due to the attempts made by the firm to show higher production by installing new machines procured from other sources and from transfer from Bombay to Calcutta and for one section of the plant to the other as mentioned in the Inspection Report of the Industrial Adviser."

2.49. A brief resume of the developments in regard to M/s. Bharat Barrel and Drum Manufacturing Co. as revealed from the foregoing paragraphs is given below:—

- (i) M/s. Bharat Barrel and Drum Manufacturing Co. Bombay was granted a Carrying On Business Licence dated 20th November 1954 for the manufacture of 3,600 steel barrels and 8000/10,000 steel drums per day on single shift. The capacity of the original plant of this firm was assessed at 18,000 tonnes for 45 gallon barrels and 1,800 tonnes per annum for 5/10 gallon drums.
- (ii) In 1959, this firm was allowed to shift a portion of plant and machinery from Bombay to Calcutta and an industrial licence was granted for an installed capacity of 300 tonnes per quarter of 4/5 gallon drums at Calcutta.
- (iii) On an application from the firm for effecting substantial expansion to the existing industrial undertaking at Bombay, the industrial licence dated 20th July 1960 was issued to them for manufacture of drums and barrels for a total capacity of 27,800 tonnes per annum. The industrial licence of the firm giving the capacity in tonnage was amended in June, 1961 and the capacity was expressed in numbers on the condition that the firm would not ask for additional raw material from the D.G.T.D. on that score which was agreed to by the firm.
- (iv) In 1961 this company applied for shifting a part of their capacity for the manufacture of 40/45 gallons oil barrels to Calcutta. The Licensing Committee recommended rejection of this application in March, 1962. In May, 1962, the Ministry finally rejected their application and reiterated this decision in August, 1962.
- (v) In September, 1962; it was reported by the D.G.T.D. that according to a letter received from M/s. Industrial Containers, Calcutta, this firm had actually shifted some machinery to Calcutta and installed the same for the manufacture of oil barrels. In October, 1962, the firm again represented for a favourable consideration of their earlier proposal. It was decided to allow the shifting with the approval of the Chairman, Licensing Committee and the Minister. The approval of Government to the shifting was conveyed to the firm in December, 1962, at the same time administering a warning to them on their objectionable action in contravention of the provisions of the Industries (Development and Regulation) Act, 1951. It was made clear to the firm that the shifting of machinery to Calcutta would not entitle them to have any addi-



tional quota over and above what had already been authorised to them in respect of the plant at Bombay.

- (vi) During 1963, the firm started sending representations about inadequate supply of raw material in their favour and pointing out that the allocation of steel sheets should be made on the basis of licensed capacity of 27,000 tonnes and not on the basis of the earlier capacity. During 1963-64, the factories of this firm both at Bombay and Calcutta were inspected by the officers of the D.G.T.D. and it was decided at the Minister's level in May, 1964 to allocate steel quotas to this firm at the rate of 22,000 tonnes for the Bombay factory and 5,200 tonnes for the Calcutta factory per annum.
- (vii) On representation made by this firm in May, 1965 as well as the representations received from other fabricators, capacities of all the barrel fabricators including this firm, were reassessed by the officers of the D.G.T.D. The report of the officers of the D.G.T.D. brought to light a number of irregularities on the part of this firm namely:—
- (a) shifting of machines from Bombay to Calcutta.
  - (b) installation of additional machinery including imported ones,
  - (c) purchase of imported machinery from actual user licence holders,
  - (d) misuse of raw materials.
  - (e) discrepancies in the maintenance of records and
  - (f) submission of steel processing returns.
- (viii) In February, 1966, a notice was issued to this firm for contravention of the Industries (Development and Regulation) Act and the Iron and Steel Control order. As the firm's reply to the notice was not considered satisfactory, a warning was issued to them in June, 1966.
- (ix) D.G.T.D. was advised to scrutinise the matter regarding the performance of the firm in the use of raw materials, import of machinery, maintenance of reports etc. His report disclosed the need for a further probe. The matter was again discussed in October, 1968 and it was decided to obtain a comprehensive report from the Department of Iron & Steel in this regard. This report is still awaited. On receipt of the report and in consultation with the

Ministry of Law further action will be decided upon in this case.

- (x) The share of this firm in the total licensed capacity for the manufacture of barrels was about 49.5 per cent in 1960, 40 per cent in 1963 and 42 per cent in 1965.

2.50. On being asked whether any action was taken against the firm for shifting the part of their machinery to Calcutta without prior approval of Government, it has been stated that since permission for shifting of machinery from Bombay to Calcutta was ultimately accorded, the question of imposing any penalty as provided in section 24 of the Industries (Development and Regulation) Act was not considered. In reply to a question it was added that the shifting was allowed at the level of Minister. It was further explained that reassessed capacities of Bombay and Calcutta factories of this company were accepted for the purpose of raw material allocation after consideration at the inter-Ministerial meeting held on the 19th June, 1964. It was added that "Minister had passed orders that immediate action should be taken to allocate the steel quotas to this Company for both the Bombay and Calcutta factories at the rate of reassessed capacities."

2.51. The Committee were informed by the representative of the Ministry of Industrial Development, Internal Trade and Company Affairs during evidence that no penal action was taken against the barrel fabricators for contravening the Act and that "in this particular case all the fabricators were involved and as a matter of National Policy we decided not to adopt this course and also we wanted to encourage this industry."

2.52. Elaborating further, the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated during evidence that "we have not generally penalised people for expanding their capacity, though perhaps we should have done so, we have not done so."

2.53. When it was pointed out that penal action against violations of the Act is enjoined by the Act which leaves no discretion to the Government, the Secretary of the Ministry stated that "In practice serious notice has not been taken in the past of these contraventions of the Act."

2.54. The Committee note that M/s. Bharat Barrel and Drum Manufacturing Company shifted a part of their plant and machinery for the manufacture of oil barrels from Bombay to Calcutta in 1962 without prior permission of the Government. This firm also effected

substantial expansion of their factories at Calcutta and Bombay illegally and unauthorisedly without prior permission of Government and during the period when the industry was on the banned list. Apart from the other irregularities alleged to have been committed by this firm, it has committed a violation of section 13(1) of the Industries (Development & Regulation) Act, 1951 read with Rule 7 of the Registration and Licensing of Industrial Undertakings Rules, 1952, issued under the Act, and thus has rendered itself liable to action under section 24 of the Act.

2.55. The Committee regret to note that the shifting of a part of the plant and machinery by this firm from Bombay to Calcutta was condoned by Government in 1952. The Committee feel that had the provisions of the Act been enforced strictly, various malpractices and irregularities alleged to have been committed by this firm and others would not have been committed. The Committee recommend that suitable action should now be taken for the strict enforcement of the provisions of the Act in this case.

2.56. The Committee regret to note that various irregularities alleged to have been committed by this firm are under scrutiny since 1966 and that comprehensive investigation and report on this case is still awaited. The Committee are concerned at this inordinate delay and recommend that urgent action should be taken to expedite the investigations so as to reach a final decision in this matter without further delay.

## II—*M/s. Standard Drum & Barrel Manufacturing Company, Bombay*

2.57. It has been stated by Government that "M/s. Standard Drum and Barrel Manufacturing Company, Bombay was granted a carrying on business industrial licence dated 11th September, 1958 for an installed capacity for the manufacture of 4,200 tons per annum of barrels, drums and containers with the proviso that the capacity is subject to re-assessment later on by the Development Wing i.e. the D.G.T.D. Of the above capacity, a capacity of 3,700 tons per annum was recognised for the manufacture of 40/45 gallon oil barrels. It is pointed out in this connection that the firm was inspected on 31st August, 1954 and their capacity was fixed at 3,200 tons per annum on time and motion study. The firm in their letter dated 22nd August, 1955 addressed to the Directorate of Industries, Bombay had claimed that their capacity was 1,170 tonnes per quarter and requested increase of quota to 1,200 tonnes per quarter to meet the demand of barrels outstanding with them. On receipt of a reference from the Directorate of Industries Bombay in letter dated 5th September, 1955, it was informed that the firm's capacity had been fixed

at 800 tonnes per quarter i.e. 3,200 tonnes per annum on the basis of time and motion study and as such there did not appear to be any further ground for enhancing their capacity. (The letter was addressed by the D.G.T.D. on 16th September, 1955). At the time of applying for carrying on business licence the firm had claimed a capacity of 450 tonnes per month i.e. 5,400 tonnes per year, which was very much more than their past production till then. Accordingly, it was decided to grant them the Industrial Licence referred to above for a provisional capacity of 4,200 tonnes per annum on the condition that this capacity would be re-assessed later by the Development Wing, i.e. the D.G.T.D.

At the meeting held on 25th October, 1961 by the Secretary, Department of Iron & Steel with the representatives of the Ministry of Commerce & Industry and Department of Mines & Fuel, the question of issue of steel for the requirements of the oil companies, the position with regard to the supply of tin plates or sheets for oil barrels, the difficulties in connection with the fabrication of 24 gauge bitumen drums, etc. were discussed. It was considered that the Development Wing should examine the factual position regarding the Trombay Plant of M/s. Standard Drum & Barrel Manufacturing Company, who had not only a carrying on business licence for the manufacture of drums, barrels and containers, but also an expansion licence for the manufacture of bitumen drums (dated 20th July, 1959). It was felt that after the Development Wing informed the Ministry regarding the capacity for lube oil barrel fabrication, as distinct from bitumen drum fabrication, the S.P.I. Quota could be decided by the Development Wing accordingly. In the light of these decisions, the D.G.T.D. inspected the factory of M/s. Standard Drum & Barrel Manufacturing Company in November, 1961 and commented that the company had two independent plants, one for the manufacture of oil barrels and another for the manufacture of bitumen barrels. According to the findings of the D.G.T.D., capacity of their oil barrel plant was assessed as 6,100 tonnes per annum on single shift.

In their letter dated 11th/12th January, 1962, M/s. Standard Drum Manufacturing Company represented that in terms of the licence dated 11th September, 1958, the capacity of their plant was fixed only provisionally and therefore, the assessment of the actual capacity of their plants which they had then set up again at Trombay after shifting from Sewri were requested to be assessed, and the industrial licence was also to be accordingly amended to note the assessed capacity. This was examined in consultation with the D.G.T.D. As the production of the firm during 1959-61 had not exceeded the licensed capacity, it was felt that the revision of the

capacity at that stage did not arise. The firm was accordingly informed in the letter dated 30th April, 1962. Although the firm represented again, the request for revision of the licensed capacity was not agreed to. Again, in a letter dated 9th September, 1963, the company represented their difficulties about the supply of raw material and also pleaded for interim relief by arranging priority supply of 5,000 tonnes from indigenous sources on *ad hoc* basis for meeting the requirements of M/s. Burmah Shell. This request was again considered in the D.G.T.D. and ultimately, it was suggested by them that in view of the claim for raw material as well as for revision of capacity, re-assessment of capacity of not only this unit, but also others in this oil barrel manufacturing line, was called for. It was felt further that as the raw material supply position might improve in early 1964, the re-assessment could be undertaken, of not only this company, but also other barrel manufacturers. In this connection relevant decisions in the Ministry and the D.G.T.D. were taken in November, 1963.

At the inter-Ministerial meeting held on the 19th June, 1964 it was pointed out that the capacity of 3,700 tons in the case of Standard Drum & Barrel Manufacturing Company had been fixed provisionally and the party had also been representing for the re-fixation of capacity on the time and motion study of their plant. As the factory had already been inspected in November, 1961 and on the basis of that inspection the D.G.T.D. had recommended a capacity of 6,100 tonnes per annum, it was decided to accept this capacity. However, as the capacity of the other manufacturers had been re-assessed during 1963-64, it was also decided that the factory of M/s. Standard Drum and Barrel Manufacturing Company should be inspected again and another assessment made so that a uniform standard could be ensured in all the cases. D.G.T.D. accordingly visited the factory of Standard Drum and Barrel Manufacturing Company again on 13th August, 1964 and as per their recommendation a capacity of 14,538 tonnes per annum was accepted as the assessed capacity on single shift basis. Approval of the D.G.T.D. to the re-assessed capacity was also conveyed in the D.G.T.D.'s letter dated 25th November 1964. The industrial licence was, however not amended.

As a result of inspection of the barrel making units made in 1965, the factory of Standard Drum and Barrel Manufacturing Company was inspected and the re-assessed capacity on the basis of the inspection of the Development Officer of the D.G.T.D. was indicated as 17,900 tonnes after taking into account the machines installed on single shift basis. This capacity has not, however, been accepted by the Government for the purpose of raw material allocation."

2.58. The Committee enquired whether M/s. Standard Drum and Barrel Manufacturing Company had shifted their 40/45 gallon lube barrel manufacturing plant from Sewri to Trombay and surrendered their entire capacity for manufacture of 40/45 gallon lube barrels and started manufacture of 30/35 gallon bitumen drums from M/s. ESSO. It has been stated in written reply that "the firm made an application dated the 21st August, 1958, for effecting substantial expansion by the manufacture of new articles, *viz.* bitumen drums, and also for change of location from Sewri to Trombay. Permission was granted for the shifting of the undertaking in October, 1958, as no industrial licence was necessary for the change of location, the two places being in the same municipal limits. Licence for substantial expansion for manufacture of bitumen drums was granted *vide* licence No. L/1.A.(7)/9-102/59 dated the 20th July, 1959."

2.59. Asked whether 18 gauge steel sheets for the manufacture of 40/45 gallon lube barrels were supplied to this Company after they had shifted the plant to Trombay and whether the sheets allotted to the firm were utilised for the manufacture of 40/45 gallon lube barrels to the entire satisfaction of the Government, it has been stated in reply that the matter is being looked into in consultation with the D.G.T.D. and the Iron & Steel Controller, Calcutta. On the basis of available information at present, it has been observed that towards the end of June 1960 a complaint was received that the firm was not manufacturing 45 gallon oil barrels out of the S.P.I. Quota allotted to them and that the whole plant was practically engaged in the manufacture of bitumen drums for which steel sheets were being provided by the Stanvac Oil Refinery. It was noticed that the production of oil barrels for the months of April 1960 to June 1960 was reported as nil in the returns although they had sufficient stock of steel at hand. The firm had explained that they had to suspend the production of oil barrels because there was an imbalance in the stocks of different sizes of steel sheets required for the manufacture of barrels bodies and barrel ends. On recommendations of the D.G.T.D., the Iron & Steel Controller issued instructions to producers to suspend despatches of 18 gauge black sheets to the firm against their outstanding orders, *vide* Iron & Steel Controller's letter dated 17th August, 1960. When the firm clarified the position, the suspension orders was removed *vide* D.G.T.D.'s letter dated 19th January, 1961 addressed to the firm, with copy to the Iron & Steel Controller.

2.60. Asked about the reasons for indicating the capacity of M/s. Standard Drum and Barrel Manufacturing Company Bombay as provisional in their Industrial Licence dated 11th September, 1958 it has been stated by Government that in their application for grant

of licence under the Industries Development and Regulation) Act. the firm had proposed a larger capacity but based on the previous production a provisional capacity of 4.200 tonnes per annum was agreed to, subject to re-assessment later by the Development Wing. In reply to a question it has been stated that no other case of provisional capacity in the industrial licence seems to have been granted.

2.61. In reply to a question it has been stated that the factory of M/s. Standard Drum and Barrel Manufacturing Co. was inspected on 31st August, 1954 and their capacity was fixed at 3.200 tonnes per annum on "time and motion" study. At that time, the firm were not licensed/registered under the Industries (Development and Regulation) Act, as they had been employed less than 50 workers.

Asked about the reasons for the delay of about 3 years in assessing the capacity of M/s. Standard Drum and Barrel Manufacturing Company after the issue of a licence of provisional capacity to the firm in 1958, it has been stated in a written note that "The factory of M/s. Standard Drum and Barrel Manufacturing Company was inspected for re-assessment purpose in 1961 in accordance with the decision taken at the inter-Ministerial meeting held on 25th October, 1961 in which representatives of the Department of Iron & Steel, Ministry of Commerce & Industry, and the Department of Mines & Fuel were present. Secretary, Department of Iron & Steel felt that the case of M/s. Standard Drum and Barrel Manufacturing Co. who had entered into an agreement with M/s. Standard Vacuum might be distinguished from the other cases of issue of quotas to Government Department as users and that there appeared to be justification for adjusting the SPI Quota of this company suitably. It was noted that they had an authorised capacity for small containers, lube oil barrels and bitumen drums. It was agreed that to the extent the existing plant for small containers and lube oil barrels could not be utilised for bitumen drum fabrication, this fabricator would be entitled to an SPI Quota of its recognised capacity. In any case it was thought quota would have to be continued for the small containers fabricated at the Sewri Plant. It was decided further that the Development Wing should examine the factual position regarding the Trombay Plant of this fabricator and inform the Ministry regarding the capacity for lube oil barrels for fabrication which could justifiably be considered as distinct from bitumen fabrication capacity."

2.62. During evidence the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs admitted that "I agree that where a provisional licence is given, re-assessment or the correct assessment ought to have been made much quicker."

2.63. In a written note the Committee have been informed by Government that "the capacity of the firm was assessed in 1961 at 6.100 tons per annum and again reassessed at 14.538 tons per annum after time and motion study of their plant and machinery. As regards variations, the capacity of 14,538 tons represents the actual manufacturing capacity, taking all relevant factors into consideration, such as state of the factory, the matters of management, improvements, modernization and balancing additions to the plant and machinery, benefit which was given to all the other units, whose capacities were assessed during the later period. The increase in capacity was observed to have resulted because of the balancing of the bottleneck in some operations for which the firm had installed a few locally available machinery and one imported machine for which they had been granted import licence." Details of such machinery are given at Appendix—X.

2.64. In regard to import of machines, the officer of the D.G.T.D. in his inspection report dated 27th August, 1964, has stated that the firm have imported one semi-automatic body former and welder which is installed by them recently. The above welding machine was imported against an import licence granted by Tools Directorate at c.i.f. value of Rs. 2,43,000 supplied by the manufacturers, M/s. National Electrical Welding Machines Co., U.S.A.

2.65. The Committee have been informed by Government that at the time of the 1965 inspection by D.G.T.D., M/s. Standard Drum and Barrel Manufacturing Co. Bombay declared to have added the following machines since 1964:—

(i) Shearing Machine	1 No.
(ii) Drum welding equipment	1 No.
(iii) Circle Cutting Machine	1 No.
(iv) Head Press	1 No.

2.66. It has been stated that the machines at (i) to (iii) above were already taken into account at the time of inspection of their factory in 1964. The only addition after the inspection is the Head Press at (iv) above for replacement of the old machines. It has further been stated that the increase in the capacity of M/s. Standard Drums between 1964 and 1965 assessments is around 30 per cent. This, it has been explained in the report of the Industrial Adviser, is mainly due to replacement of old Head Press by a new one imported by the firm against a Kipping Loan Licence.



2.67. Asked whether the re-assessed capacity 14,538 tonnes of M/s. Standard Drum and Barrel Manufacturing Co. has been included in the industrial licence of this firm, it has been stated that the re-assessed capacities of 14,538 tonnes per annum is on the basis of single shift operation which has been accepted by the Government for the purpose of raw material allocation, after discussion and consideration at the Inter-ministerial meeting held on the 19th June, 1964. This capacity has not yet been endorsed on the industrial licence for the following reasons. "Earlier the idea had been in the direction of re-assessing the capacities on the basis of maximum utilisation of plant and machinery, in accordance with the instructions issued in August, 1963, by the Government that an attempt should be made to the extent possible to express the capacities in industrial licences on a uniform basis, without reference to the shift working. This would have to be done after consideration at Inter-Ministerial meetings as well as in the Licensing Committee. So far as the case of M/s. Standard Drum and Barrel Manufacturing Co. is concerned, the assessment of 1964 was only with reference to single shift and therefore this was accepted along with other cases of single shift assessment in this industry, for the purpose of raw material allocation. Question of expressing the licensed capacity suitably would arise only when a review is made on the basis of maximum utilisation in respect of all the units."

2.68. The important developments in regard to this firm, as revealed from the foregoing paragraphs are as follows:—

- (i) In August, 1954, the firm's capacity was fixed at 3,200 tonnes per annum on time and motion study. In August, 1955, the firm represented for increasing their capacity to 4,800 tonnes per annum, but their request was rejected.
- (ii) In 1958, the firm applied for a carrying on business licence for a capacity of 5,400 tonnes per annum, but as it was very much more than their past production till then, they were granted a carrying on business licence in September, 1958 for manufacture of barrels, drums and containers for a provisional capacity of 4,200 tonnes (3,700 tonnes for the manufacture of 40/45 gallon barrels and the rest for small drums). This capacity was subject to re-assessment later by D.G.T.D.
- (iii) In July, 1959 the firm shifted their plant from Sewri to Trombay for which approval was sought by the firm and granted by Government.

- (iv) In November, 1961, the capacity of oil barrel plant of the firm was re-assessed by D.G.T.D. on time and motion study, at 6,100 tonnes per annum on single shift basis.
- (v) In August, 1964, the factory of this firm was inspected by the D.G.T.D. and the capacity of the oil barrel plant was re-assessed at 14,538 tonnes per annum of single shift basis.
- (vi) The factory was again inspected in 1965 and the re-assessed capacity of the plant was indicated in the report of the officers of D.G.T.D. as 17,900 tonnes per annum.
- (vii) The licensed capacity of the firm has not been amended to indicate the capacities re-assessed in 1961, 1964 and 1965. Raw material is, however, being allocated on *pro-rata* basis of the capacity of 14,538 tonnes re-assessed in 1964. The re-assessed capacity of 17,900 tonnes indicated in the 1965 Inspection Report has not been accepted for purposes of raw material allocation.
- (viii) The firm installed indigenous and imported machines after 1961.

2.69. The Committee note that M/s. Standard Drum and Barrel Manufacturing Company, Bombay was granted a licence for a provisional capacity of 4,200 tonnes per annum out of which 3,700 tonnes per annum was recognised for the manufacture of 40/45 gallon oil barrels. This provisional capacity which was subject to re-assessment, was re-assessed in 1961 at 6,100 tonnes per annum. i.e. after a lapse of 3 years, during which time this industry had been placed on the banned list. Again the capacity of the firm was re-assessed in 1964 along with that of other barrel manufacturers, and was found to have increased to 14,538 tonnes. At the re-assessment of capacities in 1965, the capacity of the firm was found to have further increased to 17,900 tonnes. Thus during the period from 1958 to 1965 the capacity of the firm for oil barrel manufacture increased from 3,700 tonnes to 17,900 tonnes i.e. an increase of about 480 per cent. All this happened when the industry was on the banned list and no new capacity or expansion of the old capacity could be permitted. According to the reports of the Inspecting Officers, the firm had installed both indigenous and imported machines in replacement of old machines as well as for balancing purposes.

2.70. The Committee are unhappy at the grant of licence for a provisional capacity to this firm in 1958 when its capacity was based on its past performance. The Committee has been informed that

this is the only case where provisional capacity has been granted. Further the capacity of the firm had been assessed in 1954 at 3,200 tonnes only after a Time and Motion Study. Even if the provisional capacity had been granted, the same should have normally been finalised soon after 1958 but not after three years i.e. 1961 when this industry had been placed on the banned list. The Committee are unable to understand how the capacity of this firm was found to have increased so much after each assessment when every time the assessment was made on a Time and Motion Study.

2.71. The Committee feel that this abnormal expansion of capacity by the firm is in contravention of the provisions of the Industries (Development and Regulation) Act 1951, and therefore attracts the penal provisions of the Act and should be dealt with accordingly.

### III. *M/s. Hind Galvanising and Engineering Company Private Limited Calcutta*

2.72. It has been stated by Government that "originally, M/s. Galvanising Company, Calcutta (1926) had obtained a registration certificate dated 31st May, 1954 for the manufacture of various items including drums with no indication of capacities. When this company closed in 1959, their plants for the manufacture of drums other than 40—45 gallon barrels and hoppers, doors and windows were sold to M/s. Hind Galvanising and Engineering Company Private Limited, Calcutta. This registration certificate was changed from M/s. Indian Galvanising Company to the name of M/s. Hind Galvanising Company *vide* letter dated 1st April, 1959. This latter company were further informed in letter dated 19th December, 1959 that the registration certificate amended in their favour included only manufacture of drums, other than standard steel drums 40—45 gallon for a capacity of 800 tons per quarter.

Although according to the registration certificate they were precluded from the manufacture of 40—45 gallon oil barrels, they represented to the Ministry in July, 1962 that they had the capacity for the manufacture of oil barrels and therefore requested the removal of the ban in the registration certificate with a view to enabling them to manufacture 40—45 standard steel barrels in their factory with the existing plant and machinery. This was examined in consultation with the D.G.T.D. and it was considered that they should not be permitted to manufacture 40—45 gallons (the industry being in the banned list) and further in terms of the registration certificate they were not entitled to manufacture barrels of this size. Meanwhile, the D.G.T.D. had noticed that the company had been producing 40—45 gallon barrels as reported in the S.P. returns submitted

to the D.G.T.D. When an explanation was carried for the firm had stated that they had purchased steel from free sale market and had actually effected supplies of these 40—45 gallon barrels to the Defence Department. In the same context the firm had again pleaded for permission to take up the manufacture of 40—45 gallon barrels. The matter was reported by the D.G.T.D. to the Ministry in March, 1963 *vide* Appendix XI. The Chief Minister of West Bengal had also in his letter dated 11th June, 1963 (Appendix XII) requested favourable consideration of the firm's proposal for the manufacture of 40—45 gallon oil barrels. The matter was placed before the Minister, who desired further examination with particular reference to reported supplies of barrels to the Defence Department. Although the matter was taken up with the D.G.S. & D. to check up about the firm having reportedly supplied to the Defence Department; no reply from that Department, however, was forthcoming.

Meanwhile the Minister of Supplies ordered on 8th October, 1963 (Appendix XIII) that an officer from the D.G.T.D. should be deputed to inspect the factory of M/s. Hind Galvanising and Engineering Company (Private) Limited, Calcutta and report whether the existing plant was suitable to manufacture 40—45 gallon oil barrels or not and also whether any balancing equipment would be required to make it suitable for the manufacture of 40—45 gallon oil barrels. After inspection of the plant, the Ministry was informed by the D.G.T.D. that with the improvisation of the existing machines, it was possible to manufacture oil barrels. It was also recommended that the firm's capacity for small drums which was originally fixed as 3200 tonnes be split up so that the 1,600 tonnes was retained for small drums and the remaining 1,600 tonnes diverted for the manufacture of oil barrels. This was also approved by the Minister of Technical Development. At the time of inspection it was also found that the firm had installed, but not commissioned substantial additional machinery by purchasing from an established importer; it was recommended that the capacity resulting from the installation of additional machinery in the case of this company could be considered for the assessment purpose. The total capacity thus recognised was 6,000 tonnes for oil barrels *i.e.* 40—45 gallon and 1,600 tonnes for small drums. When this recommendation was considered at an inter-Ministerial meeting held on the 19th June, 1964 along with the other cases, it was felt that since the firm had sought permission for setting up capacity in an industry of banned category, the proposal should be further examined after ascertaining the eligibility of the firm for taking an industrial licence and the case be put up for consideration of the Licensing Committee for a decision. (Appendix IV).

In their letter dated 15th July, 1964, the firm, however, intimated that their investment in land, building and machinery amounted to less than Rs. 25 lakhs. The matter was again considered in the Ministry *vide* extracts of notes at Appendix XI. As the drums were in demand by the Defence Ministry and the oil refineries, it was decided that the capacity may be regularised, as the grant of an industrial licence was not involved, assets being less than Rs. 25 lakhs in value. On the basis of this decision, D.G.T.D. indicated acceptance of the capacity of the firm for the manufacture of oil barrels at 6,000 tonnes per annum on single shift.

During 1965 inspection, the assessment of the technical officers revealed the capacity as 8,300 tonnes and 10,260 tonnes respectively based upon the reports of the Development Officer and the Industrial Adviser, respectively. These capacities have, however, not been accepted by the Government for reasons explained earlier."

2.73. In reply to a specific enquiry, the Committee have been informed that in January, 1961 the firm had applied for a licence under the Industries (Development and Regulation) Act for taking up the manufacture of 40/45 gallon steel drums as a new article for a capacity of 12,500 tonnes per annum. This application was rejected.


2.74. In 1963, this firm had applied for the licence to import machinery for the manufacture of 40/45 gallon barrels valued at Rs. 2 lakhs. This application was also rejected.

2.75. In reply to a question it has been stated by Government that "It is a fact that in December, 1963 M/s. Hind Galvanising and Engineering Company had asked for recognition of their 40/45 gallon lube barrels capacity at 1600 tonnes per annum, but in January, 1964 they represented that they had the capacity of 9,000 tonnes per annum for the manufacture of 40/45 gallon lube barrels. The firms capacity was fixed at 6,000 tonnes per annum". When asked why this firm, which had asked for a capacity 1,600 tonnes in December, 1963, had increased their request to 9,000 tonnes capacity in January, 1964, the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated during evidence that "I have no explanation for that."

2.76. Asked whether the registration certificate of this firm has been amended to include the manufacture of lube barrels, it has been stated that the certificate has not been amended. The grant of an industrial licence was not called for either, in view of the fixed assets falling below Rs. 25 lakhs in value. No import of capital

goods was sought as the firm had procured machinery through an established importer.

2.77. In reply to a question it has been stated by Government that the Company Law Administration has confirmed the data furnished by the firm in their letter dated 15th July, 1964 with reference to the value of their fixed assets being below Rs. 25 lakhs as on 30th June, 1963. That Department has also stated that as on 30th June, 1964 the book value of the Company's fixed asset was Rs. 17,96,685.79 only.

2.78. The Committee enquired whether the capacity of M/s. Hind Galvanising and Engineering Company, Calcutta for the manufacture of 40/45 gallons lube barrels for a capacity of 6,000 tonnes per annum was assessed in August, 1964 after a proper "Time and Motion" Study of their Plant. It has been stated in reply that this capacity was fixed after taking into account the plant and machinery possessed by them in comparison with equipment possessed by other barrel manufacturers. No "Time and Motion" Study of their Plant was made. 

2.79. On being asked whether this firm had received 18 gauge steel sheets for the manufacture of 5/10 gallon drums during the years 1962 to 1964 and whether these steel sheets were diverted for the manufacture of 40/45 gallon lube barrels, it has been stated in reply that "Due to shortage of 24 to 26 gauge steel sheets during October, 1963—March, 1964 period, a special quota of 10,000 tonnes of 16 to 20 gauge steel sheets was made available for distribution to the small drum manufacturers who could utilise the same. Along with other manufacturers, M/s. Hind Galvanising was allocated 1,600 tonnes of 16 to 20 gauge steel sheets for this purpose. Since the special quota of thicker gauge sheets could be utilised only by few firms, it was decided to make adjustments for this special allocation against future entitlements of the allottees. Accordingly quota for all units including M/s. Hind Galvanising had been adjusted accordingly to their entitlements for the period 1966-67. M/s. Hind Galvanising had utilised sheets allotted to them for manufacturing 5/10 gallons drums for the production of oil barrels without the prior approval of the Government. After taking full stock of the circumstances, it was decided to condone this irregularity."

2.80. The Committee have been informed by Government that the firm stated in their letter dated 17th June, 1963, that 40/45 gallons barrels had been manufactured and supplied by them to the Defence Department and that the entire steel had been received by them

from M/s. Amin Chand Pyarelal, Importers of Calcutta and from M/s. Ram Krishan Kulwant Rai importers of Calcutta. These were declared as free sale sheets for which no quota certificates were required for acquiring the said sheets imported on barter deal by them.

2.81. In reply to a question it has been stated by the Government that it is a fact that M/s. Hind Galvanising and Engineering Company in their letter of 7th June, 1963 had stated that they had obtained orders from the Defence Ministry for barrels and supplied them. Regarding the verification of the statement of the firm it has been stated by Government that it is strictly not necessary or easily possible to verify the supplies made to the Defence Department. However, an attempt was made to check the facts from the D.G.T.D. but no information was forthcoming. In the meantime the question of recognition of their capacity along with other barrel manufacturers was discussed at the inter-Ministerial meeting and necessary decision were taken.

2.82. In reply to a question the Committee have been informed that the firm had supplied barrels during 1962 to 1964 to the parties as shown below:

1962—M/s. Heatly Cresham Ltd.

M/s. Major Chief Engineers Pvt., Dentok.

M/s. K. K. Haji.

M/s. Bhagwan Son & Co.

M/s. Chief Engineer's Project.

1963—M/s. Chemfor Allied Pr.

M/s. Coal of India.

M/s. Shalimar Tar Products.

M/s. Indian Oil Co.

M/s. Bhagat Oil Mills.

M/s. Officers' Command.

M/s. Potham Joseph & Sons.

M/s. Caltex (India) Ltd.

1964—M/s. Caltex (India) Ltd.

M/s. Chemfor Allied Pr.

M/s. Color Chemical.

M/s. Shalimar Tar.

- M/s. Indian Oil Company.  
 M/s. Assam Oil Co.  
 M/s. Victor Oil Co. (P), Ltd.  
 M/s. Heatly Gresham Ltd.  
 M/s. ESSO Standard.  
 M/s. Chemical Industries.  
 M/s. Hindustan Lever.  
 M/s. ESSO Eimide.

According to the firm, they had procured necessary raw materials against free sale from sheets imported on barter deal.

2.83. It has been stated by Government that as per the licensing provisions of the Industries (Development and Regulation) Act, 1951, permission/licence from the Government is necessary for the manufacture of goods covered by the First Schedule to the Act, provided the case does not attract any exemption provision and is otherwise eligible for the grant of an industrial licence.

2.84. On being asked when the production of 40/45 gallons lube oil barrels was first reported by the firm in their steel processing return, it has been stated that this was done in the month of February, 1962. From the report of the Officer of D.G.T.D. dated 26th November, 1963, who inspected the plant and machinery of this firm, it is noticed that the officer has observed that "they have added following new machinery items which are exclusively meant for the manufacture of 40/45 gallons barrels:—

- (1) Longitudinal welding machine—1.
- (2) Double and seaming machine—1.
- (3) Beader Expander for corrugating drums—1.
- (4) Power Press for Tops & Bottoms—1.
- (5) Flanging Machine—1.

These machinery are stated to have been purchased by them from M/s. Francis Klein and Co. Pvt. Limited after April, 1962."

2.85. It has further been stated by Government that according to the information furnished by M/s. Hind Galvanising and Engineering Company, Calcutta at the time of 1965 inspection, the following machines were added by them:—

- (i) Shearing machine—1 No.



(ii) Air Compressor—1 No.

(iii) Stoving Tunnel—1 No.

It is added that "M/s. Hind Galvanising and Engineering Company did not declare to have added any substantial plant and machinery for production purposes between 1964 and 1965 assessments. It will be recalled that the 1964 assessment of the firm's capacity was not done on any time and motion study but was estimated on the basis of machinery installed with the firm and in comparison with the machinery installed in similar other firms."

2.86. The Committee enquired whether any action was taken against M/s. Hind Galvanising and Engineering Company for contravening the provisions of the Industries (Development and Regulation) Act, 1951, it has been stated in reply that no action was taken against the firm for the violation of the Act and if at all the action was to be taken, it would have to be considered whether action was possible in the circumstances and whether any exemption from taking of licence under the said Act was available to them. The D.G.T.D. had noticed that the firm had started reporting production of 40/45 gallon oil barrels in the production return submitted to the D.G.T.D. from 1962, although the firm was not entitled to manufacture these barrels in terms of the registration certificate held by them. D.G.T.D. made necessary enquiries and also reported the matter to the Ministry in March, 1963. When on verification it was found that with the improvisation of the existing machinery it was possible for the firm to manufacture oil barrels, it was decided subsequently to recognise the oil barrel manufacturing capacity of the firm. The reasons were largely that these barrels were found to be in demand during 1963-64 by the Defence Ministry and the Oil Refineries. It was also pointed out in this connection that no industrial licence was necessary in this case as the value of their fixed assets in land, building and machinery was intimated to be less than Rs. 25 lakhs.

2.87. Explaining the position further it was stated that registration already held by the firm was the registration certificate which was granted under the provisions of the Industries (Development and Regulation) Act. When it was decided to register them for a capacity of 6,000 tonnes for oil barrels, the question of granting the licence under the Industries (Development and Regulation) Act was not involved as their fixed assets were less than Rs. 25 lakhs in value. The registration therefore for the capacity of 6,000 tonnes

on the rolls of the D.G.T.D. was only for the purpose of raw material assistance. The question of amending the registration certificate, (issued under the Act earlier) would not therefore arise. Actually the D.G.T.D. had informed the firm of their capacity of oil barrel manufacture and it was sufficient for the purpose of recognition for being borne on the books of the D.G.T.D. All industrial units who are above the limit of the small scale industry and which do not qualify for grant of industrial licence may be registered with the D.G.T.D. for allocation of raw materials and other assistance.

2.88. To sum up the main points in regard to M/s. Hind Galvanising and Engineering Co., may be briefly stated as follows:—

(i) In 1959, this firm purchased the plant for the manufacture of drums other than 40/45 gallon barrels from M/s. Indian Galvanising Co. Calcutta and the registration certificate was amended in their favour in April, 1959. In December, 1959, this firm was further informed that the registration certificate included only manufacture of drums other than standard drums of 40/45 gallons for a capacity of 800 tonnes per quarter.

(ii) In January, 1961, the firm applied for a licence for the manufacture of oil barrels as a new article which was rejected as manufacture of 40/45 gallon barrels was on the Banned List.

(iii) In February, 1962, the firm reported in their S.P.I. return to the D.G.T.D. that they had been manufacturing 40/45 gallon barrels. The firm's explanation was called and the matter was reported to the Ministry in March, 1963. The firm again pleaded for permission to manufacture oil barrels.

(iv) In July, 1962, the firm represented to the Ministry that they had the capacity for the manufacture of oil barrels and requested permission to enable them to manufacture the same. This request was also not approved.

*In May/June,*

*two letters* (v) ~~In May/June~~, 1963, the Chief Minister of West Bengal wrote ~~two letters~~ to the Minister for favourable consideration of the firm's proposal to manufacture oil barrels. In

*tion of the firm's*

October, 1963, the Minister of Supplies ordered that an officer from D.G.T.D. should be deputed to inspect the factory of the firm and report whether the existing plant was suitable for manufacture of oil barrels or not and whether this could be done by installing any balancing equipment.

- (vi) After inspection of the plant, the D.G.T.D. informed the Ministry that with the improvisation of the existing machines, it was possible for the firm to manufacture oil barrels. It was recommended by the D.G.T.D. that the firm's capacity of 3,200 tonnes for small drums be split up into two-1,600 tonnes for small drums and 1,600 tonnes for oil barrels. This was approved by the Minister of Technical Development.

The Inspection Report of D.G.T.D. had indicated the installation of substantial additional machinery for the manufacture of oil barrels by the firm by purchasing from an established importer. The capacity resulting from the additional machinery was considered for assessment purposes by the D.G.T.D. and the capacity was recommended to be recognised at 6,000 tonnes for oil barrels and 1,600 tonnes for small drums. No time and motion study of the plant was made.

- (vii) In 1963, the firm applied for a licence to import machinery for the manufacture of oil barrels which was rejected.
- (viii) In December, 1963, the firm asked for recognition of oil barrel manufacturing capacity at 1,600 tonnes per annum but in January, 1964, it represented that it had a capacity of 9,000 tonnes per annum.
- (ix) During October, 1963—March, 1964, the firm was given a special quota of 1,600 tonnes of 16 to 20 gauge steel sheets for production of 5/10 gallon drum. but the firm utilised the same for the manufacture of 40/45 gallon oil barrels without prior approval of Government. This irregularity was condoned by Government.
- (x) In June, 1963, the firm claimed to have manufactured and supplied oil barrels to Defence Department which was not corroborated by the representative of the Ministry of Defence. at 19th June,
- (xi) In the inter-Ministerial meeting of 19th June, 1964 when the recommendation of the D.G.T.D. for recognising the  
D.G.T.D. for recognising

capacity of this firm for the manufacture of oil barrels was considered, it was decided to put up the case for the consideration of the Licensing Committee. In July, 1964, the firm intimated that their investment in land, building and machinery was less than Rs. 25 lakhs. It was, therefore, decided by Government that the capacity of the firm may be recognised and that no licence therefor was necessary. D.G.T.D. indicated acceptance of the capacity of the firm for manufacture of oil barrels at 6,000 tonnes per annum on single shift basis.

- (xii) During the 1965 Inspection the capacity of the firm was assessed at 10260 tonnes per annum. This capacity has not yet been recognised by Government.
- (xiii) The registration certificate of the firm has not yet been amended to include manufacture of oil barrels.

2.89. The Committee are perturbed to note that M/s. Hind Galvanising and Engineering Company, which was registered for the manufacture of small drums, has been recognised for the manufacture of oil barrels since 1964 for a capacity of 6,000 tonnes without a time and motion study although this industry has been on the banned list since 1960. The capacity of this firm has been found to have increased from 6000 tonnes in 1964 to 10260 tonnes during the assessment of 1965 i.e. by about 70 per cent during one year. It is also significant to note that although in December, 1963, this firm applied for a capacity of 1600 tonnes for the manufacture of oil barrels but in January, 1964, it requested for a capacity of 9,000 tonnes. The Committee note that this firm tried for a licence for the manufacture of oil barrels in 1961 and for the import of machinery for the same purpose in 1963. Having failed in its attempt to secure the necessary licences from the Government to set up the oil barrel plant, the firm appears to have gone ahead with the setting up of such a plant by installing substantial additional machinery for the manufacture of oil barrels by purchasing the same from an established importer and by producing oil barrels in February, 1962 and supplying the same to various customers.

2.90. The Committee are, however, concerned that the Government should have inspected the factory of this firm to assess their capacity for the manufacture of oil barrels in 1963 and recognised the same in 1964 under the plea that the assets of the firm were less than Rs. 25 lakhs. The Committee feel that the setting up of an industry, in the medium sector, which is on the banned list in the

large scale sector, amounts to circumventing the Industries (Development and Regulation) Act, 1951 and the Rules made thereunder and does not appear to be permissible. In the opinion of the Committee, this firm has contravened the provisions of the Industries (Development and Regulation) Act, 1951 and has committed the following irregularities:—

- (i) it installed additional machinery for the manufacture of oil barrels by purchasing the same from established importers without prior approval of Government.
- (ii) it started manufacture of oil barrels—a new article without prior approval of Government in 1962.
- (iii) it utilised the quota of 16 to 25 gauge steel sheets given to it in 1963-64 for the manufacture of oil barrels instead of small drums without Government's approval.
- (iv) it claimed to have supplied oil barrels to Defence Department which was not corroborated by Defence authorities.
- (v) It increased its capacity for the manufacture of oil barrels by about 70 per cent between 1964 and 1965 without Government's approval.

2.91. The Committee feel that the above irregularities of this firm would attract the penal provisions of the Industries (Development and Regulation) Act, 1951, and recommend that action may be taken accordingly.

#### IV. *M/s. Industrial Containers Ltd., Calcutta.*

2.92. It has been stated by Government that this firm was licensed on 3rd March, 1959 for the manufacture of 6,000 tonnes per annum of steel drums and as per the assessment of capacity during 1963-64, their capacity for the manufacture of oil barrels was fixed at 7,900 tonnes per annum on single shift. The capacity of this factory on the basis of 1965 inspection was 11,000 tonnes on single shift. This latter capacity has, however, not been accepted by the Government.

#### V. *M/s. Steel Containers Ltd., Bombay.*

2.93. This firm was granted an industrial licence on 18th March, 1959 for the manufacture of 5,860 tonnes of standard steel drums per annum on single shift. As a result of assessment during 1963-64, their capacity for the manufacture of oil barrels was fixed at 8,300 tonnes per annum on single shift. On the basis of 1965 inspection the capacity on single shift worked out to 8,300 tonnes per annum as per the Development Officer's report and 9,450 tonnes as per the

Industrial Adviser's report, the two assessments having been made on 21st July, 1965 and 4th September, 1965 respectively. These capacities have not, however, been accepted by the Government.

2.94. The Committee have been informed that according to the information furnished by M/s. Industrial Containers, Calcutta at the time of the 1965 Inspection, they had added the following machinery:—

(i) Double sided double ended edge grinder	..	1 No. Local manufacture.
(ii) Drum revolver with 3 gas burners	..	1 No.
(iii) Air tunnel powered by high speed propeller fan	..	1 No.
(iv) 10 KVA spot welder	..	1 No.

2.95. The firm had further declared that one additional electronically controlled body seam welding machine, one corrugating machine and one double ended double seaming machines were being procured by them against the licences issued under First and Second Kipping Loans during 1964 and 1965 respectively for balancing etc. They had stated that with the installation of these additional equipment and modification of painting booth and infrared oven, the overall output of the plant would increase.

2.96. It has further been stated by Government that "in the case of M/s. Industrial Containers, Calcutta, the increase in capacity noticed between the two assessments is about 35 per cent. This increase, although no major production equipment was added by them as will be seen from the particulars mentioned above, might have resulted due to changeover from manual to pneumatic operations, automisation of some of the machines already installed, improved performance by labour through better material handling system and elimination of stoppages and breakages, better planning and periodic maintenance. It will be noted that the firm had been given some licences against the Kipping Loans for import of some of the machinery for replacement and balancing purposes; which when installed are expected to increase their capacity by about 20 per cent over their 1964 Assessment".

2.97. As regards M/s. Steel Containers Limited Bombay it has been stated by Government that they declared no additions to their plant and machinery since 1964. Increase in the capacity of M/s. Steel Containers, Bombay is only marginal, being of the order of about 10—12 per cent and might have been achieved due to the reasons stated above as in the case of M/s. Indian Containers Ltd. Calcutta and others.

2.98. The Committee note that the capacity of M/s. Industrial Containers, Calcutta which was licensed for 6,000 tonnes in 1959, was assessed at 7,900 tonnes in 1964 and at 11,000 tonnes in 1965 i.e. an overall increase of over 60 per cent over their licensed capacity. The increase in the capacity of both these firms obviously amounts to substantial expansion which appears to have been effected without prior approval of Government. These cases would therefore also appear to attract the penal provisions of the Industries (Development and Regulation) Act, 1951.

#### G. Allocation of raw material to the Barrel Fabricators

2.99. As has already been stated, oil barrels of 40/45 gallon capacity are manufactured out of 18 G steel sheets. These sheets are produced indigenously by the Rourkela Plant of the Hindustan Steel Limited and by the Indian Iron and Steel Company. These steel sheets are generally in short supply and are allocated to the barrel fabricators by the D.G.T.D. from S.P.I. Quota.

2.100. It has been stated by Government that "allocation of raw material to the barrel industry, which is a steel consuming industry, has all along been made on the basis of assessed capacity and not licensed capacity. As a matter of fact, allocation of steel ex-S.P.I. Quota to the steel processing industry was being made on the basis of assessed capacity (steel consumption capacity) since the introduction of the steel control in 1946-47. Although the concept of the licensed capacity came into vogue only after the coming into force of the Industries (Development and Regulation) Act, 1951, the assessed capacities, namely the steel consumption capacity continued to be the basis for allocation of raw material. "It has been further stated that the assessed capacity are worked out on the basis of capacity actually installed, production performance, as well as the efficiency of the machines, the method of management etc. The licensed capacity indicated in the licence is no doubt the capacity granted to them under the Industries (Development and Regulation) Act, 1951 but the allocation of raw material would still be

guided by the extent to which the party in question is able to establish the capacity after the installation of equipment etc. In terms of the Rules framed under the Industries (Development and Regulation) Act, the units registered or licensed, are eligible for assistance from the Central Government in the form of scarce raw material etc. In the normal course such assistance would have to be related to the licensed capacity if such a capacity has actually been established by the party. However, in the case of steel consuming units, which have been in existence long before the coming into force of the Industries (Development and Regulation) Act, the basis was the assessed capacity and the same had to continue even after licensed capacity came in for the purpose of raw material allocation.

2.101. As far as the barrel industry is concerned allocation of steel sheets has always been made on the basis of single shift assessed capacity without reference to licensed capacity.

2.102. Asked whether there are any other industries in which raw material is being allocated on the basis of assessed capacities, it has been stated in reply that "except for the steel processing industry in which assessed capacity has been accepted as the basis for raw material allocation, the pattern of assistance in the case of others has been of a varying nature as assistance in the form of raw material imported or indigenous is very often based on the production achieved by the units in question, availability of foreign exchange, capacity installed by the units, etc."

2.103. A statement indicating the licensed capacity and assessed capacity of each firm manufacturing 40/45 gallon barrels and allotment of 18 G. steel sheets to them since 1960-61 is given at Appendix XIV.

2.104. It will be seen from the statement that allocation of steel sheets ex-S.P.I. Quota between the years, 1960-61 to 1963-64, as percentage of assessed capacity, ranged between 68.6 per cent to about 100 per cent. It declined thereafter and was about 13 per cent. in 1966-67. During evidence it has been stated that the "allocations are smaller than assessed capacity because the availability of steel was less than the capacity that was there." It has further been stated by the Ministry in a written note that the allocation of steel sheets has been made to all the fabricators on the basis of single shift assessed capacity without reference to licensed capacity on pro-rata basis. In the case of fabricators, except M/s. Bharat Barrel and Drum Manufacturing Company, the assessed capacities and licensed capacities were more or less the same till 1963-64, that is, prior to reassessment. But in the case of M/s. Bharat Barrel and Drum Company, the assess-



ed capacity was only 18,000 tonnes per annum for steel allocation, whereas the licensed capacity was indicated as 27,000 tonnes per annum. In 1959-60 when this firm received import licence for plant and equipment to replace and modernise their Bombay factory and also obtain expansion licence dated the 20th July, 1960 as amended on the 5th June, 1961, it was stipulated by the Government and accepted by the firm that existing S.P.I. capacity in tons would not be altered.

2.105. Asked to what extent the requirements of the oil companies in respect of lube barrels have been met since 1960-61, it has been stated in reply that according to the Ministry of Petroleum and Chemicals, the requirements of the oil industry were being reasonably met in full up to 1963. Thereafter according to them the position has deteriorated and only 60 to 70 per cent of the full requirements of the new barrels had been met every year. Asked further as to whether the requirements of oil companies in respect of lube barrels are assessed and taken into account at the time of allotment of 18 G. sheets to the fabricators, it has been stated that the requirements of oil companies in respect of lube barrels were not being assessed and taken into account at the time of allotment of 18 G. steel sheets out of the S.P.I. Quota to barrel fabricators because this quota has all along been allotted according to the assessed capacities of the fabricators on a single shift basis—available steel being distributed pro-rata to the assessed capacities.

2.106. While inviting memorandum from the Oil Companies the Committee enquired whether they found the existing arrangements in regard to the supply of oil barrels satisfactory. The views of the Oil Companies in this matter as expressed in their respective memorandum are given below:

#### A. Oil Companies

##### I. Indian Oil Corporation Limited

2.107. The Committee have been informed that "Indian Oil Corporation's actual purchase of new barrels vis-a-vis its requirement from 1965 to 1967 are shown below:

##### 18 Gauge Barrels

Year	Approximate requirement of new barrels	Purchase of new barrels	Actual percentage of availability to requirements
1965	2,50,000	2,00,980	80%
1966	3,75,000	2,21,8000	59%
1967	6,00,000	3,86,263	64.5%

The source of supply of new barrels has been the following fabricators:

- (1) M/s. Industrial Containers Ltd.
- (2) M/s. Steel Containers Ltd.
- (3) M/s. Standard Drum & Barrel Mfg. Co.
- (4) M/s. Bharat Barrel & Drum Mfg. Co.
- (5) M/s. Petroleum Barrels Pvt. Ltd.
- (6) M/s. Hind Galvanising Co. Pvt. Ltd.
- (7) M/s. Ordnance Factory, Bhusawal.

Difficulties have been experienced in getting supplies even to the extent of contracted quantities. This difficulty has arisen owing to a general short availability of 18 gauge steel, with the supply position sometimes becoming acute. . . . . For barrels, however, even though the oil companies require the substantial bulk of the manufactured barrels, they do not have any say in the matter of allocation of raw material. The existing arrangements for fabrication of barrels, are therefore, unsatisfactory."

## II. Caltex (India) Limited

2.108. The Committee have been informed that "Our annual requirements of 18 Gauge Lube Oil/Grease Drums have been as under:—

1963	..	2,61,400
1964		2,72,200
1965		2,58,900
1966		2,59,800
1967	..	2,59,800

We have been obtaining our requirements of 18 Gauge barrels through the following suppliers, ex Bombay/Calcutta:

- (1) M/s. Bharat Barrel & Drum Mfg. Co., Bombay.
- (2) M/s. Standard Drum & Barrel Mfg. Co., Bombay.
- (3) M/s. Steel Containers Ltd., Bombay.
- (4) M/s. Bharat Barrel & Drum Mfg. Co., Calcutta.
- (5) M/s. Hind Galvanising & Engineering Co., Calcutta.
- (6) M/s. Industrial Containers, Calcutta.

Against our Annual requirements stated above, we were able to obtain only 50 to 60 per cent from the various drum fabricators on whom we placed orders from time to time. Balance was made up by using second-hand drums purchased in the open market/and by bulk transfer when second-hand drums were not available. Use of second-hand drums was resorted to at the risk of loss of product through leakage, dissatisfaction from customers, and paying a very heavy price for the second-hand drums which, at times, was almost equivalent to the price of new drums. When it was not possible to procure enough second-hand drums lube oil was despatched from Bombay and Calcutta in tank wagons and tank-lorries etc. to far off places like Madras, Delhi Cochin etc. then "packaging" same in second-hand barrels procured locally at the destination points. Second-hand drums were also procured from all over the country like Cochin, Madras and Delhi and shipped to Bombay or Calcutta, where they were reconditioned and used for filling lube oil. This process had invariably resulted in our incurring expenditure more than the cost of new drums. These second-hand drums also proved to be unsatisfactory since these drums reached destinations in leaky condition resulting in loss of product and consequent loss of valuable foreign exchange..... Since 18 gauge steel is always in short supply, we have been reluctantly compelled to agree to whatever price each fabricator demanded. In Bombay, one fabricator viz. M/s. Bharat Barrel & Drum Manufacturing Co. Pvt. Ltd. has been charging a higher price compared to other fabricators, although the quality of the drum is the same as that of other fabricators. As this fabricator obtains almost 50 per cent of the steel allotted, we have been compelled to accept drums from them even at the higher price.

Before decontrol of steel, we were getting details from fabricators on the quantity of steel received by them and the barrels they manufactured for the oil companies out of this quantity..... However, after decontrol of steel, we are getting no information from most of the barrel fabricators who feel they are not obliged to give this information. If the present method of allotting steel direct to fabricators has to be continued, it should be made obligatory on them to furnish the information to Steel Ministry of P. & C. Ministry regarding the utilisation of steel in order to ensure that steel allotted is utilised for the purpose for which the allotment is made."

### III.—*ESSO Standard Eastern, Inc.*

2.109. The Committee have been informed that "For several years now, the Oil Industry has suffered from short supply of lube barrels. Shipments of steel by Hindustan Steel Ltd., and Indian Iron and

Steel Company have never been regular and in the required or promised quantities. Barrel fabricators, who are the quota holders, find themselves helpless in dealing with the Steel Mills or with the Government Agencies involved and it, therefore, frequently becomes necessary for the Oil Companies (even though they are not quota holders) to step in and request the Petroleum and Chemicals Ministry to intervene. It frequently becomes necessary for members of the Oil Industry to lead deputations to the Petroleum and Chemicals Ministry, Iron and Steel Ministry, D.K.T.D., Iron and Steel Controller, Joint Plant Committee and the Steel Mills, whenever crises in steel supplies develop. The current situation is that the steel supply position has deteriorated and barrel industry and consequently the Oil Industry are always in a state of continuing crisis. Since steel has always been in short supply, unscrupulous fabricators have occasionally taken advantage of critical situations and it is reported that some portion of the steel intended for the Oil Industry has either been sold in the open market or converted into barrels and sold at exorbitant prices to consumers other than the Oil Industry. The sponsoring authority for the fabricators is the D.G.T.D. but it is apparent that this authority has not been able to exercise any control on the effective utilisation and accountability of the steel supplied to the fabricators for exclusive use for barrels for the Oil Industry. Since decontrol of steel in 1967 the barrel fabricators have stopped submitting returns of steel receipts/utilisation to the Oil Industry with the result that the Oil Companies have since remained completely in the dark with regard to the flow of steel and its utilisation. Because steel is always in short supply, fabricators are in a position to dictate terms and the benefit of competition among the fabricators is therefore lost."

#### IV.—*Burmah Shell*

2.110. The Committee have been informed that "Our annual consumption of 18 Gauge Oil Barrels since 1963 has been approximately as under:

1963—	6,31,100
1964—	7,26,500
1965—	6,52,200
1966—	5,39,400
1967—	5,44,900.

During these years we have been obtaining the bulk of our local requirements of 18 Gauge barrels from the following sources:

- (1) M/s. Steel Containers Ltd., Bombay.

- (2) M/s. Bharat Barrel & Mfg. Co., Bombay.
- (3) M/s. Standard Drum & Barrel Mfg. Co., Bombay.
- (4) M/s. Hind Galvanising & Engineering Co., Calcutta.
- (5) M/s. Industrial Containers, Calcutta.
- (6) M/s. Bharat Barrel & Drum Mfg. Co., Calcutta.

We have experienced constant difficulty in procuring our full requirements of barrels at reasonable prices. Occasion have been many when we have had to restrict lubricant supplies in barrels due to limited availability of empty drums. With the hope ensuring regular uninterrupted supplies, in 1965, we entered into a long-term contract with one of the barrel fabricators M/s. Bharat Barrel & Drum Mfg. Co., Bombay for the supply of a part of our requirements upto a minimum of 3 lakh barrels per annum during the years 1966—70. Despite this agreement the supplier has delivered to us only 1,95,500 barrels in 1966 against our indent for 3,37,700. In 1967, the receipts were 1,64,200 against an indent for 4,99,500. The actual consumption figures quoted above represent about 60-70 per cent of our full requirements. We endeavoured to make up the shortfall by resorting to the use of second-hand drums and bulk despatches of lubricants in rail wagons and road lorries. Both these expedients have their limitations; we have found it difficult to obtain in adequate quantities sound second-hand barrels of acceptable quality, notwithstanding the high prices we are required to pay. Bulk despatches have also been found to be not wholly satisfactory as they involve operational difficulties at the receiving end and it is difficult to exercise strict checks/safeguards on product quality/contamination.... With the availability continually falling short of demand it has been a 'seller's market' for barrels throughout this period and we have found it virtually impossible to negotiate prices with the fabricators in a normal commercial manner. We have been reluctantly compelled to accept whatever price each fabricator chose to charge from time to time depending upon the urgency of our need and the quantities we could offer. We have over the years helplessly watched the steady upward spiralling of prices from about Rs. 37 in 1963 to about Rs. 55 per barrel today, an increase of almost 47 per cent in 5 years.... The existing arrangements for the supply of drum steel and barrels are far from satisfactory."

As regards the system of allocation of raw material *i.e.* 18 G sheet for manufacture of 40|45 gallon oil barrels the fabricators have in their memorandum stated as follows:—

#### **B. Barrel Fabricators**

##### *I. M/s. Bharat Barrel and Drum Manufacturing Company*

2.111. The Committee have been informed that "Originally the

licensed capacities of the various fabricators for manufacture of 40/45 gallon lube barrels were as under which still continue:

Name of the Fabricator	Licensed Capacity	Remarks
Bharat Barrel & Drum Mfg. Co., Bombay.	27,000 tonnes on the basis of one shift.	Prior to 1964-65 allocations were made on the basis of 18,000 Tonnes only i.e., 66-2/3% of the licensed capacity.
Steel Containers Ltd., Bombay	5,860 Tonnes on the basis of one shift.	Prior to 1964-65 allocations were made on the basis of 100% of the licensed capacity.
Industrial Containers Ltd., Calcutta.	6,000 Tonnes on the basis of one shift.	Do.
Standard Drum & Barrel Mfg. Co., Bombay.	3,700 Tonnes on the basis of one shift.	Do.
Assam Oil Co., Digboi	3,080 Tonnes on the basis of one shift.	Do.

No allotment of steel sheets prior to 1964-65 was made to us for our Calcutta Factory.

It would be evident from the above statement that though other fabricators received allocations on the basis of 100 per cent of their licensed capacities we received allocations only on the basis of 66-2/3 per cent of licensed capacity at Bombay and we were given to understand that the same was because of the *shortage of steel sheets.*"

## II. M/s. Hind Galvanising & Engineering Company

2.112. The Committee have been informed that "The acute shortage of drum steel is the main problem of the Industry. Since it is the major raw material for drums, it should only be allocated to fabricators and not to Oil Companies..... In this way the Oil Companies would not have an undesirable control over the fabricators... We also feel that our normal industrial growth is badly retarded because of the almost monopolistic percentage of recognised capa-

city held by one of the fabricators, against which they receive proportionate quantities of the meagre steel available to the Industry. Since all the fabricators have excessive idle capacity a levelling-off of their recognised capacities, for the purpose of steel supplies, should now be considered so that, with the resultant parity of steel supplies, each Fabricator would have an opportunity of conducting his business on merit and goodwill instead of on a rationing system based on an inflexible *pro rata* share of steel."

### III. *Standard Drum & Barrel Manufacturing Company.*

2.113. The Committee have been informed that "As 18 gauge steel is extremely in short supply we are in consequence put to unmerited hardship. We have not created additional capacity nor have we got benefit of any 're-assessment', the first assessment of our capacity promised in 1958 was made in 1964, i.e., after a lapse of six years causing heavy financial losses to us due to inadequate quotas of raw material on the basis of the very low provisionally fixed capacity of 1958."

2.114. It has been suggested to the Committee by the oil companies that allocation of steel sheets be made directly in the name of oil companies instead of to the barrel fabricators so that the oil companies can in turn offer required quantities of steel to the fabricators, fixing fabricating charges. In this connection the Committee enquired whether steel sheets for the manufacture of the bitumen drums are allocated to the consumer oil companies and if so, what were the reasons therefor. It has been stated in reply that steel sheets for the manufacture of bitumen drums are allotted to the oil companies, as these drums have no other use except for packing bitumen as and when refinery starts producing this product. This present practice of giving sheets to oil industry is followed as this also ensures utilisation of scarce item for the purpose for which it is intended. The Committee have been informed that no complaint has been received regarding misuse of raw material by the oil companies.

2.115. Asked as to when the policy regarding supplying steel sheets for manufacturing bitumen drums to the oil companies was first decided by Government, it has been stated that "in the year 1955 M/s. Burmah Shell Refineries started manufacturing bitumen with the Bitumen Drum Plant of their own. The requirement of bitumen drum sheets by the refineries was being sponsored by the administrative Ministry of this Industry which is now the Ministry of Petroleum and Chemicals. M/s. ESSO Refinery in 1959 entered into a contract with M/s. Standard Drum and Barrel Manufacturing

Co., Bombay for getting their bitumen drum fabricated by locating the drum plant near the premises of their Refinery when they were allowed to produce bitumen. The bitumen drum sheet requirement was being arranged by the administrative Ministry of the oil industry for the Refinery. This practice is being followed since then."

2.116. The Committee enquired whether the suggestion of the oil companies for allocation of steel sheets direct to the oil Companies was considered by Government. It was stated by the representative of the Ministry of Petroleum & Chemicals during evidence that "in the year 1966 when the joint industries came to us and we took up the matter with the Ministry of Industry and in association with the D.G.T.D., a decision was taken, I think, in 1967, that for a period of one year on trial basis, steel will be allocated to the Oil industry, i.e. oil companies and they in turn will allocate those to the fabricators of their choice. As soon as this was done, the Bharat Barrel Co. filed a writ petition in the Delhi High Court and the case has been still *sub judice*..... We are now under an injunction not to distribute the steel as per the decision taken in the inter-Ministerial meeting last year."

It was further stated by the witness that oil companies did feel that giving the steel to the fabricators alone literally meant an increase in the price of drums. This is why, this decision was taken at an inter-Ministerial meeting held in 1966 between the Ministry of Industrial Development, Internal Trade & Company Affairs, the Ministry of Petroleum & Chemicals and the Department of Iron & Steel.

2.117. In this connection the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs further stated during evidence that "whether scarce material should be allotted to actual user or allotted to fabricator of that material is a difficult question. It is not easy to take a very clear-cut decision on this. If you allot to actual user, actual user becomes in a commanding position and he will perhaps dictate to whom he will give his order and what sort of prices these fellows must pay. On the other hand if you give it to fabricator then the actual user is at the mercy of the fabricator. This is not an easy matter to decide. In the case of loose barrels we take the view that it will be advantageous to give it to the actual user."

2.118. The Committee enquired whether any control over the price of lube barrels supplied by the fabricators to the oil companies was exercise by Government. The Secretary, Ministry of Indus-



trial Development, Internal Trade and Company Affairs stated during evidence that "there is no Government control." In reply to another question it was added that in the production returns the fabricators are not required to specify the names of the customers.

2.119. The Committee note that ever since the introduction of steel control in 1946-67, allocation of steel sheets ex-S.P.I. quota is being made to the barrel fabricators on the basis of assessed capacity. This practice is stated to have been followed in the steel processing industry only. The Committee consider that after the application of the Industries (Development and Regulation) Act, 1951, to the drum and barrel industry, allocation of raw material to this industry should have been made on the basis of assessed capacity, subject to a maximum admissible on the licensed capacity of the units. In the opinion of the Committee, the allocation of steel sheets on the basis of assessed capacity which is more than the licensed capacity in this industry, has been mainly responsible for irregular expansion of capacities by the various barrel fabricators. The Committee recommend that immediate steps should be taken to limit the allocation of raw material in this industry upto the licensed capacities of the units. The Committee feel that this will have a salutary effect on the barrel fabricators not to indulge in mal-practices.

2.120. The Committee note that the oil barrel requirements of oil companies, who are their main users, are met to the extent of about 60 per cent due to the shortage of steel sheets in the country. The balance of requirements are stated to be met by the oil companies by using second-hand drums which, apart from payment of higher prices, results in loss of products through leakage, dissatisfaction of customers, etc. The shortage of steel sheets has also resulted in the charging of high prices for oil barrels by the fabricators from the oil companies. The Committee in para 4.4 of their Eighty-sixth Report on the Ministry of Petroleum and Chemicals—Purchase of oil barrels by I.O.C. during 1966 against Tender No. OP/TEN-7/65, have already commented on the existence of unutilised capacity in the Hindustan Steel Limited on the one hand and shortage of steel sheets in the country on the other and have recommended the need to step up the production of steel sheets in the country.

The Committee further recommend that till the shortage of steel sheets continues, the question of allocation of steel sheets to the oil companies vis-a-vis the barrel fabricators, may be reconsidered by Government in all its aspect and in consultation with the Ministry of Law in view of the pending Court case in this regard. In this connection the point to be considered is that the oil barrels are mainly required by the oil companies and have a vital bearing on

the working of their plants. Thus whatever arrangement is finally decided upon by the Government in this regard, should be such as would ensure that the barrels are supplied by the fabricators to the oil companies on reasonable rates, in required quantities and in time so as to ensure uninterrupted supplies to the ultimate users of lube oil.

2.121. The Committee are unhappy to note that the Ministry of Industrial Development and Company Affairs have not thought of exercising any control over the price of lube barrels supplied by fabricators to the oil companies which has resulted in great hardship to the oil companies. They feel that if scarce raw material is allocated to the fabricators by D.G.T.D. and is supplied to them, at the prescribed rates by the steel companies, there should be a corresponding obligation on them to supply their products to the oil companies on reasonable rates. The Committee suggest that the Ministry of Industrial Development and Company Affairs may consider this matter and take an early decision.

2.122. The Committee note that after the decontrol of steel, the barrel fabricators are not furnishing the oil companies information regarding the quantity of steel sheets received by them and the oil barrels manufactured for the oil companies out of this quantity. They have been informed that in the production returns, submitted by the oil fabricators to the D.G.T.D., the fabricators are not required to specify the names of customers to whom the barrels are supplied by them. The Committee feel that since the steel sheets are scarce items and are allocated to the oil fabricators for supplying barrels to the oil industry who are their main consumers, it should be made obligatory on the fabricators to indicate in their production returns, the quantity of steel sheets received by them, the number of oil barrels produced, the names of customers to whom the oil barrels have been sold so as to ensure that the steel sheets have been utilised by the fabricators for the purpose for which the allocations had been made. The Oil Companies should simultaneously be required to furnish information regarding the oil barrels received by them from the fabricators so as to verify the correctness of the information furnished by the fabricators. The Committee would like the D.G.T.D. to critically scrutinise the returns before allocating steel sheets for the rest quarter.

### CHAPTER III

#### SETTING UP OF A DRUM AND BARREL MANUFACTURING UNIT IN THE SMALL SCALE SECTOR AT VISAKHAPATNAM

3.1. In his letter of 29th February, 1968, Shri Madhu Limaye, M.P. has stated that new capacity has been created in the Drum and Barrel Industry at Visakhapatnam and that the unit belongs to M/s. Hind Galvanising and Engineering Co. (Pvt.) Ltd., Calcutta. The Committee enquired whether any new unit for the manufacture of drums and barrels had been set up by M/s. Hind Galvanising and Engineering Co. at Visakhapatnam after this industry was banned in 1960. In reply it has been stated by Government that M/s. Hind Containers (P) Ltd. have set up a small scale industrial unit at Visakhapatnam to manufacture drums and barrels under the Directorate of Industries, Andhra Pradesh. During evidence, the official representative stated that "This unit is reported to be an associate company of M/s. Hind Galvanising and Engineering Co. Ltd., Calcutta. The following are the Directors of M/s. Hind Containers, Visakhapatnam:—

1. Shri A. K. Khaitan, 96, Garden Reach Road, Calcutta.
2. Shri L. K. Khaitan, 96, Garden Reach Road, Calcutta.
3. Shri P. K. Jarodia, 15, Mandeville Gardens, Calcutta.
4. Shri H. G. O'Neill, 2, Russell Street, Calcutta."

3.2. The Committee have been informed that the value of the plant and machinery installed by M/s. Hind Containers (P) Ltd. at the Visakhapatnam factory is valued at Rs. 4,43,933.50 i.e. far below Rs. 7.5 lakhs. This unit is stated to have started production in 1967. From November 1967 to July, 1968, it has manufactured 1,71,114 Asphalt drums. The firm is stated to have applied to the Director of Industries, Hyderabad, for recognition of their capacity as follows:—

Various types of drums—1000 Nos. per day per shift.  
Barrels—400 Nos. per day per shift.

3.3. Asked about the reasons for allowing the setting up of this industry in the small scale sector, it has been stated that M/s. Hind Containers have been given a small scale industries registration certificate because the firm is getting raw material required for pro-

duction of drums and barrels from M/s. Caltex India Private Limited, Visakhapatnam, who are also the sole consumers of these products. Since the raw materials in this case are provided by the ultimate consumers themselves and there is no unit of this type in that State the Director of Industries, Andhra Pradesh did not want to stand in the way of this industry coming up.

3.4. The Committee enquired whether it was within the knowledge of the Ministry or of the Development Commissioner, Small Scale Industries that such a unit had been set up at Visakhapatnam. The Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated in evidence:

“we did not know very much about the existence of Hind Containers Ltd., because it is in the small scale industry for which the Director of Industries, Andhra Pradesh is responsible. It was only after all these queries in the questionnaire came that we made some inquiries and knew that this industry had been set up. It is only recently that we have discovered that some of the Directors are common.....”

3.5. It was also brought to the notice of the Committee by M/s. Hind Galvanising and Engineering Co. Pvt. Ltd. that another company called Vijya Industry was trying to establish a small scale plant in Madras and suggested that they should be stopped through the Director of Industries, Madras. In this connection, the Committee have been informed as under:—

“Director of Industries, Madras has intimated that there is no unit by name Vijya Industries set up in the small scale industries Madras to manufacture drums and barrels, but there is a unit by name Pankaj Iron & Steel Works, 643, Tiruvottiyur High Road, Madras 21 which is an associate of M/s. Vijya Industries of Bombay. This unit was set up in the year 1967 and was also registered with the Director of Industries. The unit is fully equipped to manufacture 23 gauge containers and their capacity has been assessed at 1,000 drums per day of two shifts. The unit came up of its own and has not received any assistance from the State Director of Industries.”

3.6. The Committee enquired whether it was permissible to set up capacity in the small scale sector in respect of those industries which are on the “banned list”. It has been stated in reply that

“the banned list is the list of industries which fall under the first schedule of the Industries (Development and Regulation) Act, 1951 and the question of granting of an industrial licence is therefore involved. In the case of setting up of capacity in the small scale sector, grant of an industrial licence does not arise even if the industry is a Scheduled one. Although the Licensing Policy in respect of grant of industrial licences which will be in the large scale sector will be guideline to the consideration of proposals in the small scale sector, there is no requirement that the same policy should be strictly applicable to the small scale sector. However, in cases where sufficient capacity in a particular industry has been created in the country, care is taken to see that additional capacity is not created in the small scale sector and for this purpose the State Directors of Industries are advised by the Office of Development Commissioner, Small Scale Industries from time to time. It is however, possible that consideration is given where it is felt that it is justified on regional and techno-economic grounds or on the basis of export considerations.”

3.7. In reply to another question it has been stated that “there is no requirement that the State Directors of Industries should take the approval of the Ministry in such cases as development of small scale industries is looked after by the respective State Governments. However, in cases where import of capital goods is involved or/and collaboration with foreign firms is proposed, approval of the Central Government is necessary and in suitable cases, the Central Ministry would no doubt advise the applicants/State Governments on the question of setting up capacity in a particular industries.”

3.8. Explaining the policy of Government with regard to the coming up of banned industries in the small scale sector, the Secretary of the Ministry of Industrial Development, Internal Trade & Company Affairs stated during evidence that:—

“Unfortunately, in all these cases a variety of conflicting considerations are involved. We in the Ministry of Industry have all along taken the view that as few impediments should be placed in the development of small-scale industries in the country as possible. We have considered this as a fundamental basis, that the development of small-scale industries should be encouraged and avoidable impediments should not be placed in its way. Licensing, rightly or wrongly, is regarded as an impediment because it takes some months and time to get hold of a licence.

Therefore no licence is normally required for the setting up of small-scale industries or even industries which have a capital investment up to Rs. 25 lakhs.

A point arose, a ticklish point, that if for the purposes of industrial licensing we take the view that an industry ought to be banned, either because sufficient capacity has come into existence or because sufficient raw material is not available so what is the good of adding to the capacity or for other reasons, you might say that logically the same restrictions should be applied to the setting up of that type of industry in the small-scale sector. This point has been debated at great length at various meetings and while there is logic and some sense in saying that the banned industry should also be banned for the small-scale sector, the consensus of opinion was that the small-scale sector, should be left free to operate because, otherwise, it would mean starting some sort of licensing for the small-scale sector also. Nevertheless it was felt that it would be highly illogical to ban an industry in the large-scale sector and to have half a dozen small-scale units coming up in different parts of the country. Therefore the *via media* was adopted that where an industry is banned for licensing in the large-scale sector, the Directors of Industries in the States, who are the registering authorities, should be advised—not ordered but advised—that as far as possible they should discourage the setting up of such industries in the small-scale sector. The reason is that even the small-scale industrialist has to come to the Director of Industries for some kind of support, encouragement or sponsoring; so the Director of Industries has a certain hold on the small-scale industrialist. But we felt that it would not be proper and wise to impose an absolute ban. So we gave general guidance to the Directors of Industries not to allow such industries to come up which have been banned for the large-scale sector. By and large this is being observed but there are cases like this one that has been brought to your notice where local patriotism exceeds the larger national interest. What has happened in one or two cases, which have also come to our notice, is that there may be sufficient units of the industry in the country as a whole but certain States may not have that industry at all.”

3.9. In a written note, it has further been stated by Government that "the small scale sector is not governed by the Regulations of any Central Act for the purpose of licensing and as such there is no statutory control over the growth of industries in this sector. The development of small scale industries is primarily the concern of the respective State Director of Industries, although the Development Commissioner, Small Scale Industries, at the Centre, provides appropriate assistance and guidance in the formulation and planning of small scale industry in consultation with the State Governments. It will be appreciated that the growth of industry in the small scale sector cannot be totally divorced from that in the large scale sector, involving licensing and regulation under a Central Act. The entrepreneurs in the small scale sector will in their own interest and in the interest of the industry have to take into account the capacity, licensed/set up in the large scale sector *vis-a-vis* demand in the country. It is for these reasons that the Development Commissioner, Small Scale Industries appropriately keeps the State Directors of Industries appropriately keeps the State Directors of Industries informed of the banned list of industries in the Scheduled Sector from time to time and also advises them not to encourage any proposal from small scale industries for the manufacture of banned items. For instance, the first communication\* issued by the Development Commissioner, Small Scale Industries to the various State Directors of Industries on 7th December, 1959, includes *inter alia* the drum and barrel industry. The State Directors of Industries were advised not to issue Essentiality Certificates for import of machinery for manufacture of items appearing in the banned list. They were also told that any fresh entrants for the manufacture of items on the banned list even with indigenous machinery, might also be apprised of the position.

It will be observed that no statutory permission is involved in the case of unit coming up in the small scale sector, either from Development Commissioner, Small Scale Industries or the concerned State Director of Industries. The State Director of Industries can implement the directives and the advice of the Development Commissioner, Small Scale Industries only at the stage of considering applications for import of machinery and raw material whether imported or scarce indigenous. It is therefore possible for an entrepreneur in the small scale sector to set up a unit, based purely on

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\*In this communication the Development Commissioner, Small Scale Industries, informed the State Director of Industries that already enough capacity existed in the Country, for the production of 8 items including drums and barrels and advised them not to encourage any proposal from Small Scale Industries for the manufacture of these items.

indigenous machinery and raw material although the industry may figure on the banned list. In that event he would be setting up the industry in question at his own risk, without expecting any assistance from the State Director of Industries. The ban is not legally binding so far as the small scale sector is concerned but Directors of Industries will be justified in withholding grant of import licence or quota of scarce raw material if the new units have been set up in the lines in which fresh capacity is not to be encouraged. Recently however, it was decided that on regional or rather special consideration the State Directors of Industries may sponsor new units in banned industries with the approval of the Development Commissioner, Small Scale Industries. Such sponsorship will entitle the new units to import licence or supply of scarce raw materials inspite of the ban. It is again pointed out that the control over the growth of industries in the small scale sector is not statutory, whereas such control and regulation are possible in cases of industries in the Scheduled Sector, which qualify for industrial licences."

3.10. It was enquired of the official witness whether by setting up a plant in the small scale sector at Visakhapatnam, M/s. Hind Galvanising and Engineering Co. had not circumvented the ban on creation of further capacity in respect of drum and barrel and what Government thought about this matter. In reply, the Secretary stated:—

"Our thinking so far has been that no facility which is intended to be given to small scale entrepreneur for setting up a small scale industry should be given to a large scale entrepreneur and wishes to enter into small scale industry. But our thinking has not gone to the extent of saying that a large scale entrepreneur must be prohibited by law from entering a small scale industry..... We can perhaps specifically consider this point that no large scale industrialist should be allowed to enter in the banned list."

3.11. Pressed further he added:—

"the question of the entry of large scale industrialist into the small scale field is now posing a definite problem. We have considered this aspect. As I said, we felt that possibly it might be open to constitutional objection if we say that no large scale industrialist can set up a small scale industry. We will examine whether we can make a distinction that in the banned list at least such an industrialist should not be allowed to come."



3.12. The Committee note that a drum and barrel manufacturing unit has been set up in the small scale sector at Visakhapatnam in spite of this industry figuring on the "banned list" in the large scale sector. They learn that this unit is an associate company of M/s. Hind Galvanising and Engineering Co., Calcutta. The Committee have been informed that under the existing orders there is no bar to the coming up of industries in the small scale sector even though that industry might have been banned in the large scale sector. The Committee consider the present position as anomalous. According to the Government, the industries are placed in the banned list either because adequate capacity has been created in that industry or there is scarcity of raw material. In that case, it would appear to be logical that when an industry has been put on the banned list in the large scale sector, the ban should be made operative to that industry in the small scale sector also. The Committee do not view with favour the recent decision of Government that on regional or other special considerations, the State Directors of Industries may sponsor new units in banned industries with the approval of the Development Commissioner, Small Scale Industries. The proper course would appear to be that where it is considered that an industry which has been banned in the large scale sector, may be allowed to be set up in the small scale sector, it should be exclusively reserved for development in the small scale sector and the decision made public so that all intending entrepreneurs have a fair and equal chance of entering that field.

3.13. The Committee are concerned to note that in the present case the very persons who are operating this industry in the large scale sector at Calcutta have set up this unit in the small scale sector. This amounts to circumventing the ban on this industry in the large scale sector. The Secretary of the Ministry of Industrial Development, Internal Trade and Company Affairs himself admitted that "the question of entry of the large scale industrialist into the small scale field is now posing a definite problem for the Government." Since the small scale sector is meant for small entrepreneur of limited means the Committee would urge the Government to examine the whole matter with a view to prevent the entry of large scale industrialists in the small scale sector.

3.14. The Committee are surprised that the Development Commissioner, Small Scale Industry who is supposed to assist and guide in the formulation of policies for the planning of small sector industry in the country in consultation with State Governments should be unaware of what is happening in this field in the States. It is imperative that he keeps himself posted with the latest developments and keeps the Ministry informed in so far as scheduled industries

are concerned. The Committee regret that there is lack of coordination between the Ministry and the Development Commissioner, Small Scale Industry in this regard. In this connection, the Committee would like to reiterate the recommendations made by them in their 9th Report (Fourth Lok Sabha) 1967-68 on industrial licensing that:

**“There should be effective coordination between the two wings of the Ministry of Industrial Development and Company Affairs dealing with the scheduled industries and small scale sector so as to ensure optimum utilization of resources in both the sectors.”**

## CHAPTER IV

### SETTING UP OF A CAPTIVE PLANT FOR BARREL MANUFACTURE BY I.O.C. AT MADRAS

4.1. It has been represented to the Committee by the Barrel fabricators that Indian Oil Corporation has submitted a proposal to set up a captive plant for the manufacture of Drums and Barrels at Madras. In this connection, the Committee were informed by Government through a note submitted during August, 1968 that M/s. Indian Oil Corporation have submitted an application for an industrial licence for manufacture of one million lube barrels and 5 million bitumen drums at their Madras Refinery which is expected to go into production in early 1969. The capacity of the Madras refinery to produce lubricating oils is 2,00,000 metric tonnes. According to the estimates of the Ministry of Petroleum & Chemicals, the total investment in the plant would be Rs. 53 lakhs, including a foreign exchange component of Rs. 12.5 lakhs. The proposal has been considered at inter-Ministerial meeting and also in consultation with the manufacturers in the private sector. Licensing Committee have examined the scheme and recommended grant of a letter of intent to M/s. Indian Oil Corporation for the manufacture of drums and barrels subject to satisfactory arrangements for the import of plant and machinery. The recommendation of the Licensing Committee has not yet been accepted by the Government. The manufacturers in the private sector have been representing that adequate capacity is already available in the country and given enough raw material, and also permission to shift capacities to Madras to some of the units, Indian Oil Corporation's requirements could be met and there was no need for setting up additional capacity. On the other hand, the Ministry of Petroleum & Chemicals have been stressing the peculiar nature of the public sector project and the foreign exchange savings arising out of the refinery project. That Ministry have also pointed out that dealings of some of the manufacturers in the private sector were far from satisfactory. The growing requirements of lube barrels have also been stressed by them in this connection. The matter is being considered in all its aspects and is receiving attention at the highest level. No final decision has yet been taken.

4.2. Regarding their proposal to set up a captive plant at Madras to manufacture drums and barrels, the Indian Oil Corporation have stated that "the proposal which is based on techno-economic consi-

derations, envisages procurement and installation of machines at an estimated cost of Rs. 25 lakhs, including an import component of Rs. 12.5 lakhs (this does not include the estimated cost of Rs. 16 lakhs on sheds which have to be constructed in any case). The implementation of the proposal will enable the fabrication/storage/filling and despatch of lubricating oils under the same roof. With the plant working at its optimum capacity, it will also result in an annual recurring saving to Indian Oil Corporation of the following magnitude:

- (i) Rs. 2.5 lakhs/year as a result of transportation from the the barrel manufacturing plant to the blending plant (assuming a transport cost of 25 paise per barrel).
- (ii) Rs. 45 lakhs/year representing the profit margin @ Rs. 3 per barrel/drum on 15 lakh barrels/drum."

4.3. On being asked to furnish details of the cost of manufacture of drums/barrels by Indian Oil Corporation in their proposed plant at Madras it has been stated by the Government that according to the statements prepared by Indian Oil Corporation in June, 1968 in respect of estimated cost of manufacture of barrels and fabrication cost of drums, the cost per barrel worked out to Rs. 41.66 and fabrication cost of bitumen drums to Rs. 2.93 per drum. It has been intimated by the Indian Oil Corporation that according to the Garden Reach Workshop, Calcutta who were consulted informally, the fabrication cost per barrel, as estimated by the Indian Oil Corporation, is on the high side, and should be lower by another Rs. 3.12 per barrel.

4.4. It has been further stated that as against the price of M/s. Industrial Containers of Rs. 45.66 and the Bombay Suppliers of Rs. 44.80, the price of Indian Oil Corporation is Rs. 41.66. Therefore the profitability per barrel would be Rs. 3.52.

4.5. The Committee subsequently enquired about the indigenous manufacture of imported machines required for the manufacture of oil barrels. In reply it has been stated by Government that practically all the machinery can be manufactured indigenously. The machines are being manufactured by the indigenous manufacturers either as a standard item of production or against specific orders according to the specification of the purchasers. It has been further stated that although some of the manufacturers might not have been specifically licensed to produce any particular type of machine, they can produce or are producing these under the diversification programme which is permissible according to the policy in force, upto 25 per cent of the approved capacity.

4.6. Regarding the proposal to set up the barrel and drum plant by the Indian Oil Corporation, the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs stated during the evidence in September, 1968 that:

"The application has been carefully considered by the Licensing Committee. The Licensing Committee was in a dilemma on this point. The dilemma was this: according to the figures available with us, the capacity existing in the country, whether authorisedly or unauthorisedly, was supposed to be adequate to meet the requirements or it was claimed to be adequate to meet the requirements, of the oil industry. And, therefore, the creation of fresh capacity would have meant fresh investment which on broader economic considerations might not have been justified. On the other hand, there was the fact that a part of this capacity has admittedly come into existence in an unauthorised manner, and the records of the principal firms concerned did not inspire a great deal of confidence that there will be complete fairplay in their dealings with the Indian Oil Corporation. These two factors had, therefore, to be taken into account and nicely balanced. The Licensing Committee is only a recommendatory body. We have made some recommendations in this respect to the Government and they are under consideration. This matter has been discussed at the highest level between the then Minister for Petroleum and Chemicals, the Minister of Industrial Development and the Planning Commission Member in charge of industries because of the rather conflicting considerations involved. One of the troubles of the country during the last year has been that industrial capacity is not being utilised to the full due to lack of raw materials, lack of orders because of recession, etc. We, in the Ministry of Industry, have been anxious to utilise to the maximum whatever capacity exists in the country instead of trying to invest more money in creating fresh capacity where capacity was already available. Looking at the totality of national resources, taking private and public sector together, we are going to be short of resources. Rightly or wrongly some capacity has been created. If that is adequate, would it be right to create extra capacity just because some people who have created the existing capacity have misbehaved? This is the broad issue. On the one hand, if we do not allow the Indian Oil Corporation to come up, in a sense we would be rewarding those people for their misbehavi-

our. That would be reprehensible. You may say that in one case you should punish them so that this sort of thing does not occur again. On the other hand, there is this fact that a fairly substantial investment by the Indian Oil Corporation is involved—Rs. 50 or 60 lakhs. The question was, when the resources in public sector are going to be short, whether this type of investment would be justified. In the Licensing Committee, we considered this matter very carefully and we have made our recommendation to Government. As I said, it has been discussed at the highest level and final decision has not been taken.”

4.7. Explaining further he stated:

“It so happens that in this case there are all sorts of irregularities. Supposing there had been no irregularity and the regular capacity in the private sector not unauthorised—has been adequate to meet the requirements, we would have had no hesitation in turning down the proposal of the Indian Oil Corporation to create fresh capacity. We would have said, this is a waste of national resources. Here the only complication is that some of this capacity has come about in a highly irregular fashion. This is why we were willing to look at the proposal of Indian Oil Corporation. Otherwise, the only relevant point is, is there capacity in the nation, whether in the private or public sector, to meet the requirements? If there is not and if the public sector wants to build it, let it have it.”

4.8. In January, 1969, the Committee have been informed by Government that the industrial license application of the Indian Oil Corporation has since been rejected by Government.

4.9. In this connection one of the Barrel Fabricators has represented to the Committee that “The scarcity of steel sheets is a continuing problem and even today the existing fabricators hardly getting steel sheets to meet with their 60 per cent of the requirement on single shift basis. Under the circumstances the making of application by Indian Oil Corporation Limited for setting up their lube barrel manufacturing plant at Madras and the consideration thereof is against the provisions of the said Act and the policy of the Government as underlined in the Third Five Year Plan.”

4.10. It has also come to the notice of the Committee that all the 5 commercial barrel fabricators, namely, M/s. Bharat Barrel

and Drum Manufacturing Company, M/s. Standard Drum and Barrel Manufacturing Company, M/s. Steel Containers Limited, M/s. Industrial Containers Limited, and M/s. Hind Galvanising and Engineering Company Private Limited, addressed a joint letter to the Union Minister for Industrial Development, Internal Trade and Company Affairs opposing the establishment of the captive plant at Madras by the Indian Oil Corporation on the 28th May, 1968. A copy of this letter is at Appendix XV. This was forwarded by M/s. Industrial Containers Limited, Calcutta to the Committee along with their memorandum. A copy of this letter was also sent in May, 1968 to the Chairman of the Estimates Committee by Shri J. N. Hazarika, M.P. and Shri K. N. Tewari, M.P.

**4.11. The Committee regret to note that the industrial licence application of Indian Oil Corporation for the setting up of a plant for the manufacture of drums and barrels at their Madras Refinery, has been rejected by Government.**

**4.12. In the course of evidence the Committee were informed by the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs that the following points for and against the application of the Indian Oil Corporation were under consideration of Government.**

**Points against:—**

- (i) The capacity for the manufacture of drums and barrels existing in the country was considered adequate to meet the requirements of the Oil Industry and therefore creation of fresh capacity by Indian Oil Corporation would mean fresh investment which on broader economic considerations may not be justified.
- (ii) There was considerable under-utilisation of capacity in this industry due to scarcity of raw material.

**Points for:—**

- (i) A part of the manufacturing capacity for drum and barrels had admittedly come into existence in an unauthorised manner.
- (ii) The record of the principal manufacturing firms concerned did not inspire a great deal of confidence that there will be complete fairplay in their dealings with the Indian Oil Corporation.

**4.13. It appears that in rejecting the industrial licence application of the Indian Oil Corporation, Government have given greater**

weight to the existence of the manufacturing capacity in the country and avoidance of fresh investment. The Committee are unable to agree with the decision of the Government for the following reasons:—

- (i) This industry was placed on the banned list in 1960 when the total capacity of all the barrel fabricators was 36940 tonnes. Since then, all the fabricators have increased their capacity considerably in an unauthorised and irregular way and in clear violation of the Industrial (Development and Regulation) Act, 1951. The result is that the assessed capacity of the fabricators in 1965 was 90450 tonnes i.e. near about 245 per cent over the 1960 capacity. Even the assessed capacity of 1965 is being challenged by some of the fabricators who claim the existence of still higher capacities. It is thus evident that the major portion of the existing capacity of the barrel fabricators has been created in an unauthorised manner. It is also noticed that the barrel fabricating industry is at present monopolised by a few firms only. The denial of the captive plant to the Indian Oil Corporation would thus amount to rewarding the very persons who have committed a violation of the Act and is therefore likely to encourage further violations of the Act by other industries also. The Committee have already commented on the surreptitious increase of capacities by these fabricators in Section 'F' of Chapter II of this report. The Committee consider that on this ground alone the application of the Indian Oil Corporation needs reconsideration by Government. They would like it to be well understood by all concerned that breach of law does not pay.
- (ii) The various consumer oil companies as well as the Indian Oil Corporation have adversely commented on the dealings of the Drum and Barrel fabricators which has been referred to in Section 'G' of Chapter II of the report. This has also been corroborated by the Secretary, Ministry of Industrial Development and Company Affairs during evidence. The denial of the plant to the Indian Oil Corporation would therefore amount to giving a premium to unfair dealings of these companies and leaving the Corporation at the mercy of these companies.
- (iii) The drum and barrel fabrication industry is a highly profitable industry. According to the figures given by the Indian Oil Corporation their savings as a result of the setting up of this plant, would amount to about Rs. 45



lakhs, apart from a saving of Rs. 2.5 lakhs on transportation charges, annually on a total investment of about Rs. 25 lakhs only. Moreover, no expenditure of foreign exchange will be involved in the setting up of the plant by the Indian Oil Corporation since all the fabricating machines for drums and barrels are now manufactured indigenously. There is no reason why this public sector company should be deprived from effecting savings to the tune of about Rs. 48 lakhs per annum which will ultimately accrue to the public exchequer.

- (iv) The setting up of the captive plant by the Indian Oil Corporation at Madras would not in any way affect the existing business of the fabricators as the Indian Oil Corporation will utilise their capacity for packaging the lubricating oils, to be produced by them in their Madras Refinery.
- (v) The setting up of barrel manufacturing plant by the I.O.C. would enable production, filling, storage and despatch of lubricating oils under the same roof.

4.14. Having regard to the consideration enumerated above, the Committee feel that the application of the Indian Oil Corporation to set up their own captive plant at Madras should be reconsidered by Government.

## CHAPTER V

### CONCLUSION

5.1 The Drum and Barrel Industry came under the purview of the Industries (Development and Regulation) Act, 1951, on the 1st October, 1953. In March, 1960, the industry was placed on the banned list as adequate capacity had been set up/licensed—there being no scope for creation of additional capacity. At the time of inclusion of the industry in the banned list, there were only 5 firms (namely M/s. Bharat Barrel & Drum Manufacturing Company, Bombay, Standard Drum & Barrel Manufacturing Company, Bombay, Steel Containers Limited., Bombay, Industrial Containers, Calcutta and M/s. Assam Oil Company, Digboi who are consumer fabricators) engaged in the manufacture of 40/45 gallon capacity lube barrels. The total licensed capacity of the aforesaid 5 firms in March, 1960 was 36,940 tonnes. Though the Drum and Barrel industry continues to remain in the banned list even to this day, yet the capacity of the barrel fabricators was assessed by Government during 1963-64 on account of pressure from the fabricators. It was found that the total capacity had increased to 67,778 tonnes by then. This capacity was found to have increased further to 90,450 tonnes the very next year when there was a further re-assessment. Not only the capacity of all the existng plants was expanded substantially during the period but two new units namely, M/s. Bharat Barrel and Drum Manufacturing Company, Calcutta and M/s. Hind Galvanising and Engineering Company, Calcutta had been set up and were recognised by Government as fresh entrants in 40/45 gallons barrel manufacturing field for allocation of new material. It is regrettable that all this happened while the industry was in the banned list.

5.2 From the material made available to the Committee and the evidence tendered before them by representatives of the Ministries of Industrial Development and Company Affairs, Petroleum and Chemicals and Director General & Technical Development, it has been revealed that the licensed capacities were increased very considerably and fresh capacities created by the commercial fabricators without the prior permission of the Government as required under the Industries (Development and Regulation) Act, 1951. Instead of proceeding against the fabricators for the various irregularities and violations of the Act, the Government condoned the contraventions of the Act and even recognised their unauthorised capacity as assessed in 1963-64 and started allocating raw material to these firms on that basis. The Committee feel that all this was irregular and

should not have been done as it encouraged further violations of the Act by fabricators. In fact this recognition of 1963-64 assessed capacity seems to have encouraged the barrel fabricators to expand their capacities further with the result that during the reassessment of 1965, the capacities of the various fabricators were found to have increased from 67,778 tonnes in 1963-64 to 90,450 tonnes in 1965. The Committee recommend that a comprehensive enquiry should be held to fix responsibility on the part of concerned officers who failed to initiate penal action against violations of the Act by the fabricators as soon as the same were detected. At the same time, the Committee urge that action should be initiated against the fabricators for violations of the various provisions of the Act and the rules. Effective action should also be taken to ensure that those who have contravened and circumvented the regulations do not derive any benefit therefrom. This is necessary to bring home to the law breakers that violations of the Act do not ultimately pay.

5.3. It is also significant to note that barrel fabrication industry, is now monopolised by a few firms only and that one of the firms holds as much as 40 per cent of the total licensed capacity in this industry even today. In this context the Committee would particularly like to draw the attention of the Government to the continuing shortage of raw material i.e. 18 G steel sheets. They have already commented on the existence of unutilized capacity in the steel mills on the one hand and non-availability of steel sheets on the other. The Committee are convinced that all these difficulties would not have arisen if the supply position of raw material was comfortable. In view of the chronic shortage of 18 G steel sheets, there has been, as it were, a race among fabricators to increase their installed capacity by any means so as to be able to get hold of more raw material which is allowed on a pro-rata basis of the assessed capacity. In this connection, the Committee are concerned to note that the fabricators are stated to have charged exorbitant prices for oil barrels from the Oil Companies while the raw material was made available to them at prescribed rates. This underlines the need to regulate the prices of oil barrels by Government so as to ensure that the interests of the consumer and user industry are also properly protected.

5.4 The Committee would further like the Government to take energetic steps to step up the production of 18 G steel sheets in the Bourkela and other steel plants to meet adequately the present and the growing demand of the oil industry.

NEW DELHI;

P. VENKATASUBBAIAH,

April 24, 1969.

Chairman,

Vaisakha 4, 1891 (Saka).

Estimates Committee.

## APPENDIX I

MADHU LIMAYE, M.P.

6, Rakabganj Road,  
New Delhi.

29th February, 1968.

The Speaker,  
Lok Sabha.  
Sir,

May I draw your attention to the various answers given by the Petroleum Minister on the question of licensing additional capacity in the sphere of barrel and drum production?

In spite of the ban imposed by the Government additional capacity was being sanctioned on the bogus ground that the Defence Department wanted this capacity to be expanded. There is no evidence on record to show that the Defence Ministry had made any such request. It is a fact that Standard, Hind Galvanising and also Bharat Barrels were granted additional capacity as a result of pressure from top-ranking bureaucrats.

In spite of the matter being raised in the House several times I understand that new capacity has been created in this industry at Visakhapatnam. This unit belongs to Hind Galvanising. I would, therefore, like you to refer this matter either to the Estimates Committee or the Public Accounts Committee after these Committee have been elected for the coming Financial Year.

Yours sincerely,  
Sd/- MADHU LIMAYE.

## APPENDIX II

SEAL

D. R. Sundaram,  
Joint Secretary.

D.O. No. 1(19)/68-LEI(B)  
Government of India  
Ministry of Industrial Development  
and Co. Affairs (Department of Industrial Development).

Dated New Delhi 1968:

Dear Shri Mallya,

Please refer to your D.O. No. 3|3-ECI|68, dated the 19th March, 1968, regarding licensing of additional capacity for production of barrels. I am enclosing a note which explains the background in which capacities of barrel manufacturers have been assessed and recognised. As indicated in the last para of the note, one of the barrel manufacturers has moved the High Court of Delhi for redressal of their alleged grievance against the decisions of the Government of India. You will appreciate that the matter being under consideration of the High Court, it may not be appropriate to take it up for discussion or examination now in the Estimates Committee/Public Accounts Committee.

2. As regards the specific query of Shri Madhu Limaye, you will notice that the attached note shows that there was a specific request from the Petroleum and Chemicals Ministry for reassessment of capacity. A copy of their memo. on the subject has been enclosed. While there was no such request from the Ministry of Defence, the figures quoted in the attached note show that the off take of Defence from the oil industry in terms of barrels was increasing. You will see, therefore, that there was no mis-statement in any reply given in Parliament.

3. Minister (I.D. & C.A.) has seen. There is no objection to the information contained in the note being conveyed to the Member.

Yours sincerely,  
Sd| D. R. SUNDARAM.

To

Shri N. N. Mallya,  
 Joint Secretary,  
 Lok Sabha Secretariat,  
 New Delhi.

*Note on Licensing of additional capacity for barrels production.*

The Drum, Barrel and Container industry has been figuring since 1960 on what is known as the rejection list of industries, in which applications for industrial licences may ordinarily be rejected without reference to the Licensing Committee. Normally at present we do not approve or sanction extra capacity for an industry on the "banned" list, but it has happened in the past that a particular application which relates to an item on the 'rejection list' was considered because of exceptional features. The position of the barrel industry, particularly the oil barrels of 40/45 gallon capacity, has to be appreciated with reference to the circumstances in which the capacity was licensed and set up and also reviewed, in the context of the requirements of barrels from time to time.

2. M/s. Bharat Barrel & Drum Manufacturing Co. and M/s. Standard Drum & Barrel Co., among the barrel fabricators, had been representing to the Government during 1963 that capacities installed by them were very much higher than the originally assessed capacities and therefore had been seeking re-assessment. M/s. Hind Galvanising & Engineering Co., Calcutta also claimed in 1962 that they were capable of manufacturing oil barrels of 40/45 gallon capacity and were requesting approval of the Government for the purpose. Further, the Ministry of Petroleum and Chemicals informed\* us in June, 1964 that they had assessed the requirements of the petroleum industry for the year 1964 as needing 4000 tonnes per month of 18 G. drum sheet and that if the requirements of the other consumers was also to be taken into account then the total supply needed was 4700 tonnes of drum sheet a month or an annual fabricating capacity of 56,400 tonnes. The total assessed capacity at that time of the oil barrel industry was about 3,000 tonnes per month and therefore, the supply rate of 4,700 tonnes required by the Petroleum Industry and other consumers could not be effected unless the existing capacities were revised upward or new capacities created. In the circumstances, the Ministry of Petroleum and Chemicals requested that steps should be taken expeditiously to finalise the revision of fabricating capacities of the commercial fabricators so that proper supply rate of barrels was ensured by giving them adequate

\* Copy of their O. M. attached.

supplies of drum sheets of special gauge which was regulated according to their capacity. In this context, it was decided to review the oil barrel capacity installed in the country as there were only six units in the line, with a view to examining the increased capacities of the various units *vis-a-vis* the larger requirements of oil barrels. While it is true that there was no specific request from the Defence Ministry addressed to this Ministry in respect of oil barrel capacity, the off take of the Defence Ministry from oil companies of lube oil was as follows:—

1961-62 . . . . .	28,045 barrels
1962-63 . . . . .	35,047 „
1963-64 . . . . .	75,853 „

On the basis of inspection carried out by the Technical Officers of the Dte. General of Technical Development during 1963-64, the assessed capacities of all the oil barrel fabricators were considered at an inter-Ministerial Meeting held on the 9th June, 1964. The matter was further examined in the Ministry on the recommendations made at the meeting with particular reference to the case of Messrs Standard Drum & Barrel Co., Bombay and Messrs Hind Galvanising & Engg. Co., Calcutta. Ultimately these capacities have been accepted by the Government as a result of which the increased potentiality of the existing units for meeting the growing requirements was appreciated and approved in preference to creating new units in this line of manufacture. The particulars of capacities are given below for information:—

Name of the firm	Licensed capacity	Assessed capacity
	tons	tonnes
1. M/s. Bharat Barrel & Drum Mfg. Co., Bombay	18,300	22,000
2. M/s. Bharat Barrel & Drum Mfg. Co., Calcutta	..	5,200
3. M/s. Standard Drum & Barrel Mfg. Co., Bombay.	3,700	14,538
4. M/s Hind Galvanising & Engg. Co., Ltd.,	..	6,000
5. M/s Steel Containers Ltd., Bombay . . .	5,860	8,300
6. M/s Industrial Containers Ltd., Calcutta .	6,000	7,900
7. M/s Assam Oil Co., Assam . . . . .	3,080	3,840

The present total assessed capacity for the manufacture of oil barrels is 67,778 tonnes on single shift. The production of barrels reported during 1965 and 1966 was 39,552 tonnes and 45,846 tonnes and during 1967 it was 46,500 tonnes approximately. Although following representations, another assessment was undertaken during 1965, it was decided that the assessment of capacity carried out in 1963-64 (present basis) should continue for time being, particularly in view of the continuing shortage of steel sheets.

3. The position has been explained a number of times in the Parliament, reference Lok Sabha Question No. 2816 of 16-6-1967, Lok Sabha Question No. 250 of 24-11-1967, Lok Sabha Question No. 5518 of 22-12-1967, Lok Sabha Question No. 5496 of 22-12-1967, Lok Sabha Question No. 1271 of 20-2-1968, Lok Sabha Question No. 1272 of 20-2-1968 and Lok Sabha Question No. 1852 of 27-2-1968 and Lok Sabha Question No. 2848 of 5-3-1968.

4. As regards the new units at Vishakhapatnam, it is understood that Messrs Hind Containers (P) Ltd., have set up as a Small Scale Industry under the Directorate of Industries, Andhra Pradesh. Further information regarding the capacity, investment and ownership of this unit is being ascertained from the State Government.

5. Messrs Bharat Barrel & Drum Manufacturing Co. have filed a writ petition in the High Court of Delhi challenging the decisions of the Government in regard to the oil barrel capacities of the other units *vis-a-vis* their own capacity which according to them has been under-assessed. The matter is still under consideration of the Court.

IMMEDIATE

GOVERNMENT OF INDIA

MINISTRY OF PETROLEUM AND CHEMICALS

No. 22 (23) /63-Tech.

New Delhi, the 5th June, 1964

OFFICE MEMORANDUM

SUBJECT: *Allocation of 18 G drum sheet to the commercial fabricators—revision of capacities.*

The undersigned is directed to state that it is understood that the question of revision of the existing capacities of the commercial fabricators for the manufacture of 18 G drums is currently under



consideration in the Ministry of Industry. In this connection, this Ministry would like to make the following observations:—

2. In a meeting held on 27th December, 1963 in this Ministry (a copy of the minutes enclosed), it was agreed that for the year 1964 the petroleum industry would require a supply rate of 4,000 tonnes per month of 18 G drum sheet. If the requirements of other consumers were also to be taken into account, then the total supply of 4,700 tonnes/month to the commercial fabricators would be required. The Ministry of Steel Mines & Heavy Engineering has assured that the Rourkela Steel Plant would be in a position to meet the total requirement of the industry. However, in a meeting held in the Office of the Iron and Steel Controller, Calcutta on 28th April, 1964 (a copy of the minutes enclosed) to review the programme of supply of 18 G Steel Sheets to the commercial fabricators of drums and barrels, it transpired that the current rate of allocation of 18 G drumsheets by the Director General of Technical Development had to be strictly confined to the assessed capacities of the commercial fabricators. It thus appears that as the total assessed capacity of the industry is around 3000 tonnes/month, the supply rate of 4,700 or 4,000 tonnes (for the Petroleum Industry) during 1964 cannot be effective unless the existing capacities are revised upwards or new capacities are created. Total fabricating capacity of 56,400 tonnes will be required for the time being to meet the requirements of barrel industry. While revising the capacities of the existing fabricators, Ministry of Industry may also take into account the drum making plant likely to be set up by Indian Oil Company in collaboration with Hind Galvanising Co., Barauni.

3. This Ministry has received a number of representations from the oil companies regarding inadequate supplies of barrels by the fabricators who have in turn pointed out to the shortage of steel made available to them. In the circumstances, it is requested that the Ministry of Industry may kindly take expeditious steps to finalise the revision of fabricating capacities of the commercial fabricators so that proper supply rate of barrels is ensured for the petroleum industry. Their decision in the matter may also be communicated to this Ministry.

4. The receipt of this O.M. may please be acknowledged.

Ministry of Industry,  
(Attn. Shri V. Prakash).

Sd/- R. S. KHANNA,  
Deputy Secretary to the Government of India.

### APPENDIX III

#### **Relevant Sections of the Industries (Development and Regulation) Act, 1951 and the Registration and Licensing of Industrial Undertaking Rules, 1952.**

(1) *Section 2.*—It is hereby declared that it is expedient in the public interest that the Union should take under its control the industries specified in the First Schedule.

(2) *Section 3 (i).*—‘Scheduled industry’ means any of the industries specified in the First Schedule.

(3) *Section 10: Registration of existing industrial undertaking.*—The owner of every existing industrial undertaking, not being the Central Government, shall, within such period as the Central Government may, by notification in the Official Gazette, fix in this behalf with respect to industrial undertakings generally or with respect to any class of them, register the undertaking in the prescribed manner.

2. The Central Government shall also cause to be registered in the same manner every existing industrial undertaking of which it is the owner.

3. Where an industrial undertaking is registered under this section, there shall be issued to the owner of the undertaking or the Central Government, as the case may be, a certificate of registration containing such particulars as may be prescribed.

(4) *Section 10A: Revocation of registration in certain cases.*—If the Central Government is satisfied that the registration of any industrial undertaking has been obtained by misrepresentation as to an essential fact or that any industrial undertaking has ceased to be registerable under this Act by reason of any exemption granted under this Act becoming applicable thereto or that for any other reason the registration has become useless or ineffective and therefore requires to be revoked, the Central Government may after giving an opportunity to the owner of the undertaking to be heard revoke the registration.

(5) *Section 11: Licensing of new industrial undertaking.*—(1) No person or authority other than the Central Government, shall,

after the commencement of this Act, establish any new industrial undertaking, except under and in accordance with a licence issued in that behalf by the Central Government.

Provided that a Government other than the Central Government may, with the previous permission of the Central Government establish a new industrial undertaking.

(2) A licence or permission under sub-section (1) may contain such conditions including, in particular, conditions as to the location of the undertaking and the minimum standards in respect of size to be provided therein as the Central Government may deem fit to impose in accordance with the rules, if any, made under section 30.

(6) *Section 11A: Licence for producing or manufacturing new articles:* The owner of an industrial undertaking not being the Central Government which is registered under section 10 or in respect of which a licence or permission has been issued under section 11 shall not produce or manufacture any new article unless:—

- (a) in the case of an industrial undertaking registered under section 10, he has obtained a licence for producing or manufacturing such new article; and
- (b) in the case of an industrial undertaking in respect of which a licence or permission has been issued under section 11, he has had the existing licence or permission amended in the prescribed manner.

(7) *Section 12: Revocation and amendment of licences in certain cases:* (1) If the Central Government is satisfied, either on a reference made to it in this behalf or otherwise, that any person or authority, to whom or to which, a licence has been issued under section 11, has, without reasonable cause, failed to establish or to take effective steps to establish the new industrial undertaking in respect of which the licence has been issued within the time specified therefor or within such extended time as the Central Government may think fit to grant in any case, it may revoke the licence.

(2) Subject to any rules that may be made in this behalf, the Central Government may also vary or amend any licence issued under section 11:

Provided that no such power shall be exercised after effective steps have been taken to establish the new industrial undertaking in accordance with the licence issued in this behalf.

(3) The provisions of this section shall apply in relation to a licence issued under section 11A or where a licence has been amended under that section, to the amendment thereof, as they apply in relation to a licence issued under section 11.

(8) *Section 13: Further provision for licensing of industrial undertaking in special cases:* (1) No owner of an industrial undertaking, other than the Central Government, shall:—

- (d) effect any substantial expansion of an industrial undertaking which has been registered (or in respect of which a licence or permission has been issued).
- (e) change the location of the whole or any part of an industrial undertaking which has been registered.

*Explanation:* For the purposes of this section, "substantial expansion" means the expansion of an existing industrial undertaking which substantially increases the productive capacity of the undertaking, or which is to such a nature as to amount virtually to a new industrial undertaking, but does not include any such expansion as is normal to the undertaking having regard to its nature and the circumstances relating to such expansion.

(9) *Section 18G (1):* The Central Government, so far as it appears to it to be necessary or expedient for securing the equitable distribution and availability at fair prices of any article or class of articles relatable to any scheduled industry, may notwithstanding anything contained in any other provision of this Act, by notified order, provide for regulating the supply and distribution thereof and trade and commerce therein.

(10) *Section 24(1):* reads as follows:—

- (1) If any person contravenes or attempts to contravene or abets the contravention of:—
  - (i) the provisions of sub-section (1) of section 10 or of sub-section (1) of section 11 or of section 11A or of sub-section (1) of section 13 (or of sub-section (2) of section 29B), or
  - (ii) any direction issued under section 16 or sub-section (3) of section 18B, or
  - (iii) any order made under section 18G, or
  - (iv) any rule the contravention of which is made punishable under this section.

he shall be punishable with imprisonment which may extend to six months, or with fine which may extend to five thousand rupees or both, and in the case of a continuing contravention, with an additional fine which may extend to five hundred rupees for every day during which contravention continues after conviction for the first such contravention.

(11) *Section 24A: If any person:—*

- (a) when required by this Act or by any order under this Act to make any statement or furnish any information, makes any statement or furnishes any information which is false in any material particular and which he knows or has reasonable cause to believe to be false or does not believe to be true; or
- (b) makes any such statement as aforesaid in any book, account, record, declaration, return or other document which he is required by any order made under this Act to maintain or furnish;

he shall be punishable with imprisonment which may extend to three months, or with the fine which may extend to two thousand rupees, or with both.

(12) *Item I.A. (7) of the First Schedule relates to: "other products of iron and steel."*

*The Registration and Licensing of Industrial Undertakings Rules, 1952*

*Rule 7: Application for Licence—*(1) An application for a licence or permission for the establishment of a new industrial undertaking or any substantial expansion of an industrial undertaking shall be made before taking any of the following steps:—

- (a) Raising from the public any part of the capital required for the undertaking or expansion.
- (b) Commencing the construction of any part of the factory building for the undertaking or expansion.
- (c) Placing order for any part of the plant and machinery required for the undertaking or expansion.

(1A) An application for a licence or permission for changing the location of the whole or any part of an industrial undertaking

which has been registered shall be made before taking any of the following steps:—

- (a) the acquisition of land or the construction of premises for the purpose of housing the industrial undertaking at the proposed new site;
- (b) the dismantling of any part of the plant and machinery at the existing site.

(2) An application for a licence or permission under the Act shall be made (with six spare copies) @ to the Ministry of Commerce and Industry, Government of India, New Delhi in form D., E. or EE, as the case may be, appended to these rules.

(3) Each application shall be accompanied by a treasury receipt for Rs. 50. The amount should be deposited in the nearest Government Treasury or in the nearest Branch of the State Bank of India. (Amounts deposited at Bombay, Calcutta, Delhi and Madras should be deposited in the Reserve Bank of India instead of the State Bank of India). The Treasury or the Bank should be asked to credit the amount to the Receipt Head "XXXII—Industries and Supplies—Miscellaneous Receipts."

*Rule 21: Estimated requirements of main raw materials.*

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Name of raw material	Whether indigenous or imported; if latter, country of origin	Quantity required per year	Estimated value
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## APPENDIX IV

No. LEI(B)-5(7)/61

GOVERNMENT OF INDIA

### MINISTRY OF INDUSTRY

New Delhi, the **June, 1964**

#### NOTE FOR THE INTER-MINISTERIAL MEETING

SUB:—A Review of capacity of 40/45 gallons oil barrels industry.

The following firms are licensed under the Industries (Deu. & Reg.) Act, 1951, for the manufacture of 40/45 gallons lubricating oil barrels:—

Name of the firm	No. & date of the licence	Annual licensed capacity (Single shift)
1	2	3
1. M/s. Bharat Barrel & Drum Mfg. Co., Bombay.	L/1.A(7)/N-202/60 dt. 20-7-60 amended <i>vide</i> letter No. I.A.(7)(143)-TA(III)/58 dt. 5-6-61.	(i) 1080,000 nos (18G barrels) in 784,000 nos. (24G bitumen barrels).
2. M/s. Bharat Barrel & drum Mfg. Co., Calcutta.	Party has not been licensed but shifting of part of their machinery from Bombay to Cal. has been agreed to <i>vide</i> letter No. LEI(B)-5(7)/61, dt. 1-12-62.	Capacity yet to be fixed.
3. M/s. Hind Galvanising & Engg. Co., Ltd.; Howrah.	Registration certificate No. R/4/125 R/IA(7)/92, dt 31-5-54 amended <i>vide</i> letter No. IA (4) (5)-IA(V)/R/58, dt, 19-12-59.	Request for grant of permission to take up the manufacture of 40/45 gallon barrels under consideration.

1	2	3
4. M/s. Standard Drum & Barrel Mfg. Co., Bombay.	L/1.A(7)/N-48/58 dt. 11-9-58.	(i) 37000 (18G oil barrels) tons. (Provisional) (ii) 3000 Nos. per day of 900,000 nos p.a. bitumen drums of 24 G.
5. M/s. Steel Containers Ltd., Bombay.	L/1.A(7)/N-75/59 dt. 18-3-59.	5860 tons.
6. M/s. Industrial Containers Ltd., Cal.	L/1A(7)/N-71/59 dt. 3-3-59.	6000 tons.
7. M/s. Assam Oil Co., Digboi. (Assam).	(This is a Consumer fabricator).	3080 tons.

2. For some time past M/s. Bharat Barrel & Drum Mfg. Co & M/s. Standard Drum & Barrel Co. have been representing for the revision of their capacity and also for the allotment of raw material on the basis of the revised capacity of their units. The matter has been under consideration with the D.G.T.D. and now they have given their final views on the industry as a whole. A detailed statement is available at Annexure 'X'.

3. M/s. Bharat Barrel & Drum Mfg. Co. were licensed to manufacture 40|45 gallon drums only at their Bombay factory but without getting prior permission they shifted a part of their plant and machinery for the manufacture of 40|45 gallon drums from Bombay to Calcutta and later they approached the Government for recognition of the shifting of such machinery. The matter was considered very carefully and with a warning the shifting was recognised vide letter No. LEI(B)-5(7)|61 dated the 1st December, 1962. The capacity has not yet been fixed for this Calcutta unit. The Dte. General of Technical Development have now recommended, after recent inspection, the capacity for this unit as 5200 M. Tonnes per annum on single shift but they are of the view that the machinery shifted and installed at Calcutta factory was meant to be used for the manufacture of bitumen Barrels at Bombay for which the party is licensed and as such, before the capacity for oil barrels is recognised, their capacity for bitumen barrels should not be recognised and the licence should therefore be revoked.



The capacity of Bharat Barrel & Drum Mfg. Co., Bombay has also been re-assessed after recent inspection of their factory by D.G.T.D. and the same has been recommended for enhancement from 18300 tons to 22000 tonne per annum on single shift. In this connection attention is invited to M(I)'s minutes dated 8-5-64, wherein it has been stated that immediate action should be taken to allocate stee quotas to M/s. Bharrat Barrels at the rate of 22000M. Honnes per annum for the Bombay unit and 5100 M. Tonnes for the Calcutta unit. It has been informed by D.G.T.D. that this party has mis-used the raw materials as well as the import licences issued to them. So far as the mis-used of raw materials is concerned, the party has been find by a law court and its Secretary along with an officer of the Iron & Steel Controller have been jailed. With regard to the misuse of import licences no action seems to have been taken against the party. It would perhaps be necessary to examine this matter separately in consultation with the D.G.T.D. and O.C.I.&E,

4. In so far as Hind Galvanising & Engg. Co. Ltd., is concerned, they are registered for the manufacture of small drums upto 10 gallons and heavy drums from 60 to 90 gallons. The party have been representing for a very long time for recognition for the manufacture of 40|45 gallon oil barrels within their over-all capacity, which is 3200 tonns per annum. After an enquiry, the D.G.T.D. stated that the firm was already manufacturing 40/45 gallon oil barrels on an improvised basis by using the lant and machinery already available in the factory. They were of the view that as originally requested by the firm, their capacity of 3200 tons should be split up in two i.e. 1600 tons for the manufacture of 40|45 gallon oil barrels and the balance of 1600 tons for the manufacture of other types of drums which the firm have been manufacturing previously in accordance with the types given in the Registration Certificate. It has now been stated by the D.G.T.D. that this firm have purchased additional machinery required for the manufacture of 40|45 gallon oil barrels without prior permission of Government and thus contravened the provisions of the Industries (D&R) Act, 1951. However, as it is proposed to agree in the case of Bharat Barrel & Drum Mfg. Co., who also contravened the provisions of Industries Act, the D.G.T.D. has proposed in this case also that the firm's capacity for the manufacture of 40/45 gallons barrels as 6000 tons per annum and 1600 tons for drums of 5 to 10 gallons capacity may be recognised.

5. So far as the capacity of Standard Drum & Barrel Mfg. Co. is concerned, it is pointed out that their capacity of 3700 tons was fixed provisionally and the party had been representing for fixing their capacity on the time-and-motion study of their plant. Their factory was inspected by the D.G.T.D. in the year 1961 and on the basis of

that inspection they have now recommended that this firm's capacity may now be recognised as 6100 M. Tonnes.

6. Since the capacity for the manufacture of 40/45 gallons barrels has been re-assessed as a whole the capacities of M|s. Steel Containers Ltd., Bombay and M|s. Industrial Containers Ltd., Calcutta have also been re-assessed after inspection and the same has been recommended as 8300 M. Tonnes and 7000 M. Tonnes respectively.

This is now put up for consideration of the inter-Ministerial meeting.

Sd/- V. PRAKASH,  
*Under Secretary to the Govt. of India.*

Sl. No. Name and address of the firm/licence No. & date

Existing Reassessed capacity (Tonnes)

S.P.I. Allocation

Production

Remarks

1 2 3 4 5 6 7 8 9 10 11 12

**Measr.**

1 Steel Containers Ltd., Bombay.  
L/1-A(7)/N-75/59 dt. 18-3-59

5,860 (Single shift) | 5,954.0 8,300.0 4,316.6 4,168.0 5,954.0 5,954.0 6,362.6 8,026.0 6,382.0

For all the firms at S. No. 1 to 5 addition to SPI Quota allotted by them were being supplied from either batch or from L.I.F. imports.

2 Standard Drum & Barrel Mfg. Co., Bombay.  
L/1-A(7)/N.48/58 dt. 11-9-58.

(i) 3700 (18G) Provisional.  
(ii) 3000 Nos. per day or 900,000 Nos. per annum bitumen (barrel(240))

3760.0 6100.0 2726.0 2633.0 3760.0 3697.1 7437.8 10568.0 6994.3 8017.00

No allocations were made during ore period as the firm was under suspension.

3 Bharat Barrel & Drum Mfg. Co. (P) Ltd., Bombay.  
L/1A(7)/N-22/60 amended vide letter No. 1A(7)/(148)-IA (111)/58 dt. 5-6-61.

(i) 108,000 Nos. (on single shift (18G Barrels).  
(ii) 784,000 Nos. p.a. (24G) Bitumen barrels.

18300.0 22000.0 13258.8 8800.0 13394.0 16459.6 15971.7 18048.0 (upto Nov '63)

This firm has not been reporting production of any bitumen barrels to this Dte.



# MINISTRY OF INDUSTRY & SUPPLY

(Deptt. of Industry)

SUBJECT:—A review of capacity of 40/45 gallons oil barrels industry.

At the Inter-Ministerial meeting held on the 19th June, 1964, in Udyog Bhawan, Room No. 148 under the Chairmanship of Shri P. M. Nayak, Joint Secretary, Deptt. of Industry, the following were present:—

S. No.	Name	Designation	Ministry/Deptt.
1	Shri P. M. Nayak	Joint Secy.	Deptt. of Industry.
2	„ N. J. Kamath	Joint Secy.	Deptt. of Technical Development.
3	„ N. Chidambaram	Dy. Secy.	Deptt. of Industry.
4	„ R. S. Khanna	Dy. Secy.	M/Petroleum & Chem.
5	„ M. Prasad	Dy. Secy.	Min. of Steel & Mines, (Deptt. of Iron & Steel).
6	„ P. L. Sehgal	Ind. Adviser	D.G.T.D.
7	„ V. Prakash	Under Secy.	Deptt. of Industry.
8	„ H. N. Risbud	Dev. Officer	D.G.T.D.
9	„ J. M. Guha	Asstt. Petrol Officer	M/Petroleum & Chem.
10	„ Hari Bhushan	Dir. (Engg.)	Planning Commission.

2. Shri Hari Bhushan, Planning Commission, observed that in the review made by the D.G.T.D. the capacities have been shown on single shift basis, whereas it has been generally accepted that in all engineering industries it would be necessary to express the capacities on the basis of double-shift operation, which would ensure a correct prospective in the assessment of long-term foreign exchange requirements for the raw materials etc. He felt that now that the D.G.T.D. have made an attempt to review the capacity it would be better to give the capacities on the basis of double-shift operation.

Shri N. J. Kamath, while agreeing with this view, said that a procedure for expressing the capacities on the basis of maximum utilisation of plant and machinery on an annual basis has already been laid down and this procedure could meet the point raised by the Planning Commission. However, as the meeting had been called for the limited purpose of re-assessing the capacities of the existing units in the field with a view to ensuring correct allocation of raw materials, taking into account the installed capacities on the basis of inspection, there should be no difficulty in considering the recommendations of the D.G.T.D. as such at present. It was agreed that D.G.T.D. would, in due course, re-assess the capacities on the basis of maximum utilisation of plant and machinery and submit their recommendations. The individual cases of re-assessment were then taken up for consideration.

3. *M/s. Bharat Barrel & Drum Manufacturing Co., Bombay and Calcutta.*—D.G.T.D.'s recommendations of 22,000 M. Tonnes per annum on single-shift for the Bombay Unit and 5,200 M. Tonnes per annum on single-shift for the Calcutta unit were accepted for the purpose of allocation of raw materials. D.G.T.D. could now allot raw materials to the two units separately on the basis of the re-assessed capacities. The point which, however, remains for consideration is the capacity for the manufacture of bitumen barrels which the party is having at the Bombay factory as per the industrial licence granted to them. As the party still claims the capacity for the manufacture of bitumen barrels although production has not been reported by them, it was felt necessary that D.G.T.D. should arrange an inspection of the Bombay factory and report on their bitumen barrel manufacturing capacity.

4. *M/s. Hind Galvanising & Engineering Co. Ltd., Calcutta.*—The firm have claimed the capacity for the manufacture of 40/45 gallons oil barrels after having installed additional machinery and therefore, it remains to be examined whether setting up of capacity for the manufacture of 40/45 gallon oil barrels by this unit should be permitted especially since the industry is on the "banned list". It was decided that this proposal should be further examined after ascertaining their eligibility for taking an industrial licence and the case be put up for the consideration of the Licensing Committee for a decision.

5. *M/s. Standard Drum & Barrel Manufacturing Co., Bombay.*—The capacity of 6,100 M. Tonnes per annum on single-shift as recommended by the D.G.T.D. was accepted. But as this assessment was based on inspection made in the year 1961, it was decided that this

factory should be inspected again and another assessment made, so that a uniform standard could be ensured in all these cases.

6. *M/s. Steel Containers Ltd., Bombay and M/s. Industrial Containers Ltd., Calcutta.*—The recommendations of the D.G.T.D. viz., 8,300 M. Tonnes per annum and 7,900 M. Tonnes per annum respectively on single-shift for these units were accepted.

7. *M/s. Assam Oil Co., Digboi, (Assam).*—This is a consumer fabricator with an existing licensed capacity 3,080 tons per annum and D.G.T.D. have not made any re-assessment of the capacity of the Unit. As, however, recently the party has come with a request for enhancement of their capacity to 3,840 M. Tonnes per annum it was decided that this request may be acceded to.

8. Shri R. S. Khanna, Ministry of Petroleum & Chemicals observed that Indian Oil Co. would be coming up shortly for setting up an oil barrel making plant in collaboration with Hind Galvanising Company at Barauni and that this should be kept in view while revising the capacities of the existing fabricators. It was agreed that this could be examined as and when a proposal from the Indian Oil Co. is received.

## APPENDIX V

S. No. LEI (B) (35) /66.

No. LEI(B)-5(35)/65

GOVERNMENT OF INDIA

MINISTRY OF INDUSTRY

New Delhi, the 16th August, 1966.

### NOTE FOR THE LICENSING COMMITTEE

**SUBJECT:—***Re-assessment of capacity of 40/45 gallons oil barrel industry.*

M/s. Bharat Barrel & Drum Mfg. Co., Bombay and M/s. Standard Drum & Barrel Co., Bombay had been representing to the Government for quite some time that their licensed capacities for (18G) oil barrels did not correctly represent the installed capacities which were claimed to be higher, and were pressing for a re-assessment of capacity and also allocation of raw materials on the revised basis. As a matter of fact, M/s. Bharat Barrels, who are licensed for manufacture of drums and barrels at Bombay, had shifted in 1962 a part of their machinery to Calcutta without prior approval of the Government, and the Government took a serious view of the firm's action and a warning was also issued in December, 1962 in this connection. They were then told that allocation of raw materials for the Calcutta factory would not be separate and no additional quota over and above what had already been authorised in respect of the Bombay plant would be allowed. Subsequently, however, the firm started representing and claimed allocation of raw material separately for both the Bombay and Calcutta units on the basis of the actual installed capacity. It was therefore decided to have the factories inspected by the D.G.T.D. for the purpose of assessment of capacity. D.G.T.D.'s inspection of the Bombay factory (visited 5/6th February, 1964) and of the Calcutta factory (visited on 11/12th December, 1963) revealed the capacities as 22,000 and 5,200 M. Tonnes per annum (assessed on single shift) as against the assessed capacity of 18,300 tons of oil barrels corresponding to the industrial licence for the Bombay unit.

Separately M/s. Standard Drum and Barrel Co., Bombay, had also been pressing for re-assessment of the capacity of their oil barrel



plant and in this context it was decided to review the oil barrel capacity in the country as there were only 6/7 units in the line. On the basis of the inspection carried out by the D.G.T.D. during 1963-64, the assessed capacities of all the units, including those of M/s. Bharat Barrels, were considered at an inter-Ministerial meeting held on 19th June, 1964 and it was decided to accept the D.G.T.D.'s assessment in these cases. In respect of M/s. Hind Galvanising however it was decided to examine the case separately and in respect of M/s. Standard Drum & Barrel Co. it was agreed to have another inspection made, as the earlier inspection was done as far back as November, 1961. Subsequently, the case of M/s. Hind Galvanising was decided and it was agreed to register them for a capacity of 6,000 tonnes per annum. M/s. Standard Drum factory was again inspected in August 1964 and the assessed capacity of 14,538 tonnes per annum was also accepted. A statement indicating details in regard to the six units, relating to their licensed capacities and assessed capacities (on single shift) is enclosed.

2. It may be pointed out that in all these cases the assessed capacities are different from the licensed capacities and for the purpose of raw material allocation, the basis is taken at present to be the assessed capacity accepted as a result of inspection made during 1963-64. Further these assessed capacities have been reckoned on single shift basis. Even after the assessment made in 1963-64, M/s. Bharat Barrels have been particularly complaining that their capacities were grossly under-assessed by the D.G.T.D. As representations on this account continued to pour in, it was decided to have another inspection carried out with a view to obtaining an assessment of the actual installed capacity in the industry. D.G.T.D. inspected the factories during July/December, 1965, and as a result of inspection it has come to our notice that there has been considerable addition to the installed capacity between the time of earlier inspection and the current one. In the case of M/s. Bharat Barrels particularly, considerable evidence has been obtained to show that there has been a deliberate attempt on their part to add to their capacity by either addition or replacement of machines and also to shift machinery between the Bombay and Calcutta units. As in addition further irregularities have also been noticed in respect of this firm it has been decided separately to investigate the matter further in consultation with the concerned authorities like Ministry of Iron & Steel, C.C.I. & E., D.G.T.D.; etc. It has also been decided not to take into account the inspection of 1965 for the purpose of allocation of raw material and further, that the present basis which is as a result of 1963-64 inspection should continue undisturbed. It may be pointed out that re-assessment of capacities on the basis of maximum utilisation

tion of plant and machinery is not proposed to be attempted for the present in any industry. Even in regard to drum and containers industry the question of re-assessment which was considered separately at inter-Ministerial meetings, was brought up before the Licensing Committee who however recommended (meeting held on 7th September, 1965) that re-assessment of capacity should be deferred for the present. The present note which is being placed before the Licensing Committee for information is only in respect of the 40/45 gallon oil barrels industry, where it was necessary to have a re-assessment during 1963-64 as a result of circumstances explained above. It is also proposed not to accept the re-assessment made in 1965 for the present, particularly in view of the fact that short supply of steel sheets is a continuing problem. The single shift assessment of 1963-64, which is the current passes for the allocation of raw material, will have to continue for some more time and the question of assessment on maximum utilisation basis can be considered only in due course when the raw material supply position also improves.

Submitted to the Licensing Committee for information.

Sd/- (N. Sivaraman),

*Under Secretary to the Government of India.*

*Oil Barrel Industry (40/45 gallons)*

S. No.	Name of the firm	Licensed capacity/date of Licence (in Tons)	Assessed capacity p.a. on single shift in M.T. Date of inspection by D.G.T.D.
1	2	3	4
1	M/s. Bharat Barrel & Drum Mfg. Co. (P) Ltd., Bombay.	18300 (as amended on 5-6-61) or (1030,000 Nos.)	22,000 (5/6-2-64)
2	M/s. Bharat Barrel & Drum Mfg. Co. (P) Ltd., Calcutta.	Not licensed but shifting part of machinery from Bombay to Calcutta agreed to in our letter dated 1-12-1962.	5,200
3	M/s. Standard Drum & Barrel Mfg. Co., Bombay.	3,700 (Provisional 11th Sept. '58)	16,100 (Nov. '61) 14,538 (13th Aug. '64).
4	Hind Galvanising & Engg. Co., Ltd., Calcutta.	Not licensed but regularised later.	6,000 (not inspected).

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5	Steel Containers Ltd., Bombay.	5,860 (18th March, 1959)	8,300 (17th Dec. '63).
6	Industrial Containers Ltd., Calcutta.	6,000 (3rd March, 1959)	6,900 (7th Dec. '63).

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Extracts of minutes of 13th (Fourth Plan) Meeting of the L.C. held on 13th September, 1966 (Sub-Committee), vide O.M. No. 40 (36) (16) L.C. 166, dt. 18-10-66.

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Item No.	(20) Part II LEI (B)	<i>Re-asses. ment of capacity of 40-45 gallons oil barrels Industry</i>
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The Committee noted the position and agreed that the assessment of capacity carried out in 1963-64 which is currently the basis for the allocation of raw materials, should continue for the present.

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## APPENDIX VI

### LOK SABHA

#### UNSTARRED QUESTION NO. 913

*To be answered on 16th November, 1967.*

#### SUPPLY OF BARRELS FOR INDIAN OIL CORPORATION

913. SHRI SITARAM KESRI:

SHRI SAMAR GUHA:

SHRI GEORGE FERNANDES:

Will the Minister of PETROLEUM AND CHEMICALS be pleased to state:

(a) whether it is a fact that the Khaitan Brothers against whom allegations of evasion of tax have been made are connected with the firm of Hind Galvanising and Engineering Co. (P) Ltd. of Calcutta against whom charges of having supplied to the Indian Oil Corporation barrels fabricated out of Hot Rolled sheets as against Cold Rolled sheets and billed for those of Cold Rolled sheets and thus caused a loss of several lakhs of rupees to Government were made.

(b) whether Government have held any inquiry into the charges against the said firm and if so, the result thereof; and

(c) whether it is also a fact that the inquiry proceeding against the firm were abandoned and the capacity of the firm for the manufacture of 45 gallon oil barrels was recognised when the firm was on the banned list?

#### ANSWER

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS AND OF SOCIAL WELFARE (SHRI K. RAGHURAMAIAH): (a) and (b): M/s. Hind Galvanising and Engineering Company Private Ltd., who have Shri S. G. Khaitan and Shri G. N. Khaitan on their Board of Directors have supplied some barrels to the Indian Oil Corporation Limited. The purchase order stipulated that the barrels will be made out of Cold Rolled steel. It was, in fact, discovered that the supply made was of Hot Rolled steel barrels. As these barrels could also be used and were required, the supply made

was accepted and the question of the price to be paid was referred to arbitration. According to the award, the price of the barrels is to be related to the cost of steel actually used by the fabricator. The Indian Oil Corporation are arranging to make payment according to the award, which results in a lower price than that originally accepted in the purchaser order. There is, therefore, no question of any loss to the Indian Oil Corporation or need for any inquiry on this account.

(c) M/s. Hind Galvanising and Engineering Co. Pvt. Ltd., Calcutta, who were already registered for the manufacture of small drums and heavy duty barrels, had been requesting permission to undertake the manufacture of oil barrels, for which they claimed they were equipped. On verification, it was found that with the existing machinery it would be possible for the company to manufacture oil barrels also. As these barrels were much in demand during 1963-64 for meeting defence and oil refinery needs, it was decided to register this available manufacturing capacity, although this was an item in respect of which applications for new capacity are ordinarily to be rejected. Hind Galvanising & Engineering Company Pvt. Ltd., is not on the banned list.

## APPENDIX VII

### BARREL AND DRUM INDUSTRY

24-11-1967

\*250. SHRI SAMAR GUHA  
SHRI S. M. BANERJEE

Will the Minister of INDUSTRIAL DEVELOPMENT AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that in view of the short supply of essential raw materials and the accepted policy of Government to utilise fully the existing licensed capacity of an industrial concern, the barrel and drum industry has been put on the 'Banned list' for the last several years;

(b) If so, the reasons for allowing (i) Hind Galvanising and Engineering Co. (P) Ltd. Calcutta (ii) Standard Drum and Barrel Ltd., Manufacturing Co., Bombay to increase their existing capacity; and

(c) whether Government allotted raw materials to existing fabricators on the basis of the number of shifts before they generally recognised a 'fresh capacity and allowed successive expansions of the above two companies?

THE MINISTER OF INDUSTRIAL DEVELOPMENT AND COMPANY AFFAIRS (SHRI F. A. AHMED): (a) The drum, barrel and container industry has been placed on the 'rejection list' since 1960, i.e. list of industries in which applications for licences under the Industries (Development and Regulations) Act, 1951, may ordinarily be rejected. The facts of existing installed capacity position of raw material supply etc. are taken into account at the time of preparation of such rejection lists from time to time.

(b) M/s. Hind Galvanizing & Engineering Co. Pvt. Ltd. Calcutta, who were already registered for the manufacture of small drums and heavy duty barrels, had been pressing the Government permission to take up the manufacture of oil barrels for which they were stated to be equipped. On verification, it was found that with the improvisation of the existing machinery it was possible for them to manufacture oil barrels. As these barrels were found to be very much in demand during 1963-64 by the Defence Ministry and the Oil Refineries it was decided to register this available oil barrel

manufacturing capacity of M/s. Hind Galvanizing & Engineering Co. Pvt. Ltd. who had already been producing small drums and heavy duty barrels although the industry has been placed on the rejection list.

Messrs. Standard Drums and Barrel Manufacturing Co. Bombay were granted on the 11th September, 1958 a carrying on business industrial licence for the manufacture of barrels, drums and containers for a capacity of 4200 tons per annum. Of this capacity, which according to the licence was provisional and subject to re-assessment, the capacity for 40/45 Gallon oil barrels was recognised at 3700 tons initially. This was later revised to a figure of 14,538 tonnes per annum on the basis of reassessment of capacity which was undertaken during 1963-64 in respect of all the oil barrel manufacturing units. As matters of fact, capacities of all the barrel making units in the field were assessed and revised uniformly.

This matter is the subject of a writ petition filed in the High Court of Delhi and the case is under consideration of the said High Court.

(c) Allocation of raw materials to all oil barrel manufacturers has been made on the basis of single shift assessed capacity of each of the units and therefore the question of recognising 'fresh capacity' in particular cases as stated does not arise.

## APPENDIX VIII

From: Sardar Khalilullah Khan.

No. 232 Jor Bagh (1st Floor)

NEW DELHI-3.

29th October, 1962.

Hon'ble Shri Nityanand Kanungo,

Minister for Industries,

Government of India,  
New Delhi.

Sir,

*Re: Permission for shifting of part of our Barrel Manufacturing Plant from Bombay to Calcutta.*

On the one side Leaders cry hoarse to industrialise the country but when someone comes out to put up an Industry his efforts are thwarted. Inspired with lofty zeal of national advance we readied out of our old Plant of Drum making at Bombay a fresh plant and sought Government's approval on three main grounds:—

- (1) To ease Railway wagon shortage problem. (This involves 500 wagons a year);
- (2) To cater to the growing demand of oilers in the Eastern region;
- (3) To effect economy in our business. (We will save transport charges).

At the present we manufacture drums at Bombay, with great difficulty we get wagons for transporting the drums 1400 miles away, suffering transit damage and natural delay in delivering our goods to our customers.

The Director of Industries, Bengal Government, naturally welcomed the idea and wrote in unequivocal terms that if the Government of India and the Commerce Ministry okays the shifting of such machinery they would not object. Thus started the 'rolling ball' and



it collected no moss either. Although we assured the Government that:—

- (1) We would not claim any fresh quota of steel for this enterprise (We are licensed for 27,000 tons already).
- (2) We shall not reduce our licensed capacity at Bombay as we work only one shift at the present.
- (3) We shall not ask for any machinery or part's licence in the near future for this machinery in particular.

We told the Ministry further that we are already manufacturing small drums in Calcutta and this would not only augment our production but would prove of great utility to the oilers. There is a demand of nearly 4 lakh drums every year and we and other ancillaries met nearly 2|3rd of the demand.

After two years tassing from one office to another and from one Ministry to another it was ultimately referred to the Development Wing and they turned down our proposal on naturally flimsy grounds without paying any heed obviously to our logic holding the view that ours is an integrated plant to the question of shifting a part of the plant does not arise.

A perusal of the file would satisfy you, Sir, of our just demand and grievance.

It is, therefore, prayed that using your discretion and prerogative, you would accord us approval for shifting and working part of our capacity of drum making to Calcutta and we once again reiterate our assurance that:—

- (1) We would not claim any fresh quota of steel for this project over and above our licence for 27,000 tons quota.
- (2) We shall not ask in the immediate future for spare parts or machinery.

It is the duty of every true Indian to save foreign exchange and Railway Wagons and we are striving thus to help the country and your gesture of patronage will greatly heal our wounds.

Yours obediently,

For Bharat Barrels & Drums Manufacturing Co.

Sd|- (KHALILULLAH KHAN)

Ex-Minister of Education, Patiala

Chief Executive.

Letter from Sardar Khalilullah Khan dated 29-10-1962.

May I have a look at the file dealing with this case?

Sd/- N. KANUNGO

6.11.1962

JS (RVS)

Sd/R. V. SUBRAMANIAM

6.11.1962

DS(CB)

Please get the papers from LEI(B) after getting the points examined.

Sd/- C. BALASUBRAMANIAM

7.11.1962

Messrs. Bharat Barrel & Drum Manufacturing Co. is wanting to shift a part of their Barrel Plant from Bombay to Calcutta and they have been approaching this Ministry repeatedly through different sources for getting the approval. Notes on pp. 23-25 and 33-34/N give the details of the case.

2. F. R. under reference is another letter addressed by Ex-Minister of Education, Patiala to M(I) wherein the request of Bharat Barrel & Drum Manufacturing Co. for permission to shift a part of their Barrel Manufacturing Plant from Bombay to Calcutta has been emphasised. It has been brought out in this letter that the Director of Industries, West Bengal, has welcomed the idea of the shifting of the manufacturing capacity from Bombay to Calcutta. But so far, this office has not received the confirmation from the Director of Industries, Maharashtra, as to whether Messrs. Bharat Barrel and Drum Mfg. Co. has shifted a part of their machinery, which is already functioning in that State. It will be seen from the noting given by the Development Wing p. 27.28 and 30-31/N that no permission was accorded for transfer of the 45 gal. oil barrel plant from Bombay to Calcutta. Development Wing, however, has expressed their opinion that if more of raw material is made available for Messrs. Industrial Containers Limited, Calcutta, they should be in a position to satisfy the requirements in that region. They have also mentioned that the surplus capacity of the machinery installed in Bombay could cater to the needs of Gujarat or Barauni, but so far no proposal from the party has been received for shifting their factory.

3. As regards their request to shifting the machinery required for reconditioning the second-hand drums, the party has been asked to furnish the details to the Development Wing and the case will be dealt with by them on receipt of particulars.

4. The case can, however, be decided on receipt of particulars from the Director of Industries giving the information as to whether the party has shifted any machinery from Bombay to Calcutta which was already functioning in that State and, if so, whether any permission was accorded by them.

M(I) may kindly see.

Sd/- C. BALASUBRAMANIAM

9.11.1962

M(I)

In view of the opinion of Development Wing the permission may be granted straight away.

There is no point in waiting for the views of the Director of Industry of Maharashtra, obviously he would not be expected to favour a shift.

Sd/- N. KANUNGO

16.11.62

DS(CB)

Discussed with M(I). He felt that since Messrs. Bharat Barrel & Drum Mfg. Co. are manufacturing drums in Calcutta, by, perhaps, shifting a part of the machinery from Maharashtra State, for supply against the requirements of that region we need not now insist the party to shift back the machinery to Bombay. However, the barrels are required by the various petroleum companies and even in Messrs. Industrial Containers are to be given more quota of raw materials for increased production to satisfy the demand, it would take some time for them to manufacture barrels. Further, if the drums are manufactured in Calcutta that would also ease the transport position and avoid unnecessary shifting of these barrels from Bombay to Calcutta. However, since Messrs. Bharat Barrel & Drum Mfg. Co. manufacture these barrels with the raw material already issued to them, no further quota should be allowed. He, however, felt that there is no necessity for us to wait for a reply from the Director of Industries, Maharashtra, in view of what is stated at pre-page, portion marked 'X'.

Sd/- C. BALASUBRAMANIAM

22.11.1962

US(PSVR)

Notings from pp. 35 *ante* may kindly be seen. The request of the party for shifting a part of the plant from Bombay to Calcutta was rejected by the Licensing Committee. The present decision is to allow the party, for this shift, due to the developed situation.

Chairman of the Licensing Committee may like to see the draft before issue.

Sd/- C. BALASUBRAMANIAM.

24-11-62.

Secy.

Sd/- S. Ranganathan.

26-11-62.

M(I).

Sd/- N. Kanungo.

26-11-62.

C.I.M.

Sd/- K. C. Reddy.

27-11-62.

US (PSVR).

Draft may issue.

Sd/- C. BALASUBRAMANIAM.

28-11-62.

No. LEI(B)-5(7)/61

Ministry of Industry

New Delhi, the 1st Dec., 1962.

S. No. (36)

M/s. Bharat Barrel & Drum Mfg. Co. (P) Ltd.,

95, Forgysson Road,

Lower Parel,

Bombay-13.

SUBJECT:—*Transfer of part capacity for barrel making from Bombay to Calcutta.*

Gentlemen,

I am directed to refer to your letter No. Nil dated the 9th October, 1961, on the above mentioned subject and to say that it has been brought to the notice of this Ministry, that you have without prior intimation to this Ministry moved a part of your barrel manufac-

turing plant from Bombay to Calcutta. This alleged unilateral action on your part is highly objectionable and against the provisions of the Rules made under Industries Development & Regulation Act, 1951. It may be noted that such objectionable action should not be indulged in, by you, in future.

The representations received from you furnishing several reasons have been considered in this Ministry. It has been stated by you that the shifting of a part of our barrel manufacturing plant from Bombay to Calcutta is required to meet the increased demand from indentors of Calcutta region and also to avoid unnecessary utilisation of wagon-space involved in the transit of complete barrels from Bombay to Calcutta. With a view relieve the wagon requirements which are otherwise needed in the Eastern region of the country at present it has been agreed to allow you to utilise at Calcutta a part of the capacity already approved for the manufacture of 42—45 gallons steel barrels at Bombay with the machinery alleged to have been already shifted from Bombay. You may, therefore, send the original licence issued to you in this regard, along with the full details of the capacity, specifications etc. of barrel manufacturing plant for further action.

It may, however, be noted by you that this shifting of a part of your Bombay barrel manufacturing plant to Calcutta will not entitle you to have any additional quota over and above what has already been authorised to you in respect of the plant at Bombay. No additional import of any plant, machinery or spare parts etc. whatsoever, will also be allowed for this change.

Kindly acknowledge the receipt of this letter.

Yours faithfully,  
Sd/- P. S. V. RAGAVAN.

Copy forwarded for information:—

1. Director of Industries Maharashtra, Sachivalaya Anexe, 2nd Floor, Bombay-32.
2. Director of Industries West Bengal, New Sectt. Bldgs, 1-Hastings St., Calcutta.
3. Licensing Progress Section.
4. Guard File.

Sd/- P. S. V. RAGAVAN.

## APPENDIX IX

There are two points involved in the case of M/s. Bharat Barrel & Drum Manufacturing Co. (Pvt.) Ltd., Bombay, viz.

- (i) The fixation of their capacity in respect of the Calcutta factory and Bombay factory and
- (ii) Re-assessment of their over-all capacity.

2. As regard (i) above, they hold a licence under the Industries (Dev. & Reg.) Act, 1951 for the manufacture of Drums and Barrels for an annual capacity of 27,800 tons. (D.G.T.D. accepted a capacity of 18,000 tons for the purpose of steel allocation). They shifted a part of the Plant and Machinery from the Bombay factory to Calcutta without our prior permission. This shifting was later recognized by us and the DGTD was asked to indicate the capacity for the Calcutta factory and the corresponding reduction in the Bombay Factory. After an "on-the-spot" inspection, the DGTD have indicated the capacity as follows:—

- (a) Calcutta—5,200 Metric tons per annum.
- (b) Bombay—13,100 Metric tons per annum.

In this connection, the DGTD has based their recommendations on the past history of the irregularities committed by the firm.

3. With regard to (ii) above, the question of the re-assessment of the capacity of all the Drum Manufacturers has been under consideration for sometime past. The DGTD was asked by us to re-assess the capacity and to submit a report so that the case may be further considered in terms of para. 4(iv) of the Ministry's circular No. Ind. Pol. 3(2)/63, dated 19th August 1963. It will be seen from the notes on pages 27—32 in the linked file that this re-assessment has been made and suggestions therefor have been made by the Development Officer. As regard the case of M/s. Bharat Barrel & Drum Manufacturing Co. (P) Ltd., the Industrial Adviser (Engineering) has not agreed for an upward revision. The Dy. Director General (Engg.) has, however, directed the Development Officer (Shri S. P. Singh) to again carry out an "on-the-spot" inspection of their Bombay and Calcutta factories. I understand that the Development Officer (Shri S. P. Singh) will be proceeding on tour for this purpose in the first week of February, 1964. Thereafter, a report will be submitted to us.

4. It is in connection with the re-assessment of their capacity and others, M/s. Bharat Barrel & Manufacturing Co. (P) Ltd. have submitted representation.

5. I think before considering the case further, we may await the final report from the D.G.T.D.

Sd/- V. PRAKASH.  
28-1-64

JS(PMN).

Minister may please see with reference to his minutes on the F.R.

Sd/- P. M NAYAK.  
28-1-64

M(I).

Withdrawn from M(I) on 8th April 1964. The further report promised by the D.G.T.D. has since been received. The whole case may now be examined and put up urgently.

Sd/- V. PRAKASH.  
8-4-64.

S.O. LEI(B).

M(I) desired to see these files again. The further Report of the D.G.T.D. is on pages 102—105 of notes in the second linked file. I understand a further note has been submitted by D.G.T.D. to JS(K), Deptt. of Technical Development and will be forwarded to us soon.

Sd/- V. PRAKASH.  
16-4-1964.

M(I):

I have gone through the detailed notings in this case relating to refixation of the capacities for the plants of Bharat Barrels at Bombay and Calcutta separately. In view of the findings of the D.G.T.D. after on the spot study, immediate action should be taken to allocate steel quotas to Bharat Barrels at the rate of 22,000 tonnes for Bombay and 5,100 tonnes for Calcutta per annum. The question of

increased capacities claimed by the firm, viz. 27,000 tonnes for Bombay and 9,000 tonnes for Calcutta can be examined later.

Sd/- N. KANUNGO.

8-5-1964

JS(N)

Sd/- P. M. NAYAK

11-5-64.

US(VP).

Sd/- V. PRAKASH

11-5-64.

SO, LEI(B).



## APPENDIX X

*Details of the Machinery installed after 1961 assessment*

Sl. No.	Name of the machine	No. of machines	Estimated price (Rs)	From whom bought	Date of purchase	Date of installation
1	Single ended double Steamer .	1	61,396	Francis Klein & Co. Pvt. Ltd., Calcutta.	March, 1962	April, 1962
2	Circle Cutting Machine .	1	4,337	Maneklal & Sons, Bombay	25-1-1964	February, 1964
3	Drum Welding Equipment	1	2,85,076	National Electric Welding Ma- chines Co., U.S.A.	14-2-1964	July, 1964
4	Shearing Machine .	1	9,334	Maneklal & Sons, Bombay.	7-3-1964	March, 1964.

## APPENDIX XI

1. We are considered on this file the request of M/s. Hind Galvanising and Engineering Company Private Limited for permission to manufacture 40/45 gallon drums in their factory. When the Indian Galvanising Company was split up, the capacity was distributed between M/s. Hind Galvanising and M/s. Industrial Containers and according to the distribution, the plant for manufacturing 40/45 gallon drums was entirely transferred to M/s. Industrial Containers Ltd.

2. While admitting that they do not have the Government's approval for the manufacture of 40/45 gallon drums, for which purpose they have come up now, they contend that they do have the plant with them for the manufacture of this type of drums, and as a matter of fact they claim to have supplied these drums against Defence orders, after obtaining Steel Sheets from free sale market. They state that they have not consumed the steel, in any category received through the quota certificates of the LME Directorate. This point may be checked up by the Deptt. of T.D. through the S.P. Returns submitted by the party.

3. Apart from this, the main point to be considered is that, as the manufacture of 40/45 gallon drums is covered by the Industries Act and its development is now banned, we cannot approve of the firm's manufacturing activity in this line. This position has been already clarified by DTU at p. 7/cor.

4. Before we take further action in the matter, we may confirm from the Deptt. T.D. regarding position at 'A' in pre-page, reported by the party in their letter dated 4th December, 1962 addressed to LME (copy enclosed at p. 15/cor).

Sd/- S. KANAN,  
27-4-63.

Sd/- P. S. V. RAGHAVAN,  
27-4-63.

Deptt. of T.D. (LME—Shri S. P. Singh, D.O.)  
M/C&I U.O. No. 5(29)/62-LEI(B) dated 29-4-63.

D.G.T.D.

Regarding 'A' on pre-page certain queries were made from the party vide this office letter dated 20-5-63 the reply of which is still

awaited. They have again been reminded on 13-6-1963 and have been asked to send their reply within 7 days from the date of issue of the reminder. Our final comments will be sent to the Min. of C. & I. after the receipt of the reply from the firm. This also dispose of Ministry of C. & I., reminder dated 6-6-1963.

Sd/- RISBUD,  
17-6-63.

Min. of C. & I. (LEI(B) Section.

D.G.T.D. U.O. No. LME-II/2/1(121-A)|63|415 dated 17-6-63.

D.O. letter dated June 11, 1963 from the Chief Minister of West Bengal to M(I)—

“May I have a look at the file? If it is one in Heavy Industries, it may be called for”.

Sd/- N.K.  
13-6-63.

Secretary

Urgent

Sd/- S. RANGANATHAN.  
13-6-63

Please examine and put up the papers.

Sd/- P. S. V. RAGHAVAN,  
14-6-63.

LEI(B)

1. In the letter dated June 11, 1963, the Chief Minister of West Bengal has referred to his earlier letter dated May, 4, 1963 addressed to M(I) on the request of M/s. Hind Galvanizing & Engineering Co. (P) Ltd. for permission to manufacture 40/45 gallon capacity drums under the Industrial licence granted to them. The firm's case had been examined in this Ministry in consultation with the D.G.T.D. and their request was turned down in the Ministry's letter 4-10-62 and subsequently reiterated also in the letter dated 22-3-63.

2. The circumstances of the case are briefly these—when M/s. Indian Galvanizing Co. was split up, the capacity was distributed between M/s. Hind Galvanizing and M/s. Industrial Containers, Calcutta. In this distribution, the plant for manufacturing 40/45 gallon drums was entirely transferred to the Industrial Containers Ltd. In the revised registration letter issued by the Ministry dated-1st Octo-

ber, 1959, the amendment also clarifies that the manufacture of 40/45 gallon steel drums, which was previously being carried out by the Indian Galvanizing Co., is excluded from the registration of Hind Galvanizing Co. as the plant and the machinery relating to these has been sold to M/s. Industrial Containers Ltd., Calcutta. D.G.T.D. have stated that the plant of M/s. Hind Galvanizing was inspected by an officer of LME Dte. in 1959 and the only plant they have got is for manufacturing small drums of 4/5 gallons and upto 10 gallons only and heavy drums of 60 to 90 gallons. They have also remarked that we cannot recognise any new plant which they might have subsequently installed for the manufacturing of 45 gallon drums.

3. While admitting that they do not have the Government's approval for the manufacture of 40/45 gallon drums, for which purpose they are representing, the firm contends that they do have the plant with them for the manufacture of this type of drums and as a matter of fact they claim to have supplied these drums against Defence orders, after obtaining steel sheets from free sale market. They state that they have not consumed the steel, in any category received through the quota certificates of the LME Dte. We have requested the D.G.T.D. to check up this point and their comments are still awaited.

4. The main point is that the manufacture of 40/45 gallon drums is covered by the Industries Act and its development is now banned. Taking into account all these facts, the firm's request was turned down. In the letter from the Chief Minister of West Bengal, reference has been made to the statement of the Minister of Steel & Heavy Industries that,

“The Union Government has given the green signal to manufacturers to go ahead with defence-oriented programmes. Their schemes and production schedules will be formally approved and regularised under the Industries Regulation and Development Act later.”

to support the firm's request for approval of their manufacturing activity in a defence-oriented line. It is stated in the Chief Minister's letter that the firm is manufacturing many items of engineering products for the defence purpose and is supplying 40/45 gallon drums to the Defence Department. Submitted

Sd/- S. KANNAN,

18-6-63.

US(PSV)

DS. may please see notes from p. 11 ante which explain the case clearly. On Ministry's letter dated 9th October, 1959 addressed to the firm, it was clearly pointed out to them that the Registration certificate issued to them had been amended according to which this firm has been permitted to manufacture only small drums with an installed capacity of 100 tons vide letter at F/T. in Development Wing's file placed below. In view of this the firm had no permission for the manufacture of 40 to 45 gallon drums. It is not understood how the firm have been manufacturing these capacity drums without Government approval.

We may explain the above facts to the Chief Minister, West Bengal with reference to the letter at p. 20/cor.

Sd/- P. S. V. RAGHAVAN,  
22-6-63.

DS (TRV)

Ref: M(I)'s minutes on P.U.C.

The Chief Minister, West Bengal in his letter to M(I) has urged that Hind Galvanising and Engineering Co. Pvt. Ltd. should be allowed to undertake manufacture of 40/45 gallon standard steel drums. At present under their registration certificate they can only manufacture drums of 4/5 gallons and upto 10 gallons only and 60/90 gallons.

The company had directly represented to the Ministry for permission to manufacture 40/45 gallon steel drums in their letter of 31st July, 1962. It has been carefully considered in consultation with the Department of Technical Development. The manufacture of 40/45 gallon drums is at present on the banned list. The question arose whether manufacture of such drums should be undertaken by the consumers themselves in their own factories or by commercial manufacturers and the Licensing Committee decided that request for fabrication by consumer fabricators should be considered on merits. In other words, the ban on manufacture by commercial fabricators continues.

In these circumstances, it is not possible to agree to the proposal of Hind Galvanizing and Engineering Co. A letter to Chief Minister, West Bengal is placed below.

(We have no information about Defence Orders having been placed on the company. It is only the company's claim).

Sd/- T. R. V. CHARI,  
25-6-63.

M(I)

I would like to have a report from the Technical Development Department regarding this case with special reference to the following points:—

- (i) When was the first plan published?
- (ii) When was the industrial licence granted and what were the terms of the original licence?
- (iii) Under what circumstances the establishment was split up and under what considerations different capacities were allotted to the divided establishments?
- (iv) Is it necessary to have special machinery for fabricating a particular size of drum and if so under what circumstances this particular Company acquired and installed such machinery?
- (v) The Department should check up if any enquiries from the Defence Department or the D.G.S. & D. have been issued to this particular firm or their requirement of this particular size of drum is supposed to have increased.

Sd/- N. KANUNGO  
1-7-1963.

DS(TRV)

This subject is now under DS(CB's) charge.

Sd/- T. R. V. CHARI,  
1-7-63.

DS(CB)

Please collect the information as desired by M(I), if not available with us, from the Tech. Dev. Department and furnish early.

Sd/- C. BALASUBRAMANIAM,  
2-7-63.

US(PSV)

D.G.T.D. may please see the minutes of M(I) and kindly furnish the information required as early as possible.

Sd/- P. S. V. RAGHAVAN,  
2-7-63.

D.G.T.D. (Shri H. N. Risbud).

M. of C.&I. 5(29)/62-LEI(B) dated 3-7-63.

DTE. GENL. OF TECH. DEVELOPMENT

L.M.E. DTE. II

Ref: M(I)'s note at pre-page.

The information required in answer to the queries raised therein is as under seriatum

(i) This industry is not included in the list of planned industries.

(ii) M/s. Indian Galvanizing Co., Calcutta (1926) had applied for registration in respect of the industries known as Iron & Steel (4) on 18th/23rd February, 1954 for manufacture of following items at Howrah:—

Drums, Agricultural Trailers, Tanks, Cisterns, Trolleys, Ducting Light Structures, Fencing, Hamilton Poles, Cane slate, etc. Windows and Sashes, doors, louvres and grilles.

The firm was accordingly issued Registration Certificate No. R/4/125, dated the 31st May, 1954 under Iron and Steel (4) by the Ministry of Commerce and Industry. However, the said Registration No. was amended subsequently to read as R/IA(7)(92) vide Ministry of Commerce and Industry letter No. IA(7)(92)IA(VI)R/58 dated the 11th February, 1959. No capacities used to be indicated in the Registration Certificate at that time. L.M.E. Directorate was looking after the manufacture of Drums and their installed capacity was assessed at 2300 tons per quarter for the manufacture of Drums.

(iii) M/s. Indian Galvanizing Co., Calcutta closed their plant in 1958 due to labour troubles. They informed this Office vide their letter dated the 4th February, 1959 as under:—

(a) The 40/45 gallon plant was taken over by a new concern namely M/s. Industrial Containers Ltd. Calcutta and subsequently Licence No. L/I.A.(7)N-71/59 dated the 3rd March, 1959 was issued in favour of the new concern for a capacity of 1500 tons per quarter (6,000 tons per annum).

- (b) The plant for the manufacture of Drums other than 40/45 gallon barrels and Hopes Doors and Windows was sold to M/s. Hind Galvanizing & Engineering Co. Private Ltd., Calcutta alongwith the Factory premises. The Registration Certificate was subsequently changed from M/s. Indian Galvanizing Co., to the name of M/s. Hind Galvanizing Co. *vide* Ministry's letter No. IA(4)-IA(V)-T/58, dated the 1st April, 1959. M/s. Hind Galvanizing & Engineering Co. Private Ltd. were further informed *vide* Ministry of Commerce & Industry letter No. IA(4)-IA(V)-R/58, dated the 19th December, 1959 and the Registration Certificate amended in their favour includes only manufacture of Drums other than Standard Steel Drums 40/45 gallon for a capacity of 800 tons per quarter, as the activities pertaining to the manufacture of Standard Steel Drums (40/45 gallon drums) and Hopes Doors and Windows hitherto carried on by the Indian Galvanizing Co. (1926) Ltd. and the plant and machinery relating thereto has been sold to M/s. Industrial Containers Ltd., Calcutta and M/s. Hopes Metal Widows (Indian Ltd., Calcutta).
- (iv) Yes, machinery and plant suitable for the manufacture of small drums is not capable of producing 40/45 gallon drums. In fact the Factory of M/s. Hind Galvanizing Co., was inspected in 1959 by an Officer of the Development Wing and it was observed that they had got plant in their factory to manufacture only small drums. However, the plant for the manufacture of heavy drums (that is bigger than 45 and upto 90 gallons capacity) was not complete. The firm had recently put in an import application for the import of machinery and plant for the value of Rs. 2 lakhs for the manufacture of 40/45 gallon drums. The application was rejected as the firm was not registered for the manufacture of this size of drums. If the contention of the firm is that they have got the plant for the manufacture of 40/45 gallon barrels today we are not aware of the sources from which it has been procured.
- (v) This information is not available with this Office and if desired the same can be asked from the Directorate General of Supplies and Disposals.

It is also pointed out that an anonymous complaint dated the 23rd October, 1962 had been received against M/s. John Petterson & Co. India Ltd., and their allied concerns including M/s. Hind Gal-



vanizing Metal Engineering, Calcutta regarding misuse of imported and indigenous raw materials allotted to them. The matter is still under investigation. In fact C.C.I. & E. has referred the matter to the Special Police Establishment on the request of Oil & Food Directorate against misuse of import Licences by M/s. John Petterson & Co., Calcutta.

This issues with the concurrence of I.A. (Engg.).

Sd/- H. N. RISBUD,  
22-7-63.

Min. of C. & I. (Shri PSV-Raghavan).

DGTD U.O. No. LME/DC-510142/(3)1245 dated 23-7-63.

Reference above.

1. Office note from p. 11/ante will recall the case. M(I) desired the D.G.T.D. to furnish a report on certain points, *vide* his minute dated 1st July, 1963 at p. 15/ante.

2. D.G.T.D. have furnished their comments at pp. 16—18/n. The file may now be submitted to M(I).

Sd/- S. KANNAN,  
24-7-63.

US(PSV)

Before submitting the case to M(I) we should ascertain information about item (4) in the minute of M.I. from D.G.S. & D.

Sd/- P. S. V. RAGHAVAN,  
30-7-63.

A draft O.M. is submitted for approval please.

Sd/- S. KANNAN,  
1-8-63.

US(PSV)

Sd/- P. S. V. RAGHAVAN,  
1-8-63.

Spoken, Drafts, amended as desired.

Sd/- S. KANNAN,  
3-8-63.

US(PSV)

Sd/- P. S. V. RAGHAVAN,  
3-8-63.

Serial No. 9 (Issue)

**A draft O.M. reminder is submitted for approval please.**

After issue, we may want for about a week, even if no reply is received, the paper may be submitted to M(I).

Sd/- S. KANNAN,  
22-8-63.

Serial No. 10 (Issue)

Serial No. 11(F.R.)

Notes from page 11-18/ante may please be seen which will give the history of the case. It will seen therefrom that this firm who are licensed to manufacture small drums and heavy drums of 60/90 gallons capacity have taken up the manufacture of 40/45 gallon capacity drums without obtaining the prior approval of the Government of India as required under the Industries (D&R) Act, 1951. They have requested in their letter dated 31st July, 1962 to amend the industrial act licence granted to them for the manufacture of other types of containers and drums to enable them to take up the manufacture of 40/45 gallon capacity drums also. This request was considered in consultation with the concerned authorities and it was not agreed to. The firm was informed accordingly *vide* our letter dated 4th October, 1962. On this the party again represented *vide* their letter dated 20th November, 1962 giving the plea that they are already manufacturing this type of drums for meeting the Defence requirements etc. It was again considered and turned down *vide* our letter dated 22nd March, 1963. The party again represented on 22nd April, 1963 with their request supported by the Chief Minister West Bengal. The position has been explained in our notes at pages 11-14/ante. M(I) made certain enquiries *vide* his minutes at page 15/ante. These have been replied in seriatum by the D.G.T.D. *vide* their notes at pages 16-18/ante. Only one query against item (v) on page 15/ante still stands unreplied. In this regard a reference had already been made to the D.G.S.&D. New Delhi *vide* our O.M. at page 24/cor. Another reminder has also been issued but no reply

has been received so far. These papers may now be submitted to M(I) for persual.

Sd/- H. P. Saini  
28-8-63

Sd/- S. Kannan  
28-8-63

US(VP)

The information desired by M(I) is still incomplete. Please put up a D.O. letter to D.G.S.&D. to furnish the information asked for from them immediately.

Sd/- V. Prakash  
12-9-63

A draft D.O. reminder is submitted for approval please.

US(VP)

Sd/- H. P. S.  
12-9-1963

Sd/- V. Prakash  
13-9-63

*Serial No. 12 (Issue)*

Since no reply has been received so far from D.G.S.&D. to our D.O. letter at page 28/cor., we may send another reminder. A draft D.O. reminder is submitted for approval please.

Sd/- H. P. S. Dt.  
15-10-63

US(VP)

Sd/- S. Kannan  
15-10-63

Sd/- V. Prakash  
16-10-63

*Serial No. 13 (Issue)*

A draft D.O. reminder is submitted for approval please.

Sd/- H. P. S.  
6-11-63

Sd/- S. Kannan  
6-11-63

US(VP)

Sd/- V. Prakash  
7-11-63

*Serial No. 14 (Issue)*

A draft D.O. reminder is submitted for approval please.

Sd/- H. P. S.  
6-12-63

Sd/- S. Kannan  
6-12-63

US(VP)

Sd/- V. Prakash  
7-12-63

*Serial No. 15 (Issue)*

A draft D.O. reminder is submitted for approval please.

Sd/- H. P. S.  
7-1-64

Sd/- S. Kannan  
8-1-64

US(VP)

Sd/- V. Prakash  
8-1-64

*Serial No. 16 (Issue)*

A draft D.O. reminder is submitted for approval please.

Sd/- H. P. S.  
17-2-64

Sd/- S. Kannan  
17-2-64

US(VP)

Sd/- V. Prakash  
18-2-64

*Serial No. 17 (Issue)*

In this case one O.M. reminder and six D.O. reminders have been issued to D.G.S.D. but nothing has been heard so far. US(VP) may perhaps like to discuss the matter personally on phone for expediting the issue.

Sd/- H. P. S.  
20-3-64

Sd/- S. Kannan  
20-3-64

US(VP)

In connection with the re-assessment of the capacity of all the Drum Manufactures, the D.G.T.D. have examined the case of M/s. Hind Galvanising and Engineering Co. also and have submitted their recommendations in regard to their manufacturing Steel Drums of 40/45 gallons. The relevants file on which this request was submitted by D.G.T.D. has been submitted to M(I) in the end of January, 1964 and is still with him. Let us await the return of the papers from M(I).

Sd/- V. Prakash  
20-3-64

Serial No. 18—22(F.R.)

The request of Messrs. Hind Galvanising & Engg. Company Private Limited for grant of permission to take up the manufacture of 40/45 gallons oil barrels drums was placed before an inter-ministerial meeting for consideration along with the other units engaged in the manufacture of such drums/barrels. This meeting was called for to review the capacity of 40/45 gallons oil barrels industry.

It will be seen from the minutes of that meeting that the firm have claimed the capacity for the manufacture of 40/45 gallons oil barrels after having installed additional machinery and therefore, it remains to be examined whether setting up of capacity for the manufacture of 40/45 gallons oil barrels by this unit should be permitted especially when the industry is on the "banned list". It was, therefore, decided that this proposal should be further examined after ascertaining their eligibility for taking an industrial licence and the case be put up for the consideration of the Licensing Committee for a decision.

In view of the above, we may ask the party to furnish the details of their fixed assets as in the draft put up for approval please.

Sd/- H. P. S.  
27-6-64

After issue of the draft, the file may be shown to Minister for information, with reference to notes at p. 24/*ante*.

US(VP)

Sd/- S. Kannan  
29-6-64.

**Issue.** A brief note explaining the whole case may be put up for submission to M(I&S).

Sd/- V. Prakash.

29-6-64.

S.O. LEI(B)

*Serial No. 26 (Issue)*

Pp. 52—57/cor—Ref. Notes from 24 *ante* and Serial No. 27—(F.R.).

Messrs. Indian Galvanizing Company Calcutta (1926) was registered under the Industries (Dev. & Reg.) Act, 1951 for the manufacture of following items and a registration certificate No. R/4/125 dated 31st May, 1954 was issued in their favour:—

“Drums; Agricultural Trailers; Tanks; Cisterns; Trolleys; Ducting Light Structures; Fencing; Hamilton poles; Can Slates; Windows and Sashes; Doors; Louvres and Grilles.”

As in 1954 it was not the practice to mention any capacity on the registration certificates, no capacity was indicated thereon. IME Dte. of the D.G.T.D. who were looking after the Drums Industry, however, assessed the capacity of this unit as 2300 tons per quarter for the manufacture of drums.

In 1958, Messrs. Indian Galvanizing Company Calcutta closed their plant due to labour troubles and informed D.G.T.D. as under:—

“(a) The 40/45 gallon plant was taken over the new concern namely Messrs Containers Ltd., of and subsequently Licence No. L/IA(7)N-71/59 dated 3rd March, 1959 was issued in favour of the new concern for a capacity of 1,500 tons per quarter (6,000 tons per annum for the manufacture of 40/45 gallon capacity drums.

(b) The plant for the manufacture of drums other than 40/45 gallons capacity and Hopes, Doors & Windows was sold to Messrs. Hind Galvanizing & Engineering Company Private Limited, Calcutta along with the factory premises. The registration certificate was subsequently changed from Messrs. Indian Galvanizing Co. to the name of Messrs. Hind Galvanizing Co. *vide* letter No. 1A(4)-IA(V)-T|

58 dated the 1st April, 1959. The new firm was informed that the amended Registration Certificate includes only manufacture of drums other than standard steel drums of 40/45 gallon capacity for a capacity of 800 tons per quarter as the activities pertaining to the manufacture of standard steel drums of 40/45 gallon capacity and Hopes Doors & Windows carried on by the Indian Galvanizing Co. with the plant and machinery had been sold to Messrs. Industrial Containers Ltd., Calcutta and Messrs. Hopes & Metal Windows (India) Ltd., Calcutta respectively”.

Messrs. Hind Galvanizing Co. have now been requesting for a very long time to recognise their activity for the manufacture of 40/45 gallon capacity oil barrels within their over-all capacity, which is 800 tons per quarter or 3,200 tons per annum. This unit was inspected by an officer of the D.G.T.D., in 1959 when it was found that they had got plant and machinery for the manufacture of small drums only. Plant and machinery meant for the manufacture of heavy drums i.e. bigger than 40/45 gallon capacity and upto 90 gallon capacity, was not complete with them. During 1963 this unit applied for the issue of an import licence to enable them to take up the manufacture of 40/45 gallon capacity drums. The value of import was Rs. 2 lakhs. This import application was rejected by the D.G.T.D. since the party did not have the permission to take up the manufacture of 40/45 gallon capacity drums.

After an enquiry made by the D.G.T.D. it was found recently that the party have been manufacturing 40/45 gallon capacity oil barrels on an improvised basis by using the plant and machinery already available in the factory. D.G.T.D. were originally of the view that as requested by the firm, their capacity of 3,200 tons should be split up in two i.e. 1,600 tons for the 40/45 gallon capacity and the balance of 1,600 tons for the manufacture of other types of drums which the firm have been manufacturing in accordance with the types indicated in the Registration Certificate. It has further been informed by the D.G.T.D. that the firm have purchased additional plant and machinery for the manufacture of 40/45 gallon capacity barrels without prior permission of the Government and thus contravened the provisions of the Industries (D&R) Act, 1951. However, as it was proposed to agree in the case of Messrs. Bharat Barrel & Drum Mfg. Co., who also contravened the provisions of the said Act, the D.G.T.D. proposed in this case also that the firm's capacity for the manufacture of 40/45 gallon capacity barrels as 6,000 tons per annum and 1,600 tons for drums of 5 to 10 gallon capacity be recognised.

The above facts were placed at an Inter-Ministerial meeting held on the 19th June, 1964, wherein this firm's request was considered along with the other manufacturers of 40/45 gallon capacity drums and it was observed that the firm have claimed the capacity for the manufacture of 40/45 gallons oil barrels after having installed additional machinery and therefore, it has to be examined whether setting up of capacity for the manufacture of this type of barrels by this unit should be permitted especially when the industry is on the "banned list". It was, thus decided that this proposal should be further examined after ascertaining their eligibility for taking an industrial licence and the case be put up for the consideration of the Licensing Committee for a decision.

A letter calling for the information from the party in regard to the total value of their fixed assets has already been issued and a reply thereto is still awaited.

Submitted with reference to notes on page 24 ante and JS(N)'s note of 2nd July, 1964 on page 52 of cor.

Sd/- H. P. S.

14-7-64

Sd/- S. Kannan

14-7-64

US(VP)

Sd/- V. Prakash

15-7-64

DS(NC)

Sd/- N. Chidambaram

15-7-64

Sd/- P. M. Nayak

17-7-64

JS (PMN)

Please examine the case further in view of firm's reply at p. 58/ cor. and submit.

Sd/- V. Prakash

18-7-64.

LEI(B)



A draft note for Licensing Committee, based on the Office note (above) is submitted for approval please.

Sd/- H. P. S.

28-7-64

Sd/- S. Kannan

29-7-64

US (KPB)

Sd/- K. P. Biswas

30-7-64

DS (NC)

Sd/- N. Chidambaram

31-7-64

JS (PMN)

Notes from p. 26 may please be read. This is a case of regularisation of capacity which has been set up (although without our previous permission) for manufacture of 40/45 gallons oil drums. The firm had been licensed for manufacture of smaller size drums. They set up a capacity for larger size drums after obtaining a plant from an established importer.

2. These drums are very much in demand by the Defence Ministry and the Oil Refineries and Secretary, whom I have consulted, has suggested that the capacity may be regularised, as recommended by the D.G.T.D. (As the total assets of the undertaking are less than Rs. 25 lakhs, no licence would be necessary). The question whether the industry should continue on the "banned list" will be considered in the Licensing Committee.

Sd/- P. M. Nayak

10-8-64

Minister (I&S)

Sd/- H. C. Dasappa

11-8-64

Since the total value of fixed assets of this unit is less than Rs 25 lakhs, no action seems necessary on our part either to issue another licence or amend the R/c. already held by the party. It is now for

D.G.T.D. to enlist this unit on central S.P.I. list for the manufacture of 40/45 gallon oil barrels also as per decision given above. These papers may therefore, now be shown to them for further necessary action. (They may be requested to return our papers urgently).

Sd/- H. P. S.

14-8-64

Sd/- S. Kannan

17-8-64

US(KPB)

Sd/- K. P. Biswas

17-8-64

DGTD (Shri Risbud, D.O.)—LME-II Dte.

M/I&S U.O. No. 5(29)/62-LEI(B) dated 18-8-64

The above decision of the Ministry of Industry & Supply has been now communicated to the party. As the capacity of the oil barrels is now 6,000 tons per annum by converting part of their existing capacity for small drums, we have intimated them the revised capacity as follows:—

40—45 gallon oil barrels	..	6,000 tons per annum
Small Drums	..	1,600 tons per annum

Sd/- H. N. Risbud  
22-8-64

Development Officer.

Ministry of Industry & Supply

LME-II Dte. U.O. No. LME-II/1(121-A)/Rev./64 dt.

**MINISTRY OF COMMERCE AND INDUSTRY**

**Development Wing**

**(L.M.E. Dte.)**

**SUBJECT: Letter No. HG/SKC/3903/62, dated 31st July, 1962, addressed to the Ministry of Commerce and Industry copy endorsed to this office, by M/s. Hind Galvanising and Engineering Co. Private Ltd., Calcutta.**

In connection with the above representation it is pointed out that when Indian Galvanizing Co., was split up the capacity was distributed between M/s. Hind Galvanizing and M/s. Industrial Containers, Calcutta. In this distribution the plant for manufacturing 40/45 gallon drums and containers was entirely transferred to the Industrial Containers Limited. Hence, M/s. Hind Galvanizing are not entitled to manufacture 40/45 gallon drums within their existing quota since they have not acquired any plant for this purpose. This is also clear from their letter dated September 1, 1959 addressed to the Hon'ble Minister of Industries.

In the revised registration letter issued by the Ministry dated 1st October, 1959, the amendment also clarifies that the manufacture of 40/45 gallon steel drums, which was previously being carried out by the Indian Galvanizing Co., is excluded from the registration of Hind Galvanizing Co., as the plant and the machinery relating thereto has been sold to M/s. Industrial Containers Ltd., Calcutta.

In their representation under consideration the firm have stated that they can manufacture drums from 1 to 90 gallons. This is not correct. Their plant was inspected by an Officer of the L.M.E. Directorate in 1959 and the only plant they have got is for manufacturing small drums of 4/5 gallons and upto 10 gallons only and heavy drums of 60 to 90 gallons. Therefore, we cannot recognise any new plant which they might have subsequently installed for the manufacture of 45 gallon drums. It is therefore, suggested that the party may be intimated that they will not be permitted to manufacture 40/45 gallon drums with their existing machinery and within their existing registration.

Since the manufacture of 45 gallon drums is covered by licence under the Industries Act and its development is now banned, the question of allowing them to apply for a licence for the manufacture of 45 gallon drums also does not arise.

Sd/- x x x  
Development Officer

*Ministry of C. & I. (Under Secretary—Shri R. C. Sethi).*

Dev. Wing U.O. No. LME/2/1 (121-A)/62/dated 5th September, 1962.

Copy of letter No. HG|SKG|5049|62, dated 4th December, 1962 from M/s. Hind Galvanizing & Engineering Co. (P) Ltd., Calcutta addressed to the Development Officer (LME), Min. of Commerce & Industry, New Delhi.

**SUBJECT:** *Submission of S. P. Returns for Drums and containers industry.*

**REFERENCE:** Your letter No. LME2|2|1(121-A) SPR|DC|62|1121 dated 16th November, 1962.

We acknowledge receipt of your aforesaid letter and in reply to the same we beg to state as follows:—

In our S.P. Returns we have shown receipts of 150, 49 and 23 tonnes and consumption of 72, 27 and 50 tonnes of steel in sheets received from other sources i.e. from free sale i.e. otherwise than controlled sources in the returns of June, July and August, 1962 respectively. These aforesaid steel in sheets was received from other sources and were consumed for the purpose of manufacturing drums and containers including heavy drums in terms of the Licensing of industrial undertakings granted by the Ministry of Commerce and Industry under Industries (Development & Regulation) Act, 1951.

It is a fact that we have shown production and supply of 45 gallon drums in our S.P. Returns. This is due to the fact that we obtained an order from the Defence Department of supply 1000 nos. of 45 gallon drums and we have accordingly supplied to them after purchasing steel in sheets from free sale market. For the purpose of manufacturing the aforesaid 1000 drums of 40/45 gallon capacity we did not consume steel in sheets in any category received through quota certificates from your Directorate.

In this connection we also like to mention here that we have already intimated the Under Secretary to the Government of India, Ministry of Commerce & Industry, New Delhi (Kind attention: Mr. P. S. V. Raghavan) under our office letter No. HG|SKC|4969|62, dated 20th November, 1962, a copy of which has also been forwarded to you for your kind information.

In the said letter you will be pleased to find that we have emphasized by stating the fact that since our existing plant and machinery, equipment and others have got the capacity to manufacture of 40/45 gallon standard steel drums under the same schedule

industry (4)—Iron & Steel, we do not find any reason how we shall be debarred from getting the permission to manufacture 40/45 gallon standard steel drums in our factory at 11, Goho Road, Howrah. The particular demand against which the supply has been effected, as it was considered to be very urgent demand to meet the operational demand, we have to execute the orders and for our future activities pertaining to manufacture of 40/45 gallon standard steel drums, we still seek your permission and request you to remove the ban immediately from the aforesaid Industrial licence granted in favour of us, so that in such a critical situation of the country when preparations are going on for defence we may not be held up to do our usual work for the purpose of the country and for which act of your kindness we shall remain grateful to you.

Sd/- S. K. CHATTERJEE.

**APPENDIX XII**

**D.O. No. 138-CM**

**CHIEF MINISTER WEST BENGAL**

**Calcutta, June 11, 1963-**

**My dear Nityanand Babu,**

I addressed to you a letter No. 116-CM on May, 1963 (Annexure) in respect of removal of ban on manufacturing 40/45 gallon capacity drums from the Industrial Licence granted in favour of M/s. Hind Galvanizing & Engineering Co. (P) Ltd., to which I have not been favoured with any reply as yet. A copy of the said letter is enclosed for your perusal and necessary action.

*Yours sincerely,*

**Sd/- PRAFULLACHANDRA**

**Secy.**

**May I have a look at the file.  
If it is one in Heavy Industries it  
may be called for.**

**Sd/- N. Kanungo**

**13-6-1963.**

**Shri Nityananda Kanungo,  
Minister for Industry,  
Government of India,  
NEW DELHI.  
Encl.**

**D.O. No. 116 CM**

**Calcutta**

**The 4th May, 1963.**

My dear Nityananda Babu,

I have received a representation from M/s. Hind Galvanizing and Engineering Co. Private Ltd. which I am enclosing for your perusal. With regard to their prayer, I am quoting below excerpts from the statement made by Shri C. Subramaniam, Minister-in-charge of Steel and Heavy Industries, Government of India, and published in the "Economic Times" Bombay in its issue of the 21st November, 1962:—

"The Union Government has given the green signal to manufacturers to go ahead with defence-oriented programmes. Their schemes and production schedules will be formally approved and regularised under the Industries Regulation and Development Act, later".

A copy of the said statement is enclosed for your ready reference.

M/s. Hind Galvanizing and Engineering Co. Private Ltd. is manufacturing many items of engineering products for the defence purpose and they also manufacture and supply, I gather, 40/45 gallon standard steel drums to the Defence Department. They expect to receive further orders from the Defence Department as well as from Oil Companies.

This firm was managed by Messrs. Balmer Lawrie & Co. Ltd. and it was then known as Indian Galvanizing Co. (1926) Ltd. after its transfer to the present management the name of the said Company has been changed to M/s. Hind Galvanizing & Engineering Co. Private Ltd.

M/s. Balmer Lawrie & Co. Ltd. could not run the Indian Galvanizing Co. (1926) Ltd. because of serious labour unrest in consequence of which over 600 hands were thrown out of employment. The present promoters of the Company took great risk at the time of the purchase of this concern and now they have been able to engage about 600 hands. I am informed that there is a further potentiality and scope to employ 200 more labourers.

The machinery and equipments purchased by M/s. Hind Galvanizing & Engineering Co. Private Ltd. under the same schedule of industry and under the Industrial licence can manufacture 40/45 gallon standard steel drums and, therefore, the ban imposed on them may be removed.

In view of the present unemployment problem and also to safeguard the supply of the Defence Department I hope you will kindly

take a sympathetic view and remove the ban on manufacturing 40/45 standard steel drums from the Industrial Licence granted in favour of Messrs. Hind Galvanizing & Engineering Co. (P) Ltd.

Shri Nityanand Kanungo,

Minister of Industry,

Government of India,

New Delhi.

Yours

P. C. SEN



## APPENDIX XIII

(LMF-II Directorate)

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The Minister of Supplies called for me on 8th September, 1963 to know the position about the following:—

1. Import recommendations for the import of wire for the manufacture of wire netting etc. *vis-a-vis*, M/s. Ashoka Wire Products, Calcutta.

It was explained that there were 5 units borne on our list for the manufacture of wire netting. During the last licensing period, *viz.* October, 1962—March, 1963, the full recommendations for the import of wire in favour of this industry was made under DLF Steel Coiling. As a result of representation during the current licensing period, the recommendation for the import of wires is based on 10 per cent against free steel ceiling and the balance 90 per cent under DLF Ceiling. Perhaps the Party might have approached the Minister due to the reason that wire from DLF areas is much costlier than general currency areas. It was also explained to the Minister that it was not possible to further increase the free foreign exchange as the same has been drastically cut during the current licensing period. The Minister gave no further orders on the subject.

2. The Minister desired to know the background of the case of M/s. Hind Galvanizing & Engineering Co., Howrah, *vis-a-vis*, manufacture of 40/45 gallon oil barrels.

It was briefly explained to the Minister that prior to the splitting of the plant, the complete plant, for the manufacture of different sizes of drums and barrels and plant for the manufacture of doors and windows was owned by M/s. Balmer Lawrie & Co., Calcutta. Due to some labour trouble, the plant was lying idle for some time. Thereafter, the plant was split up into three portions as under:

- (a) The plant for the manufacture of 4 to 5 gallon drums and heavier drums other than 40 to 45 gallon barrels sold to M/s. Hind Galvanizing & Engineering Co., Calcutta.

- (b) The plant for the manufacture of 40/45 gallon oil barrels was retained by M/s. Balmer Lawrie & Co., and a new company started in the name of Industrial Containers, Calcutta.
- (c) The plant for the manufacture of Hopes doors and windows was sold to some other party.

In the Industrial Licence issued in favour of M/s. Hind Galvanising & Engineering Co. it is clearly stated that they are only authorised to manufacture small drums and heavy drums other than 40 to 45 gallon oil barrels.

The Minister, therefore, ordered that a JFO may be deputed again to inspect the factory and report whether the existing plant is suitable to manufacture 40/45 gallon oil barrels or not and also whether any balancing equipment will be required to make it suitable for the manufacture of 40/45 gallon oil barrels.

Sd/- S. P. SINGH

8/10

IA (M) Sd|- V. P. S. Menon 9/10

DDG (E) Sd/-B. D. Kalelkar 11/10.

D.O.|Secretary.

Action on 'A' may please be taken first before papers go to the Secretary—Shri S. P. Singh.

Sd|- S. P. SINGH

Sd|- S. S. KUMAR.

D. D. G. (E) Sd|- B. D. K. 15/10

D.O. (LME) Sd|- S. P. S.

15/10/63

## APPENDIX XIV

Allocation of Steel Sheets 18 Gauge during 1960-61, 1961-62, 1962-63, &amp; 1963-44 for Oil Barrels

S. No.	Name of the firm	1960-61			1961-62			1962-63			1963-64		
		Assessed Capacity Tons	Allocation Tons	Percentage	Assessed Capacity Tons	Allocation Tons	Percentage	Assessed Capacity Tons	Allocation Tons	Percentage	Assessed Capacity Tons	Allocation Tons	Percentage
1	M/s. Bharat Barrels Bombay.	18000	12348	68.6	18000	14574	73.5	18000	14076	71	18000	18294	100
			5000	<i>Ad hoc</i>									
			1162	for small drums.									
			<u>18510</u>										
2	" Bharat Barrels Calcutta	..	..	..	..	..	..	..	..	..	..	..	..
2	" Industrial Containers	6000	4115	68.6	6000	4420	73.5	6000	4367	71	6000	6096	100
4	" Steel Containers	5860	4021	68.6	5860	4326	73.5	5860	4168	71	5860	5954	100
5	" Hind Galvanizing Calcutta	..	..	..	..	..	..	..	..	..	..	..	..
6	" Standard Drum & Barrel Bombay	..	..	..	3700	2726	73.5	3700	2632	71	3700	3760	100
7	" Assam Oil Co.	3080	2112.5	68.6	3080	1093.5	35.56	3080	..	..	3080	3006	96

## Allocation of 18 G Steel Sheets for the manufacture of 40/45 G Barrels during 1964-65 &amp; 65-66

S. No.	Name of firm	Ist Allocation			IInd Allocation			IIIrd Allocation			Total of Col. 5, 8, 11		1965-66	
		Assessed Cap. M/T	Allo- cation M/T	Per- centage	Assessed Cap. M/T	Allo- cation M/T	Per- centage	Assessed Cap. M/T	Allo- cation M/T	Per- centage	Total	Assessed Cap. M/T	Allo- cations M/T	Per- centage
1		3	4	5	6	7	8	9	10	11	12	13	14	15
1	Bharat Barrels Bombay	18228	5513	30	22000	3707	16.9	22000	4788	21.4	14008	22000	6216	28.25
2	Bharat Barrels Calcutta	..	..	..	5200	876	16.9	5200	1132	21.4	2008	5200	1479	28.25
3	Industrial Containers	6096	1836	30	7900	1331	16.9	7900	1719	21.4	4886	7900	2233	28.25
4	Steel Containers	5954	1793	30	8300	1399	16.9	8300	1806	21.4	4998	8300	2345	28.25
5	Hind Galvanizing	..	..	..	6000	1011	16.9	6000	1306	21.4	2317	6000	1695	28.25
6	Standard Drum and Barrel	3760	1133	30	6100	1028	16.9	14538	3164	21.4	5325	14538	4108	28.25
7	Assam Oil Co.	3840	Nil	..	3840	648	16.9	3840	835	21.4	1483	3840	959	25.00
			10275			10000			14750		35025		19025	

*Statement of Allocation of 18-G Steel Sheets for the manufacture of 40/45 Gallon Barrels year 1966-67*

S. No.	Name of the firm	S.P.I. Quota								Details of allocation of special quota as recommended by the Min. of P&C based on order placed by Oil Companies on barrel fabricators	
		Annual Assessed Cap. M/T.	Advance allocations subject to future adjustment	Regular allocation M/T.	Total of Col. 4 & 5	% of allocation	No. of barrels of which orders were placed	Quantity allocated prorata to orders	Grand Total of Columns 4 & 9		
1	2	3	4	5	6	7	8	9	10		
1	Bharat Barrel, Bombay	22000	Nil	2852	2852	12.96	3,15,000	5445	8297	1400	
2	Bharat Barrels Calcutta	5200	Nil	673	673	12.96	50,000	908	1581	400	
3	Standard Drum & Barrel, Bombay	14538	2250	Nil	2250	15.9	13,24,000	5639	7889		
4	Industrial Containers, Calcutta	7900	1500	Nil	1500	19.0	59,000	1028	2528		
5	Steel Containers, Bombay	8300	1500	Nil	1500	18.1	2,18,000	3794	5294		
6	Hind Galvanizing	6000	Nil	780	780	13.0	2,98,000	5186	5966		
7	Assam Oil Co.	3840	500	Nil	500	13.0	For own use.	3000	3500		
8	Indian Oil Corp.	12000*	Nil	1563	1563	13.0	..	..	1563		
	Total		5750	5868	11618			25000	36618		

\*Actual requirements as certified by the Min. of P&C.

*Note* —During this period prior to the receipt of quota from the I&SC some advance allocations had to be made to certain manufacturers to avoid hardship and prevent closure of the units and to maintain emergency supplies of barrels to oil companies. This advance allocations were to be adjusted in subsequent allocations with a view to keep all the manufacturers at par ultimately.

Special quota of 25,000 tons of steel was allocated by the I&SC for distribution to the fabricators in accordance with the directives of the Min. of P&C to meet emergent requirements of oil barrels of the Oil Companies. The Min. of P&C recommended that allotment should be made in proportion to the orders already with the different manufacturers of Oil Cos. These allotments, as shown above were to be adjusted in the future period on the basis of assessed capacity so that all the fabricators could be brought at par ultimately.

## APPENDIX XV

Camp: New Delhi  
28th May 1968.

**SHRI FAKHRUDDIN ALI AHMED,**  
*Union Minister for Industrial Development  
and Company Affairs*  
New Delhi.

Dear Sir,

*Establishment of new barrel fabricating unit at Madras by  
the Indian Oil Corporation Ltd.*

1. The undersigned barrel fabricators constitute the industry in the private sector. Their present combined capacity, recognised by the Government, is 67,778 tonnes, which represents 25,75,564 drums on single shift basis or 51,51,128 drums on double shift working per annum. The actual effective capacity as assessed by the D.G.T.D. in 1965 is, however, much higher than this.

The current demand for lube barrels in the country does not exceed 24 lakhs drums as confirmed by all the major oil companies in their joint representation to the Ministry of Petroleum & Chemicals dated 28th February 1968 in support of their steel requirement for the coming year as per copy enclosed (Annexure I).

It is thus evident that there is ample spare capacity in the country to meet any possible demand for years to come, even if we allow a maximum growth rate of demand at 10 per cent per annum.

2. Most of the existing units have been forced into working on a single shift basis — and that too at overall average of 60 per cent of capacity — for want of adequate supplies of drum steel. This category of steel continues to be in short supply and according to the latest information from the Ministry of Steel, Mines and Metals, the position for drum steel is not likely to improve in the foreseeable future. Thus 40 per cent of the recognised capacity of the barrel manufacturing units even on single shift basis continues to remain idle.

3(a) Due to a limited demand for barrels and the existence of idle capacity in the country, aggravated by the shortage of drum

steel, the Industry was put on the banned list for further licensing in 1966. However, allowance was then made for captive units.

(b) After a review of the position in 1967, even the allowance made for captive units was withdrawn thus placing a total embargo on the creation of fresh capacity, whether captive or otherwise.

4. It is therefore with some surprise that we learnt of the proposal under discussion in the Licensing Committee during the recent weeks, namely, the proposal of the Indian Oil Corporation Ltd., to create fresh capacity by installing a new drum plant in Madras to serve the Madras Refinery. To press its case for a captive unit, it is understood that I.O.C. has estimated a demand of 15 lakh drums per annum, which is expected to be generated in one year's time.

5. Ever since the proposal was first raised we have attempted to represent to the authorities our considered view that the sanctioning of extra capacity would create more problems than it would solve. Following individual approaches to the various Ministries and departments concerned we have jointly addressed a letter dated 5th April 1968 to the Secretary of your Ministry, and a copy is attached for your ready reference (Annexure II).

6. In response to our letter referred to above, we were received by representatives of your Ministry and the D.G.T.D. on 2nd May 1968 at which meetings we explained, and we believe to the satisfaction of the officials concerned, that the consideration of the proposal in question was not justified. Some of the main charges levelled at the fabricators were clarified by us as in the following terms:—

(a) *Settlement of Prices.*—We were prepared to settle prices on the basis of tenders and/or negotiations by I.O.C. with individual fabricators. We also confirmed our readiness to accept price fixation by any mutually acceptable third party e.g. The Tariff Commission, etc., or work on a cost plus basis.

(b) *Ready supplies.*—In order to meet I.O.C.'s contention that supplies were not readily available near the site of operations and also to cut out freight charges, all the fabricators individually agreed to set up units near Madras from our spare plant lying unutilised at present. Most of them also agreed to transfer capacity for the purpose of steel allocations, if required. The period in which the shifting of plant and equipment could be arranged was indicated by the fabricators as nine months or earlier as the situation warranted.

7. At the above meeting it was also pointed out that the estimated demand of lube barrels at Madras, as indicated by I.O.C., was



wholly unrealistic. On information collected from the oil companies, the present consumption of barrels in South India on a liberal evaluation is placed at 3 lakhs per annum, which is more or less the quantity presently supplied in filled condition by the oil companies from Bombay and Calcutta. It would be unreasonable to estimate a rate of growth at higher than 10 per cent per annum, as even this figure has never been achieved. Therefore it is our submission that single shift capacity of about 5 lakhs drums per annum would be more than adequate to meet the possible future demand at least upto 1970/71. This is, of course, completely within the scope and competence of the existing fabricators. As a matter of interest, even 5 lakh drums represent more than the present total demand in Calcutta, from all the oil companies combined.

8. There is some doubt as to the accuracy of the figure of 15 lakh drums being the estimated demand at Madras as quoted by I.O.C. According to the Petroleum & Chemicals Ministry's own admission, I.O.C.'s total all-India demand for barrels in the year 1968-69 will be 12,54,000 drums, as stated by the Minister of State in that Ministry (Sri K. Raghuramiah) in the Lok Sabha as recently as on April 29th in reply to unstarred question No. 8773 (copy enclosed—Annexed III). Thus initially the demand at Madras is hardly likely to exceed 5 lakh drums per annum as mentioned in the foregoing paragraph.

9. The Ministry of Finance has been reported in a press announcement on 4th January 1968 to have confirmed that Government resources will not be utilised for setting up units in the Public Sector where existing capacity is lying idle. In the case of the Barrel Industry, we have not been able to achieve production of more than 60 per cent of a single shift due to the scarcity of drum steel and a limited demand for barrels. The creation of fresh capacity will only aggravate the situation and reduce the supply of steel to existing units, thus rendering further capacity idle and leading to retrenchment and unemployment problems.

10. Further, it is not possible for I.O.C. to put up a barrel plant in Madras without incurring considerable foreign exchange expenditure. This is unjustified as established Barrel Fabricators are in a position to set up the required capacity in Madras from existing equipment in their possession and will not require any foreign exchange at all.

11. It is because we have been led to believe that the Licensing Committee is likely to approve the proposal we are constrained to

appeal to you to have the above representation examined carefully before a final and irrevocable decision is taken on the setting up of a captive unit at Madras. The list of industries placed on the banned list was revised and item No. 29 of Part A reads "Drums and Barrels (except for captive consumption on merits)". There can be no justification for this change in 1968, other than to accommodate the request of I.O.C. for a new barrel manufacturing plant at Madras because there has been no change in the situation since 1967.

12. The implications of this change are far-reaching and fraught with serious repercussions leading to enormous hardships to the existing fabricators. We would therefore earnestly request you to consider our appeal in the light of the representation made above and stay the installation of any increase in capacity in view of your own statement in the Lok Sabha on 27th February 1968 in reply to unstarred question No. 1852 which reads: "(c) The present total assessed capacity for the manufacture of oil barrels is 67,778 tonnes on single shift. The production of oil barrels reported during 1968 was 45,346 tonnes and during 1967 the production was 46,500 tonnes approximately."

Yours faithfully,

FOR AND ON BEHALF OF,

Bharat Barrel & drum Manufacturing Co. (P) Ltd.

Sd. L. P. GOENKA.

Standard Drum & Barrel Manufacturing Co.

Sd. M. C. Kapadia

Steel Containers Ltd.

Sd. C. K. SINHA

Industrial Containers Ltd.

Sd. C. K. SINHA

Hind Galvanizing & Engineering Co. Private Ltd.

Sd. H. G. O'NEIL

COPY

ANNEXURE I

Bombay,

February 28, 1968.

The Secretary,  
 Ministry of Petroleum & Chemicals,  
 Government of India,  
 New Delhi.

*18-Gauge Steel Sheet for Barrels for Lubricating Oil.*

Dear Sir,

The purpose of this letter is to once again draw your kind attention to the immediate danger affecting the distribution of lubricating oils and greases in the country due to non-availability of new drums in adequate quantities and the repercussions that this situation will have on various user units, particularly Government Agencies like the Railways, Defence, Steel Plants, Road Transport Undertakings, Factories, Power Plants, Tube-well Operations, etc. As you are aware, non-supply of lubricants in an effective manner will jeopardise the entire field of mechanised operations in the country.

In this connection a series of meetings were held recently in the office of the Iron & Steel Controller, JPC, Hindustan Steel Ltd., and HSL Rourkela Plant where representatives of the Oil Industry and Barrel Fabricators discussed at length the 18-gauge drumsheet supply situation and measures that need to be adopted to relieve the seriousness. We are indeed grateful to the Iron & Steel Controller and JPC for the prompt action—although short range—that has been taken which would result in some relief during the months of March and early April. No line of action has however been clearly indicated as to what provision would be made for the future in a fashion that will provide continuity in the supply of drums for the year April 1968/March 1969; in fact we have been advised that we may expect to receive just about the same quantity of steel as was made available in 1967, and no more, and that we should represent to you and the Steel Ministry that the shortfall be imported. It may be mentioned here that if the Oil Industry managed to move product out into the market in 1967 without serious breakdowns, it was not because steel for barrels was made available in adequate quantities but because fabricators utilized a sizeable stock of steel which was supplied towards the end of 1966 and which was carried forward into 1967. Furthermore a considerable quantity of second-

hand reconditioned barrels was used as an experiment with, unfortunately, unhappy results. A considerable quantity of oil was also moved in bulk. Furthermore, our ullage problem did not fortunately become as acute as estimated, as some of the tankers which were to arrive in 1967 actually docked in January/February 1968.

We now wish to touch on the historical position of lube drum supplies over the years. Steel for 18 gauge drums has been in acute short-supply for several years and the oil industry, being the largest single consumer of 18-gauge steel, has always been the most hard hit. It will be recalled that towards the end of 1963 an assessment of oil industry needs was made by the then Ministry of Mines and Fuel and the Steel Ministry, and it was accepted that the Oil Industry demand for barrels would be the equivalent of 48,000 tons of steel per year. This survey was made at a time when the IOC demand for barrels was considerably lower than is obtaining today and the total import quota for lube base stock for all the major Oil Companies in 1964 was 30,300 tons. You are aware that the present monthly quota for the major Oil Companies has been fixed as under:

Indian Oil Corporation	..	..	14,900 Tonnes
Burmah-Shell	..	..	12,250 "
Esso	..	..	8,650 "
Caltex	..	..	4,150 "
			Total
			39,950 Tonnes

Say 40,000 Tonnes or 480,000 Tonnes per year.

For reasons listed in the attachment, approximately 75 per cent of the above quantity will have to be distributed in the country in "new drums"; the balance 25 per cent will be distributed in bulk, second hand drums and small tin containers. Hence the total quantity of "new drums" required to barrel lubes/greases during April 1968/March 1969 period would be:

$$\frac{75 \times 480,000 \times 6}{100} = 21,60,000 \text{ drums}$$

In terms of steel  $21,60,000 \times 38 = 57,000$  tonnes of steel will be required during the 12 month period April 1968/March 1969. This does not include requirement of AOC, Gulf Oil, Tidewater, Castrol and IOC's demand to barrel Barauni products. As against this demand, we feel all that JPC will be enabled to plan for actual pro-

duction on indigenous mills would be in the region of what was actually supplied in 1967. For your information, the actual quantity supplied by HSL Rourkela in 1967 was 21,000 tons and by Indian Iron and Steel Co. approximately 9,000 tons, totalling 30,000 tons. We are advised that even though a total quantity of 480,000 tons had been planned on HSL and IISCO, i.e. 32,400 tons on HSL and 15,600 tons on IISCO, the former were advised to produce only about 21,000 tons whereas the latter was beset with continuing labour problems. As a consequence, the Oil Industry suffered a serious set-back in their plans to distribute lubricating oils in a rational distribution pattern consistent with the best interests of the nation, Bulk shipments and shipments in second-hand reconditioned barrels had to be resorted to on a large scale to be able to create ullage in the storage tanks for the in-flow of lube base stocks off the tankers and to be able to move the product out to usage points in good time to keep the wheels of industry moving. In the attachment we have listed the various factors which militate against excessive use of bulk transportation media and large scale use of reconditioned drums.

During our recent meeting in the office of the JPC Calcutta, we were advised that the Steel Priority Committee would be meeting in Delhi some time early in March 1968, to determine the priorities that should be accorded to the various industries consuming 18-gauge steel. The purpose of this letter is to request that an immediate meeting be convened in Delhi—in any case prior to the Steel Priority Committee Meeting—to discuss the following:—

1. A meeting between representatives of IOC, B/Shell, Esso and Caltex and P & C Ministry, DGTD and Ministry of Steel, to firmly establish Oil Industry's requirement of 18-gauge steel as 57,000 tonnes for the year 1968/69.
2. A separate meeting between the above participants and representatives of barrel manufacturing industry to firmly establish that the planning and production of the above quantity of 57,000 tonnes be undertaken on a "top priority" basis at a fixed monthly rate of approximately 4800 tonnes per month on a continuing basis for 12 months; Steel Mills to be authorized to ensure that the above despatch rate is not disturbed under any circumstances without specific concurrence of the Ministries of Petroleum & Chemicals and Iron & Steel.

Referring to para 2 above, Rourkela advice that their current cold-rolled mill capacity is 170,000 tonnes per year with a growth potential of upto 600,000 tonnes per year which would result from the

installations/alterations which have recently been made in the steel plant and which have already been commissioned. Supply of only 57,000 tonnes per year should not therefore pose a serious problem even if the entire quantity was to be supplied by Rourkela. In point of fact IISCO can, hopefully, be expected to supply upto 12,000 tonnes per year and Rourkela, therefore, would need to supply 45,000 tonnes during April 1968/March 1969 period. We, therefore, do not agree with the suggestion made in the recent meeting in JPC's office that the Oil Industry should make out a case for imports, particularly since, we believe, such imports would be AID financed resulting in the barrel cost going up from about Rs. 46 to about Rs. 65 to Rs. 70 with attendant repercussions on the trade. It will be appreciated that if imports must be made there are other steel consumers that could, perhaps, sustain a burden of a cost increase by over 50 per cent. However, if steel is imported from Rupee sources or against free exchange licences, the cost of steel would be considerably lower and the drum price structure might lend itself for acceptance by the ultimate customer of packaged product; this would need to be examined.

In view of the extreme urgency, may we request that the meetings asked for above be convened as early as possible prior to the SPC's meeting to be held in New Delhi some time in early March 1968. Your co-operation in this matter will be greatly appreciated.

Very truly yours,

BURMH-SHELL OIL STORAGE & DISTRIBUTING CO. OF INDIA LTD.      INDIAN OIL CORPORATION LTD.

By            Sd/-

By            Sd/-

CALTEX (INDIA) LIMITED.

ESSO STANDARD  
EASTERN, INC.

By            Sd/-

By            Sd/-

Copy to: Secretary, Ministry of Steel, New Delhi.  
Iron & Steel Controller, Calcutta.  
JPC Calcutta.

#### ANNEXURE I

*The Reasons why bulk shipments cannot be effected beyond a limited ENTENT*

1. High grade oils demand very stringent quality control safeguards. Furthermore, only a small percentage can be moved in bulk, wherever the customers have facilities for receiving and storing bulk supplies and are equipped to maintain the necessary quality control features. These supplies are restricted to big customers in the city

of Bombay only as specific tank trucks for specific grades have to be operated. This is not feasible in the case of supply to upcountry customers because it is not practicable to reserve tank trucks exclusively for upcountry customers due to operational reasons and because requirements at individual locations, grade-wise, are so small that large volume shipments cannot be effected.

2. With regard to large consumers like the Railways, a proposal for shipping Diesel Engine Lubricating Oil in bulk was at one time put forward. However, the railways felt that the proposal will not be feasible in view of the contamination factor involved in supplying product in railway tankwagons. The railways are not prepared to take any risk which might involve damage to the diesel engine as a result of use of contaminated lube oil.

3. We are supplying Axle Oil in bulk to the railway wherever they have facilities for receiving and storage of this product; the contamination problem in Axle Oil is not as serious as in other high grade oils.

4. More than 30 per cent of the high grade oils supplied to other customers are spread over the entire country and have to be supplied packed in drums, since their individual requirements for specific grades are very small and they are unable to take supplies in bulk.

5. If large customers, such as the railways, transport operators, defence and other government agencies are prepared to take large volume of oils in bulk, it will be necessary for them to instal tankage to receive and store oils. This will take quite some time and it does not, therefore, offer an immediate solution to the problem. Here again the Railways will have to set up a mechanism whereby they can ensure supply of tankwagons to the industry for specific oils and for specific locations. This, in our opinion, is not feasible.

*The reasons why large-scale use of second-hand reconditioned drums cannot be resorted to*

1. There is no modern and efficient reconditioning plant in operation in the country which can produce an acceptable quality of drum suitable for packaging high grade oils.

During the acute steel shortage in the last quarter of 1967 and during January/February 1968, Oil Companies experimented on large scale use of reconditioned drums. The experiment was a total failure for the following reasons:

- (a) Quality of drums was so poor that we had to reject as high a percentage as 20—50 per cent during inspection prior to filling.

- (b) Selected drums were filled and despatched to various destinations. Leakages developed en-route resulting in numerous customers receiving drums in poor condition with attendant product loss. This not only created relationship situation with customers but also resulted in sizeable product loss which the country can ill-afford.
- (c) Availability of reconditioned drums became difficult because of increased demand from the Oil Companies. This demand pressure had its ultimate effect on price and we had to pay a price about equalling the new drum price. This price level, we believe, will have affected other small consumers of second-hand drums, such as vegetable oil trade, tallows, etc.

COPY

ANNEXURE II

Registered A.D.

5, Graham Road,  
Ballard Estate,  
Bombay-1.

5th April, 1968.

The Secretary,  
Department of Industrial Development,  
Ministry of Industrial Development,  
Udyog Bhavan,  
NEW DELHI.

Dear Sir,

*Establishment of New Barrel fabricating Unit*

1. We, the undersigned barrel fabricators, are alarmed to learn that the present policy of discouraging the setting-up of new units and/or increase in existing capacity may be relaxed. This action would automatically result in a further sub-division of 18 gauge steel sheet which is in short supply. The creation of new units will not provide additional capacity as there is already spare capacity lying idle with existing fabricators, but will only result in aggravating the present low level of production.



2. We detail below the established licenced capacity on single shift working:

	Tonnes
<i>Bombay</i>	
Bharat Barrels . . . . .	22,000
Standard Barrels . . . . .	14,538
Steel Containers . . . . .	8,300
<i>Calcutta</i>	
Bharat Barrel . . . . .	5,200
Industrial Containers . . . . .	7,900
Hind Galvanising . . . . .	6,000
<i>Others</i>	
A.O.C. (Digboi) . . . . .	3,882
Bhusaval . . . . .	5,000
	72,820

The licenced capacity of 72,820 tonnes as above does not include the additional installed capacity of the existing units which has already been verified by the DGTD. This subsequent assessment, which works out to more than double the licenced capacity, is still lying with the DGTD for regularisation and recognition, prior to issue of revised Industrial licences.

3. We table below the total demand for the current year April, 1968 to March 1969:

	Tonnes
I.O.C. (excluding Barauni) . . . . .	21,000
Burmah-Shell . . . . .	17,000
Esso . . . . .	12,000
Caltex . . . . .	6,000
Assam Oil other minor Oil Companies, Petro-Chemicals and Food Stuffs . . . . .	10,000
I.O.C.—Barauni . . . . .	6,000
	72,000

It will be observed that the overall steel requirements of the major oil companies is 57,000 tonnes. Of this only 48,000 tonnes has been confirmed to the Ministry of Steel by the Ministry of Petroleum and Chemicals.

The demand of the major Oil Companies and other consumers of 72,000 tonnes represents less than one single shift working of the existing units as shown in para 2 above.

You will realise that the true capacity on a single shift basis is far in excess of the present demand.

4. Allowing for an exaggerated growth of 10 per cent for each successive year (which has not yet been achieved), the demand in 1970 will be only 87,120 tonnes. The projected demand is far below the existing actual single shift capacity of established units.

5. The shortage of barrels over the past two years cannot be related to performance on the part of the fabricators because of the prevailing shortage of steel and the bifurcation of oil movement into bulk and smaller packing. The present position is no better and it shall continue until such time as steel is available in adequate quantities to enable the fabricators to achieve their rated output. The creation of new units by consumers and/or Companies in the public sector would cause further distress to fabricators resulting in shut-down and lay-off of labour and staff. The industry is therefore in immediate need of protection. That can only be achieved by continuing the restrictions in force at present and not allowing any new capacity to be established.

6. We confirm having sent you the following telegram reading:

**"BARREL FABRICATORS ALARMED TO LEARN THAT YOU ARE CONSIDERING PERMISSION FOR ESTABLISHMENT OF NEW BARREL FABRICATING UNITS BY CONSUMERS AND PUBLIC SECTOR COMPANIES STOP THE PRESENT RESTRICTION ON INCREASING EXISTING CAPACITY FOR ANY REASON WAS IMPOSED BECAUSE OF INSUFFICIENT DEMAND AND STEEL TO MAINTAIN EVEN SINGLE SHIFT PRODUCTION STOP INDUSTRY ALREADY EXPERIENCING SEVERE RECESSION RESULTING INTERMITTENT CLOSURES AND INABILITY TO MAINTAIN REGULAR SINGLE SHIFT PRODUCTION STOP CREATION OF NEW UNITS WOULD RESULT IN FURTHER DISTRESS CAUSING LAY OFF OF LABOUR AND STAFF STOP DELEGATION OF FABRICATORS WILL WAIT ON YOU WITH FULL DETAILS SUBSTANTIATING NE-**

**CESSARY PROTECTION OF EXISTING UNITS STOP  
PLEASE GRANT INTERVIEW EARLIEST LETTER  
FOLLOWS"**

7. We understand that for the packaging of lube oils at Madras a large quantity of drums will be required. The barrel fabricators are willing to transfer existing spare capacity to Madras and any other locations in India and set up plants of sufficient output to meet the entire requirements of these installations. Each fabricator is prepared to negotiate with Government for transferring sufficient spare capacity to Madras or elsewhere to meet the entire expected requirements.

8. Representatives of the barrel fabricators will wait on you and we shall be grateful if you will kindly indicate at the above address a suitable time convenient to you for discussions.

Yours faithfully,

FOR AND ON BEHALF OF:

Sd/-

Bharat Barrel & Drum Manufacturing Co. (P) Ltd.

Sd/-

Standard Drum & Barrel Manufacturing Co.

Sd/-

Steel Containers Ltd.

Sd/-

Industrial Containers Ltd.

Sd/-

Hind Galvanizing & Engineering Co. Private Ltd.

- cc: The Secretary,  
Ministry of Steel Mines & Metals  
Udyog Bhavan, New Delhi.
- cc: The Secretary, Ministry of Petroleum & Chemicals,  
North Block,  
New Delhi-1.
- cc: The Ministry of Planning,  
Yojana Bhavan,  
Parliament Street,  
New Delhi-1.
- cc: Sri M. M. Vadi,  
Senior Industrial Adviser (E),  
Directorate General of Technical Development,  
New Delhi.

## ANNEXURE III

## LOK SABHA

## Unstarred Question No. 8773

To be answered on 29th April, 1968

## Lube Oil Barrels and Bitumen Drums for IOC.

8273. SHRI S. M. BANERJEE: Will the Minister of PETROLEUM AND CHEMICALS be pleased to state:

(a) the total annual requirement of the Indian Oil Corporation Limited for lube oil barrels and bitumen drums;

(b) whether the Corporation is meeting its requirement for these items by inviting offers through public tenders or by purchasing through direct negotiations with the manufacturers;

(c) whether all the licensed manufacturers of these items are being invited to quote against the enquiries of the Corporation; and

(d) if so, whether all the offers so received are considered by the Corporation?

## ANSWER

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS AND OF SOCIAL WELFARE (SHRI K. RAGHURAMAIAH): (a) The estimated requirement of the Indian Oil Corporation for lube oil barrels during 1968-69 is 12,54,000 and for bitumen barrels 1,50,000 to 2,00,000.

(b) The requirement of these barrels is met by inviting public tenders except for supplies from the Ordnance Factory, Bhusaval.

(c) Public tenders are invited.

(d) Yes, Sir.

## APPENDIX XVI

### Summary of Recommendations|Conclusions contained in the Report

S. No.	Reference to Para No. of the Report	Summary of Recommendations, Conclusions
1	2	3
1	2.32	<p>The Committee note that the Drum and Barrel Industry was placed on the banned list in March, 1960 when the capacity of the barrel fabricators was 36,940 tonnes only. This capacity increased to 67,778 tonnes in 1963-64 and to 90,450 tonnes in 1965. Between 1960 and 1965 the capacity of M/s. Bharat Barrels had increased from 18,300 tonnes to 38,000 tonnes, of M/s. Standard Drums from 3,700 tonnes to 17,900 tonnes, of M/s. Steel Containers, Bombay from 5,860 tonnes to 9,450 tonnes, of M/s. Industrial Containers, Calcutta from 6,000 tonnes to 11,000 tonnes while a new capacity of 10,260 tonnes was created by M/s. Hind Galvanising and Engineering Co. Calcutta. The increase in capacities has generally been due to additions of plant and machinery by the fabricators. The various irregularities and malpractices indulged in by the individual barrel fabricators in increasing their capacity has been dealt with in Section F of Chapter-II.</p>
2	2.33	<p>The Committee observe that assessment of capacities in this industry has been made by Government twice i.e. in 1963-64 and 1965 without taking the industry out of the banned list. The Committee further note that the capacities assessed in 1963-64 have also been recognised for the purpose of allocation of raw materials. The Committee are unable to share the view of the Ministry of Industrial Development, Internal Trade and Company Affairs that it was not necessary to take this industry out of the banned list before allowing increased capacity in this industry. The Committee consider that since the policy governing Industrial Licensing is announced periodically in the form of two lists viz. 'list of banned industries' and the 'merit list', normally no applications are to be considered by the Licensing Committee for the grant of industrial</p>

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licences in respect of the industries in the banned list and intending entrepreneurs would naturally keep away from submitting applications for industrial licence in such industries. The Committee do not also agree with the contention of the Ministry of Industrial Licensing is announced periodically in the form of that applications in the banned industries may be considered on account of exceptional features. They note that these exceptional features have not been laid down by the Licensing Committee which is consulted in the preparation of 'banned list' and is the main body which processes applications for industrial licences. It is really disquieting that in this case neither this industry was taken out of the 'banned list', nor was prior approval of the Licensing Committee taken before undertaking assessment of the capacity of barrel manufacturers in 1963-64 and 1965. What is more surprising is that the reassessed capacities of 1963-64 were approved at an Inter-Ministerial meeting in June, 1964 and raw material began to be allotted on the basis of these capacities without the prior approval of the Licensing Committee. This approval was taken after over two years i.e. in September, 1966 although the Licensing Committee meets once every fortnight.

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2.34

The Committee regret to note that the re-assessment of the capacities in 1963-64 and 1965 was made mainly as a result of the representations made by the barrel fabricators. The plea that the assessment in 1963-64 was made because increased demand by the Petroleum industries for oil barrels does not hold good in as much as the communication from the Ministry of Petroleum and Chemicals was received in June, 1964 while the physical inspection of the units and assessment of capacities had been made during December, 1963 to February, 1964.

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2.35

The Committee feel that the assessment and re-assessment of capacities of the barrel fabricators has been done in an irregular manner. They consider that the normal course which should have been adopted in this case was first to take this industry out of the banned list so that any new entrepreneur interested to enter this profitable industry would have got a fair chance to do so. This apart additional/new capacities should have been further recognised only after the approval of the Licensing Committee and the Government as required under the Act.

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- 5      2.43      The Committee note that the Defence requirements of oil barrels are met from the Ordnance Factory, Bhusawal. However, the lubricating oil supplied by the oil companies in barrels to Defence is stated to be supplied in trade barrels. The Committee are surprised that in assessing increased Defence requirements of oil barrels, the Ministry of Industrial Development, Internal Trade & Company Affairs relied on the information supplied by the manufacturer and did not care to verify it from the Ministry of Defence or the D.G.T.D. They consider that in such cases, the Ministry|Department concerned should have been consulted in order to obtain accurate facts. This has not been done in the present case. The Committee consider it a serious lapse.
- 6      2.44      The Committee would also like the Ministries of Industrial Development, Internal Trade and Company Affairs and of Petroleum and Chemicals to take note of the spare capacity available with the Ordnance Factory, Bhusawal with a view to utilise the same in consultation with the Ministry of Defence.
- 7      2.54      The Committee note that M[s. Bharat Barrel and Drums Manufacturing Company shifted a part of their plant and machinery for the manufacture of oil barrels from Bombay to Calcutta in 1962 without prior permission of the Government. This firm also effected substantial expansion of their factories at Calcutta and Bombay illegally and unauthorisedly without prior permission of Government and during the period when the industry was on the banned list. Apart from the other irregularities alleged to have been committed by this firm, it has committed a violation of section 13 (1) of the Industries (Development and Regulation) Act, 1951 read with Rule 7 of the Registration and Licensing of Industrial Undertaking Rules, 1952, issued under the Act, and thus has rendered itself liable to action under section 24 of the Act.
- 8      2.55      The Committee regret to note that the shifting of a part of the plant and machinery by this firm from Bombay to Calcutta was condoned by Government in 1962. The Committee feel that had the provisions of the Act been enforced strictly, various malpractices and irregularities alleged to have been committed by this firm and others would not have been committed. The Committee recommend that suitable action should now be taken for the strict enforcement of the provisions of the Act in this case.
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| 9  | 2.56 | The Committee regret to note that various irregularities alleged to have been committed by this firm are under scrutiny since 1966 and that comprehensive investigation and report on this case is still awaited. The Committee are concerned at this inordinate delay and recommend that urgent action should be taken to expedite the investigations so as to reach a final decision in this matter without further delay.   |
| 10 | 2.69 | The Committee note that M/s. Standard Drum and Barrel Manufacturing Company, Bombay was granted a licence for a provisional capacity of 4,200 tonnes per annum out of which 3,700 tonnes per annum was recognised for the manufacture of 40 45 gallon oil barrels. This provisional capacity which was subject to re-assessment, was re-assessed in 1961 at 6,100 tonnes per annum i.e. after a lapse of 3 years, during which time this industry had been placed on the banned list. Again the capacity of the firm was re-assessed in 1964 along with that of other barrel manufacturers, and was found to have increased to 14,538 tonnes. At the re-assessment of capacities in 1965, the capacity of the firm was found to have further increased to 17,900 tonnes. Thus during the period from 1958 to 1965 the capacity of the firm for oil barrel manufacture increased from 3,700 tonnes to 17,900 tonnes i.e. an increase of about 480 per cent. All this happened when the industry was on the banned list and no new capacity or expansion of the old capacity could be permitted. According to the reports of the Inspecting Officers, the firm had installed both indigenous and imported machines in replacement of old machines as well as for balancing purposes. |
| 11 | 2.70 | The Committee are unhappy at the grant of licence for a provisional capacity to this firm in 1958 when its capacity was based on its past performance. The Committee has been informed that this is the only case where provisional capacity has been granted. Further the capacity of the firm had been assessed in 1954 at 3,200 tonnes only after a Time and Motion Study. Even if the provisional capacity had been granted, the same should have normally been finalised soon after 1958 but not after three years i.e. 1961 when this industry had been placed on the banned list. The Committee are unable to understand how the capacity of this firm was found to have increased so much after each assessment when every time the assessment was made on a Time and Motion Study.  |





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		<p>same from established importers without prior approval of Government.</p> <p>(ii) it started manufacture of oil barrels—a new article-with-out prior approval of Government in 1962.</p> <p>(iii) it utilised the quota of 16 to 25 gauge steel sheets given to it in 1963-64 for the manufacture of oil barrels instead of small drums without Government's approval.</p> <p>(iv) it claimed to have supplied oil barrels to Defence Department which was not corroborated by Defence authorities.</p> <p>(v) It increased its capacity for the manufacture of oil barrels by about 70 per cent between 1964 and 1965 without Government's approval.</p>
15	2.91	<p>The Committee feel that the above irregularities of this firm would attract the penal provisions of the Industries (Development and Regulation) Act, 1951, and recommend that action may be taken accordingly.</p>
16	2.98	<p>The Committee note that the capacity of M/s. Industrial Containers, Calcutta which was licensed for 6,000 tonnes in 1959, was assessed at 7,900 tonnes in 1964 and at 11,000 tonnes in 1965 i.e. an overall increase of about 83 per cent over licensed capacity. Similarly the capacity of M/s. Steel Containers Limited, Bombay which was licensed for 5,860 tonnes in 1959, was assessed at 8,300 tonnes in 1964 and 9,450 tonnes in 1965 i.e. an overall increase of over 60 per cent over their licensed capacity. The increase in their capacity of both these firms obviously amounts to substantial expansion which appears to have been effected without prior approval of Government. These cases would therefore also appear to attract the penal provisions of the Industries (Development and Regulation) Act, 1951.</p>
17	2.119	<p>The Committee note that ever since the introduction of steel control in 1946-47, allocation of steel sheets ex S.P.I. quota is being made to the barrel fabricators on the basis of licensed capacity. This practice is stated to have been followed in the steel processing industry only. The Committee consider that after the application of the Industries (Development and Regulation) Act, 1951, to the drum and barrel industry, allocation of raw material to this industry should have been made on the basis of assessed capacity, sub-</p>

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		<p>ject to a maximum admissible on the licensed capacity of the units. In the opinion of the Committee, the allocation of steel sheets on the basis of assessed capacity which is more than the licensed capacity in this industry, has been mainly responsible for irregular expansion of capacities by the various barrel fabricators. The Committee recommend that immediate steps should be taken to limit the allocation of raw material in this industry upto the licensed capacities of the units. The Committee feel that this will have a salutary effect on the barrel fabricators not to indulge in mal-practices.</p>
18	2.120	<p>The Committee note that the oil barrel requirements of oil companies, who are their main users, are met to the extent of about 60 per cent due to the shortage of steel sheets in the country. The balance of requirement are stated to be met by the oil companies by using second hand drums which, apart from payment of higher prices, results in loss of products through leakage, dissatisfaction of customers, etc. The shortage of steel sheets has also resulted in the charging of high prices for oil barrels by the fabricators from the oil companies. The Committee in para 4.4 of their Eighth-Sixth Report on the Ministry of Petroleum and Chemicals—purchase of oil barrels by I.O.C. during 1966 against Tender No. OP/TEN-7/65, have already commented on the existence of unutilised capacity in the Hindustan Steel Limited on the one hand and shortage of steel sheets in the country on the other and have recommended the need to step up the production of steel sheets in the country.</p> <p>The Committee further recommend that till the shortage of steel sheets continues, the question of allocation of steel sheets to the oil companies <i>vis-a-vis</i> the barrel fabricators, may be reconsidered by Government in all its aspect and in consultation with the Ministry of Law in view of the pending Court case in this regard. In this connection the point to be considered is that the oil barrels are mainly required by the oil companies and have a vital bearing on the working of their plants. Thus whatever arrangement is finally decided upon by the Government in this regard, should be such as would ensure that the barrels are supplied by the fabricators to the oil companies on reasonable rates, in required quantities and in time so as to ensure uninterrupted supplies to the ultimate users of lube oil.</p>
19	2.121	<p>The Committee are unhappy to note that the Ministry of Industrial Development and Company Affairs</p>

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have not thought of exercising any control over the price of lube barrels supplied by fabricators to the oil companies which has resulted in great hardship to the oil companies. They feel that if scarce raw material is allocated to the fabricators by D.G.T.D. and is supplied to them, at the prescribed rates by the steel companies, there should be a corresponding obligation on them to supply their products to the oil companies on reasonable rates. The Committee suggest that the Ministry of Industrial Development and Company Affairs may consider this matter and take an early decision.

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2.122

The Committee note that after the decontrol of steel, the barrel fabricators are not furnishing the oil companies information regarding the quantity of steel sheets received by them and the oil barrels manufactured for the oil companies out of this quantity. They have been informed that in the production returns, submitted by the oil fabricators to the D.G.T.D., the fabricators are not required to specify the names of customers to whom the barrels are supplied by them. The Committee feel that since the steel sheets are scarce items and are allocated to the oil fabricators for supplying barrels to the oil industry who are their main consumers, it should be made obligatory on the fabricators to indicate in their production returns, the quantity of steel sheets received by them, the number of oil barrel produced, the names of customers to whom the oil barrels have been sold so as to ensure that the steel sheets have been utilised by the fabricators for the purpose for which the allocations had been made. The Oil Companies should simultaneously be required to furnish information regarding the oil barrels received by them from the fabricators so as to verify the correctness of the information furnished by the fabricators. The Committee would like the D.G.T.D. to critically scrutinise the returns before allocating steel sheets for the rest quarter.

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3.12

The Committee note that a drum and barrel manufacturing unit has been set up in the small scale sector at Visakhapatnam in spite of this industry figuring on the "banned list" in the large scale sector. They learn that this unit is an associate company of M/s. Hind Galvanising and Engineering Co., Calcutta. The Committee have been informed that under the existing orders there is no bar to the coming up of industries in the small scale sector even though that industry

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might have been banned in the large scale sector. The Committee consider the present position as anomalous. According to the Government, the industries are placed in the banned list either because adequate capacity has been created in that industry or there is scarcity of raw material. In that case, it would appear to be logical that when an industry has been put on the banned list in the large scale sector, the ban should be made operative to that industry in the small scale sector also. The Committee do not view with favour the recent decision of Government that on regional or other special considerations, the State Directors of Industries may sponsor new units in banned industries with the approval of the Development Commissioner, Small Scale Industries. The proper course would appear to be that where it is considered that an industry which has been banned in the large scale sector, may be All allowed to be set up in the small scale sector it should be exclusively reserved for development in the small scale sector and the decision made public so that all intending entrepreneurs have a fair and equal chance of entering that field.

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3.13

The Committee are concerned to note that in the present case the very persons who are operating this industry in the large sector at Calcutta have set up this unit in the small scale sector. This amounts to circumventing the ban on this industry in the large scale sector. The Secretary of the Ministry of Industrial Development, Internal Trade and Company Affairs himself admitted that "the question of entry of the large scale industrialist into the small scale field is now posing a definite problem for the Government." Since the small scale sector is meant for small entrepreneur of limited means the Committee would urge the Government to examine the whole matter with a view to prevent the entry of large scale industrialists in the small scale sector.

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3.14

The Committee are surprised that the Development Commissioner, Small Scale Industry who is supposed to assist and guide in the formulation of policies for the planning of small sector industry in the country in consultation with State Governments should be unaware of what is happening in this field in the States. It is imperative that he keeps himself posted with the latest developments and keeps the Ministry informed in so far as scheduled industries are concerned. The Committee regret that there is lack of

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coordination between the Ministry and the Development Commissioner, Small Scale Industry in this regard. In this connection, the Committee would like to reiterate the recommendations made by them in their 9th Report (Fourth Lok Sabha) 1967-68 on industrial licensing that:

“There should be effective coordination between the two wings of the Ministry of Industrial Development and Company Affairs dealing with the scheduled industries and small scale sector so as to ensure optimum utilization of resources in both the sectors.”

24      4.11      The Committee regret to note that the industrial licence application of Indian Oil Corporation for the setting up of a plant for the manufacture of drums and barrels at their Madras Refinery, has been rejected by Government.

25      4.12      In the course of evidence the Committee were informed by the Secretary, Ministry of Industrial Development Internal Trade and Company Affairs that the following points for and against the application of the Indian Oil Corporation were under consideration of Government.

*Points against:—*

- (i) The capacity for the manufacture of drums and barrels existing in the country was considered adequate to meet the requirements of the Oil Industry and therefore creation of fresh capacity by Indian Oil Corporation would mean fresh investment which on broader economic considerations may not be justified.
- (ii) There was considerable under-utilisation of capacity in this industry due to scarcity of raw material.

*Points for:—*

- (i) A part of the manufacturing capacity for drums and barrels had admittedly come into existence in an unauthorised manner.
- (ii) The record of the principal manufacturing firms concerned did not inspire a great deal of confidence that there will be complete fairplay in their dealings with the Indian Oil Corporation.

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26	4.13	<p>It appears that in rejecting the industrial licence application of the Indian Oil Corporation, Government have given greater weight to the existence of the manufacturing capacity in the country and avoidance of fresh investment. The Committee are unable to agree with the decision of the Government for the following reasons:—</p>
		<p>(i) This industry was placed on the banned list in 1960 when the total capacity of all the barrel fabricators was 36,940 tonnes. Since then, all the fabricators have increased their capacity considerably in an unauthorised and irregular way and in clear violation of the Industrial (Development and Regulation) Act, 1951. The result is that the assessed capacity of the fabricators in 1965 was 90,450 tonnes i.e., near about 245 per cent over the 1960 capacity. Even the assessed capacity of 1965 is being challenged by some of the fabricators who claim the existence of still higher capacities. It is thus evident that the major portion of the existing capacity of the barrel fabricators has been created in an unauthorised manner. It is also noticed that the barrel fabricating industry is at present monopolised by a few firms only. The denial of the captive plant to the Indian Oil Corporation would thus amount to rewarding the very persons who have committed a violation of the Act and is therefore likely to encourage further violations of the Act by other industries also. The Committee have already commented on the surreptitious increase of capacities by these fabricators in Section F of Chapter II of this report. The Committee consider that on this ground alone the application of the Indian Oil Corporation needs reconsideration by Government. They would like it to be well understood by all concerned that breach of law does not pay.</p>
		<p>(ii) The various consumer oil companies as well as the Indian Oil Corporation have adversely commented on the dealings of the Drum and Barrel fabricators which has been referred to in Section G of Chapter II of the report. This has also been corroborated by the Secretary, Ministry of Industrial Development and Company Affairs during evidence. The denial of the plant to the Indian Oil Corporation would</p>

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therefore amount to giving a premium to unfair dealings of these companies and leaving the Corporation at the mercy of these companies.

(iii) The drum and barrel fabrication industry is a highly profitable industry. According to the figures given by the Indian Oil Corporation their savings as a result of the setting up of this plant, would amount to about Rs. 45 lakhs, apart from a saving of Rs. 2.5 lakhs on transportation charges, annually on a total investment of about Rs. 25 lakhs only. Moreover, no expenditure of foreign exchange will be involved in the setting up of the plant by the Indian Oil Corporation since all the fabricating machines for drums and barrels are now manufactured indigenously. There is no reason why this public sector company should be deprived from effecting savings to the tune of about Rs. 48 lakhs per annum which will ultimately accrue to the public exchequer.

(iv) The setting up of the captive plant by the Indian Oil Corporation at Madras would not in any way affect the existing business of the fabricators as the Indian Oil Corporation will utilise their capacity for packaging the lubricating oils, to be produced by them in their Madras Refinery.

(v) The setting up of barrel manufacturing plant by the I.O.C. would enable production, filling, storage and despatch of lubricating oils under the same roof.

27            4.14            Having regard to the consideration enumerated above, the Committee feel that the application of the Indian Oil Corporation to set up their own captive plant at Madras should be reconsidered by Government.

28            5.1            The Drum and Barrel Industry came under the purview of the Industries (Development and Regulation) Act, 1951, on the 1st October, 1953. In March, 1960, the industry was placed on the banned list as adequate capacity had been set up/licensed—there being no scope for creation of additional capacity. At the time of inclusion of the industry in the banned list, there were only 5 firms (namely M/s. Bharat Barrel & Drum Manufacturing Company, Bombay, Standard Drums & Barrel Manufacturing Company, Bombay, Steel Containers Limited., Bombay, Industrial Containers,



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Calcutta and M/s. Assam Oil Company, Digboi who are consumer fabricators) engaged in the manufacture of 40/45 gallon capacity lube barrels. The total licensed capacity of the aforesaid 5 firms in March, 1960 was 36,940 tonnes. Though the Drum and Barrel industry continues to remain in the banned list even to this day, yet the capacity of the barrel fabricators was assessed by Government during 1963-64 on account of pressure from the fabricators. It was found that the total capacity had increased to 67,778 tonnes by then. This capacity was found to have increased further to 90,450 tonnes the very next year when there was a further re-assessment. Not only the capacity of all the existing plants was expanded substantially during the period but two new units namely, M/s. Bharat Barrel and Drum Manufacturing Company, Calcutta and M/s. Hind Galvanising and Engineering Company, Calcutta had been set up and were recognised by Government as fresh entrants in 40/45 gallons barrel manufacturing field for allocation of new material. It is regrettable that all this happened while the industry was in the banned list.

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5.2

From the material made available to the Committee and the evidence tendered before them by representatives of the Ministries of Industrial Development and Company Affairs, Petroleum and Chemicals and Director General & Technical Development, it has been revealed that the licensed capacities were increased very considerably and fresh capacities created by the commercial fabricators without the prior permission of the Government as required under the Industries (Development and Regulation) Act, 1951. Instead of proceeding against the fabricators for the various irregularities and violations of the Act, the Government condoned the contraventions of the Act and even recognised their unauthorised capacity as assessed in 1963-64 and started allocating raw material to these firms on that basis. The Committee feel that all this was irregular and should not have been done as it encouraged further violations of the Act by fabricators. In fact this recognition of 1963-64 assessed capacity seems to have encouraged the barrel fabricators to expand their capacities further with the result that during the reassessment of 1965, the capacities of the various fabricators were found to have increased from 67,778 tonnes in 1963-64 to 90,450 tonnes in 1965. The Committee recommend that a comprehensive enquiry should be held to fix responsibility on the part of concerned officers who failed to initiate penal action against violations of the Act by the fabricators as soon

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as the same were detected. At the same time, the Committee urge that action should be initiated against the fabricators for violations of the various provisions of the Act and the rules. Effective action should also be taken to ensure that those who have contravened and circumvented the regulations do not derive any benefit therefrom. This is necessary to bring home to the law breakers that violation of the Act do not ultimately pay.

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5.3

It is also significant to note that barrel fabrication industry, is now monopolised by a few firms only and that one of the firms holds as much as 40 per cent of the total licensed capacity in this industry even today. In this context the Committee would particularly like to draw the attention of the Government to the continuing shortage of raw material i.e., 18-G steel sheets. They have already commented on the existence of unutilized capacity in the steel mills on the one hand and non-availability of steel sheets on the other. The Committee are convinced that all these difficulties would not have arisen if the supply position of raw material was comfortable. In view of the chronic shortage of 18-G steel sheets there has been, as it were, a race among fabricators to increase their installed capacity by any means so as to be able to get hold of more raw material which is allocated on a *pro-rata* basis of the assessed capacity. In this connection, the Committee are concerned to note that the fabricators are stated to have charged exorbitant prices for oil barrels from the oil companies while the raw material was made available to them at prescribed rates. This underlines the need to regulate the prices of oil barrels by Government so as to ensure that the interests of the consumer and user industry are also properly protected.

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5.4

The Committee would further like the Government to take energetic steps to step up the production of 18 G steel sheets in the Rourkela and other steel plants to meet adequately the present and the growing demand of the oil industry.

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