

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1971-72)**

(FIFTH LOK SABHA)

**SEVENTH REPORT**

**Action taken by Government on the recommendations  
contained in the Forty-Second Report of the Committee  
on Public Undertakings (Fourth Lok Sabha)  
on Mazagon Dock Ltd., Bombay**

**MINISTRY OF DEFENCE  
(DEPARTMENT OF DEFENCE PRODUCTION)**



**LOK SABHA SECRETARIAT  
NEW DELHI**

*October, 1971/Asvina, 1893 (S)*

*Price : Re. 0.75*

## LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>ANDHRA PRADESH</b>					
1.	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	12.	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort. Bombay.	30
2.	G.R. Lakshminipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	13.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1.	60
<b>ASSAM</b>					
3.	Western Book Depot, Par Bazar, Gauhati.	7	14.	Deccan Book Stall, Ferguson College Road, Poona-4.	69
<b>BIHAR</b>					
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road Jamshedpur.	37	15.	M/s. Usha Book Depot, 585/A, Chira Bazar, Khan House, Girgaum Road, Bombay-2 B.R.	5
<b>GUJARAT</b>					
5.	Vijay Stores, Station Road, Anand.	35	<b>MYSORE</b>		
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	61	16.	M/s. Peoples Book House, Opp. Jaganmohan Palace Mysore-1.	16
<b>GUJARAT</b>					
5.	Vijay Stores, Station Road, Anand.	35	<b>RAJASTHAN</b>		
6.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	61	17.	Information Centre, Government of Rajasthan, Tripolia, Jaipur City.	38
<b>HARYANA</b>					
7.	M/s. Prabhu Book Service, Nal Subsahmandi, Gurgaon (Haryana).	14	<b>UTTAR PRADESH</b>		
<b>MADHYA PRADESH</b>					
8.	Modern Book House, Shiv Vilas Palace, Indore City.	13	18.	Swastik Industrial Works, 59, Holi Street, Meerut City.	1
<b>MAHARASHTRA</b>					
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2	5	19.	Law Book Company Sardar Patel Mem. Allahabad-1.	68
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	28	<b>WEST BENGAL</b>		
11.	The International Book Service, Deccan Gymkhana Poona 4.	26	20.	Granthaloka, 5/1, Ambica Mookherjee Road, Belgachia, 24 Parganas	10
<b>MAHARASHTRA</b>					
9.	M/s. Sunderdas Gianchand, 601, Girgaum Road, Near Princess Street, Bombay-2	5	21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
10.	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1.	28	22.	Firma K. L. Mukhopadhyay, 6/1A, Banchheram Akras Lane, Calcutta-12.	28
11.	The International Book Service, Deccan Gymkhana Poona 4.	26	23.	M/s. Mukherji Book House 8-B, Buff Lane Calcutta-6	4.

CORRIGENDA

to

The Seventh Report of the Committee on  
Public Undertaking: Action taken on  
42nd Report of CPU on Mazagon Dock Ltd.

-----

<u>Page</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
15	5	not	note
"	24	done	down
19	16	ships	ship
20	10	United State	United States
26	9	<u>insert</u> "in"	<u>after</u> "that"
31	19	<u>delete</u> "(vide recommendation at S.No.17)"	

-----

## CONTENTS

	PAGE
Composition of the Committee . . . . .	(iii)
Composition of Study Group . . . . .	(v)
Introduction . . . . .	(vii)
<b>CHAPTER I. Report . . . . .</b>	<b>1</b>
<b>CHAPTER II. Recommendations which have been accepted by Government . . . . .</b>	<b>2</b>
<b>CHAPTER III. Recommendations which the Committee do not desire to pursue in view of Government's reply . . . . .</b>	<b>15</b>
<b>CHAPTER IV. Recommendations in respect of which replies of Government have not been accepted by the Government . . . . .</b>	<b>24</b>
<b>CHAPTER V. Recommendations in respect of which final replies of Government are still awaited. . . . .</b>	<b>25</b>
 <b>APPENDICES :</b>	
I. Copy of Ministry of Defence (Department of Defence Production) letter No. 21(2)/69/D(GRW/MD) dated the 27th November, 1969 from Cdr. M.M. Atal, Officer on Special Duty to the Managing Directors, HAL, BEL, BEML, MDL, GRW and PTL and the Manager, Goa Shipyard Ltd. regarding defective estimation need to examine every case of . . . . .	26
II. Copy of Ministry of Defence (Deptt. of Defence Production) letter No. 21(2)/69/D (GRW/MD) dated the 27th November, 1969 from Cdr. M.M. Atal, Officer on Special Duty to the Managing Directors, MDL, HAL, BEL, BEML, GRW Praga Tools, The Manager, GSL regarding preparation of a feasibility report—for the Expansion Scheme and appointment of Consultants for—Need to take into consideration all the requirements e.g. object of the expansion availability of credit facilities etc. . . . .	27
III. Financial Controller's Instructions re : Sundry Debts . . . . .	28
IV. Copy of Ministry of Defence letter No. 21(2)/59/D(GRW/MD) dated the 25th October, 1969 from Cdr. M.M. Atal, Officer on Special Duty to the Managing Director, Mazagon Dock Ltd., Bombay-10 D.D, the Managing Director, Garden Reach Workshops Ltd., Calcutta-24 and the Manager, Goa Shipyard Ltd, Vasco-da-Gama, Goa regarding 42nd Report (Fourth Lok Sabha) of the Committee on Public Undertakings (1968-69) on Mazagon Dock Ltd., Bombay—Comments and follow up action. . . . .	30
V. Analysis of the action taken by Government on the recommendations contained in the 42nd Report of the Committee on Public Undertakings (Fourth Lok Sabha) . . . . .	31

# COMMITTEE ON PUBLIC UNDERTAKINGS (1971-72)

## CHAIRMAN

1. Shri M. B. Rana.

## MEMBERS

2. Shri K. Baladhandayutham
3. Shri Dinen Bhattacharya
4. Shri G. Bhuvarahan
5. Shri Khemchandbhai Chavda
- 6.\*Shrimati Subhadra Joshi
7. Dr. Kailas
8. Shri S. N. Misra
9. Shri Amrit Nahata
10. Shri P. Parthasarathy
11. Shri Syed Ahmad
12. Shri Narayana Kalliyana Krishnan
13. Choudhary A. Mohammad
14. Shri Dahyabhai V. Patel
15. Shri Kota Punnaiah.

## SECRETARIAT

Shri Sameer C. Mookerjee—*Deputy Secretary.*

Shri M. N. Kaul—*Under Secretary.*

---

\*Elected *w.e.f.* 11-8-1971 in the vacancy caused on the resignation of Dr. V. K. R. Varadaraja Rao M.P. on 29-7-1971.

STUDY GROUP VII  
ON  
ACTION TAKEN REPORTS AND GENERAL MATTERS

---

COMMITTEE ON PUBLIC UNDERTAKINGS  
(1971-72)

---

1. Shri M. B. Rana—*Chairman*
2. Shri P. Parthasarathy
3. Shri S. N. Misra
4. Shri Dahyabhai V. Patel
5. Shri Syed Ahmed
6. Dr. Kailas
- 7.\*Dr. V. K. R. Varadaraja Rao.

---

\*Resigned from the Committee on Public Undertakings with effect from 29th July, 1971.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Seventh Report on the Action taken by Government on the recommendations contained in the Forty-second Report of the Committee on Public Undertakings (Fourth Lok Sabha) on Mazagon Dock Ltd., Bombay.

2. The Forty-second Report of the Committee on Public Undertakings was presented to the Lok Sabha on the 18th April, 1969. Government furnished their replies indicating the action taken on the recommendations contained in the Report on the 22nd March and 24th April, 1970. Further clarifications in respect of certain recommendations was called for from the Government on the 22nd April, 1970 and replies thereto were received on the 30th July and the 25th November, 1970. The replies of Government to the recommendations contained in the aforesaid Report were considered and approved by the Committee on Public Undertakings (1970-71) on the 11th November, 1970. The report however could not be presented to the Fourth Lok Sabha due to its dissolution on the 27th December, 1970. This Report was again considered and adopted by the Committee on Public Undertakings (1971-72) on the 14th September, 1971 and the Chairman was authorised to finalise the Report on the basis of the decisions of the Committee.

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

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of the Government reply.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which final replies of Government are still awaited.

4. An analysis of the action taken by Government on the recommendations contained in the Report of the Committee is given in Appendix V. It would be observed, therefrom that out of 22 recom-

mendations made in the Report, 17 recommendations (77.27 per cent) have been accepted by Government. The Committee do not desire to pursue five recommendations (22.73 per cent) in view of Government's reply.

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

NEW DELHI;  
October 11, 1971.  

---

Asvina 19, 1893 (S).



## CHAPTER I

### REPORT

The Committee on Public Undertakings are glad to observe that the recommendations contained in the 42nd Report of the Committee on Public Undertakings (4th Lok Sabha) on Mazagon Dock Ltd. have been replied to by Government generally to the Committee's satisfaction.

## **CHAPTER II**

### **RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation (Serial No. 1)**

The Committee find that till recently Mazagon Dock Ltd. had been proceeding in *ad hoc* manner with frequent short run and uncertain orders. It started projecting firm plans in terms of money only from the year 1966-67. The Committee are unable to understand why it was not possible for it to prepare targets for new construction even in terms of money prior to 1966-67. Proper planning in a phased manner is essential for making best use of men and resources and as a check or control device on operations so that timely corrective action could be taken where results did not work out according to plans and forecasts. The Committee hope that with the completion of Expansion Scheme Mazagon Dock Ltd. will work out yearly as is being done now as well as long range production schedules. (Paragraph 2.13).

#### **Reply of Government**

Prior to 1966-67 MDL was basically a ship repair yard with very little ship construction work and as such targets for ship construction in terms of money were not prepared. Since then, however, the company have started preparing annual production targets in the case of ship construction also. They have also introduced a long range production programme and necessary instructions have been issued in this regard. The first of the advance production schedules for the period 1969—74 is under preparation.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970.]

#### **Further information called for by the Committee**

What were the specific reasons for the Mazagon Dock Ltd. not being able to prepare targets for new construction for whatever capacity they had, in terms of money prior to 1966-67?

[Lok Sabha Sectt. O.M. No. 3-PU|69 dated 22-4-1970.]

### Final Reply of Government

Prior to 1966-67, the annual budget of the Company was not submitted to the Board of Directors and as such, detailed targets for various activities undertaken by the Company were not laid down. Mazagon Dock Ltd. was basically a ship-repair yard and the new construction turnover was relatively small compared to its ship repair work and was undertaken only to utilise spare yard facilities during slack ship-repair periods as is evident from figures below:

	New construction turnover	Ship-repair turnover
1960-61 . . . . .	Rs. 36.23 lakhs	Rs. 206.89 lakhs
1961-62 . . . . .	Rs. 49.64 lakhs	Rs. 189.03 lakhs
1962-63 . . . . .	Rs. 68.74 lakhs	Rs. 252.22 lakhs
1963-64 . . . . .	Rs. 92.29 lakhs	Rs. 312.99 lakhs
1964-65 . . . . .	Rs. 76.45 lakhs	Rs. 265.10 lakhs

[Ministry of Defence Office Memorandum No. 21 (2) |69|D (GRW|MD)  
dated 30th July, 1970].

#### Recommendation (Serial No. 2)

The Committee are happy to note that the first frigate was launched on the due date. This is no doubt a major break-through in the Indian ship building industry, and the Committee hope that the Mazagon Dock Ltd. will endeavour to further improve its performance with experience. The efforts being made towards indigenisation of the frigates are laudable, and the Committee expect these efforts will be intensified to bring about further reduction in the imported components. (Paragraph 2.25).

#### Reply of Government

The observations of the Committee have been noted. All efforts are being made by Mazagon Docks to improve its performance and achieve greater indigenisation.

[Ministry of Defence Office Memorandum No. 21 (2) |69|D (GRW|MD)

dated 22nd March, 1970.]

### Further information called for by the Committee

Please furnish details about the efforts being made to introduce more indigenous items on the frigates.

[Lok Sabha Sectt. O.M. No. 3-PU|69 dated 22-4-1970.]

### Final Reply of Government

All efforts are continuously being made from the early stage to indigenise the production of machinery and equipment which is installed in the Leander Class Frigates being built for the Indian Navy. As a result of these efforts a major break-through has been achieved in establishing indigenous manufacture of machinery and equipment in the last three years.

2. A study group was created with representatives from Naval Headquarters, Director General of Technical Development and Department of Defence Production to investigate sources of indigenous manufacture and to encourage manufacturing concerns in India to produce equipment for the Leander Class Frigate. This group meets periodically and is also responsible for issue of import clearance for equipment for the frigate. It is thus ensured that no equipment, howsoever small, is permitted to be imported until all possible indigenous sources have been investigated.

3. For the first Indian Frigate, in spite of the fact that the time available was extremely limited, indigenous manufacture was established for items like Main Air Conditioning and Refrigeration machinery, Main and Auxiliary Switch Boards, Gas Tight and Water Tight Doors, Rectifiers, Ventilation Fans and Motors, Heat Exchangers, Mineral Fibre Marine Board, Electric Cables, Telephones and Telephonic equipment, Thermal insulation materials for machinery, Transformers and various types of valves for control of fluids. All these items are of a specialised nature and had not been produced in the country hitherto.

4. As a result of continuous efforts, for the second Frigate many more items of equipment and machinery have been added to the above list of indigenous equipment e.g. Main Turbines, Main Gearing, Main Boilers, Radar and Fire Control Equipment, Broadcast Equipment, Turbo Driven Auxiliary Machinery, Rudder Stocks, Shaft Brackets, Moulded Rubber products like Suction Entries, Shock and Vibration Mountings etc., and literally hundreds of smaller but none-the-less important other items.

3. All efforts are being made to achieve maximum possible indigenisation for all remaining machinery and equipment both major and minor as early as possible.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 30-7-70.]

#### **Recommendation (Serial No. 3)**

The Committee are not aware of the reasons on account of which the Government had not treated the construction of mine sweepers in the country for the first time as a development order. They, however, feel that factors which have resulted in this huge loss were beyond the control of the present management. If Mazagon Dock Ltd., was expected to work as a commercial undertaking, the Committee hope that in future Government would ensure that financial risks involved in undertaking new items would be fully covered, particularly when specific orders are to be executed in accordance with the desire of the Navy. (Paragraph-2.35).

#### **Reply of Government**

The Ministry of Defence is fully aware of the difficulties faced by MDL in executing orders for which the Dock have no previous experience and agrees in principle that financial risk involved in undertaking new items should be kept in view in orders placed on MDL.

[Ministry of Defence Office Memorandum No. 21(2)|69|D(GRW|MD)  
dated 22nd March, 1970].

#### **Recommendation (Serial No. 4)**

Although in bulk of cases where losses had been incurred on account of building ships, the estimates had been formulated in the pre-take over period or in the period immediately after the take-over, the Committee are unhappy to note that even at present some of the orders for new construction are expected to result in losses to the Company. This indicates that all the factors contributing to the cost of construction of a vessel are not being accurately assessed. The Committee trust that with the introduction of the new system of data compilation and estimating, the Company would show better results. (Paragraph-2.43).

#### **Reply of Government**

A very strict control is being kept by the Management on cost estimating and though no results are as yet available (because no

ship has yet been completed under the new system) it is expected that there will be a distinct improvement over past performance. Steps are also being taken by Mazagon Dock to ensure that quotations are made more realistic taking into account all relevant factors. [Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD) dated 24-4-70.]

### Recommendation (Serial No. 8)

The Committee need hardly point out that if Mazagon Dock Ltd. desires to retain its position as the premier ship repairing yard it must make its rates, quality and time schedules for execution of works fully competitive with the facilities available east of the Suez. The Committee would like Government and the Mazagon Dock to pay special attention to this aspect of operations so as not only to save foreign exchange by undertaking repairs to ship within the country but also to earn more foreign exchange by undertaking the repairs to foreign ships which come in such large numbers to India. (Paragraph—3.11).

### Reply of Government

Constant efforts are being made to keep the rates, quality and time schedules competitive and this is evident from the fact that the ship-repair annual turnover was Rs. 3.5 crores out of a total of Rs. 4.5 crores on the whole of the West Coast. In this connection reply to Serial No. 7 para 3 may also be seen.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD) dated 22nd March, 1970.]

What is the ship-repair annual turnover during the last five years of Mazagon Dock Limited as against the total turnover on the whole of the West Coast

[Lok Sabha Sectt. O.M. No. 3-PU/69 dated 22.4.1970.]

### Final Reply of Government

The annual turnover of ship repair of Mazagon Dock Ltd. during the last five years is given below:

1965-66	Rs. 251 lakhs
1966-67	Rs. 311 lakhs
1967-68	Rs. 359 lakhs
1968-69	Rs. 323 lakhs
1969-70 (Estimated)	Rs 365 lakhs.

The average turnover on ship repair per year thus works out to Rs. 3.2 crores. The approximate average annual ship repair turnover of other yards on the West Coast, including Alcock Ashdown and Scindias would be in the region of about Rs. 1 to Rs. 1.1 crores, thus making the turnover on the West Coast Rs. 4.3 crores a year.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 30-7-70.]

### **Recommendation (Serial No. 9)**

The Committee understand that the system of estimating and costing in Mazagon Dock Ltd. has since been streamlined. As in repair work time is of vital importance, it is necessary not only to prepare accurate estimates but also to record the cost of each job promptly and correctly so that complete and final bills can be given to the clients immediately.

The Committee would suggest that every case of defective estimating or loss should be examined by the Management expeditiously and suitable instructions issued with a view to avoiding its repetition. (Paragraphs—3.17 & 3.18).

### **Reply of Government**

In the past a great deal of difficulty was being experienced in estimating and billing due to the short time available for estimating/billing as shipowners needed the work completed and billed during the period the vessel berths for loading and discharging. This difficulty has been overcome by streamlining, estimating and billing, by preparing scheduled rates covering all types of work anticipated and estimating other jobs on the spot. This enables the Company to prepare the bills on estimated basis. An analysis is in progress to investigate all cases of defective estimating.

2. Although the labour and material rates have increased considerably since 1965, Mazagon Docks have been able to maintain the same rates by stricter supervision and better facilities.

3. The Company have issued instructions to the Officers concerned in regard to the precautions that should be taken in estimation, preparation of bills and reporting in case of loss in any shiprepair work. General instructions have also been issued by the Ministry to all Defence Public Sector Undertakings vide Ministry of Defence letter No. 21(2)/69/D(GRW/MD) dated 27th November, 1969 (see Appendix I).

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 24-4-70.]

**Recommendation (Serial No. 10)**

In the absence of detailed information about the rates charged by the shipyards abroad, it is difficult to judge the price structure of ship repairing jobs of Mazagon Dock Ltd. The Committee, however, find that the Management is itself conscious of the need for reducing the cost of ship repairing work. They hope that efforts in this direction will be continued, for if Mazagon Dock Ltd. has to create even a better image of itself in the world shipping industry, any impression of the costs of repairs, being high created rightly or wrongly has to be erased through proper publicity of its costs of repairs. (Paragraph—3.24).

**Reply of Government**

MDL have increased their publicity in foreign magazines and shipping circles laying emphasis not only on the aspect of quality and efficiency of the work but also on economy. Necessary instructions have been issued by the company in this regard. A greater emphasis will be placed in future in publicising the cost of repairing work in Mazagon Dock Ltd. A new brochure bringing out the activities of the yard is also under preparation.

[Ministry of Defence Office Memorandum No. 21 (2) /69/D (GRW/MD)  
dated 22nd March, 1970.]

**Recommendation (Serial No. 11)**

The Committee are happy to note that cases requiring redoing of jobs are within reasonable limits in Mazagon Dock Ltd. They hope that greater quality control would be exercised over the repair jobs so that such complaints are further minimised. (Paragraph—3.27).

**Reply of Government**

Observations of the Committee have been noted.

[Ministry of Defence Office Memorandum No. 21 (2) /69/D (GRW/MD)  
dated 22nd March, 1970.]

**Recommendation (Serial No. 12)**

The Committee feel that lack of proper co-ordination between various departments of the shipyard had in the past resulted in loss of time, increased costs and dissatisfaction of the customer. The Committee trust that with the establishment of the Planning and Production Department complete co-ordination and supervision in all respects will be maintained. (Paragraph—3.30).



### Reply of Government

The establishment of Production, Planning and Coordination Department in Mazagon Dock has made substantial contribution towards better planning and control on utilisation of labour and material for various production activities carried out by the Company.

2. A ship's coordinator and a ship's planner are appointed for every major ship repair job. The Company has also laid down a detailed procedure for effective coordination.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970].

### Recommendation (Serial No. 13)

The Committee are unable to appreciate the anxiety of Mazagon Dock Ltd. to appoint Sir Alexander Gibb and Partners in March, 1961, for preparation of feasibility report for the Expansion Scheme of Mazagon Dock Ltd. without even knowing the type of ship that was to be built and the country from which the credit facilities would be forthcoming. It took the Government nearly three years to decide the ship and the source of credit and during this period except for one slip way, the work of construction was not taken up. Thus, Mazagon Dock Ltd., in no way gained by entering into an agreement with the said firm early. In fact, the report prepared by the firm had to be substantially revised subsequently, raising cost of Expansion Scheme from Rs. 3.51 crores to Rs. 7.16 crores. The Committee are, therefore, of the view that the Expansion Scheme should have been undertaken only after all the requirements were known. (Paragraph—4.22).

### Reply of Government

The observation of the Committee has been noted and general instructions to all the Defence Public Sector Undertakings have been issued by the Ministry *vide* letter No. 21(2)/69/D(GRW/MD) dated 27th November, 1969 (See Appendix II) asking them to ensure that before undertaking preparation of feasibility report for the expansion schemes and appointing consultants therefore all the requirements such as object of the expansion schemes and the availability of credit facilities, are known to them.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970]

### **Recommendation (Serial No. 14)**

The Committee find that it is normal all over the world for ship-yards to undertake general engineering works. This not only provides utilisation of idle/spare capacity, but also yields a high margin of profit. The Committee would suggest that Mazagon Dock Ltd., should concentrate on those items of general engineering works which are ancillary to naval engineering or for which there is a scarcity of capacity in the country. (Paragraph—5.15.)

### **Reply of Government**

All available capacity is being utilised in the IVth Plan for ship construction. If, however, spare capacity is available it will be utilised for general engineering works which are ancillary to Naval Engineering.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970]

### **Further information called for by the Committee**

Please furnish details as to how the entire capacity of Mazagon Dock Ltd. is going to be utilised in the Fourth Five-Year Plan period for ship construction and general engineering works which are ancillary to naval engineering. Also state whether all excess capacity available will be utilised.

[Lok Sabha Sectt. O.M. No. 3-PU/69 dated 24-4-1970.]

### **Reply of Government**

The Company has two large building berths on which construction of ships upto approximately 15,000 tons dwt. can be undertaken, two drydocks and Kasara Basin for provision of berthage facilities for new construction and ship repair work. The Company has also created large-scale facilities for cutting and processing of steel, fitting out work, machining and foundry works as a part of the Expansion Scheme undertaken by it. With the increase in the activities of the yard particularly in respect of new construction during the last two years, the yard facilities are being utilised more and more intensively. Mazagon Dock Ltd. have already got an order for the construction of 3 frigates for the Navy. Government has also approved the construction of 3 more frigates at Mazagon Dock Ltd. and with this order, 70 per cent of building capacity in the plan period will be booked for the Indian Navy. In addition, the Company has received orders for the construction of two large passenger vessels for the Shipping

Corporation of India, one dredger each for the Bombay Port Trust and the Maharashtra Government. In the meeting of the "Technical Committee on Ship-building capacity in the Country" held on 18-3-70 it was accepted that orders for two more ships, one passenger vessel and one 'Yerewa' type vessel will be placed on Mazagon Dock Ltd. for construction and delivery during the 4th plan period.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 30-7-70.]

### **Recommendation (Serial No. 15)**

The Committee are of the view that production of a simple oil engine does not seem to be in line with the overall pattern of production of sophisticated warships. The cost of production of the oil engine was higher than those produced elsewhere in the country, stocks had accumulated and the chances of selling them were also not bright. The Committee find that the ship-building activity of the Company has increased considerably with the result that idle capacity has become negligible. The management of the Company was already thinking in terms of closing down this line of manufacture. The Committee feel that this is a step in the right direction and the sooner it was closed the better, so that full efforts of Mazagon Dock Ltd. could be concentrated on its main activity of ship-building and ship-repair. (Paragraph—5.26).

### **Reply of Government**

The manufacture of Mazdock Oil Engine has since been stopped, as approved by the Board of Directors of Mazagon Dock in its meeting held on 30-4-69.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 24-4-1970.]

### **Recommendation (Serial No. 17)**

Mazagon Dock Ltd. is primarily meant for service of the Navy and as such any delay on the part of the Navy in respect of payments adversely affects the efficient and economic functioning of the Yard. The Committee recommend that this matter may be considered at the highest level by the Defence Ministry and it should be ensured that the past dues of Mazagon Dock Ltd. are cleared by the Naval authorities without delay. They hope that with the introduction of the new procedure, there will be no outstandings against the Navy in future beyond the agreed dates of credit. (Paragraph—6.19).

### **Reply of Government**

The Ministry of Defence is investigating the reasons behind the delay in payment in order to ensure clearance of outstanding bills and effecting prompt payment.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970]

### **Further information called for by the Committee**

What is the result of the investigation conducted by the Ministry of Defence?

[L.S.S. O.M. No. 3-PU/69 dt. 22-4-1970.]

### **Final Reply of Government**

It has been found that the delay in payment has been mainly due to the fact that amounts sanctioned for repairs and notified in Government letters were exceeded due to additional defects projected to the Company which came to light only after the vessels were docked in the Shipyard and refits were taken in hand. On receipt of subsidiary quotations to cover the additional items, the Naval Headquarters initiate action to obtain Government approval for revising the original Government sanction. As the ship is opened progressively and the additional defects come to light only after opening the ship, the company cannot submit the quotations for the additional defects in one lot immediately. This is responsible to a great extent for the delay in issuing the revised Government sanction and for ultimate delay in arranging the payments to the Company. With a view to reducing such delays in future, a procedure has now been laid down under which the Company is required to forward their proposals/estimates for upward revision beyond the original ceiling to the Naval Headquarters at least 1½ months before the ceiling is likely to be exceeded. Immediately thereafter, the Naval Headquarters will initiate action for issuing Government sanction to cover the additional items. It is hoped that with the introduction of the above procedure, the position will improve.

2. Out of the total amount of Rs. 17 lakhs outstanding against the Navy as on 30th November, 1968, Rs. 11.31 lakhs have since been realised.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 25-11-1970.]

**Recommendation (Serial No. 18)**

The Committee note that the main stumbling block in the way of satisfactory development of ship ancillary industries are the low offtake of such equipment and rigid standards laid down for marine purposes. The Committee hope that with the establishment of the second shipyard at Cochin and the expansion programmes in the Hindustan Shipyard Ltd., Mazagon Dock Ltd. and Garden Reach Workshops Ltd., this problem of low offtake would be resolved and manufacture of marine ancillary items would become a viable proposition. (Paragraph—7.6).

**Reply of Government**

Recommendation of the Committee has been noted.  
[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970.]

**Recommendation (Serial No. 19)**

The Committee are happy to note the efforts being made in procuring the steel requirements by the Company/Government. They suggest that a long term planning should be done in this regard by all the shipyards in the country so that the Indian steel plants could be informed in advance so as to enable them to meet the requirements of steel in full. (Paragraph—7.13).

**Reply of Government**

Action has been taken to consolidate the requirement of steel of various Shipyards during the Fourth Plan period and this has been intimated to the Ministry of Iron & Steel for arranging for production by the Steel Mills. The matter is being pursued.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970].

**Recommendation (Serial No. 20)**

The Committee are conscious of the fact that shipbuilding industry is a highly specialised industry and techniques thereof are constantly advancing through research. It is, therefore, essential to keep abreast of the developments in the technical and economic fields in foreign countries. The Committee feel that it would be desirable to build up a well equipped Research and Development Organisation which is vital to national welfare and security. The Government of India should take up this responsibility by offering

substantial help in this direction. It should not only study the economics of different operations in the public sector shipyards with a view to minimising the costs and maximising utilisation of capacity but also undertake basic research in order to achieve technological advancement in the shipbuilding industry. (Paragraph—7.22)

### **Reply of Government**

There is a development cell under the Ministry of Shipping & Transport functioning at Calcutta. A proposal to have a research wing attached to this Development Cell is under consideration of that Ministry.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 24-4-1970].

### **Recommendation (Serial No. 22)**

The Committee would further recommend that technical personnel from one yard might be sent to another for a short period, for in-yard training and observations. They should on return to their parent company submit reports about their observations and experience gained. This exercise may be carried on till a joint co-ordinating machinery is set up. (Paragraph—7.29).

### **Reply of Government**

Recommendation has been noted for compliance and necessary instructions have been issued to the shipyards under Ministry of Defence letter No. 21(2)/69/D(GRW/MD) dated 25th October, 1969 (See Appendix IV).

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 30-7-70].

## CHAPTER III

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

#### Recommendation (Serial No. 5)

The Committee note that the quantum of work available with Mazagon Dock Ltd. is not enough to keep it fully engaged and it desires to work on commercial lines so as to secure orders from shipping companies. The Committee feel that as there is ample scope for expansion of shipping in the country Mazagon Dock Ltd. could play a useful role in that direction. They would, however, like to stress that the ships to be built by it should be fully competitive in price, quality and performance so as to win customers through competitive rates. (Paragraph—2.46).

#### Reply of Government

The ships built by Mazagon Dock are fully competitive in quality and performance with the foreign built ships. As regards prices, the cost of the ships built in Mazagon Dock is comparatively more on account of certain factors such as:—

- (a) Until recently the steel prices in India were higher than the international prices by about 30 per cent. The international prices having now gone up to more or less the same as Indian prices, the gap in the cost of ships built in Mazagon Dock and those built abroad has narrowed down to that extent.
- (b) Additional cost on imported items such as freight, insurance, special packing, handling, etc.
- (c) High prices of indigenous items which are being manufactured in India for the first time. Some of the items manufactured for the first time do not come up to the required standards and have to be redone. This involves delay and additional expenditure.
- (d) High wage structure of labour and clerical/subordinate staff in Mazagon Dock.

- (e) Higher export assistance and credits given to foreign yards by their Governments.

[Ministry of Defence Office Memorandum No. 21(2)|69|D(GRW|MD)  
dated 22nd March, 1970]

**Further information called for by the Committee**

Has a survey of the productivity in other countries been carried out?

[Lok Sabha Sectt. O.M. No. 3-PU/69 dated 22-4-1970]

**Final Reply of Government**

No survey as such of the competitive shipbuilding capacity and cost of production etc. as compared to the foreign shipyards has been carried out. It has, however, been assessed by Mazagon Dock that in respect of new construction its productivity compared to that obtain in advanced countries would be in the region of 30 per cent on a man-day basis. The main factors contributing to lower productivity are:

- (a) The lack of trained personnel.
- (b) The absence of industrial base and ancillary industries in the country as compared to the foreign countries, which makes it necessary to undertake a variety of jobs even though the production per unit in respect of such activities may be low on account of the small requirements of our own yard. In the advanced countries, a lot of work is carried out by the ancillary suppliers of equipment etc. and the shipyards themselves concentrate on the nature of work which is in line with the shipbuilding activity itself. This contributes to a considerable extent, to their greater efficiency.
- (c) A number of items of sophisticated equipment have to be manufactured in the country for the first time and in many cases indigenous suppliers cannot produce items of the required quality and workmanship in the first instance. As a result the rate of rejection is quite high and the same involves a considerable amount of re-work.
- (d) There is a considerable degree of material shortage and bottlenecks in the country as a result of which undue delays occur in many instances and work on various items has to be carried on intermittently depending on



the position of the supply of materials. This inevitably results in enhanced costs and low productivity.

As against 30 per cent efficiency of the workmen in the shipbuilding industry in India as compared to the workers in the advanced countries, the wage scales are in the region of 20 per cent to 25 per cent. As a result of the comparatively lower rate of wages, it should be possible for the Indian shipbuilding industry to become competitive as compared to the foreign shipyard even after allowing for the higher cost of materials and equipment. Mazagon Dock Ltd. is accordingly making constant efforts to improve the productivity and it is hoped that with the improvement in position with regard to the supply of materials and development of ancillary industries, the industry would be able to stand on its own feet within the next 5 to 10 years.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD) dated 30-7-70.]

#### **Recommendation (Serial No. 6)**

The Committee are given to understand that ships are being offered by leading maritime countries on very attractive terms and conditions. The Committee suggest that in the interest of developing the infant shipbuilding industry in the country, Government may consider how best the Indian shipbuilders could be placed in a position to offer equally attractive terms and conditions so that the Indian shipping lines are induced to purchase their ships from indigenous shipyards. At present 90 per cent of the ships brought under Indian flag are being purchased from abroad. The Government should help the Indian shipbuilders and Mazagon Dock Limited in particular to expand their building activities so as to build more ships and where possible, bigger ones. This will result in double benefit. On the one hand it will save foreign exchange which would have gone to a foreign builder of ships and on the other it will benefit the infant home industry which will be able to grow and give more employment. (Paragraph—2.47)

#### **Reply of Government**

This recommendation concerns the Ministry of Transport who have been apprised of the Committee's views. The Ministry of Transport have informed us that the Hindustan Shipyard Ltd. is the only shipyard at present building cargo vessels for India's overseas trade and all the existing orders for the construction of ships

by this Yard have been placed by the Shipping Corporation of India. In order to enable the Corporation to compete with other international shipping lines, the price charged for the ships being built in the yard does not, at present, exceed the internal price for similar vessels abroad. For this purpose, Government is subsidising the difference between the cost of production of the ships and the price at which the ships are being made available to the Shipping Corporation of India. In addition, the Government of India are extending to the Yard certain assistance and concessions, such as, exemption from duty on imported components, raw materials, machinery and exemption from the payment of sales tax. In addition, it has been agreed to allow drawbacks on Customs and Excise duties on ships ancillaries manufactured in the country for being fitted on the ships being built for overseas trade. The question of the supply of steel for ship construction at international price is also under consideration of Government.

The question of increasing indigenous capacity for building ships for the overseas trade is also under consideration of the Government. As a first step, Government have approved in principle the implementation of a programme by the Hindustan Shipyard to expand their building capacity with a view to increasing the output from the present 37,500 DWT per annum to about 80,000 DWT per annum.

So far as Mazagon Docks are concerned, the Shipping Corporation of India have placed a letter of intent for two passenger ships in replacement of the existing ships "State of Bombay" and "State of Madras". The question of grant of subsidy to Mazagon Dock Ltd. for construction of these vessels was examined by a Committee which has recommended its payment; the actual quantum is under consideration and Government orders will be issued shortly.

An expansion scheme costing Rs. 832 lakhs for the modernisation of Mazagon Dock has been substantially completed. With the facilities now available, the company is in a position to build Leander Class Frigates and Passenger-cum-Cargo Ships upto 15,000 tons DWT.

[Ministry of Defence Office Memorandum No. 21(2)69]D(GRW|MD)  
dated 22nd March, 1970]

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

The Committee note that the available capacity of ship repairing work which had fallen to Rs. 250 lakhs in 1965-66 has risen to over Rs. 358 lakhs in 1967-68. The Committee are, however, constrained to note that there has been some decline in the quantum of repair

work since December, 1968. The Committee would like Government and Mazagon Dock Ltd. to look into the matter urgently and initiate remedial measures to check the downward trend. In this connection, the Committee noted that while the Mazagon Dock Ltd. has regular agreements for ship repairing work with B.I. & P.O. Group and Mogul Line Ships, it does not have such formal agreements with Shipping Corporation of India and the Jayanti Shipping Company. The Committee consider that as the latter are leading shipping companies in India, Mazagon Dock Ltd. should endeavour to enter into regular agreements with them for repair of their ships. Suitable measures may also be taken by Government to induce ships registered in India to get their periodical repairs done by the Indian Shipyards. (Paragraph—3.10)

### Reply of Government

After the take over of the yard in 1960-61 by the Government, the following was the ships repair turn over per annum:—

Forecast Figures	Year	Turn over	Foregin exchange earned
		(Rs. in lakhs)	
—	1960-61 .	206.89	100.81
—	1961-62 .	189.03	88.28
251 g	1962-63 .	263.34	89.00
250	1963-64 .	329.64	88.00
250	1964-65 .	265.10	112.00
275	1965-66 .	250.92	66.54
288	1966-67 .	311.17	107.00
315	1967-68 .	358.94	149.00
327	1968-69 .	323.30	140.00

From the above figures it can be seen that despite certain fluctuations, the turn over generally has been improving. The reduction of foreign exchange in the initial four years of take over was mainly due to withdrawal of B.I., B.P., Burmah Shell and Caltex from the Indian Coast and also reduction in the B.I. fleet (B.P., Burmah Shell and Caltex have practically stopped carrying survey repairs in Bombay). Although the foreign exchange earnings were reduced by 12 per cent during these four years, the total turn over

has increased considerably. From 1964-65, onwards the turnover has been fairly satisfactory except in the year 1965-66. During this year, turnover was reduced due to India-Pakistan conflict, when foreign ships were reluctant to come to India on account of the risk in port during the conflict.

From 1966-67 onwards the turnover as well as foreign exchange earnings have increased considerably. But during December 68 to February, 1969 considerable reduction in the ship-repair work had occurred due to the following reasons:—

- (a) The strike of the longshoremen of the United State from December 1968 to April 1969. A number of vessels plying American and other foreign flags bound for Indian Ports were held up due to the strike.
- (b) Shipping has also reduced considerably, owing to the restricted import policy and due to higher freight charges.
- (c) Vessels that come round the Cape now unload their cargo for Bombay in Cochin as it is economical for them to do so. This means that ships which normally used to call at Bombay are now calling at Cochin.

The position has since improved and it is expected that the total ship-repair turnover and foreign exchange earnings of the Company during 1969-70 will be about Rs. 350 lakhs and Rs. 140 lakhs, respectively.

The Shipping Corporation of India has entrusted nearly all its ship-repair and survey work in Bombay to the Mazagon Docks Ltd. Though no formal agreement has been concluded with them, the value of the work carried out by the Mazagon Docks Ltd. on the Shipping Corporation's account during 1968-69 exceeded Rs. 80 lakhs. There is already an understanding between the Corporation and the Mazagon Docks Ltd. about the method of billing. The question of entering into a formal agreement is already under correspondence between the Corporation and the Mazagon Docks Ltd. After the management of the Jayanti Shipping Company was taken over by the Shipping Corporation of India, the ship repair work in respect of that Company has also been entrusted to Mazagon Docks.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970]

### Recommendation (Serial No. 16)

The Committee regret to note that the ratio of sundry debtors to the sales had been constantly increasing since 1964-65. The huge outstandings increase the working capital requirements and reduce the profitability of Mazagon Docks Ltd. The Committee, therefore, suggest that vigorous steps should be taken to realise the outstandings within the credit period. If it is not found practicable to levy penal interest on delayed payments, the Management may consider offering some discount for prompt payment of bills. (Paragraph—6.10).

### Reply of Government

The position of sundry debtors has shown considerable improvement in the year 1968-69 and in order to further intensify the efforts to realise outstanding bills, Mazagon Docks Ltd. have appointed a full-time Accounts Officer and have also issued other instructions to implement the recommendations of the Committee on Public Undertakings as given in MDL Circular dated 18th October, 1969 (See Appendix III).

The question of offering some discount for prompt payment of Bills has also been examined by the Management but it has been decided not to give this for the following reasons:

- (a) The profit margin allowed in the case of permanent customers like Navy, Shipping Corporation, Mogul Line, Jayanti Shipping, B.I. and Port Trust is only 7½ per cent.
- (b) Where large sums are involved, it has been the practice for the ship owners to pay in the first instance the bills upto 80-90 per cent of the total bills submitted, leaving about 10—20 per cent for settlement after detailed discussions between the Yard and the owners.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970]

### Recommendation (Serial No. 21)

The Committee understand that the trend in some of the maritime countries is towards closure of smaller yards and amalgamation of bigger units. They, therefore, feel concerned about the absence of any regular co-ordinating machinery among the different yards in India. In a highly sophisticated and fast developing

industry like ship-building, a close link and a common approach to the problems facing the industry is necessary. The Committee feel that effective co-ordination in all fields of activity cannot be achieved only through one or two common Directors. They would, therefore, recommend that the Government may examine the desirability of setting up a joint machinery to achieve effective co-ordination among the activities of the shipyards in the country and look after the interests of the industry as a whole. (Paragraph—7.28).

### Reply of Government

The Government has recently set up a high-level Standing Committee with the following functions:—

- (a) to review the programmes and policies of the yards with a view to ensuring optimum utilisation of the building capacities having regard to the capacities available in the private sector also;
- (b) to recommend the Government measures that may be necessary to rationalise the production in the Public Sector Yards;
- (c) in terms of requirements of the Navy, to examine in the light of the capacity available in the Shipyards, the placement of orders by the Navy on the Yards; and
- (d) any other matter that may be necessary to promote ship-building in the public sector.

The composition of this Committee will be as follows:—

- |   |                   |
|---|-------------------|
| <ul style="list-style-type: none"> <li>(a) Secretary, Ministry of Shipping and Transport.</li> </ul>  | <i>Chairman.</i>  |
| <ul style="list-style-type: none"> <li>(b) A representative of the Ministry of Defence, (Department of Defence Production).</li> <li>(c) A representative of the Ministry of Finance.</li> <li>(d) A representative of the Planning Commission.</li> <li>(e) A representative of the Ministry of Food, Agriculture, Community Development &amp; Cooperation (Deptt. of Agriculture).</li> </ul> | } <i>Members.</i> |

- |  |   |                   |
|--|---|-------------------|
| (f) Managing Directors of the Shipyards.                       | } | <i>Member.</i>    |
| (g) Director (Projects) Ministry of Shipping<br>and Transport. |   | <i>Member.</i>    |
|  | } | <i>Secretary.</i> |

The Standing Committee for ship-building, ship repairing and ship ancillaries which has been functioning for some time provides a common forum for all ship-building interests and attends to the work of co-ordination of the ship-building industry problems. The functions of this Committee are to advise the Central Government on the following:

- (i) all matters relating to ship-building, ship-repairing and ship ancillary industries including their developments.
- (ii) Such other matters as the Central Government may refer to the Committee for advice from time to time.

[Ministry of Defence Office Memorandum No. 21(2)/69/D(GRW/MD)  
dated 22nd March, 1970]

**CHAPTER IV**

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

— NIL —



**CHAPTER V**

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

— NIL —

NEW DELHI;  
October 11, 1971  
Asvina 19, 1893 (S).

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

## APPENDIX I

[Vide reply to recommendation at Serial No. 9]

*Copy of Ministry of Defence (Deptt. of Defence Production) letter No. 21(2)/68/D (GRW/MD) dated the 27th November, 1969 from Cdr. M. M. Atal Officer on Special Duty to The Managing Directors, HAL, BEL, BEML, MDL, GRW and PTL and The Manager, Goa Shipping Ltd. Vasco-da-Gama, Goa, re Defective Estimation—Need to examine every case of—*

I am directed to say that its 42nd Report (1968-69) relating to one of the Defence Public Sector Undertakings, the Committee on Public Undertakings while appreciating that the system of estimating and costing in that undertaking has since been streamlined, have observed that as in repair work, time is of vital importance, it is necessary not only to prepare accurate estimates but also to record the cost of each job promptly and correctly so that complete and final bills can be given to clients immediately. The Committee have also suggested that every case of defective estimating or loss should be examined by the Management expeditiously and suitable instructions issued with a view to avoiding its repetition.

2. It is, therefore, requested that suitable action may be taken to ensure that the observation of the Committee are fully complied with.

Copy to:—

D(HAL-I)	D(Prod)
D(HAL-II)	D(NF)
D(BEL)	D(Prod-Admin)
D(PS)	Dir of P & C.
D(PROJECTS)	

Copy also to:—

JS(PS)	DS(PS)
JS(ALP)	DS(R&A)
JS(F&C)	US(PS)

## APPENDIX II

[Vide Reply to recommendation at Serial No. 13]

*Copy of Ministry of Defence (Deptt. of Defence Production) letter No. 21 (2)/69/D (GRW/MD) dated the 27th November, 1969 from Cdr. M. M. Atal, Officer on Special Duty to The Managing Directors, MDL, HAL, BEL, BEML, GRW, Praga Tools, The Manager GSL regarding preparation of a feasibility report for the Expansion Scheme and appointment of Consultants for—Need to take into consideration all the requirements e.g. object of the expansion, availability of credit facilities etc.*

I am directed to say that the Committee on Public Undertakings in its 42nd Report (1968-69), relating to one of the Defence Public Sector Undertaking have observed that the Committee are unable to appreciate the anxiety of the Undertaking to appoint Consultants for preparation of a feasibility report for its expansion scheme without even knowing the type of ship that was to be built and the country from which the credit facilities would be forthcoming. The Committee have further observed that it took the Government nearly three years to decide the ship and the source of credit and during this period except for one slipway, the work of construction was not taken up. Thus the Company in no way gained by appointing the Consultants. The Committee have also remarked that the report prepared by the Consultants had to be substantially revised subsequently raising cost of the expansion Scheme. The Committee have, therefore, expressed the view that the expansion scheme should have been undertaken only after all the requirements were known.

2. I am, therefore, to request that, in future, while undertaking preparation of feasibility report the observations of the Committee should be kept fully in view so that such delays and avoidable expenditures are avoided.

### APPENDIX III

[Vide Reply to Recommendation at Serial No. 16]

#### FINANCIAL CONTROLLER INSTRUCTIONS RE. SUNDRY DEBTS

##### *Ship Repair Manager*

The Committee on Public Undertakings in their recommendations/conclusions contained in their 42nd Report on Mazagon Dock Limited have stated that they are unhappy at the ratio of sundry debtors to the sales which has been increasing since 1964/65. As a huge outstanding increases working capital requirements and reduces the profitability of the Company, the Committee has suggested that vigorous steps should be taken to realise outstandings within the credit period.

2. I am happy to note that the ratio outstanding for the year 1968-69 has shown some decrease. I am sure that with concerted efforts, you will be able, to keep the outstanding within reasonable limits so that they do not adversely affect profitability of the Company. In order to further reduce the outstandings, the following measures are to be adopted:—

- (a) One Accounts Officer is to be fully employed on the work of realisation of bills.
- (b) The bills should be prepared and sent to the customer immediately after completion of the work but not later than 40 days of the completion of work.
- (c) In regard to shipowners from abroad and the generally defaulting parties within India, a reasonable percentage of the estimated amount of work should, as far as possible, be taken as advance at the time of commencement of work and a system of running payments should be insisted upon. It is also to be ensured that in the case of such parties, the amount of credit at any one time does not exceed Rs. 2 lakhs or 25 per cent of the total estimated work whichever is more.
- (d) Disputes as to whether certain items of work are authorised by the Owner's Representative or not cause delay

in the realisation of bills. In order to avoid such disputes, the estimate for items of work which were not included in the original defect list should be given to the authorised representative of the Owners and his authority for executing the work should be obtained in writing well in time.

- (e) The standing ship repair contract is to be prepared within a period of 2 months. The Secretary is to be associated with this.

Sd/- ADMIRAL B. A. SAMSON,  
*Managing Director*

Mazagon Dock Ltd.

Bombay 10DD.

October 18, 1969.

## APPENDIX IV

[Vide Reply to recommendation at Serial No. 22]

*Copy of Ministry of Defence letter No. 21 (2)/69/D/ (GRW/MD) dated the 25th October, 1969 from Cdr. M. M. Atal, Officer on Special Duty to the Managing Director, Mazagon Dock Ltd., Bombay-10 DD, the Managing Director, Garden Reach Workshops Ltd., Calcutta-24, and the Manager, Goa Shipyard Ltd., Vasco-da-Gama, Goa regarding 42 nd Report (Fourth Lok Sabha) of the Committee on Public Undertakings (1968-69) on Mazagon Dock Ltd., Bombay—Comments and follow up action.*

I am directed to state that in their 42nd Report the Committee on Public Undertakings has recommended that the technical personnel from one yard might be sent to another for a short period for in-yard training and observations. The Committee has further recommended that these personnel should, on return to their parent Company, submit their report about their observations and experience gained. I am, therefore, to request that this recommendation may be implemented and if any assistance is required from Hindustan Shipyard Ltd. or any other yard, the matter be referred to this Ministry for taking it up with the appropriate authority.

Copy o:—

The Ministry of Shipping and Transport, Director (Projects).

## APPENDIX V

(Vide Para 4 of Introduction)

*Analysis of action taken by Government on the recommendation contained in the Forty-Second Report of the Committee on Public Undertakings (Fourth Lok Saha).*

I. Total Number of recommendations made	22
II. Recommendations that have been accepted by Government ( <i>vide</i> recommendations at Sl. Nos. 1, 2, 3, 4, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, 19, 20 and 22).	17
Percentage to total	77.27%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide</i> recommendations at Sl. Nos. 5, 6, 7, 16 and 21)	5
Percentage to total	22.73%
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee	NIL.
Percentage to total	NIL.
V. Recommendations in respect of which final replies of Government are still awaited ( <i>vide</i> recommendation at Sl. No. 17)	NIL.
Percentage to total	NIL.