C.P.U. No. 269

COMMITTEE ON PUBLIC UNDERTAKINGS (1974-75)

(FIFTH LOK SABHA)

FIFTY-EIGHTH REPORT

[Action taken by Government on the recommendations contained in the 38th Report of the Committee on Public Undertakings (Fifth Lok Sabha)]

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MINISTRY OF INDUSTRY AND CIVIL SUPPLIES
(DEPARTMENT OF HEAVY INDUSTRY)

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LOK SABHA SECRETARIAT
NEW DELHI

February, 1975/Magh, 1896 (Saka)

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Fifty-Eighth Report of the Committee on Public Undertakings on Action Taken by Government on the Recommendations contained in the Thirty-Eighth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Hindustan Machine Tools Ltd.

Page	Line	For	Read
v	Footnote	28. . 1974	28.11.1974
9	22	recommended	recommend
9	30	to	of
18	1	tends	trends
20	3	delete 'for machine tools'	
20	3(from below)	expending	expanding
21	4(from below)	projects	project
23	22	After 'had' read 'to'	
23	10 (from below)	in	the
29	5(from below)	delete 'is'	
35	5	'1973-74 as'	'1973-74. As'
35	8(from below)	an	on
35	4	and	an
37	12	After ex-post facto delete 'of'	
39	14(from below)	have	it has
40	4	debators	debtors
41	1	some	sale
41	8	Creidance	incidence
48	6	(Rs. 16.00 crores) for the factory and(Rs. 14.00 crores for the township)	(Rs. 16.00 crores for the factory and Rs. 14.00 crores for the township)
49	18-19	automatic Broading	automatic, Broaching
56	7	loss	lose
60	7	full or	fuller
69	in the Table against 1964-65	200	2000
73	17	CUP	CPU
88	2	Committee	Company
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INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Fifty-eighth Report on the Action Taken by Government on the recommendations contained in the Thirty-eighth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Hindustan Machine Tools Ltd.

2. The Thirty-eighth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Hindustan Machine Tools Ltd. was presented to Lok Sabha on the 30th April, 1973. The replies of Government (unvetted by Audit) to all the 45 recommendations contained in the Report were received on the 10th June, 1974. The replies of Government were considered by the 'Action Taken' sub-Committee of the Committee on Public Undertakings (1974-75) at their sitting held on the 17th September, 1974. The 'Action Taken' Sub-Committee desired further information to be called for from the Ministry/Undertaking in respect of recommendations at Serial Nos. 2, 13, 14, 16, 21, 26, 31, 34 and 45. The desired information was furnished by the Ministry on the 20th November, 1974. The replies of Government were considered by the 'Action Taken' sub-Committee on the 24th December, 1974 and the Chairman was authorised to finalise the draft report on the basis of the decisions of the sub-Committee. The Report was finally adopted by the Committee on Public Undertakings on the 18th January, 1975.

The Report has been divided into the following four 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 replies.

(iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

5. An analysis of the action taken by Government on the recommendations contained in the Fifty-eighth Report of the Committee is given in Appendix II. It would be observed, therefrom that out

of the total number of recommendations made in the Report, 49 per cent have been accepted by Government. The Committee do not desire to pursue 44 per cent of the recommendations in view of Government's replies. Replies of Government in respect of 7 per cent recommendations have not been accepted by the Committee.

NAWAL KISHORE SHARMA
Chairman,
Committee of Public Undertaknigs,

NEW DELHI;

February 17, 1975.
Magha 28, 1896, *(Saka)*

CHAPTER I

REPORT

A. Working of Unit IV

Recommendation Serial No. 13

In their recommendations in Paras 6.24 to 6.26 of the 38th Report (Fifth Lok Sabha), the Committee on Public Undertakings (1972-73) found that during the years 1966-67 to 1971-72 the production performance of Unit IV at Kalmassery had been far from satisfactory and the shortfall in production ranged from 30 per cent to 58 per cent of the developed capacity at 1.3 inefficiency factor. It was only in 1971 that a Committee was constituted and certain suggestions for improving the performance of the unit were made which after approval by the Board in 1972 were being implemented. The Committee took a serious view of this defective and inadequate planning which had resulted in continuous loss, and suggested that the matter should be thoroughly gone into and responsibility fixed.

In their reply dated the 7th November, 1973, the Ministry *inter-alia* stated that the decision of the Company to establish new machine tools factories was based on the estimated demand for the machine tools during the 3rd plan period. From the statistics of production and sales during the years 1962-63 to 1965-66, it could be seen that the Company was able to market almost all its entire production. HMT IV, Kalamassery achieved the best performance during 1966-67. The poor production performance during 1967-68 was due to labour troubles. The performance during the subsequent years was also hit by recession. In fact the cumulative production and sales perfomance of this unit was quite comparable to the cumulative orders received upto 31st March, 1973. It could, therefore, be seen that there was no defective or inadequate planning.

It was stated in this connection that during 1972-73 the value of production of machine tools worked out to Rs. 390.00 lakhs and printing machines to Rs. 25.00 lakhs in HMT IV, Kalamassery. The Company also provided a sum of Rs. 20.82 lakhs for procurement of plant, machinery and equipment during 1973-74 in the capital budget of the unit. The planned production target for this unit for 1973-74 was fixed at Rs. 489.00 lakhs for machine tools and Rs. 114.00 lakhs for printing machines. It would be seen from these statistics that the performance of the unit during 1972-73 had shown a more significant improvement and would improve further during 1973-74.

The Unit achieved a good production performance during 1972-73 and according to the production targets set for 1973-74 there would be a further substantial improvement in the production performance of this unit. According to the budgetary plan for 1973-74 the working results of this unit were expected to show a profit of Rs. 13.84 lakhs.

The Committee on Public Undertakings (1974-75) enquired (20th September, 1974) about the production performance of Unit IV at Kalamassery during 1972-73 and 1973-74 and the working results during these years. The Ministry have stated (19th November, 1974) as under:—

"The production performance and the working results achieved by HMT IV, Kalamassery are as follows:—

(Rs. in lakhs

Year	Production	Working Results
1972-73	390·00	(—)32·5
1973-74	300·00	(-)102·46

The Committee regret to note that instead of showing profit as anticipated the Unit continued to incur heavy losses during 1973-74. The Committee stress that the causes for shortfall in production in this Unit should be thoroughly investigated in order to fix responsibility. The Committee also recommend that serious measures should be taken to step up production and reduce the losses in this Unit.

B. Working of Unit V

Recommendation Serial No. 14

In paragraphs 6.48 to 6.53 of their Thirty-Eighth Report (Fifth Lok Sabha) the Committee on Public Undertakings (1972-73) expressed their regret that Unit V of HMT which was mainly set up to meet the demand for special purpose machines and Fay Automatic could not get adequate orders for these machines to utilise its capacity. The orders secured could not be executed in time due to lower level of labour efficiency. Even a period of five years was considered inadequate for developing the efficiency and skill required for the manufacture of sophisticated machines and overcoming the initial production problems. The Committee further noted that the agreement with M/s. Renault could not be fully exploited as the design techniques formed by RNUR could not be adopted for the requirements of SPM in India Renault contemplated manufacture of substantial number of special purpose machines designed for automotive use and the demand for special purpose machines for automotive use did not materialise.

The Committee were at a loss to understand as to how the collaboration agreement with Renault was entered into without taking into account the technological requirements of sophisticated machines in India. They regretted that this serious matter was not thoroughly investigated and recommended that it should now be gone into and responsibility fixed for such defective agreement with M/s. Renault.

In their reply dated the 4th January, 1974, the Ministry *inter-alia* stated as follows:—

> "As regards the specific point as to how the RNUR design techniques could not be adopted to suit medium rate of production in India and as to how this was not thought of earlier, Government are examining the position closely with a view to ascertaining as to how those difficulties were not anticipated by the Company in time. The correct position will emerge only the company submits a report on the basis of a detailed probe into the whole matter."

The Committee enquired (20th September, 1974) whether the report had since been submitted and what action had been taken by Government on the basis of the detailed probe. Ministry have stated (19th November, 1974) that "the matter is still under consideration."

The Committee take a serious view that matter has been allowed to linger on and no concrete action has been taken on the important recommendation of the Committee. The Committee reiterate their earlier recommendation and stress that this serious matter should be thoroughly investigated and responsibility fixed for the defective agreement with M/s. Renault without any further delay.

C. Loss on the Manufacture of Special Purpose Machine

Recommendation Serial No. 30

In Para 9.36 of their Thirty-eighth Report (Fifth Lok Sabha), the Committee on Public Undertakings (1972-73) has pointed out that out of 250 SPMs manufactured in the Unit V upto 1971-72, the Company had incurred losses aggregating Rs. 71 lakhs in respect of 123 machines (about 50 per cent of the total) and in 50 cases the Company could not even recover the factory costs, and the loss on this account alone amounted to Rs. 18.44 lakhs. The Committee found that the losses were mainly due to estimates not being realistic taking into account the actual inefficiency, designing and engineering difficulties etc. The Committee suggested that the reasons for the losses should be more critically analysed and suitable remedial measures taken to effect economies in cost of production by improving efficiency and maximising output. The Committee also suggested that preparation of estimates and system of costing should be on scientific lines and on realistic basis so that a comparison of actual cost with estimates was always possible to locate the areas of deficiencies and to enable the management to take timely corrective action.

In their reply dated 7th November, 1973 Government stated that the losses arose in this sphere primarily due to underutilisation of capacity and that the selling price more or less matched the cost of production of such SPMs. It was also added, that the actual losses were investigated with reference to the estimates prepared earlier and corrective action was taken to the extent possible while sumitting the future quotations. The main reasons which contributed to the loss in production of SPMs was underutilisation of capacity and not the selling price policy as such.

It was further stated that the Company was in the process of increasing the standardised content of SPMs to have a better cost control and also to prepare estimates comparable with actual cost data after obtaining a high degree of standardisation. Each SPM was customer built and did not admit itself to the mass production techniques. The efficiency of workmen was, therefore, bound to fluctuate machine to machine until a high degree of standardisation in respect of components was achieved which again was a gradual and time consuming process. The cost reduction due to improvement in efficiency and maximisation of output could be negatived by higher costs due to the inflationary conditions.

The Committee are not satisfied with the reply furnished by Government. The facts already stated in the report have been repeated. Government have not furnished any new facts to prove that the main reason which contributed to the loss in the manufacture of SPMs was under utilisation of capacity. It has been stated in Paras 9.31 and 9.35 of the Report that upto 1969-70 the Company could not even recover factory-cost in case of 39 SPM's and the difference between the factory cost and selling price amounted to Rs. 14.15 lakhs. The special cost and administration cost on these machines amounted to Rs. 32.74 lakhs. During 1970-71 and 1971-72 the Company could not recover cost in respect of 11 machines and the difference between the factory cost and selling price was Rs. 4.29 lakhs. This clearly shows that the estimates prepared by the Company were not realistic. The Committee reiterate their earlier recommendation that preparation of estimates and system of costing should be on scientific lines and on realistic basis so that a comparison of actual cost with estimates is always possible to locate the areas of deficiencies to enable the management to take timely corrective action. The Committee also recommend that the matter regarding preparation of estimates much below the sale price may be thoroughly investigated and responsibility fixed.

CHAPTER II

Recommendations that have been Accepted by Government

Recommendation (Serial No. 2)

The Committee are surprised to note that no reliable statistics or data of the demand of different types/categories and sizes of machines tools in different quality ranges has been made by Government so far. Due to inadequate statistics it was not possible for the Working Groups set up for Machine Tools for the Third and Fourth Five Year Plans to determine the category-wise requirements of machine tools. In spite of the observations made by the Working Groups in their reports submitted to the Government and also the recommendation made by the Estimates Committee, in their 14th Report (1954-55), the Government have not made any detailed survey of the requirements of machine tools in the country, with the result that only rough estimates had been made with regard to the requirement of machine tools during the Third and Fourth Five Year Plans. As against the total estimated requirement of machine tools for the years 1961—65 valued at Rs. 170 crores as worked out by the Working Group, the actual requirement of machine tools during this period was of the order of Rs. 232 crores.

The Committee feel that a reasonably accurate assessment of the country's future demand for machine tools is not possible unless a realistic item-wise break up of the demand is available. The Committee, therefore recommend that a detailed survey about the requirements of different types of machines tools in the country should be made without delay before investing nation's resources in the expansion programme for machine tools during the Fifth Five Year Plan.

(Paragraphs 3.14 & 3.15)

Reply of Government

The working group for the machine tools for the Fifth Plan have reviewed the present status of Machine Tool Industry in the country and also has tried to estimate the demand for machine tools during the Fifth Five Year Plan both in numbers and in value. The observations of the Committee in this regard have been carefully taken into account by this working group. The working group has been in a position to estimate the Fifth Plan target in terms of overall numbers and value of machine tools. It was not possible for this group to identify the demands in specific types, sizes and prices/quality ranges. It is a major task involving a study in depth of the industry-wise installation pattern as revealed in the machine tool census data and in the projection of the likely pattern of requirements in future based on the technological changes in the operational methods of the main machine tool industry in the country. The group has recommended that a study should be carried out with a view to identify the demand in types/sizes and prices/quality ranges and this task will, therefore, have to be entrusted to a competent specialised agency. The Government would be giving careful consideration to the suggestions of the working group in this regard in the light of the observations made by the CPU.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT Dt. 7th November, 1973.]

Further Information Called for by the Committee

It has been stated that the working group has recommended that a study should be carried out with a view to identify the demand in types/sizes and prices/quality ranges and this task will therefore, have to be entrusted to a competent specialised agency. It has been further stated that Government would be giving careful consideration to the suggestions of the Working Group in this regard in the light of observations made by the Committee on Public Undertakings. What action has been taken so far in this regard and what is the latest position?

[Lok Sabha Secretariat O.M. No. 16-PU/73 dated 20.9.74.]

Reply of Government

The question for the study to identify the demand in types/sizes, prices and quality in respect of the demand of machine tools in the country was discussed in detail in the Development Council Meeting held in 20th July, 1973, under the Chairmanship of Shri R. K. Gejji, Director, Central Machine Tools Institute, Bangalore and it was decided therein that the work of making a detailed demand analysis in types sizes and prices ranges various machine tool industry should be entrusted to the Central Machine Tools Institute, Bangalore. The

CMTI, Bangalore is working in close liaison with the DGTD, Indian Machine Tool Manufacturers' Association, Hindustan Machine Tools and other concerned agencies. In addition the National Industrial Development Corporation, New Delhi is also conducting a study to determine the requirements of various categories of machine tools quality in 5th and 6th Plan periods, evaluate capacities of exceeding manufacturers, identify gaps and suggest measures for bringing the gaps as may emerge from the investigation. The study report of NIDC, it is hoped, has been completed and is expected at any time.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated the 19th November, 1974.]

Recommendation (Serial No. 3)

The Committee are surprised to find that the Report of Working Group for Machine Tools for the Fourth Five Year Plan, and the draft Report of the Working Group for the Fifth Plan mentioned the installed capacity of the HMT as Rs. 25 crores when actually the Board of Directors had indicated the installed capacity of all the five units at Rs. 17.7 crores on a two shift basis. The Committee need hardly point out that when the Units of HMT are actually working on two shifts, the mentioning of the installed capacity calculated on the basis of 3 shifts working gives only an incorrect picture about the role played by HMT in the overall development of machine tool industry in the country.

The Committee further not that whereas the value of production at the existing installed capacity in the private sector was mentioned at Rs. 23 crores in the Fourth Plan document, in the draft Report for the machine tools for the Fifth Five Year Plan the same is mentioned as Rs. 31 crores. The existing installed capacity in the Public sector in the Fifth Plan document remains almost the same as quoted in the Fourth Plan document. As the actual insatlled capacity of HMT is even less than the capacity quoted in the Plan documents, the Committee feel that the advantage of meeting the country's requirement with regard to machine tools goes to the private sector especially when the actual production in HMT is much less than the actual installed capacity.

The Committee also find that the installed capacity of HMT fixed in 1960 in terms of value continues to remain the same even now in spite of the increase in the price level, and no allowance for price escalations has since been made while fixing the installed capacity in terms of value. The Ministry have admitted that "fixation of installed capacity in money terms has lot of defects because when the prices of machines go up for the same capacity, it only means that physical production goes down."

The Committee further note that the installed capacity of Units I and II was initially approved in January, 1960 at Rs. 7.2 crores on the basis of two shifts working as the introduction of three full shifts was considered uneconomical. On the basis of production of Rs. 081 lakhs during 1964-65, it was concluded that a production of Rs. 10 crores would be achieved in HMT I& II units on the two shift working with refined technological improvement and increased efficiency. The Committee have now been informed that the capacity of HMT I & II units on two shift working is only Rs. 7.2 crores as it was not possible to achieve a production of Rs. 10 crores due to the appearance of recession and consiquential low demand for modern tools, production of more and more sophisticated products in the diversified production programme, persistent labour problems, etc. The Committee feel that installed capacity in terms of optimum utilisation rate can not be changed due to variable factors like labour inefficiency, low order position etc. as in such a case the actual utilisation of capacity cannot be correctly judged.

The Committee are not happy about the way in which the installed capacity has been fixed. They, therefore recommended that the installed capacity should be fixed on a scientific basis so that a correct parameter may be available for assessing the performance of HMT.

The Committee also find that in order to evaluate the actual performance of HMT, the Company have calculated the capacity as actually available from year to year. This developed capacity has been worked out with reference to the production of a few standard general purpose machines utilising 80 per cent to the available capacity on two shift working and is subject to certain assumptions regarding requirement of standard hours, inefficiency factor, value of machines etc. The Committee strongly feel that this cannot provide a realistic parameter to evaluate the actual production performance which comprise a totally different product pattern and has been undertaken under conditions materially differing from those assumed in the working of developed capacity. The Committee, therefore, recommend that a realistic appraisal of the developed capacity, taking into account the actual product pattern, standard hours requirement, efficiency factor may be made from year to year so as to serve as a suitable parameter to evaluate the actual production performance.

(Paragraphs 3.34—3.39)

Reply of Government

In the opinion of the Government the method of estimation of capacity on uniform standard hour basis is scientific and sound in a multiproduct unit involving a matter of technological processes. Government will however, very seriously endeavour to evolve a less complicated and more satisfactory method.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated the 4th January, 1974].

Recommendation (Serial No. 5)

The Committee find that in the context of falling demand for machine tools which were being manufactured by HMT and the under utilisation of a capacity as a result thereof a Sub-Committee of the Board of Directors suggested diversification of production. They suggested the manufacture of Tractors, Printing Presses and Heavy Duty Presses in Units III, IV and V respectively.

The Committee regret to note that valuable time has been lost in finalising the details of the schemes for these projects Procedural formalities consumed much of the time.

The Technical collaboration agreement for the manufacture of tractors was signed in January, 1971 and DPR was submitted to Government by the Company in June, 1972 but the same has not been approved by Government so far. A technical assistance agreement for the manufacture of Printing Presses was concluded with an Italian firm in September, 1969 and was approved by Government in January, 1971. The DPR for the Project was submitted to the Government in April, 1971 and the same approved after about 1½ years (September, 1972). The technical collaboration agreement with an American firm for the manufacture of Heavy Duty Presses was concluded in May, 1969. The Project Report was submitted to Government in March, 1970 and the same was approved by Government after two years *i.e.* in March, 1972.

The Committee fail to appreciate the justifications offered by the Government for delaying the approval of the Project Report Instead of giving a green signal to the Company to go ahead with the projects Government should have completed their examination of the DPR and the profitability of the project and approved the DPR.

in time to enable the Company to proceed with the project after the financial sanction is actually available.

The Committee are informed that a special procedure has been laid down for the approval of DPR on the basis of which investment decisions are taken by Government. The Committee would like that a special procedure should be given a fair trial. They would, however, emphasise that most of the issues involving different organisations in the ministries should be resolved by joint meetings at high levels so that the approval of DPR is not delayed.

The Comittee recommend that the DPR for the manufacture of tractors should be finalised without any further delay. The Committee find that despite the fact that the Company decided to go ahead with the projects without waiting for the formal approval of DPRs by the Government, they have not yet started the process of indigenisation but are still struggling with the assembly of machines out of imported components. The Committee recommend that the process of indigenisation of tractors, printing presses and heavy duty presses may be accelerated so as to achieve self-reliance expeditiously. Effective steps should be taken to solve the problems like power cut so that production of tractors is not retarded.

The Committee fail to understand as to why Government have not so far fixed prices for the tractors, printing presses and heavy duty processes. The economic viability of these projects cannot therefor, by accurately assessed. The Committee recommend that the details regarding pricing and profitability may be finalised without further delay.

(Paragraphs 4.53—4.58)

Reply of Government

In anticipation of formal approval of the DPR by Government of India, the Company started taking advance action in establishment of assembly and manufacture of these products, after the technical collaboration agreement was approved by the Government. The Company also took advance action regarding several construction works and procurement of plant and machinery for these projects. The Company has given due consideration to the aspects of profitability and economic viability of each of these projects as spelt out in the DPR and Government have also, in appropriate cases, taken up with the Company for revision of the DPR in regard to analysis of financial implications.

Government have noted the observations of the Committee for compliance in regard to taking quick investment decisions on the proposals submitted for approval of the Government.

The Company are fully alive to the question of indigenisation. The indigenous content in tractors produced during 1972-73 was 32 per cent to 45 per cent which goes upto 85 per cent in two years. The position regarding Heavy Duty Presses is indicated in Para 4.50. The production of Printing Machines commenced in 1972-73. There is a phased manufacturing programme for achievements of increased indigenous content progressively according to a programme.

Formal approval of investment in HMT Tractor Project is expected in the first week of December. As has been explained the progress of the project has been totally unhampered by the absence of formal investment decision.

The question of pricing of products would arise only when Government decides to have a statutory control over the price-machanism. Prices of all the products manufactured in private|public sectors are not fixed by the Government. Prices of tractors are fixed by the Government. Accordingly prices of tractors manufactured by HMT in Pinjore has been fixed.

(Ministry of Heavy Industry O.M. No. 19-4-73/MT dated 7-11-1973).

Recommendation (Serial No. 7)

The Committee find that as a result of sustained efforts for imports substitution, the import of machine tools has been gradually brought down. In 1956, the indigenous production of machine tools from the HMT and other units in the country met only 11 per cent of the total machine tool requirements of the Indian economy. The other 89 per cent of the requirement was met by imports. In 1970 and 1971, the domestic production provided as much as 70 per cent of the machine tool requirement of the country. The Committee were informed that at the end of the Fifth Plan the percentage met through imports is expected to be reduced to anything between 20 to 25 per cent. It has also been stated that it may not be possible to go beyond this limit as it is necessary to depend on imports for several reasons such as the difficulty in production of certain types of machine tools as well as the uneconomic nature of production of small quantities of machine tools.

The Committee, however, regret to note that no detailed review has been made by the Government|HMT to find out the contribution made by HMT with regard to import substitution. It has been stated that roughly the contribution of HMT would be of the order of 40 to 45 per cent of the total contribution made in the country in regard to indigenisation of the manufacture of machine tools.

The Committee feel that although at the earlier stages it was imperative for HMT to enter into technical arrangements in order to bridge a wide gap that existed between India and more developed countries in the field of design and development of machine tools, a stage has now come when dependence on foreign technical assistance and know-how should be reduced to the minimum.

The Committee, therefore, recommend that Government|HMT should chalk out a realistic phased programme of achieving self-reliance so that not only the imports of machine tools are reduced to the minimum feasible limit but the dependence of foreign technical assistance and know-how is also gradually brought down if not altogether eliminated.

It has been stated that whenever any proposal for import from any industry comes, the applicant is required to advertise the requirement in order to find out whether the item can be manufactured indigenously. The Committee, however, recommend that the Government|HMT should make a detailed study about the items which can be manufactured indigenously. The design and Development Department of HMT and the Central Machine Tool Institute, Bangalore, should keep themselves uptodate in this regard so that the necessity of finding out this information through advertisements is obviated. The Government|HMT should also analyse the pattern of imports so as to decide as to which items should be feasible for indigenous manufacture.

(Paragraphs 5.27—5.31)

Reply of Government

No country in the world can achieve 100 per cent self-sufficiency in the matter of machine tools. It may be pointed out that even ad-

vanced countries in the world depend on import of machine tools as can be seen from the following statistics:—

(US Dollars in Millions)

	1970 (Estimated) Total	Import	1969 (Revised) Total	Import
1. United States	1460·00	140·00	1597·6	156·1
2. West Germany	1434·5	218·6	1178·3	143·5
3. Soviet Union	c1185·00	c200·00	c1070·00	180·2
4. Japan	1098·6	152·8	862·6	132·4
5. United Kingdom	475·2	129·6	412·6	97·4
6. Itlay	400·00	109·6	304·00	99·1
7. France	290·9	145·5	259·3	114·8
8. East Germany	c275·00	c80·00	245·00	60·00
9. Czechoslovakia	245·00	65·00	238·00	68·00
10. Switzerland	240·00	35·00	198·00	31·2
11. Poland	123·00	105·00	103·00	109·00

c—Rough estimate from fragmentary data

The contribution of the Company to the total indigenous production of machine tools has been of the order of 40 to 45 per cent in terms of value. However, in terms of development of technology for the production of highly sophisticated and tooled up machine tools, the contribution made by the Company should be regarded as much more signficant than the contribution in terms of value. No other machine tools manufacturer in the world has diversified into such a wide range of machine tools including highly sophisticated tooled up machines as has been done by the Company mainly to bring about self-reliance in respect of as many machine tools as possible and also to save valuable foreign exchange for the country. But for the initiative taken by the Company, the country would have depended on imports to meet the requirements.

Apart from manufacture of machines under technical collaborations, the Company has also developed a number of products out of its own design talents which in turn has contributed to import substitution in its own measure.

The value of foreign exchange saved as a result of efforts made by the Company would amount to approximately Rs. 8,997.80 lakhs.

Product-wise details of production achieved by the Comapny are also available. The imports would have been more to this extent, if the Company had not undertaken their production. Substantial savings in foreign exchange have been achieved by establishing indigenous manufacture of a number of previously imported accessories in the ancillary units attached to HMT I &II Units, Bangalore. The import substitution cells established in Company's various units have also made substantial saving in foreign exchange in the machine tool accessories, spare parts etc.

The Government have noted the recommendation of the Committee about the phased programme of achieving self reliance with a view to not only reducing the imports of machine tools but also that of dependence on foreign technical assistance and know-how.

Whenever any customer applied for an import licence to import a machine tool, one of the procedures to be followed by the customer is to advertise the requirement in publication like Indian Trade Journal, Indian Export Service Bulletin, etc. This is with a view to giving an opportunity to the indigenous manufacturers to offer the nearest equivalent to the machines specified or if possible to develop the same. The Company keeps a close watch on these advertisements in the above publications and responds wherever the machine tools could be offered as alternatives to the customers. As far as development is concerned, the company certainly does not depend on these advertisements to chalk out their development programme. Development programmes are based on scientific studies of the market, the trends and shift in technology and other factors which influence the demand. The information gathered by the stated requirement of the industry through these advertisements is only used as cross-check for the results of the detailed studies they make continously.

HMT are participating in the NCST programme for development of indigenous designs for 28 out of the 50 machines proposed to be developed by HMT and GMTI, Heavy Machine Tool Plant and MTC under the NCST Programme.

The suggestion of the Committee that the pattern of imports should be analysed so as to decide indigenous production is already being implemented by the Government.

(Ministry of Heavy Industry O.M. No. 19-4-73/MT dated 7-11-1973)

Recommendation (Serial No. 8)

The Committee find that in addition to the new types of machines established for production under the various collaboration agreements. HMT have also produced several new types of machines developed out of its own design efforts. The sale of Company's own design products upto 31st March, 1972 amounted to a little over Rs. 17 crores. HMT have also been assigned the task of developing on their own or in collaboration with the Central Machine Tool Institute, Bangalore as many as 28 machine tools out of 50 selected designs. The Committee also note that the annual expenditure on Design and Development Department of HMT has been gradually increasing. As against Rs. 21.74 lakhs incurred in 1966-67, Rs. 57 lakhs were spent in the year 1971-72. While all such efforts on the part of HMT to achieve self reliance are highly commendable, the Committee feel that activities in this direction should be further intensified in order to master the advanced technology in the manufacture of sophisticated machine tools and to evolve designs for numerical control systems.

The Committee regret to note that although the Working Group for Machine Tools for the Fourth Plan had pointed out in their report that many of the existing designs of indigenous machine tools were outmoded, it is only recently that this lacuna was noted by HMT when they found that their machines did not find ready market. The Committee feel that the Indian Machine Tool Industry has not been backed up by a vigorous and dynamic research and development programme which studies in depth the requirements of users.

The Committee note that Government have been urging both HMT and other public sector Units to undertake the Research and Development facilities so that they keep the production technology uptodate. A high level Group under the National Committee of Science and Technology has been constituted to devote attention to this problem.

The Committee recommend that the activities of the National Committee on Science & Technology, the Central Machine Tool Institute, Bangalore and the Design & Developing Department of HMT should be well coordinated and all possible assistance and encouragement should be given to Indian engineers to evolve and master basic designs so that machine tool industry in India may be able to stand on its own feet.

(Paragraphs 5.47—5.50)

Reply of Government

The Committee has appreciated the role played by HMT to achieve self-reliance in the manufacture of machine tools in the country. The Company is continuously reviewing the role played by the Research and Development department of Company.

The Value of turnover of machines of Company's own design upto end of 31-3-1973 would amount to Rs. 23.05 crores. In other words, the value of turnover of machines designed completely out of company's own efforts would be roughly equal to 14 per cent of the cumulative turnover of the company upto 31-3-1973.

The Company has set up R & D Metal Cutting Centre at Bangalore. The functions of the R&D Metal Cutting Centre are as follows:—

(a) To conduct applied research work in Metal Cutting & allied Fields, sponsored by the Units|Central Office which will have both short and long range applications.

(b) To provide expertise in application engineering field.

(c) To develop expertise and establish working systems in the following metal cutting engineering fields:—

(i) Mechanical system.

(ii) Hydraulic|Pneumatic Systems.

(iii) Electrical|Electronics systems.

(iv) NC Systems.

(v) To provide advanced testing facilities to the Units for new products, accessories|attachments.

(vi) To evaluate products and systems.

(vii) To provide assistance to the units in the following fields:—

1. Training of Design, Testing and Technologist, Staff in specialised field.

2. Evolving rationalised designs based on more efficient systems.

3. To maintain technical information service for disseminating all information regarding the latest advances

in metal cutting technology and product tends through organised effort.

4. To establish effective standards organisation to coordinate work with ISI, ISO unit standard.

(d) To view and monitor periodically design and development programmes of the company.

In addition to the R&D Metal Cutting Centre located at Bangalore, there will be a design and development Cell in each of the units of the Company. The functions of the Design and Development Cell in the units are as follows:—

(a) Development of new products to replace the existing range of products to remain effectively in the Indian and International markets.

(b) Continuous development of the existing products at regular intervals to improve its performance and marketability.

(c) Value engineer each product for economical production to be competitive in the domestic and international markets.

(d) Continuous adaptation of the product to the changing demands of technology and the development of new materials and standard parts.

(e) Building prototypes of new designs and conduct preliminary tests.

(f) Evaluate quality of manufacture of established products.

(g) Engineer products to meet the special requirements of customers.

(h) Development of design staff.

(i) To prepare and maintain unit standards which are not covered by Central Standards.

(j) To maintain and organise effective technical information service.

(k) To organise and maintain, storage and distribution of drawings, standard sheets, etc., required for production in the Unit.

It can, therefore, be appreciated that, on its part, the Company has been putting in intensive efforts for developing the activities of the Research and Development department with a view to bringing about as much self reliance as possible in the manufacture of sophisticated machine tools and also Numerical Control system.

The Government have noted the suggestion of the Committee for guidance/compliance.

The Company is taking all possible steps for strengthening the research and development activities at the Company level. The expenditure on Research and Development department during 1972-73 amounted to Rs. 83 lakhs.

The Company has been utilising the facilities available at the Central Machine Tools Institute, Bangalore to the maximum practicable extent, also availing of their assistance, wherever required. As regards the designs to be developed under the NCST Programme, the Company is working in close coordination with the NCST. The Company has aleady submitted feasibility reports in respect of some products for the approval of NCST.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT Dated 7-11-1973].

Recommendation (Serial No. 9)

The Committee regret to note that as against the export target of 7.5 crores for the machine tool industry in the country to be achieved by 1973-74 only 50 per cent of the target is expected to be achieved by that year. During 1970-71 India's export of machine tools has been of the order of about Rs. 3 crores. Out of this the share of HMT was Rs. 1.06 crores.

The need for giving priority to the export of machine tool was realised when the machine tool industry was badly hit by recession. It was felt that the export was absolutely necessary in order to balance the ups and downs in the economy and demand pattern of the machine tools.

It has been stated that in case there is a slight indication of recession, the first industry to be hit would be the machine tool industry. Exports, therefore, act as a safety valve when there is no internal demand. Secondly, exports help the country to earn foreign exchange which helps to bridge the gap between export and import and than balance the trade. Thirdly, it is only by entering into the export market for standard machines that the country can keep itself abreast of the time and redesign and introduce new inventions.

The Committee note that the Working Group for machine tools for machine tools for the Fourth Five Year Plan made valuable observations/recommendations with regard to the promotion of India's exports but the Committee find that the export of machine tools has not been tackled successfully resulting in unsatisfactory performance in respect of export of machine tools from the country in general and exports by HMT in particular.

The Company has now worked out a multipronged strategy to expand the HMT's export of machine tools from the current stagnant level of about Rs. one crore per year to about Rs. 5 crores per year during the Fifth Plan period. The Committee feel that in case such steps had been taken earlier HMT's export business would not have suffered as it has during the past years In spite of the fact that HMT collaboration agreement has turned out various sophisticated items under numerous collaboration agreements, it has not been able to attract foreign buyers. HMT also entered into dealership arrangements with foreign firms but it has been stated that some of these did not work well as HMT had not sufficient experience in this regard.

Yet another reason for the decline in export was that the outmoded Indian Machine Tools did not find market abroad. It has been admitted that the Indian machine tool industry had not in the past been backed by vigorous and dynamic research and development efforts. There was no incentive to the industry including the public sector units to go in for research and development in a big way.

The Committee find that Government are now learning through past experience in order to improve all the methods for promoting exports. The Committee need hardly stress that unless the machine tool industry is kept upto date, it will hardly have any chance in the external market. They would, therefore, like to stress that all possible encouragement should be given by Government to the The Central Machine Tools Institute and Design and Development Department of HMT so that design and know-how are kept updated in order to keep pace with what is happening in the outside world.

The Committee further recommend that in view of the Imperative necessity for expending India's export on top priority basis, Government/HMT should try to build up the image in the developing countries and socialist countries where there is great potential for India's exports. This can be done by improving the quality of our products after sales service and participating in Exhibition held in these countries (Paragraphs 5.70—5.75).

Reply of Government

As against the export performance of Rs. 17.86 lakhs during 1965-66, the exports during 1971-72 amounted to Rs. 107.37 lakhs. During 1972-73 the Company has achieved an export performance of Rs. 164.25 lakhs. The planned export target for 1973-74 amounts to Rs. 209 lakhs. It can, therefore, be appreciated that though the Company started with a small beginning it has been able to achieve a substantial break through in its export performance, in spite of several difficulties and stiff competition faced by the Company from the established international giants both in terms of quality and prices.

The Company has made a steady progress in its export performance. The progress during 1972-73 is quite significant as compared to the performance during the previous 3 years and the Company have also set up a programme for export of Rs. 109 lakhs during 1973-74 subject to prevalence of favourable market conditions in the countries abroad and favourable working conditions and labour peace in the factories. The Company does not anticipate any difficulty in achieving an export target of Rs. 5.00 crores during the 5th Plan period.

HMT entered the export market in a very small way in 1961-62. Penetration of export market where the Company's products are to be marketed in severe competition from other established giant machine tool manufacturers both in terms of quality and price was not easy task and called for painstaking and strenuous efforts over a period of years. The Company set up its office in Europe (during October, 1966) in America (during October, 1966) and in Australia (during March, 1968). The Company had to make strenuous efforts to locate suitable sales agents abroad to undertake the marketing of products in their respective regions. The efforts of its sales offices abroad in locating suitable agents were not very successful in America till the appointment of Messers American Tool Works.

The Company has also participated in several exhibitions abroad to projects a better image of HMT's products in the world market and the same has helped to bring to the notice of the industrialists in the foreign countries the high quality and precision of HMT machine tools and thereby remove the traditional prejudice about the quality of products from a developing country like India. The participation in the various international fairs also gave its products a very high boost in the international market. A list of fairs in which the Company participated during the year 1967-68 to 1972-73 was enclosed as annexure 'O' to Company's replies to the CPU list of points.

The Company has set up a branch Office in Australia and started direct selling operations during 1972-73. The turnover of the Australian Branch during 1972-73 amounted to Rs. 36.36 lakhs. The Company has also accomplished a real breakthough by granting a licence to an internationally well-known firm Messers Wickmen Ltd., Coventry, U.K. for the manufacture of and vending of 'Mini Chucker' a product which was designed and developed by the Engineers of the Company. This has opened a significant chapter in the history of the Indian Machine Tool Industry and placed India on the Machine Tool map of the World.

As already explained the export performance during 1972-73 shows a significant success as compared to the performance during the previous 3 years. The Contribution of the Company alone to the export performance during 1970-71 was equal to 1/3rd of the total performance for the country as a whole. The contribution of the Company to the export of machine tools during 1972-73 was approximately 50 per cent. Keeping in view the several factors and difficulties involved in setting up of the export market for the Indian Machine Tools, the success achieved by the Company should be regarded as extremely satisfactory.

The Company entered the export market sufficiently in advance by persuading its collaborators to buy machine tools from HMT for their use and for sale to their customers in the third countries. It might have learnt certain lessons during the recession years and export efforts were intensified. It is also developing prototypes of Centre Lathe, Numerically controlled vertical machining centre and numerically controlled lathe—A 24 which are intended for the sale in the export market through M/s. ATW and/or M/s. Marwins.

The Company's export performance during 1972-73 shows a marked improvement over the performance for the previous years and the Company also plans an export of Rs. 209 lakhs during 1973-74. This would clearly indicate that Company has been able to attract foreign buyers gradually by overcoming the traditional prejudice about the quality of Company's products through participation in the various international fairs.

It is expected that the NCST Programme would prove a boon to the Research and Development effort particularly on the part of public sector undertakings. It is also hoped that HMT would be in a position to avail of the benefit of the NCST Programme fully and open a new chapter in the history of the machine tool industry in the country.

It is needless to emphasise that Government are giving utmost encouragement to the Central Machine Tools Institute as well as to the Design and Development Department of HMT so that design and know-how are kept up-dated in order to keep pace with developments in the outside world. The Government have also noted the Observations of the Committee regarding the building of the image in the developing and socialist countries where there is great potential for India's export.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT Dated 7-11-73).

Recommendation (Serial No. 10)

The Committee find that Government/HMT are giving encouragement to small scale industries by asking them to buy the equipment produced by HMT on hire purchase or deferred payment basis. The Committee were informed that although the small scale industries had considerably improved in sophisticated technology but still if the heavy and large scale industry had depend on small scale ancillary industries, they had to improve their quality.

The Committee recommend that Government should make a detailed study about the items which are and which can be profitably, economically and technologically manufactured by the small scale industries and ensure that such items are given only to the Small Scale Units who may be given the requisite technical assistance so that the quality of the products does not in any way affect the main industries.

The Committee note that in HMT, Bangalore, have an industrial estate attached to it wherein they have been encouraging the small scale sector to produce parts required for their manufacturing programme. The Committee expect HMT to give a similar lead, for development of small scale industries to supply items for their manufacturing programme in their other factories also.

The Committee note that HMT have been supplying machines to the small scale sector on hire purchase basis. The Committee would like HMT to maintain close liaison with the small scale industries Corporation, the Commissioner for Small Scale Industries

Centre and the Director of Industries in the states so as to study in depth the requirements of machinery for small scale sector and make it available in time to the small sector. (Paragraph 5.84 to 5.87)

Reply of Government

The recommendation of the Committee regarding a detailed study about the items to be developed by the small scale industries is being examined.

Action is being taken to set up a Small Industrial Estate at HMT IV Kalamassery consisting of 12 Ancillary Units. The salient features of the scheme are as follows:—

(i) The Kerala Government will provide infra-structure facilities and construct the sheds and biuldings at cost of approximately Rs. 10 lakhs and the Industrial Estate will be the property of Kerala Government.

(ii) The Industrial Estate will be handed over to Company for administration and maintenance.

(iii) The Company will collect rentals, etc. from enterpreneurs and remit to the Government and also claim maintenance expenses from Government.

(iv) Company will plan the products for Units, select enterpreneurs and allot the units.

(v) The power supply to the Estate will be directly made by the Kerala Electricity.

(vi) HMT will have to handover the land on which the Industrial Estate is proposed to be set up, to Government of Kerala, through a letter.

In the DPR for the Tractor Project, being set up at HMT III Pinjore, provision has been made for sub-contracting a number of items required for the manufacture of tractors. When in full production, the total is estimated to be Rs. 640.00 lakhs per annum from the ancillary units.

In this connection it may be pointed out that the Ancillary units attached to HMT I & II units, Bangalore supply components and accessories not to HMT I & II Units but also to the other units of the Company depending on their requirements from time to time.

With the emphasis on small scale sector industries laid by the Government, naturally a market oriented Company like HMT has been concentrating in its efforts on this sector. Close liaison is maintained with the National Small Industries Corporation and in fact, the Company, after negotiations, standardised terms and conditions with them, so that processing for entrepreneur orders through NSIC on HMT becomes easier. Company are also in touch with State Industries Development Corporations. In fact, they have prepared a plan to appoint the State agencies like the ones mentioned above as contact for HMT's products in order to be of service to the small scale sector. As a first step, the Company has already appointed Gujarat and Assam State Agro Industries Corporation. As and when situation warrants and where HMT feel that such steps would be of help to the entrepreneurs in the small scale sector, they propose to appoint such agencies who are in close touch with the small scale sector.

The Company realising the importance of maintaining direct contact with the small entrepreneurs also held demonstrations of machines which are ideally suitable for the small scale sector in pockets where there is heavy concentration over a period of 3 years were held at Kolhapur, Poona, Ahmedabad, Coimbatore, Batala, Ludhiana and Jabalpur. Further the Company also held special demonstration in major towns oriented towards small scale sector in Delhi, Calcutta, Madras and Bombay. The importance the Company lays on this segment of the market can be realised from the fact that over a period of years, it has developed a number of machine tools ideally suited for the small scale sector, which are given below:—

1. M2P—Milling Machine.
2. LT20—Lathe.
3. G9—Grinders.
4. MITR—Ram Turret Milling Machines.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT Dated 7-11-73).

Recommendation (Serial No. 11)

The Committee are surprised to note that the developed capacity as worked out by the management at 1.3 inefficiency or even at actual inefficiency on two shift working exceeded the installed capacity fixed in full two shift working in Units, I, II, III and IV. The targets fixed in respect of Units I & II were higher than the developed capacity at 1.3 inefficiency or at actual inefficiency, except for the year 1968-69. All this clearly indicates that both the installed capacity as well as the developed capacity have not been worked out on a realistic basis. The Committee have already pointed out the lacunae in this regard. They would again like to stress that Government/Management should fix the installed capacity on a realistic basis and work out the developed capacity in a more scientific manner so as to serve as a suitable parameter to evaluate the actual production performance.

Reply of Government

Attention in this connection is invited to Governments reply to recommendation No. 3.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 4-1-74)

Recommendation (Serial No. 18)

The Committee are surprised to note that Government/Management have not made any analysis of the requirement of staff in relation to the available/developed capacity in all the units of HMT. The standard force was initially fixed on the basis of the working of Units at full installed capacity. The Committee have already pointed out that in the past the actual production was far less than the installed capacity. In financial terms the loss due to surplus labour during the years, 1968-69 to 1970-71 has been assessed at Rs. 118 lakhs.

The Committee feel that the employment of staff far in excess of the actual requirement not only means payment of excessive wages and salaries but results in low productivity, labour troubles affecting the cost of production and lowering of morale generally. The Committee therefore, recommend that a review of the standard force taking into account the expansion programmes lauched by the Company and the actual strength should be undertaken without any delay so that the staff may be usefully and economically deployed. (Paragraphs 7.31—7.32)

Reply of Government

Government have noted the observations of the Committee on Public Undertakings for further necessary action.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 4-1-1973)

Recommendation (Serial No. 19)

The Committee view with concern that there is a large scale out-go of trained personnel from the HMT. It has been stated that "retention of staff who have been trained and brought up by the Company to man managerial posts, in the face of severe competition including higher emolument offered by the private sector for trained personnel, continues to pose a problem to the Company."

The Committee feel that the recruitment, training and promotion policy should be so devised as to encourage persons of merit to get themselves absorbed with an assurance for further advancement.

The Committee consider that for improving work-efficiency, welfare scheme, within and out-side the establishments should be introduced. In this connection the Committee would like to invite the attention of the Government/Management to their recommendations contained in Chapter XI of their Seventeenth Report (Fifth Lok Sabha) on "Personnel Policies and Labour Management Relations in Public Undertakings".

(Paragraphs 7.37—7.39)

Reply of Government

The Company has to follow a wage policy which is broadly consistent with the policy followed by other public sector industries in Bangalore viz. BEL, HAL and ITI. The broad framework of the wage policy to be followed is discussed periodically by the coordinating committee of union industries in Bangalore of which HMT is a member. Apart from this, the Company is also required to follow the directives from the Government of India from time to time regarding the determination of wages amenities, etc. to the workers.

The employees in the Company are given promotions at regular intervals depending on the position of vacancy and their individual performance.

The Company has introduced several welfare measures for the benefit of the employees. Some of the important welfare measures are as follows:—

(i) Subsidised housing.

(ii) Grants to Schools.

(iii) Medical expenses.

(iv) Subsidised transport.

(v) *Other subsidies*:

Uniforms to employees.

Workers education scheme.

Grants to club.

Free Milk.

Subsidised canteen.

Leave Travel Concession.

Auditorium.

Crech.

Anniversary Day Celebrations.

Washing allowance.

(Ministry of Heavy Industry O. M. No. 19-4/73-MT dt. 7-11-73)

Recommendation (Serial No. 23)

The Committee note that against 440 enquiries received in 1971-72 quotations were submitted only in respect of 385. Even out of this only 51 orders could be confirmed. The Committee are surprised to note that only 12.8 per cent of the quotations submitted by the Company for special purpose machines were confirmed as orders during 1971-72. The Committee are not satisfied with the explanation offered by the Management that "even if 20 per cent of quotations materialise into orders, the same should be considered as very satisfactory for special purpose machines." Even on the basis of this statement the position is unsatisfactory. The Committee, therefore, recommend that the exact reasons for rejection of enquiries by customers should be carefully analysed in depth so that the company can take adequate steps to satisfy the customers with regard to prices and working of the special purpose machines etc. The Committee also recommend that a complete record of orders received should be maintained so that further information is available to the management for taking appropriate action at the appropriate time.

In view of the idle capacity in Unit V due to low order position, the Committee recommend that HMT should take special steps including convessing and advertising in order to attract more buyers. The Customers should be offered special payment terms and after sale service should be guaranteed.

The Committee hope that with the introduction of computer system an effective control would be exercised over the follow up action on the quotations submitted by the Company. (Paragraphs 8.48—8.50).

Reply of Government

The standard of 20 per cent of quotations materialising into orders is the norm of the Company's collaborators who are specialised in the manufacture and marketing of special purpose machines. The quotations awaiting customers' decision were more as on 31-3-1972 as compared to the position as on 31-3-71. The quotations awaiting customer's decision cannot be regarded as dropped or rejected until the customers' take a final decision in the matter. If the quotations confirmed as firm orders are worked out as a percentage to quotations submitted (excluding quotations awaiting customers decision), the position during 1971-72 would compare quite well with the position during 1970-71 as per details given below:—

	1970-71	1971-72
Quotations considered	210	218
Quotations confirmed as firm orders	41	51
Percentage	19·5%	23·4%

Every enquiry received for special purchase Machine or specially tooled up machine is followed up by numerous personal visits to the customers and detailed discussions of all aspects of the proposed investment. In other words, a depth study is made in every individual case of the customers requirements and it is only when it is established either for technological or commercial reasons that the usage of SPM is not viable for the customers, that the proposal is dropped. The Company has emphasised that if they convert 20 per cent of the serious enquiries received into orders, the position can be regarded as extremely satisfactory. The Company has already analysed the reasons for rejection of quotations by the customers, details of which are furnished below:—

	1970-71	1971-72
(a) Customers preferred standard machines	46	50
(b) Quotations asked for only information	50	63
(c) Customer's decision postponed	92	80
(d) Dropped due to high prices	12	14
	200	207

The loss of orders for reason of high prices forms a negligible percentage of the quotations is dropped or rejected by the customers.

The Company has been maintaining complete record of orders received. In fact the order statistics product-wise is compiled monthly and submitted to various levels of management for their information and necessary action.

The Company's marketing engineers are continuously visiting the major customers to discuss the range of their products and their applications. Team of project engineers were also deputed to industrial centres in various parts of the country to identify the users of special purpose machines. The Company has also introduced the technique of 'Creative selling' to create the demand for the special purpose machines. The Company has product advertisement programmes which cover the special purpose machines also. The order position of HMT V, Hyderabad during 1970-71-72 and 1972-73 has shown an improvement.

The Company has an after sales service department to cater the servicing requirements of special purpose machines. The performance of these machines is also guaranteed during the warranty period.

As regards the recommendations that the customer should be offered special terms of payment, the Company would like to point out that the manufacture of special purpose machines extends over a longer period as compared to the standard general purpose machines and the machines have to be designed and manufactured exclusively to suit the customer requirements. The expenditure involved in the manufacture of SPMs is also more than in the case of standard general purpose machines. Keeping these factors in view, the Company insists on an advance upto 30 per cent of the order, balance 60 to 70 per cent on inspection and proof of despatch of the machines and the balance of 10 per cent after receipt of the machine in good condition at the customer's works. These payment terms are necessary with a view to maintain a better cash flow of the unit which would otherwise be affected seriously for want of funds in the course of manufacture of these machines.

However, the Company offers special purpose machines also under IDBI scheme which helps the customer to finance the purchase from the IDBI. Special payment terms are also agreed to in specific cases involving bulk purchase of the Company's products including special purpose machines depending on the merits of each case.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 7-11-73)

Recommendation (Serial No. 29)

The Committee note that the Company is following standard costing system in all the units. The Committee find that the standard costs are varied from year to year even in the established products like lathes, grinding machines, drills etc. Even then the overall costs are higher than standard costs due to under utilisation of capacity, low batch production variation in efficiency etc.

In regard to actual costs, the Committee find that these are collected under batch work orders except in the case of SPM's in Unit V where they are based on job orders. The job orders in Units I & II are closed annually, costs ascertained collectively and distributed pro-rata to each machine.

Unit III, the Factory costs for some type of machines very from batch to batch. The Committee would like that the reasons for the various situations should be carefully analysed and suitable remedial measures taken to put the costing on scientific lines.

The Committee feel that as standard/planned time estimates are based on technical exercises conducted in details by competent technical personnel, there should not be wide fluctuations. The Committee feel that present system of not affording credit for components, to relevant job orders on loading all the costs of common components to one work order is not on scientific lines.

The Committee also recommend that the Company should take suitable measures to effect economies in costs by improving the efficiency of men and machinery fixing norms for consumption of materials and bringing down the percentage of rejections.

(Paragraph 9.28—9.30)

Reply of Government

It is necessary to revise the standard posts also every year even in respect of established products keeping in view the varying factors, viz. increase in the material cost, increase in the wage cost, etc. to make the standard costs more realistic for purposes of comparison of actual costs.

As the batch costing system does not serve the purpose effectively, the Company has already discontinued the batch costing system in HMT III, Pinjore from 1970-71. Hence the question of making any further analysis in this behalf would not arise.

The reasons for fluctuations between actual hours and standard/estimated hours basically due to the fact that the products taken up for development were absolutely new. Till the complete assimilation of know-how and development of technical expertise such variations were bound to occur. As for the Committee's observation regarding affording of credit for components to relevant jobs and leading of cost of components, it is clarified that the cost of common components were subsequently transferred to various job orders where such common components were required. However, in view of the discontinuance of the batch costing syste min HMT III from 1970-71 the point does not arise for the future years.

Standard for consumption have been fixed and issue of materials against work orders is made only with reference to the norms of consumption fixed. The Company is continuously reviewing the areas for effecting economy in costs. Efficiency of performance of men and machine, rejections, etc. are under constant periodical review. The percentage of rejections has shown improvement in a number of cases.

There has been an improvement in the labour efficiency during 1972-73 in all the units excepting HMT I & II, Bangalore where in the labour efficiency was affected due to labour agitations. The production performance during 1972-73 also marked an improvement over that of the previous years. All these would prove the keenness of the company to improve the working results to the extent practicable.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 7-11-73).

Recommendation (Serial No. 33)

The Committee regret to note that HMT could not achieve the targets in regard to the manufacture of watches mainly due to delay on the part of Government in releasing the requisite foreign exchange. It has been stated that "due to difficult foreign exchange position the factory had to restrict the production just to keep it going." With the result that in 1965-66 it produced only 1,96,110 watches against the targets of 2,40,000 watches. Though the necessity for the addition of a few balancing machines and equipment estimated to cost of Rs. 6 lakhs to attain the target of 3,60,000 watches per year from 1968-69 onwards was felt by the Management in 1966 foreign exchange for them was released by Government only between September, 1956 to January, 1970, with the result that HMT could produce only 3,00,000; 3,30,000 and 3,45,000 watches during 1968-69, 1969-70 and 1970-71 respectively against the target of 3,60,000 watches per year. The Committee are given to understand that the present requirement of foreign exchange for the first watch factory for the production of 3,60,000 watches per year is of the order of Rs. 55 lakhs, and that the Company are still experiencing difficulty in getting the foreign exchange.

The Committee feel that the needs of foreign exchange for HMT for production of watches should be met on a priority basis in order to enable HMT to work to full capacity and meet the growing and pent up demand for watches in the country.

The Committee are glad to note that in order to reduce the foreign exchange content the company are now making efforts to enter into a collaboration agreement with M/s. Citizen Watch Co. Ltd., Japan in order to get additional know-how on para-shock, hair-spring main-spring and escapement etc. The Committee recommend that the process of indigenisation in the manufacture of watches should be so that HMT may become self-reliant in the manufacture of watches. (Paragraphs 11.20—11.22)

Reply of Government

The details of the machines required to be imported by way of additional balancing equipments for watch Factory are given in the Appendix which furnishes the dates of applications as well as the dates of import licences. It is not possible to correlate precisely the quantum of loss, if any on account of reported delay in the processing of applications or in the release of foreign exchange. It is, however, pointed out, in this connection that HMT applies for foreign exchange release and import licences for components, raw materials, consumable items and spare parts one year in advance of the actual production period, i.e. during the licensing period 1972-73, they apply for release of foreign exchange and import licence for their production programme in 1973-74. Watch industry is a non-priority industry as per import Licensing Policy in force. Prior to 1971-72 the non-priority industries were being issued six monthly import licences; but to assist HMT in planning their production properly, relaxation of this rule was made and HMT are always being granted import licences on annual basis. Further, according to the procedure in force, import entitlements of firms are worked out after adjusting stocks and expected arrivals in excess of 12 month's requirements. In the case of HMT a waiver was granted in view of the very long lead time of HMT's planning, ordering and import procedure.

Government have noted the observations of the Committee regarding release of foreign exchange as well as acceleration of the process of indigenisation in the manufacture of watches.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 7-11-73)

Recommendation (Serial No. 34)

The Committee find that the construction and commissioning of the watch factory III at Srinagar has been delayed mainly on account of avoidable factors such as non-availability of constructional steel, cement, and some other building material. There have also been delay in regard to the acquisition of land, approach road, water supply, drainage system and electricity. Although a Review Committee was set up in December, 1971 by the State Government with the Commissioner of Planning and Development as its Chairman, no significant progress has been made in regard to the finalisation of outstanding matters. According to the Chairman, HMT "they made promises but had not implemented them."

The Committee recommend that Government should take positive and effective steps to resolve the outstanding issues with the State Government. The Committee also recommend that Government should give priority for allotment of commodities like steel and cement etc. to public sector undertaking so as to avoid delays in the construction and commissioning of Plants. In view of the growing demand for watches in the country, the factory at Srinagar should be completed without any further delay. Production programme should be chalked out on a realistic basis and concerted efforts should be made to adhere to the targets.

The Committee would like the undertaking to determine on a realistic and scientific basis the requirements for personnel keeping in view the production programme for the new watch factory so as not to repeat the mistake of overstaffing which occurred in other factories of HMT.

The Committee need hardly stress that arrangement should be made in time to provide adequate training to the recruits so that they can take up their production role in right earnest and achieve a high degree of efficiency. (Paragraph 11.35—11.38)

Reply of Government

It is pointed out that we have to take into account the severe climatic conditions and also the effect of hostility with Pakisan during 1971 which also contributed to the delay in construction work. The project is somewhat behind schedule on account of several difficulties encountered such as shortage of steel, transport and communication bottlenecks, inadequate supply and electric power and inclement weather. The Company has from time to time brought to the notice of the Government the difficulties faced by them either with the State Government or with the other authorities and the Government have taken up the matter at the highest level with a view to ensuring that the project goes forward without any hitch or bottleneck. The Company has planned production of 53,000 watches in Srinagar in Watch Factory III during 1973-74 as on 31-8-1973. This unit had assembled 13,340 watches and sold 13,168 of watches. The recruitment of personnel for Watch Factory has been fixed after taking into account all the relevant aspects.

The Company has already recruited local persons and given them requisite training to undertake the production and assembly of watches. As already pointed out as on 31-8-1973, this factory had assembled 13,340 watches.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 7-11-1973)

Further Information Called for by the Committee

What was the actual production of watches in the Srinagar Watch Factory III during 1973-74 as against the planned production of 53,000 watches?

(Lok Sabha Sectt. O.M. No. 16-PU/73 dt. 2-9-74)

Reply of Government

47,761 watches were assembled during 1973-74 in Srinagar Watch Factory.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 19-11-1974)

Recommendation (Serial No. 35)

The Committee find that the original estimates of Rs. 250 lakhs approved by the Government in August, 1960 for the Watch Factory I at Bangalore had to be increased by 108.80 lakhs in April, 1966 due to change in location, extra expenditure on the purchase of Plant and machinery/equipment due to increase in custom duty, addition of interest an yen credit and due to provision for township requirement not contemplated in the original estimates. The estimates were again revised in February, 1967 and the increase of Rs. 39.70 lakhs was mainly due to devaluation of rupee and further increase in custom duty. As on 31st March, 1972 and expenditure of Rs. 333.34 lakhs had been booked.

The Committee are surprised to note that although the increase in estimates in 1967 was more than 10 per cent of the original estimate the management have not approached the Government for according the necessary sanction as required in the instructions of the Bureau of Public Enterprise in this regard. The Committee are not convinced about the justification for not obtaining the approval of Government. The Committee are doubtful whether this matter was not insisted on. The Ministry have stated that "This is a slip on the part of the company."

The Committee need hardly stress that approval of the revised estimates should be obtained from the competent authority irrespective of the reasons for such excess or the source from which such excess can be met.

The Committee recommend that the correct position should be clarified to the Company and strict instructions should be issued to avoid a recurrence of such lapses.

(Paragraphs 11.46—11.49)

Reply of Government

Suitable instructions have already been issued to the Company and the Company have also furnished the application for approval of the revised estimates.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 7-11-1973)

Further information called for by the Committee

It has been stated that 'suitable instructions have already been issued to the Company and the Company have also furnished the application for approval of the revised estimates. When the revised estimates were submitted by the Company and what are the revised estimates? Have these since been approved by Government? If not, what are the reasons therefor?

Reply of Government

The Company has submitted two different proposals regarding the revision of project estimates in respect of HMT I & II, Bangalore and Watch Factory I Bangalore on 3-9-1973. The position in respect of these two proposals is as follows:

1. *HMT I & II, Bangalore.*

The original project estimates approved by the Government stood at Rs. 280.87 lakhs and the revised estimates to which the *ex-post-*

facto approval of the Government is required, are of the order of Rs. 571.32 lakhs. The proposal is being scrutinised in consultation with Ministry of Finance. Ministry of Finance desired to have some clarifications on various points which is being furnished to them. It is expected that the final approval of the Government will be issued by the end of this month.

2. *HMT WF I, Bangalore*

The project cost of Watch Factory I, Bangalore has been revised from Rs. 309.00 lakhs to Rs. 348.50 lakhs. This proposal also has been examined in detail in consultation with the Ministry of Finance and the latter have agreed to the revised project cost. The final approval conveying the *ex-post-facto* of approval of the Government has been issued on 11th November, 1974.

(Ministry of Heavy Industry, O.M. No. 19-4/73-MT dt. the 19-11-74)

Recommendation (Serial No. 37)

The Committee regret to note that the service facilities with regard to the repair of HMT watches are very inadequate and the process of getting the defective watches repaired is quite tedious and time consuming as more often than not the watch has to be sent to Bangalore for a thorough check-up. The Committee feel that with the gradual increase in the sale of watches, provision of adequate service facilities on decentralised basis is an imperative necessity. The Watch Factory I at Bangalore is at present producing more than 3,60,000 watches per year. Watch factory III in Kashmir is likely to produce about 3,00,000 watches within the next two or three years. The Watch Factory II at Bangalore has already started production of automatic watches and is likely to produce 2,00,000 automatic calendar type watches per year.

The Committee, therefore, recommend that in order to attract customers and in order to improve the image of HMT, repair and service facilities should be arranged in all the principal cities of India so as to ensure prompt service to the customers.

(Paragraph 11.61-11.62)

Reply of Government

Presently the Company has full-fledged servicing sections attached to their own showrooms *viz.*

1. Ernakulam
2. Coimbatore
3. Madras

4. Hyderabad
5. Bangalore City
6. Bombay
7. Ahmedabad
8. Chandigarh
9. New Delhi, and
10. Calcutta.

The above showrooms have trained Mechanics in position with required tools and accessories as well as spare parts for carrying out prompt after sale service on 'hmt' watches.

In addition, authorised servicing agents have been appointed at Calcutta and New Delhi to take care of after sale service.

The above applies to hand-wound type of watches. In the case of 'Automatic' day-date watches the Servicing facility presently exists only at Head Office. The Company has planned a schedule of training for their Mechanics at their showrooms and once they are trained, repairs of automatic watches also will be done at the above 10 centres. The special equipment required for servicing 'Automatic' day-date watches have to be imported and it will take about six month time for attending to 'Automatic' day-date watches at the showrooms themselves instead of being sent to Bangalore.

In order to expand the servicing facilities for 'hmt' watches it is proposed to appoint either Authorised Servicing Agents in the capitals of each State or establish such facilities themselves.

(Ministry of Heavy Industry, O.M. No. 19-4/73-MT dated 7-11-73).

Recommendation (Serial No. 39)

The Committee note that against the accepted norm of 1.1 for debt-equity ratio for public undertakings, the debt-equity ratio in respect of Hindustan Machine Tools Ltd., excluding of deferred credits has been 1:1.47 as on 31-3-1972. The Bureau of Public Enterprises issued a Circular in November, 1970, wherein it was provided that the entire township cost should be met by equity capital and the balance investment should be apportioned between debt and equity in the ratio of 1:1. The sanction of Government for conversion of loans amounting to Rs. 347.00 lakhs (which represented the capital expenditure incurred on township) was, however, conveyed on the 29th March, 1972.

The Committee hope that by the time a decision is taken about the organisational structure of the company, the imbalance in the debt-equity ratio will also be set right after examining the financial implications.

(Paragraph 12.6-12.7)

Reply of Government

The Government have noted the observations of the Committee.

(Ministry of Heavy Industry, O.M. No. 19-4/73-MT dated 7-11-1973).

Recommendation (Serial No. 40)

The Committee are surprised to note that the records containing the item-wise break-up of the project estimates in respect of Unit I and the break-up of actual expenditure separately against project cost and new items in respect of Unit II were neither available with the Management nor with the Government. The expenditure on new items alone aggregate Rs. 290.45 lakhs during the period 1962-63 to 1970-71. The Committee were informed that the bulk of the new items relate to Plant and Machinery and factory equipment which were required for balancing the capacity required for meeting the diversified production programme as well as for replacements.

The Committee fail to understand as to how an effective control was exercised by the Management with reference to the Project Estimates in the absence of item-wise break-up of Project estimates and the break-up of actual expenditure being available. The Committee are not satisfied with the statement that have been ensured that the capital expenditure is always with the approved budgetary limits only. In the absence of relevant records it cannot be ascertained as to whether the expenditure incurred against each and every item was within the limit sanctioned for each unit. The Committee, therefore, recommend that responsibility for the missing records should be fixed and steps should be taken to trace all the records without any delay.

The Committee also take a very serious note of the fact that in spite of excesses on the estimated cost being more than 10 per cent in individual cases, the management did not obtain the approval of Government prior to the incurring of such expenditure. The Committee have also noted this lapse in the case of project cost in respect of Watch Factory I and II at Bangalore.

The Committee need hardly stress that incurring of expenditure in excess of sanctioned estimates without even bringing the excess to the notice of the competent authority is irregular and the Committee recommend that responsibility for the lapses may be fixed. Government should also ensure that such lapses do not recur.

Since the Government have advised the Management to correct the situation, the Committee hope that the Management would now get the approval of Government to the revised estimate according to the prescribed procedure without any delay. The Committee would like to be informed within three months of the presentation of the Report about the action taken by the Management/Government in this regard.

(Paragraphs 12.21-12.23)

Reply of Government

Government have noted the observations of the Committee for appropriate action. The Company have also made an application to the Government for approval of the excess expenditure incurred over the sanctioned estimates.

(Ministry of Heavy Industry, O.M. No. 19-4/73-MT dated 7-11-1973).

Recommendation (Serial No. 42)

The Committee find that the value of book debts increased from Rs. 336.14 lakhs in 1966-67 to Rs. 690.78 lakhs as at the end of the year 1971-72. During the same period sales increased from Rs. 1504.65 lakhs to Rs. 2953.5 lakhs. The percentage of debators to sales worked out to 22.3 per cent in 1966-67 and 23.4 per cent in 1971-72. The Committee have been informed that with effect from 1967-68 the Company has been discounting the bills with its bankers. The bills so discounted and outstanding as on 31st March, 1972 aggregated Rs. 670.13 lakhs. The figures of sundry debtors as on 31st March, 1972 are exclusive of these outstanding bills. But for the discounting of these bills the sundry debts as on 31st March, 1972 should have gone up by Rs. 670.13 lakhs and the percentage of debtors to total sale as on 31-3-1972 would come to 46 per cent (approx.) as against 22.3 per cent in 1966.

The Committee note that while the turnover is inclusive of some of watches which is almost made on cash basis, the book debts pertain to machine tools. If this fact is taken into account, the percentage of book debts to turnover will be still higher than the figure of 46 per cent. Owing to the increase in the working capital of requirements partly contributed by the heavy book debts and finished stock, the company had to avail of large cash credit and bill discounting facilities from the banks. The creidance of interest and commission on these facilities amounted to Rs. 93.36 lakhs in 1971-72 which is quite heavy. The Committee recommend that the Management should evolve an effective system of follow up of all outstanding debts to ensure their quick realisation and also take concerted measures to bring down the inventory of finished stock within reasonable limit.

The Committee also find that in respect of bills outstanding for more than one year, the major portion relates to Government Departments. The Committee recommend that this problem should be tackled at the level of the Ministry so that the outstandings are cleared without any delay. The Committee also suggest that the procedure for the clearance of bills for supplies to Government Departments should be reviewed so as to ensure that such delays are avoided in future.

(Paragraphs 12.72—12.74)

Reply of Government

As has already been explained to the Committee the discounting of IDBI bills and hire purchase sales bills with bankers does not involve any interest liability to the Company. Out of Rs. 670.13 lakhs, the bills relating to IDBI and hire purchase stood at Rs. 584.74 lakhs. But for discounting of these bills the cash credit utilisation and interest thereof would have been higher to the extent.

The very purpose of discounting of bills is to have quick realisation of debts and thereby improve the ways and means position. The IDBI bills are normally covered either by purchases bank Guarantee or Insurance Guarantee. The liability for the Company would arise only in the unlikely event of bills being not honoured by the customers when presented by the bankers. The existence of contingent liability in this behalf has been indicated by way of a note in the Balance Sheet. Hence any comparison of book debts inclusive of bills discounted to turnover would represent a mis-leading and hypothetical picture of book debts, more particular, in view of the fact that the money has actually been realised so far as the Company is concerned.

Even if the sundry debtors and turnover relating to watch factory transactions are excluded, the percentage of book debts to turnover as on 31-3-1972 would have been just 27.2 per cent. The percentage of book debts to turnover during 1971-72 has shown a significant reduction as compared to the position during the years 1968-69 to 1970-71. Further book debts outstanding for over one year as a percentage to the total debts also has shown improvement during 1970-71 and 1971-72 as compared to the previous 3 years. All these would be sufficient to prove that the company has an effective control over outstandings. Since a substantial amount of sales take place during the last quarter of the year and more particularly during the last month of the financial year, the sundry debtors as on the closing date of the financial year would be somewhat on the higher side though large part of those debts would have been collected during the subsequent months. This will have to be kept in view while making any comparison of sundry debts to turnover with reference to the figures on the closing date of the financial year.

As regards the Committee's observation regarding the increase in working capital requirements, company would like to state as follows:—

Book debts as a percentage to turnover have improved during 1971-72. Debts outstanding for over one year also have shown improvement during 1970-71 and 1971-72. The procedural difficulties and the consequential unavoidable delays in realisation of sales proceeds from Government departments will also have to be kept in view in making any comparison of book debts in relation to the turnover. In view of the substantial sales taking place during last quarter of the financial year the position of book debts relating to turnover as obtaining in the Company should be regarded as being within the reasonable limits.

As regards finished stock the Company has reduced the inventory of the same by approximately Rs. 1.00 crore during 1972. It may also be mentioned that carrying certain machines in the inventory the Company has indirectly benefited by being able to sell the machines at higher prices prevailing at the time of despatch.

Out of Rs. 98.36 lakhs, interest amounts to Rs. 97.25 lakhs and the discounting commission to Rs. 1.11 lakhs only. The incident of discounting charges was quite negligible The principal bankers of the company were charging interest at 7% p.a. (upto first Rs. 2 crores cash credit) and 7¼% p.a. for cash credit above Rs. 2 crores prior to 1-1-1966. The rate of interest currently charged is 10 per cent p.a. This increase in the rate of interest had made a substantial contribution towards increase in the quantum of interest charges paid by the Company. But for this increase in rates, the percentage of interest to turnover would have been substantially lower than 3.2 per cent during 1972-73. The following table indicates the percentage of interest on cash credit and working capital to turnover during the years 1966-67 to 1971-72.

	Percentage of interest to turnover	Percentage of working capital turnover
1966-67	2·7	80
1967-68	2·6	86
1968-69	2.9	87
1969-70	1·9	83
1970-71	2·7	96
1971-72	3·2	81

The increase in working capital was necessitated due to the taking of the new projects such as heavy duty presses, tractors and also the undertaking of production high value sophisticated machines. While considering the quantum of working capital, due consideration will also have to be given to the production cycle time, need to maintain buffer inventory of critical raw material and stores items and also the effect of price inflation.

As can be seen from the above explanations, both the sundry debtors and working capital are by and large within the reasonable limits and have shown steady improving trends. All debts are periodically reviewed to ensure quick realisation. The Company has formed special outstanding collection cells to follow up all old cases. The recovery of outstandings is also followed up through the regional sales offices. The company considers that the present system for follow up of outstanding debts is quite effective. As regards finished stock there has been a reduction of Rs. 1.00 crores during

1972-73. The value of stocks held without orders has also shown a substantial reduction during the year.

As regards the recommendation of the committee about revising the procedure for clearance of bills for supplies to Government Departments the same is being pursued, in the list of the observations made by the Committee.

(Ministry of Heavy Industry, O.M. No. 19-4/73-MT dated 7-11-1973).

Recommendation (Serial No. 43)

The Committee regret to note that although the units of HMT have been functioning for almost 10 years now, there was no effective system of internal audit till 1969-70. The Committee find that even now, the internal audit organisation has not been built up in a full measure. The Committee feel that management is still going slow in the process. The Committee need hardly stress that internal audit being one of the essential tools of management control, the Company should activise, the internal audit cells in the various units and make use of the reports of internal audit to set right the deficiencies and plug loopholes, if any, in the working of the units. The Committee would also reiterate their earlier recommendation contained in para No. 206 of their Fifteenth Report (1967-68) Fourth Lok Sabha that the functions of the Internal Audit should also include a critical review of the system procedure and operations of the Company as a whole.

(Paragraph 12.80)

Reply of Government

As can be observed from the commercial audit Report (1967) the system of internal audit had been introduced in HMT I & II Bangalore prior to July, 1968. An extract relating to Internal Audit is reproduced below:—

> "No internal Audit System has been introduced in the units at Pinjore, Kalamassory and Hyderabad and in Watch Factory at Bangalore so far (July, 1966)".

Action is being taken to strengthen the internal audit functions in the various units of the Company.

(Ministry of Heavy Industry, O.M. No. 19-4/73-MT dated 7-11-1973).

Recommendation (Serial No. 44)

The Committee understand that Government propose to form a holding company with each of the units as subsidiaries. It has been argued that HMT had grown in size and structure so vast that it needed a very highly decentralised organisational set up with various subsidiaries coming under the holding Company. In reply to Starred Question No. 335 on 6th December, 1972 it was stated that it was expected that the proposed reorganisation of Hindustan Machine Tools would optimise efficiency, foster initiative at the different management levels and ensure overall economy by utilising accountability. It was also expected that the Holding Company, in course of time, could be forged into an effective instrument for shaping and implementing Government's policy in regard to the development of the machine tools industry.

The Committee have been informed that a final decision in regard to the formation of a holding company is yet to be taken. The Committee would suggest that all the implications of the holding company should be gone into carefully before taking a final decision in the matter. The Committee urge that while taking a decision it should be ensured that the accountability of the company to the Public and Parliament is not in any way reduced.

(Paragraph 13.13—13.14)

Reply of Government

Government has been deliberating on restructuring of HMT in order that it could more effectively instrument the sizeable development and diversification programmes.

The mode and shape of the reorganised structure are yet to be decided. The recommendations of the Committee will indeed be among the principal points for consideration in that decision making process.

(Ministry of Heavy Industry O.M. No. 19-4|73-MT
dt. 7.11.1973)

Recommendation (Serial No. 45)

The Committee find that the multiplicity of trade unions particularly in Units I & II at Bangalore and Unit IV at Kalamassery has led to inter union rivalries adversely affecting industrial relations and thereby production performance. Lock out had to be declared twice in Units I & II during 1972-73 resulting in loss of Rs. 3.5 crores. The Committee have been informed that due to the existence of multi-unions and inter-union rivalry the industrial relations continue to be difficult in Unit IV. There were labour troubles in this unit during March-April, 1972 resulting in a strike which lasted for 16 days. The Committee recommend that in the best interest of the Company so that the production in the Company may not suffer, an early settlement of the disputes should be arrived at and better labour management relations established.

The Committee have dealt at length with the problem of labour management relations in their 17th Report on 'Personnel Policies and Labour Management Relations in Public Undertakings (Fifth Lok Sabha) and would like to reiterate that the company should spare no efforts to give the workers in the undertaking a sense of participation and involvement in the challenging task of greater production for the good of the country.

The Committee understand that new code of conduct or a new pattern or relations for public sector is under the active consideration of Government. They hope that all the aspects affecting labour relations such as recognition of union amenities to workers and incentive schemes etc. will be thoroughly examined by the Government in order to find a lasting solution to the problem of labour management relations.

(Paragraph 13.22—13.24).

Reply of Government

The Company is presently engaged in negotiating new wages settlement jointly with the Labour Unions of all the units of the Company.

The Government have noted the observations of the Committee regarding the participation of the workers and the involvement in the task of increasing production. These observations have also been brought to the notice of the Management for compliance.

Government have noted the observations of the Committee regarding new code of Conduct|new pattern of relations for Public Sector and will take into account all the aspects affecting labour relations such as recognition of unions, amenities to workers, incentive schemes, etc.

(Ministry of Heavy Industry O.M. No. 19-4|73-MT dt. 7.11.1973)

CHAPTER III

Recommendations which the Committee do not desire to pursue in view of Government's replies

Recommendation (Serial No. 1)

The Committee find that though the Government initially decided to set up machine tool factories at a total capital investment of Rs. 30 crores and for this purpose, entered into an agreement in March, 1949 with M|s. Oerolikons Machine Tools Works, they subsequently decided to limit the scope of Project and the investment to about Rs. 9 crores and to establish a factory for the manufacture of 400 High Speed Lathes only as a result of representations from private sector and entered into a revised agreement with the collaborators. The Committee also find that since under the limited scope of their revised agreement, the Unit did not become economically viable, Government again decided to diversify the production and take up in collaboration with the European Machine Tools Manufacturers production of most of the items which were earlier dropped in the original agreement. From the way the Government had been changing their decisions about the scope of the project, the Committee are forced to conclude that precious years were lost between 1949 and 1956 due to lack of proper planning before setting up the project. The Committee feel that before setting up the Project Government should have made a thorough and detailed study about the requirements of the different types of machine tools in the country and specifically earmarked roles to be played by the public and private sectors in the field.

The Committee cannot also appreciate the undue haste in entering into an agreement with M|s. Oerlikons without a proper examination in depth of the various implications of the terms of their agreement. It was only later that Government realised their earlier mistake in giving M|s. Oerolikons the right and advantage to participate in the management and administration of the Company and also find that collaborators could not assist in the manufacture of new types of diversified machine tools. The Committee can at this stage only hope that such mistakes are not repeated in future.

(Paragraphs 2.25—2.26)

Reply of Government

It is, pointed out further, in this connection, that the reduced scheme for setting up machine tools project with an initial capital outlay of Rs. 8.37 crores (Rs. 8.02 crores for the factory and Rs. 0.37 for the township) as against the original estimate of Rs. 30.00 crores (Rs. 16.00 crores) for the factory and (Rs. 14.00 crores for the township) for the project was approved by the Planning Commission in October, 1950, by the Standing Committee of Parliament in November, 1950 and by the Standing Finance Committee and the Cabinet on Dec. 1950. The decision of the Government about the size and scope of collaboration derived from a variety of factors like financial outlays, involving limit of dependence on one collaborators, product-mix, building up of produtcion competence etc.

Government were seized of the problem at the relevant time and were in a position to take the decision to reduce the scope of the project in good time.

The observation of the Committee is however, noted for future guidance.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7-11-1973)]

Recommendation (Serial No.4)

The Committee note that valuable time was lost in procedural details before starting the actual production of several diversified items. The main object of diversification was to meet the extremely urgent and important need of many of the productive organisations both in the Public and Private sectors. Diversification was also intended to help the company to utilise the spare capacity particularly during the periods of recession. The Committee feel that the purpose for taking up of diversification schemes is defeated if the manufacture of items is delayed.

The Collaboration agreement for the surface grinder was signed in 1961 whereas their actual production was commenced in 1967-68. The process of selection of the family of machines to be manufactured by the Company took a lot of time. Agreement for Die Casting machine and Plasting induction Moulding Machines was signed in 1969, whereas the 'DPR' was approved more than 3 years after the signing of the agreement. Collaboration agreement for the manufacture of Heavy Duty Engine Lathes and Machining Centre for drilling and boring machines was signed in November 1971, whereas only 3 prototypes of Heavy Duty engine lathes have been manufactured uptil now. In case of machining centres only the specification have just been finalised. Collaboration agreement regarding Ram Bed type Milling Machines is lying ineffective since September, 1970 as not even the first order has been placed with the collaborators so far. This clearly indicate that the need for diversification was not examined with regard to the market demand.

The manufacture of Swiss type automatics could not be taken up as per schedule because of undue delay on the part of Government in according approval to the phased manufacturing programme as well as delay in the release of foreign exchange for import of components and initial plant and machinery.

The collaboration agreement for the manufacture of Swiss type Automatics was signed in March, 1971. The Company applied for the Industrial licence in October, 1971 but the same was issued by Government in November, 1972. The licence for the import of machinery, has, however, been issued only now. As a result of these delays the assembly of machine which was to start in the last quarter of 1972-73 will now be started during 1973-74. Delivery schedules relating to supply of multi-spindle automatic, single spindle automatic Broading machines, copying lathes, Fay automatic and Horizontal Boring machines to the Defence organisation and supply of Horizontal Boring machines to M|s. Bharat Earth Movers Ltd. could not be adhered to although demand for these items was quite urgent from the point of the national security.

The Committee recommended that all the cases of delays in starting the manufacture of diversified items may be investigated with a view to fix responsibility for the delays. The Committee would also like to be informed about the original schedules drawn up for the manufacture of different diversified items, the extent of delay in starting commercial production in each case and the extent to which the delay was avoidable. The Committee also recommend that Government should evolve a procedure for expeditious disposal of procedural formalities so that delay at all levels are avoided.

The Committee further recommend that the cases where diversification programme was launched without realistically assessing the actual demand for such items should be investigated with a view to fix responsibility. The Government Management should ensure that such mistakes are not repeated in future.

It has been stated that Company could not adhere to the delivery schedule with regard to machine tools supplied to the Defence Organisation and M|s. Bharat Earth Movers Ltd. as most of the sophisticated machines were being assembled and tried out for the first time in the country and sufficient experience to achieve and results could not be gained as originally planned due to the technological handicaps. The Committee are given to understand that "it takes a minimum time cycle up to 1½ to 2 years, for general purpose machines and 4 to 5 years for highly sophisticated machines to develop requisite skill and efficiency norms involving design and manufacture of complicated tooling." The Committee need hardly stress that before launching on a diversification, the Company/Government should satisfy that there is assured market for the diversified product. It should also take timely action for acquisition of the necessary skill and training of personnel etc. The Committee recommend that the Company should ensure fuller utilisation of capacity augmented by creation of facilities for taking up production of new items not being recurring and/or not materialising to the anticipated extent.

.. (Paragraphs 4.17—4.23)

Reply of Government

It takes normally 4 to 5 years to develop the requisite skills and efficiency norms for producing highly sophisticated machine tools as against 1½/2 years required in respect of simple general purpose machine tools with which the Company and the others started producing in the country about 15 to 20 years ago. The design conversion documents from the Collaborators after signing the collaboration agreement. Several problems which come up in the course of manufacture and assembly of initial batches of prototype production will have to be solved. All these factors called for a minimum time circle and weightage will, therefore, have to be given to the same in reviewing the time taken for production and for development of requisite skills and efficiency norms in the manufacture of various types of machine tools. Again manufacture of tooled up machines involving design and manufacture of complicated tooling to suit the particular customer's requirement takes further time to develop the requisite expertise for design and its manufacture. It is considered that by and large the Company has been able to establish the production of various machines under technical collaboration within the minimum time circle required for the same. The production of these machines has definitely made a contribution to the utilisation of capacity during the recession period, apart from enabling establishment of indigenous production and saving of foreign exchange in the process.

The agreements signed in 1961 with Messrs LIMEX was only a general agreement without specifying any product. It was necessary for the Company to exercise sufficient care in selecting the product and this could be done only by July, 1963 after negotiating with the foreign collaborator. This should be taken as the date for reckoning minimum production cycle and on this basis production was established within about 5 years time. As regards Die-Casting and Plastic Induction Moulding Machines, the demand projections have been included in the Detailed Project Report. As regards the collaboration agreement for the manufacture of Heavy Duty Engine Lathe and Machining Centre, it may be stated that these machines are intended mainly for catering to the export market. These machines are, therefore, to be developed in close collaboration with the concerned foreign firms. These are all sophisticated machines involving highly advanced technology and, therefore, it takes obviously longer time to plan the prototype. It would also not be desirable to establish commercial production of these machines unless the prototype have been subjected rigorous shop trials to ascertain areas of improvement to be incorporated before releasing the machines for regular commercial production. The progress so far achieved regarding Heavy Duty Engine Lathe and Machining Centre is as follows:—

One Heavy Duty Engine Lathe has been undergoing tests and trials at the works of M/s. ATW. The Company is arranging to send one machine to an Indian Customer for similar tests and trials. The third machine is already undergoing tests and trials at the Company's works.

The first prototype of vertical machining centre is expected to be ready by December, 1973. This will be sent to M/s. Marwins for engineering with NC systems at their works.

The manufacture of Ram Bed Type Milling Machines and Unit assembled Bed Type Milling machines also has been taken up only after assessing the demand for them from the Ordinance Factories and other machine tool using industries in the country. The Agreement for Ram Bed Type Milling Machines provides that HMT will buy from the collaborator completed machines, components, groups of machines, sets of component parts, etc. value at DM 6.00 Million. Similarly, the agreement for unit assembled Bed Type Milling Machines, the Company had received orders valued at DM 3 Million from the customers in India. The value of orders so far received for Unit Assembled Bed Type Milling Machines amounted to Rs. 181.60 lakhs.

It can be seen from the position explained above that the Company is taking up manufacture of various products only after assessing the demand for the same.

The Application of HM for an Industrial Licence for the manufacture of Swiss type automatic was received in October, 1971. The comments of the technical authorities received in November, 1971, were examined further and the Company was advised to furnish clarifications in January, 1972. The clarifications were received in last week of June, 1972 and the same were further examined in the Ministry. The case was taken to the Licencing Committee in the last week of August, 1972. An Industrial Licence was issued in November, 1972 after receipt of the minutes of the licencing Committee. The licence for import of machinery had been issued even earlier.

As explained earlier the delivery schedules to a large extent have been met only with modifications to the same due to unavoidable reasons. The Company undertook for the first time challenge of manufacture of these highly sophisticated and tooled up machine tools and had to face certain initial difficulties and problems in establishing the manufacture and assembly of these machines. As the delivery schedule had by and large been met and as there was no cancellation of orders due to delayed delivery, it is felt that the question of Company not adhering to delivery schedule did not arise. Production was established in almost all the cases within the required minimum time circle. The establishment of production of highly sophisticated machine tools involves several unforeseen problems and difficulties which had to be solved as and when they came up.

The manufacture of machines has been taken up on the basis of the bulk orders received from the Defence Organisation and Bharat Earth Movers Ltd. The value of orders received thereto has already been indicated therein. As regards new products such as Die casting and Plastic Induction Moulding Machines, Tractors, Printing Machines, Presses etc., the demand forecasts have been indicated in the Detailed Project Reports. The Heavy Duty Engine Lathes and Machining Centre are intended mainly to cater to the export demand. The manufacture of other machines has been taken up keeping in view the general demand for the same in the country. The Company has furnished as heredunder the value of turnover of the new collaboration machines upto 31st March, 1973 which would clearly indicate that the manufacture of the same was fully justified:—

(Rs. nearest lakhs)

Surface Grinders	112
Gears Shappers	86
Gears Hoabers	177
Single Spindle Automatics	193
Multi Spindle Automatics	340
Electrically controlled Milling Machine	572
Broaching Machines	91
Copying Lathes	370
Drum Turret Lathes	50
Fay Automatics	304
Horizontal Boring Machines	247
Heavy Duty Presses	428
Dire-casting and Plastic induction Moulding Machines	106
Bed Type Milling Machines	121

The full utilisation of developed capacity depends entirely on the demand pattern and market conditions.

The capacity is not established exclusively for the manufacture of any particular sophisticated type of machines and hence the question of idle capacity due to lack of production of one or the other type of machines generally does not arise.

With a view to achieving maximum utilisation of developed capacity, the company has been diversifying its products and has also included new products such as Tractors, Printing Machines, etc. Company are also proposing to undertake the manufacture of several new products during the Fifth Plan period involving an additional capital outlay of Rs. 65.00 crores approximately. As a result of the several actions taken by the Company to establish the production of several new products, it should be possible for the Company in future years to attain better utilisation of its capacity. This, however, would depend on the then prevailing economic conditions which cannot be influenced or foreseen. In this connectoin it may be noted that during 1973-74 the Company has planned a production of Rs. 46.90 crores.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 7-11-1973].

Recommendation (Serial No. 6)

The Committee find that on an average the cumulative contribution to HMT to the development of indigenous production of machine tools since the commencement of production has been of the order of 40 per cent to 45 per cent. The Committee, however, note that the value of production in HMT indicated a sudden drop from Rs. 12.21 crores in 1966 to Rs. 19.3 crores in 1967, and Rs. 9.75 crores in 1968. The Committee were informed that when the factory was set up there was a broad production profile and it was felt that public sector should take up more difficult items leaving the private sector to take up the less difficult ones. The Committee, therefore, feel that had the Company engaged itself in more sophisticated machine tools rather than on standard machines, the HMT would not have been affected by recession as has been admitted by the Chairman, HMT himself during evidence.

Due to fall in demand of the machine tools manufactured by HMT, the Company decided to expand their activities in various directions through diversification of production, with the result that the production in HMT is now showing an upward trend. It has been stated that the increase in sales during the recent years has been from new types of machine tools introduced for the first time as part of diversification programme. From the sales of performance of HMT from 1969-70 to 1971-72, the Committee note that 31 per cent of the increase in sales was contributed by old products and the remaining by the new products. It is, therefore, evident that the demand for old type of machine tools manufactured prior to the launching of the expansion programme has not picked up sufficiently even though the recession was over long ago.

The Committee are therefore inclined to feel that in the past the planning of production and product-mix of HMT had not been related to demand for the products as otherwise this situation would not have arisen.

The Committee would like Government to take a serious note of this demand projection and examine the matter in depth to see what further diversification programme could be taken up by HMT so as to maintain its dominant role as producer of machine tools in the country. The Committee also stress that product-mix and the pattern of machine tools should be carefully worked out keeping in view the demand of machine tools in the country and overall profitability of the Company. The Committee need hardly stress that before deciding the future production programme for the Fifth Five Year Plan the Government should clearly demarcate the respective roles of the private and public sectors to that beyond this limit as it is necessary to depend on imports for several reasons such as the difficulty in production of certain types of machine tools as well as the uneconomic nature of production of small quantities of machine tools.

The Committee, however, regret to note that no detailed review has been made by the Government/HMT to find out the contribution made by HMT with regard to import substitution. It has been stated that roughly the contribution of HMT would be of the order of 40 to 45 per cent of the total contribution made in the country in regard to indigenisation of the manufacture of machine tools.

The Committee feel that although at the earlier stages it was imperative for HMT to enter into technical arrangements in order to bridge a wide gap that existed between India and more developed countries in the field of design and development of machine tools, a stage has now come when dependence on foreign technical assistance and know-how should be reduced to the minimum.

The Committee, therefore, recommend that Government/HMT should chalk out a realistic phased programme of achieving self-reliance so that not only the imports of machine tools are reduced to the minimum feasible limit but the dependence on foreign technical assistance and know-how is also gradually brought down if not altogether eliminated.

It has been stated that whenever any proposal for import from any industry comes, the applicant is required to advertise the requirement in order to find out whether the items can be manufactured indigenously. The Committee, however, recommend that the Government/HMT should make a detailed study about the items they can meet in full the overall needs of machine tools in the country at the same time ensuring that the interest of small scale sector is not in any way affected.

It has been pointed out by the Chairman, HMT that the increase in the output of the new items taken up by the HMT as part of the current expansions programme can be expected to impart continued and vigorous momentum upto 1975-76. Thereafter the expansion of production and sales of the HMT will loss its vigour and tend to level off, with familiar adverse impact on the profitability.

Since according to the Management, the gestation period of a new engineering project from primary conceptual thinking to actual production is about 5 years, the Committee need hardly stress that Government should plan right from now, for the programme of expansion to be taken up after 1975-76 so that the Company can utilise its capacity to the maximum.

(Paragraphs 5.14 to 5.19).

Reply of Government

The Company should have the liberty and choice of product pattern keeping in view the demand and overall profitability of the Company. For achieving the balanced production and optimum utilisation of capacity, it would be necessary for the Company to take up the production of all types of machine tools for which the Company expects demand. It should be appreciated that the Company has benefited largely by production of standard general purpose machines in the previous years. All the machine tool manufacturers in the country started production about 15 or 20 years ago only with simple general purpose machine tools. It would not have been a wise policy for the Company to have concentrated on production of a few types of sophisticated machine tools only, which cannot be produced in very large quantities due to demand constraints.

All the machine tool manufacturers in the country had been hit by the recession and during the recession period, the Indian Machine Tool industry as a whole could utilise about 50 per cent of its capacity only. The Chairman of the Company had only meant that the tempo of expansion of production and sales for the future is determined largely by the new items of production. The Chairman had also, explained to the Committee that they have learnt some lessons from the recession and decided to have certain lines of production which would be able to absorb the shocks of sudden fluctuations in the machine tool industry, which would be the first to be affected by the recession and last to recover. It would not mean that HMT would not have been affected by the recession if they had concentrated in the manufacture of sophisticated machine tools only rather than of standard machines.*

The value of turnover of old type of machines and new products during 1971-72 and 1972-73 was as follows:—

	Old Product		New Product		Total	
	1971-72	1972-73	1971-72	1972-73	1971-72	1972-73
			(Rs. in lakhs)			
HMT I & II Bangalore . .	365·84	354·59	350·28	296·20	716·12	650·79
HMT III Pinjore . . .	252·18	286·89	43·64	40·76	295·82	327·65
HMT IV Kalamassery . .	135·81	215·85	52·90	67·36	188·71	283·21
HMT V Hyderabad . .		..	300·98	482·28	300·98	482·28
TOTAL .	753·83	857·33	747·80	886·60	1501·63	1743·93

NOTE :

1. The above figures do not include transfer to plant and accessories.
2. Turnover of Tractors, Process and Printing Machines are excluded.
3. Old products included are as follows :

HMT I & II, Bangalore—LB ; L22 ; RM ; Grinders.

HMT III, Pinjore— EM3/4 ; M2 ; M2p/EP; FN2/3 (M2P/EP and FN2 are modified versions of M2).

HMT IV, Kalamassery—H22/26 and I.B.

HMT V, Hyderabad—Nil.

It can be observed that old products have contributed 50 per cent approximately to the total turnover during these two years. The Company, cannot, therefore, depend entirely on new products only.

The production and sales product-wise of various machines during the year 1962-63, 1963-64, 1964-65 and 1965-66 was more or less equal. Similarly the production and sales performance during 1966-67 was

*On the contrary the demand for sophisticated Machine tools is more cognately linked with large sized investment in specific sectors and as a result would have exposed HMT to more severe setback than it has had with a wider production.

also comparable. Subsequently, the Company had to face certain problems. Mainly due to recession during which period the order position for the various products manufactured by the Company was severely hit and consequently had its own impact on production and sales performance of the company. The cumulative product-wise production performance during 1966-67 to 1969-70 and to end of 1972-73 was therefore, by and large quite comparable to the cumulative order position for the same period. The cumulative production and sales performance for the period 1962-63 to 1972-73 would also reveal that, by and large, the production was comparable to sales performance in a number of cases. All these facts would show that the production planned by the Company was related to the demand for the products and that the problems were mainly due to recession which obviously was beyond the control of the company and had nothing to do with the planning of production and product-mix.

The Company initiated proper actions to diversify its range of production when it was hit by the recession. This again proves that the Company is constantly reviewing its production programmes and product-mix with a view to relate it to the market demand and thereby make production as far as possible sales oriented.

The inventory of finished stock as on 31st March, 1973 has been reduced by approximately Rs. 1.00 crore (Rs. 635.70 lakhs as on 31st March, 1973 as against Rs. 730.67 lakhs as on 31st March, 1972).

The basis on which the Company estimates its demand for machine tools to be manufactured from year to year has already been explained. During the years prior to recession, the Company was able to market its entire production which in turn would indicate that the Company was justified in undertaking the production of various types of machine tools *vis-a-vis* the demand for the same.

As regards new products the company has made assessment of demand, profitability and economic viability and incorporated the same in the Detailed Project Reports submitted to the Government for their approval. The Company is also constantly reviewing the product-mix keeping in view the anticipated demand for the various products.

According to the production programme for 1973-74 the value of production is expected to be of the order of Rs. 46.90 crores.

The Company has been allotted 28 out of the 50 products planned for development under the NCST Programmes. The Company has also furnished to Government details of project proposed to be taken up by them during the Fifth Plan Period.

The Company have also furnished to the Government brief particulars of the schemes, justification for the schemes, estimated cost and foreign exchange content, programme of study/investment relating to each scheme or project.

The accurate information regarding demands, capital outlay, profitability, foreign exchange savings and requirements, etc. can be furnished soon after the DPRs are prepared for each project/schemes.

It can, therefore be seen that the Company has taken advance action to the extent practicable.

It has been the policy of the Government not to allow private investment in areas where products in terms of prices and specifications are comparable and competitive except where:

1. The demand for such machines outstrips sizably the production projects and capability of Public Sector Undertakings.

2. It is necessary to allow a level of production to the private sector as also the necessary product-mix to optimise investment already made in order to avoid wastage to national economy.

Machine Tool comprise a very large number of items and the types, sizes and ranges are so revised that it will not be in the interest of the public sector to adopt a segmented approach. On the contrary a degree of flexibility is necessary for an investment in this area in respect of sector if it has to yield returns.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7-11-73.]

Recommendation (Serial No. 12)

The Committee regret to note that the actual production during 1967-68 to 1971-72 was less than the target in all the Units except for 1971-72 in Units I & II 1968-69 to 1971-72 in Unit III and 1967-68 and 1971-72 in Unit V. In several years, the targets were fixed much lower than the available capacity. In certain years the targets were even much lower than the developed capacity. More than 50 per cent of the capacity remained unutilised in some years.

The poor production performance in HMT has been mainly ascribed to the recession in the country during the years 1966-67 to 1969-70. The increase in the capacity of the machine tools units of the company by completion of the new projects already initiated more particularly at a time when domestic demand for machine tools was at subdued level, accentuated the problem of unutilised capacity and depressed demand prevented full or exploiation of HMT's potential. It has been stated that the demand for common items such as Lathe and Milling Machines shrank as the demand for cast had been worked out under different sets of conditions and assumptions. Initial production difficulties in respect of new products, technical and manufacturing problems and labour agitations have been cited as some of the other reasons that resulted in shortfall in production.

The Committee, however, feel that besides these factors the lack of production planning is yet another significant factor that contributed to the loss in production. The Committee have already pointed out that neither any proper category-wise assessment had been made with regard to the requirement of machine tools in the country nor a proper production profile was earmarked on a scientific basis. The Company went on diversifying their produtcion during the past years as and when it was realised that the products which were already being manufactured by it did not find adequate market. The Committee would, therefore, like to stress that realistic demand projections should be made and the product-mix including the diversified items that are to be manufactured by HMT should be decided on the basis of a detailed analytical study. The Committee also recommend that the reasons for shortfall in production should be analysed in greater depth so that remedial measures may be taken and the recurrence of such mistakes avoided in future.

(Paragraphs 6.16—6.17).

Reply of Government

The Company took action for setting up of new machine tool factories at HMT III, Pinjore, HMT IV Kalamassery and HMT V Hyderabad in view of the then estimated demand for machine tools during the Third Plan period. Since these projects had already been initiated and even commissioned excepting HMT V Hyderabad (Year of Commissioning—1966-67) much before the date of economic recession, it was not possible altogether to avoid the under utilisation of capacity which was built up on the basis of certain estimated demands. Nevertheless the Company initiated prompt actions to utilise the available capacity to the optimum practicable extent under the prevailing circumstances and also took action to restrict the decruitment.

The Company did not even recruit fully the standard force required for 2 full shift working.

In order to overcome the effects of recession to the extent possible the Company initiated several measures which briefly are as under:—

(i) As against the earlier plan to set up 10 machine tool factories in the various parts of the country, the Company decided to stop further expansion of the Machine Tool units after establishment of HMT V, Hyderabad, action on which had already been initiated earlier.

(ii) The range of machine tools produced by the Company was diversified by including some of the most complex designs which were being imported i.e. Multi Spindle Automatics, Single Spindle Automatics, Gear Hobbers, Copying Lathes, Drum Turret Lathes, Fay Automatics, Horizontal Boring Machines, Broaching Machines etc.

(iii) The Company established export officers in Europe, USA, and Australia to look after the sales promotion, pre-sales, and after sales servicing work etc. Action was also taken to appoint selling agents in a number of places abroad.

(iv) Action was taken to diversify the range of production into product lines other than machine tools like Tractor, Heavy Duty Presses, Printing Machinery, Die Casting, Plastic Injection, Moulding Machines, etc. Assembly of tractors and Die-Casting machines was taken up during 1971-72. Manufacture of Heavy Duty Presses commenced from 1969-70. The assembly of Printing Machines commenced during 1972-73.

(v) Steps have been taken to expand the capacity of watch factory at Bangalore and also to set up a new Watch Factory at Srinagar.

(vi) Suitable and effective measures were taken to strengthen the design and development department and also the sales servicing and marketing departments of the Company.

(vii) Action was taken to strengthen the marketing and sales promotion activities by aggressive advertisement campaign and also by stabilising a market research department. For promoting the export sales, the Company from time to time has been participated in international fairs and exhibitions to project the better image of Company's products in the world market. The participation in the Exhibitions and Fairs has helped to bring to the notice of the industrialist in the foreign countries the high quality and precision of HMT machine tools and then by remove the prejudice about the quality of the product from the developing countries like India. Participation in the international fairs and exhibitions also given our products a high boost in the international market, a good export business is foreseen for the products in the coming years.

It should be appreciated that the Company took full initiative for introducting indigenous production of highly complicated and sophisticated machine tools which other machine tool manufacturers in the country probably would not have ventured to do. In the establishment of initial production of such products, it is not altogether possible to anticipate and avoid initial production difficulties.

The labour agitations during this period made their own contribution to the loss of production.

The Company took initiative to diversify the range of production to cater to the demand for machine tools in the country by establishing indigenous production of certain sophisticated machine tools have been taken up on the basis of the bulk demand from Defence Organisation and Bharat Earth Movers Ltd. The Company has taken up the production of other machine tools also after making an assessment of the demand. The Company has marketed most of the products in large quantities, which itelf would be sufficient justification for having taken up the production of various products from time to time. The performance during 1972-73, also can be regarded as a significant improvement over the performance of the previous years. During 1972-73 the Company has achieved a value of production of Rs. 3,123,00 lakhs and a sales performance of Rs. 3,540 lakhs. The value of production during 1973-74 has been estimated to be Rs. 4,690 lakhs and the value of sales Rs. 4,775.00 lakhs.

In a changing economy, the product mix cannot be static and should be changed peridically depending on the market demand for the various products. In view of the position explained above, the Company does not consider it necessary or desirable to have any rigid product-mix which in fact, should be a changing combination every year depending on the prevailing demand for the products.

This aspect is carefully considered at the time of preparation of annual porduction and sales budgets. The fact that the performance of the Company during 1971-72 and 1972-73 has shown significant improvement over the previous years would be indicative of the fact that given the order position the Company would be able to turnout a better performance. The production performance of the Company during the years 1966-67 to 1969-70 was not very satisfactory mainly due to the economic recession which had hit the prospects of the Company very much. This was a circumstance beyond the control of the Company.

The Company had to solve and settle some of the initial production problems in establishing for the first time indigenous production of highly sophisticated and tooled up machine tools. Most of the difficulties have since been overcome.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT Dt. 7-11-73.]

Recommendation (Serial No. 15)

The Committee are surprised to note that on the one hand unit V is suffering due to lack of adequate orders on the other hand licence had been issued to M|s. TELCO for the manufacture of SPMs for a capacity of Rs. 100 lakhs per annum as a part of a diversification scheme in the existing undertaking to introduce a new item of manufacture. Their application for the recognition of the existing installed capacity for a total production of Rs. 200 lakhs per annum is now under the consideration of Government. The Committee would like the Government to fully examine the implications of allowing further expansion to TELCO keeping in view the unutilised capacity of Unit V.

The Committee are informed that Government have decided to import an entire plant from Italy for the manufacture of scooters. The argument advanced for such an import is, however, hardly convincing. It has been admitted that the competence of HMT to produce the machine needed for the manufacture of scooters was beyond any doubt. But the Plant is being purchased in order to meet the pent up demand for scooters. The Committee would, however like to point out that the demand for scooters has not grown all at once. The existing private manufacturers have not been able to cope with the demand for the past few years. The difficulty regarding idle capacity in Unit V of HMT was also being felt since its very inception.

The Committee strongly feel that the decision to take up the manufacture of scooters in the public sector has been unduly delayed. Had the decision to set up such a Project been taken earlier, the advantages would have been three fold. First the manufacture of SPMs in Unit V would have enabled HMT to utilise its idle capacity in that unit. So only, the Public Sector in addition to meet the growing demand for scooters would have provided a fair competition in the sale of scooters. Thirdly it would have helped the country in the acquisition of advanced technology which could have been certainly better than the technology already available in the country about the manufacture of Lambretta scooters.

The Committee regret to note that Government decided to import four Fay automatic lathes required by the Defence Department in March, 1971 without actually examining the capacity of HMT machines to meet the demand in spite of the fact that HMT gave an assurance than lathes of the requisite Horse Power could be manufactured by HMT. The Committee need hardly stress that such imports which involve a huge amount of foreign exchange should have been avoided. The possibility of meeting the further demand of the Defence Production Department by HMT with regard to the shell manufacturing machines should be fully explored before taking up any decision about their import.

The Committee further recommend that effective steps should be taken to secure orders for the Special purpose Machines required by the Private Sector for the manufacture of tractors etc. The possibility of getting orders from Mining and allied Machinery Corporation who are also taking up the manufacture of tractors should also be explored.

(Paragraphs 6.62—6.67)

Reply of Government

The proposal of M|s. TELCO for the manufacture of Special Purpose Machines for which they were granted a licence in February, 1968 was a diversification in the existing undertaking to introduce new items of manufacture. In view of the emphasis of increased production of commercial vehicles, automobiles, tractors, scooters, etc. it was considered that the demand for these special purpose machines would increase substantially. Taking the merit of the scheme such as availability of workshop and technical capabilities high indigenous contant, long term view for varying requirement, introduction of a new type of know-how with reasonable terms of collaboration, the proposal was recommended to the Licensing Committee, the Company was granted a Letter of Intent on

February, 7, 1967 for the manufacture of these special purpose machine tools for a capacity of Rs. 100 lakhs per annum and the Letter of Intent was converted into an Industrial Licence in February, 1968. It is considered that the HMT's position has not in any way been effected by the issue of this licence. M|s. TELCO has not applied for any substantial expansion of the existing undertaking for the manufacture of special purpose machine tools. In view of the liberlisation policy announced by the Government in early 1972, M|s. TELCO have also applied for recognition of the existing installed capacity for a total production of Rs. 200 lakhs per annum. This has been considered by the Task Force appointed by the Government and it has been decided to recognise their capacity as Rs. 200 lakhs per annum on the basis of maximum utilisation of plant and machinery. It is again reiterated that this is not a case of expansion but only of recognition of fuller utilisation of the installed capacity in accordance with a policy announcement by the Government in respect of certain specified industries.

The observations that no corrective action was taken despite the sizable pent-up demand for scooters is not factually correct. A Committee headed by Shri O. S. Murthy was appointed on 23-10-1969 and it submitted a report in two parts viz. first part on 20-2-1970 and the second, on 4-5-1970, suggesting that a public sector scooter project based on proven foreign design and collaboration should be taken up because this country did not have mass production technology. Negotiations were, therefore, initiated immediately and the final offer from PIAGIO i.e. from the manufacturer of Vespa Scooter stood at Rs. 96 lakhs for technical know-how fee. The project cost at that stage on the PIAGIO's proposal was estimated at Rs. 13 crores and the equipment cost around Rs. 10 crores. This project could have taken about 36 to 42 months from the date all the clearances were to be completed, which means that this project could not be commissioned before 1976. It was at this stage that an offer came for buying up complete equipment of the Lambretta Scooter Plant by Innocenti, Italy, which had in fact been producing 1,00,000 scooters. This plant was inspected by a technical team and evaluation was appraised by qualified appraisers. It was finally decided that this plant should be purchased at 1.85 Million U.S. Dollers out of which 4 lakhs U.S. Dollers could be in the form of shares given to Innocenti in the new company and the balance 1.45 million U.S. Dollars should be paid in cash.

Therefore, it will be seen that the actual payment for the entire plant was in the region of Rs. 135 lakhs and even adding the cost of auxiliaries and balancing equipment which would be needed, the plant cost could be estimated at less than half of what it would have been had it been obtained indigenously apart from the fact that the indigenous plant project could have been delayed for three years.

The other thing which is interesting is that the only other manufacturers of scooters i.e. M|s. Piaggio demanded Rs. 96 lakhs for technology alone while the cost of the entire plant of Innocenti was only Rs. 135 lakhs which included the main production equipment as also the licensing rights for Lambretta, the entire drawings, designs and tooling etc. The result has been that the entire project cost for the scooter has been kept at a level which is very appreciably lower than it would have been otherwise. It would also be mentioned here that the HMT has been associated from the beginning with a plan of the phased replacement of the equipment because it is a used plant and this plant will have to be replaced. This means that plans have been drawn up to place orders for equipments of over a crore on HMT for supply over a period of years in order that the entire equipment can be replaced by the time it outurns its productive life. By this decision therefore, not only tremendous saving in terms of time and money has been effected but the HMT has been assured of equal volume of orders by way of replacement which they would have got, had the plant been installed afresh. There is, therefore, no question of interest of HMT being adversely affected by the decision to go in for this project.

From the analysis of the facts it is quite clear that not only the decision has not been delayed but the decision has been taken in the quickest possible time. Certain decisions like that of purchase of equipment on the basis explained above had been taken at the highest level of the Government without going through the normal procedure.

IMPORT OF FAY AUTOMATIC LATHE

In November, 1970 DGOF approached DGTD seeking clearance of four numbers of automatic shell turning lathes for the new project at Ambajhari. In their request DGOF pointed out that HMT's quotation of Fay Automatic Lathes against the requirements were duly considered by them and was not found acceptable because of various technical reasons the main reasons being that HMT's machine has a maximum Horse Power rating of 75 H.P. as against their minimum requirement of 100 H.P. as considering the amount of metal removal involved. The second major point was that the arrangement of the main turning tool in the Fay automatic renders the loading and unloading of shells without injury to the operator breakage of cutting tools very difficulty and time consuming. The modification suggested by HMT would not solve the problem. Thirdly, HMT quoted for 10 machines for the required volume of out-put as against 4-5 machines offered in the machine of imported origin.

DGTD referred the matter to HMT and there was a prolonged correspondence between DGTD, HMT and DGOF. On the pursuation of DGTD, HMT re-worked the time cycles and submitted a revised quotating for six machines. After considering the HMT's revised quotation DGOF again represented to DGTD and a letter from Additional D.G. of the DGOF Organisation was received in DGTD rejecting the HMT's offer on technical grounds. This letter was received in February, 1971. In this letter of Additional D.G. it was pointed out that the revised offer was for the same basic machine fitted with 100 HP motor as against the 75 HP motor recommended by the Collaborators. This was questioned by DGOF in the light of the limitation of the basis design of the machine which was suitable for 75 H.P. only. Merely putting a higher H.P. motor on a machine which is basically designed for a lower H.P. Operation does not automatically lead to the utilisation of the higher H.P. provided in the motor and higher metal removing capacity. It was pointed also that DGOF was procuring Fay Automatics from HMT for their production programme of the small calibre shells and that in the particular project also DGOF had tried to accomodate HMT to the maximum possible extent and had already placed orders for 12 nos. of Fay already Machines and three more orders were in the offing.

In view of the technical justifications given by DGOF which were considered to be valid by DGTD and in order not to jeopardise the production programme of a very vital Defence Store, DGTD agreed to clear import of four nos. of imported shell turning lathes.

Though not directly related established to the above mentioned specific case, it has been subsequently that fay automatic Lathes are not eminently suitable for higher calibre shells. This is proved by the fact that HMT agreed subsequently to copy and develop a shell turning lathe based on an imported model available with DGOF.

It can be seen that the value of production achieved by HMT V, Hyderabad during 1972-73 as well as the working results of the unit for the year has shown an improvement over the performance of the previous years. According to the targets of production for 1973-74 the unit is expected to make a further progress both in respect of value of production and working results. The position would further improve with the addition of Lamp Making Machinery Project to this unit.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT. dt. 4.1.73]

Recommendation (Serial No. 16)

The ommittee find that a number of Electrically controlled Horizontal and Vertical Milling Machines manufactured in Units I and II of HMT for the Defence Department developed some defects in actual operation and had to be rectified at the cost of the ompany. The manufacture of these machines resulted in a loss of over Rs. 54 lakhs to the Company apart from an estimated developmnet cost of about Rs. 30 lakhs. The Committee further note that out of 410 Electrically Controlled Milling Machines (2D3) manufactured in Unit III rectification of defects on 202 machines at a cost of Rs. 14 lakhs had to be carried out. The Committee would urge that the reasons for the defects developing in both types of Machines should be carefully gone into and remedial measures taken to avoid such defects developing in future. The Committee regret to note that the Campany had not examined the financial implications before accepting the orders which ultimately resulted in a loss to the Company.

The Committee were informed that the need for rectification arose on account of these sophisticated machines being taken up for the first time with new and inexperienced labour. The Committee need hardly point out that the supply of defective machinery to the customer, acts as an inhibiting factor in securing further orders. The Committee feel that there should be a closer quality CONTROL and stricter supervision at each stage of production and recommend that the machines should be fully tested at the premises of the factory with regard to their performance before these are despatched. Since the manufacture of these machines is customer oriented the Committee feel that the best form of sales management in such cases should be to provide after sale service to the customers.

Reply of Government

The manufacture of E2 Milling Machines had to be undertaken by the Company on an emergency basis to meet the tight delivery schedule prescribed by the Defence Production uthorities. The Company undertook the design, development and manufacture of these machines completely indigenously and the same had to be done in a much shorter period as compared to the time of 5 to 7 years taken by even advanced countries abroad for designing of sophisticated machines.

The design of machine was undergoing continuous change and the development work had to be carried during the period of supply in actual production runs. The Company took this challenge of designing and manufacturing this machine to the exact specifications as required by the Defence Authorities with a view to saving a substantial sum of foreign exchange and also to provide a very good opportunity to the technical personnel of the Company to develop the machines with full indigenous know-how. At the time the company submitted the Quotation to the Defence Authorities, the Company did not have a proven design of the required type and size of the milling machines. The Defence authorities had been kept informed of this position. The Company also undertook the manufacture and supply of necessary toolings with these machines even though the same involved a large amount of complicated design, engineering and fabrication work, as the Defence authorities insisted that the supply of machines would be accepted only if it was accompanied with the toolings.

The supply of the machines was undertaken only after the prototypes were tested by the Defence Authorities at the Company's works. In this connection, it should be appreciated that most of the defects could normally be revealed only after continuous running of the machines for long periods and hence certain defects could not be seen earlier by HMT at its works. The various tests so far conducted have proved that basically the design of this machine is sound.

During the period of execution of this order, the country was in the grip of serious economic recession which had severaly affected the order position for the company. The order received for HMT I & II Units, Bangalore was as follows:—

	(Machines Nos.)
1964-65	200
1965-66	1276
1966-67	1248
1967-68	592
1968-69	1192

The execution of this order has helped the Company minimise the losses as in the absence of this order the Company would have been faced with the problem of further non-utilisation of capacity and consequential under absorption of costs. The execution of this order helped the Company reduce the losses due to under-utilisation of capacity to the extent of Rs. 50.64 lakhs. If, against theoritical loss of Rs. 84.00 lakhs, the development expenditure of Rs. 30.00 lakhs and reduction of loss due to under-utilisation of capacity to the extent of Rs. 50.64 lakhs are set off, the loss, would come down to Rs. 3.00 lakhs approximately.

Some of the advantages which the Company derived by production of these machines are as follows:

1. Substantional saving in foreign exchange to the country.

2. Development of a highly sophisticated machine tool with 100 per cent indigenous know-how and avoidance of expenditure otherwise involved in procuring the know-how from abroad.

3. Provision of work to the Company during the recession period.

4. If the company had not accepted this order the only other indigenous firm in the private sector would have got the manufacturing rights for making loss equivalent milling machines from Messers Fritz Warner. This would have seriously effected the market for milling machine manufactured by the Company.

The achievement of the Company in the production of these machines should be viewed from angle of its contribution to the growth of the Company as well as to the nation and not merely in terms of theoritical losses based on historical costs of production only.

It is also not correct to say that the company had not examined the financial implications before accepting the orders. The Company had intimated Audit that the cost of estimates, if any prepared, prior to May, 1966 are not readily available.

Even according to the cost estimates prepared in May, 1966 the cost of production was expected to be much lower than the selling price. This would indicate that even as late as in May, 1966, the estimated cost of production was quite favourable in relation to the selling price. The position could have been the same or much better in September, 1964 when the quotation was submitted. In other words the financial implications even according to May, 1966, estimates were in favour of the Company.

From the position explained above it can be appreciated that the manufacture of E2 Milling Machines was definitely advantageous from the point of view of the Company. The machines were despatched only after the protoypes had been accepted by the Defence Authorities. However, some further defects were noticed after exhaustive trial runs at the customer's works and the same were also rectified. As earlier stated most of the defects could be revealed only after continuous running of the machines and the same could not be seen earlier by Company. All the defects have already been overcome.

Out of the experience gained it was seen that the need for rectification of Electrically controlled Milling Machine (Type 2D3) manufactured in the Pinjore Unit of the Company arose out of two principle reasons:

(i) the time taken for development of scraping skill which is a manual process to be perfected over a period of time;

(ii) the operation of this complicated machine by less skilled operators at the customers' works.

The machines as such are basically good, incorporating most modern design concepts. The establishment of indigenous production of these machines has also resulted in saving of substantial foreign exchange on a recurring basis. The number of machine rectified during 1970-71 and 1971-72 was 10 only. This would prove that the defects in the machines have already been overcome.

The Company has, in each of the units, an Inspection Department for carrying out inspection in the various stages of manufacture and assembly operations. Similar, the Company has quality control departments to keep a strict supervision over the quality of the products. As stated earlier the machines were tested before despatch. Some of the defects could be revealed only in actual production operations (E2 Machines) and in the case of 2D3 Machines, rectification arose mainly due to operation of these machines by the less skilled operators at the customers' works.

These machines are manufactured to standard specifications and are not customer oriented as in the case of special purpose machines. However, the Company has a full fledged servicing organisation to render prompt after sales service to the customer.

(Ministry of Heavy Industry O.M. No. 19-4/73 MT Dt. 7-11-73).

Further information called for by the Committee

How much saving in foreign exchange was derived as a result of the taking up the manufacture of electrically controlled horizontal machines etc.?

(Lok Sabha Sectt. O.M. No 16-PU|73 dated 20-9-73)

Further reply of Government

The foreign exchange savings the manufacture of Electrically Controller Milling Machines and Vertical Milling Machines (E2H and E2V) have been furnished as Rs. 151.63 lakhs. The value of Electrically Controlled Milling Machines (Type 2D3) sold upto 31-3-1974 works out to Rs. 614 lakhs. But for the manufacture of these machines by the Company all these machines would have been imported and hence the establishment of the manufacture of these machines has resulted in a substantial saving of foreign exchange.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dt. 18-11-73)

Recommendation (Serial No. 17)

The Committee find that utilisation of machines and labour was not satisfactory in all the units of HMT, particularly in Units III, IV and V. The percentage of idle hours to available hours in respect of machines varied from 18.7 to 26.3 in Units I and II, 22.48 to 31.4 in Unit III, 37.7 to 47.4 in Unit V and 28.3 to 45.2 Unit V. The percentage of idle hours to net available hours in respect of labour varied from 16.53 to 17.4 per cent in Units I and II, 13.14 to 18.0 in Unit III, 25.74 to 41.0 in Unit IV and 15.39 to 27.0 in Unit V. As a result of non-utilisation of machines and labour there was enormous idle capacity in the Units. The idle capacity was around 30 per cent in Units I, II and III, 40 to 50 per cent in Unit IV and 30 to 40 per cent in Unit V. Labour efficiency in all the units was also not impressive. It was only about 62 to 79 per cent in Units I and II 64 to 75 per cent in Unit III, 53 to 68 per cent in Unit IV and 44 to 71 per cent in Unit V.

The main reason for all these maladies was stated to be low order position caused by severe recession. Idle machine hours due to 'no operators' were on account of absenteeism. Low order position responsible for very low morale of workers also contributed to absenteeism. The absenteeism in all the units was very much higher than the normal limit of 10 per cent. The idle time was also relatively higher for want of jobs. This gave rise to paradoxical situations. On the one hand, the machines remained idle for want of jobs, material etc. Again on the one hand there was dearth of orders to fully utilise the capacity, on the other hand the orders in hand could not be executed for want of operators, materials, mechanical and electrical repair of machinery etc. As a result of these, the production performance remained unsatisfactory in all the units of HMT, particularly in Units III, IV and V.

The Committee find that the Company are now taking a number of steps to eliminate idle hours and improve productivity. Diversification of production in order to secure adequate orders, supply of requisite quantity and quality of materials, reduction of absenteeism, introduction of preventive maintenance and repair systems in order to minimise machine breakdown, and introduction of incentive schemes are the steps in the right direction. The Committee, therefore, recommend that all these measures should be pursued vigorously in order to increase productivity and production.

The Committee were informed that the machinery in Units I & II of HMT are getting old. They, therefore, recommend that the programme of gradual replacement and provision of balancing equipment, wherever necessary, should be finalised in time and steps should be taken to ensure smooth running of the plant as a whole, that the requisite machinery and equipment become available as per scheduled programme.

(Paragraphs 7.16—7.19)

Reply of Government

The method of comparison adopted by the CUP for ascertaining the percentage of hours for direct jobs, idle time, etc., is not found acceptable. In the Company's opinion comparison should be made with reference to the total available hours and not with reference to net hours *i.e.* after deducting absentee hours from the total available hours.

Mechanical repair and electrical repair was also a contributing factor towards idle time. In some cases this was equal to the percentage of idle time on account of "no job". It would, therefore, not be correct to say that no operator and no job were the only two major factors responsible for idle hours.

It can be seen that there had been an improvement in the machine utilisation during 1970-71 and 1971-72 in HMT I & II, Bangalore, HMT III Pinjore and HMT V Hyderabad. The improvement seen in HMT IV Kalamessary during 1970-71 could not be maintained during 1971-72 mainly due to labour troubles. The idle capacity referred to in this para is inclusive of absenteeism and idle time. In calculating idle capacity, it is necessary to make due allowances for minimum absenteeism and minimum idle time for inevitable and unavoidable reasons. An allowance of at least 20 per cent to 25 per cent has to be made towards these two factors.

As regards the Committee's observation regarding efficiency, there was a perceptible improvement in efficiency during the years

1970-71 and 1971-72. The labour efficiency during 1971-72 was as follows:—

HMT I & II Bangalore	76·33 %
HMT III Pinjore	76·92%
HMT IV Kalamessary	71·94%
HMT V Hyderabad	75·75%

It can be seen that except in HMT I & II Bangalore, there has been a further improvement in the labour efficiency during 1972-73. The reduction in the labour efficiency in HMT I & II, Bangalore during 1972-73 was mainly due to prevalence of labour troubles. Due to introduction of new line of production from year to year in the various units of the Company under diversified production programme, the labour efficiency was bound to be fluctuating. The recession resulted in low order position and had a demoralising effect. The position however, started improving from 1970-71 onwards. In the case of SPM's each machines is customer built and hence not susceptible to mass production techniques. This would result in fluctuating efficiency. In the Company's opinion, the attainment of efficiency of over 70 per cent with reference to the standards fixed for various jobs should be regarded as quite satisfactory.

The machine utilisation statistics relate to the performance of machines in the manufacturing shops where the labour utilisation statistics relate to the performance of men both in manufacturing shops and assembly shops. "No operator" under machine utilisation represents absenteeism whereas absenteeism is shown separately in the labour utilisation statistics. Reasons for "No job" generally were lack of orders and also production and efficiency imbalances If machines remain idle for want of operators as per the machine utilisation statements, labour also would remain idle due to imbalances in production resulting in no job no materials apart from labour absenteeism separately shown in labour utilisation statistics.

This is a normal situation in any manufacturing organisation and hence cannot be regarded as paradoxical. Labour absenteeism has become uncontrollable for reasons beyond the control of the Company.

The Company has by and large executed orders within the agreed delivery dates. The company was also faced with the situation of increasing inventory of finished stock of machines from year to year during these years. It is, therefore, not correct to say that the Company could not execute the orders for want of operators, materials, etc.

It can be seen from the details of value of production at para 6.01 that HMT III Pinjore has practically achieved the original targetted value of production during 1970-71 and exceeded the targets during 1971-72. Similarly HMT V Hyderabad was able to achieve substantially the original targetted production during 1970-71 and exceeded the same during 1971-72. Reasons for shortfall in production in HMT IV, Kalamessary have already been furnished to the CPU.

The production performance of all the units of the Company during the years 1966-67 to 1969-70 should be viewed in the background of the economic recession in the country which had hit severely the order position for the Company.

Production performance in HMT III, Pinjore, HMT IV Kalamessary and HMT V Hyderabad during 1972-73 marks a further improvement over that of the previous years. The performance in HMT I & II, Bangalore was not satisfactory mainly due to the prevalence of serious labour agitations during the years.

The Company is taking steps for periodical replacement of old machinery and for provision of balancing equipment wherever necessary, by making suitable provisions for the same in the annual budgets. Action also being taken to organise a Machine Tool Reconditioning unit in HMT I & II Bangalore for phased reconditioning of plant and machinery wherever possible.

The Company has made a provision in the capital budget for 1973-74 to the extent of Rs. 86 lakhs for procurement of plant and machinery for HMT I & II Bangalore.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7.11.1973)

Recommendation (Serial No. 20)

The Committee find that while the strength of the Sales Organisation has increased by more than 3 times *i.e.* from 66 in 1966 to 212 as on 31-3-72. The value of sales has increased only by 100 per cent i.e. from 1222.74 lakhs in 1966-67 to Rs. 2444.46 lakhs in 1971-72. The Committee are informed that the Management are in the process of recruiting more personnel for sale of Tractors, Printing Presses etc.

The Committee need hardly stress that the Sales Organisation should not be unduly multiplited simply with the addition of new products. They recommend that the cost of sales organisation should be commensurate with the sales turnover.

The Committee note that HMT have set up a Market Research Department in order to study market trends and made demand surveys. The Committee have already stressed the need for making a thorough study about the item-wise demand for the machine tools in the country so that the future production programme is planned on a realistic basis. The Committee hope that with the setting up of this Department, the demand survey with regard to machine tools would be expedited. The Committee recommend that the Company/ Market Research Department should make a special study about the requirements of the small scale sector as they feel that HMT has an important role to play in the growth and in the modernisation of machinery and equipment in the small scale industries.

The Committee also note that the Company has introduced new techniques of marketing. The Committee hope that the "Total Plant Engineering Service" and the 'integrated approach to the requirement of machine tool customer' will pay dividends as the schemes intended to help the customers to purchase the right type of machines with full guidance about the production process.

The Committee would, however, stress that in order to sustain the confidence of the customers in the products of HMT the best form of sales management especially in sale of machinery would be in having an efficient after-sales service and providing already response to the difficulties of customers in the maintenance of machinery. The Committee also suggest that the sales marketing organisation should develop, a system of feed back of information to the management regarding the types, and pattern of machine tools needed by the customers so that the programme of production is reoriented to the latest market trends consistent with the needs of customers.

The Committee also note that in order to project a better image of HMT products, the company have held a number of demonstrations of their machine tools in the country and have also participated in a number of International Fairs and Exhibitions. The Committee however, find that in most of the International Fairs and Exhibitions the Company could not secure even a single order. In this connection the Management have stated that the effect of participation in these exhibitions is also intended to create a very high quality of products in the minds of machine tools users who visit these exhibitions. The Committee, however, feel that the Company should be able to clearly state the end results of such participation in monetary terms so as to justify the huge expenditure incurred on such exhibitions. As far as possible the results achieved in procurement of orders should be commensurate with the expenditure incurred by the Company on foreign tours and on participation in exhibitions. (Paragraphs 8.29—8.34)

Reply of Government

In order to effectively market and service the planned output of the various factories at that time, HMT required much more than 66 personnel, who were in position in 1966. The number of personnel in the department therefore was inadequate to render effective and prompt attention to the customers in all sectors, but specially in the small scale sector. The reason why this Department was inadequately manned in 1966 was because of the recession and a moratorium on recruitment. It would not, therefore, be correct to draw conclusions from this figure of 66. The company is in the continuous process of expanding its activities by adding new range of products under the diversification programme. In order to improve the sales performance, the Company has also introduced several new methods of selling such as "Systems Selling", total plant engineering, integrated approach to requirement of machine tools by the customers, promotional sales schemes, etc.

The Company has also set up a Market Research Department and Sales Engineering Department. With the increase in the volume of transactions, it is absolutely necessary to augment the sales staff from time to time to cope with the increase of work.

Compared to 1966-67, the Company has introduced into the market during the last five years a number of sophisticated machine tools. To sell these machines a number of tool layouts involving application engineering has to be prepared for each enquiry. As such, the increase in the turnover cannot always be related to the number of personnel.

The Company is equally keen to control its expenditure within reasonable limits. The Company has furnished here under the percentage of selling expenses to total turnover (excluding sale of watches) for the years 1966-67 to 1972-73:—

1966-67	1·9%
1967-68	2·2%
1968-69	2·3%
1969-70	3·2%
1970-71	3·07%
1971-72	2·42%
1972-73	2·14%

Other Companies engaged in manufacture of a capital goods spend as much as 7½ to 10 per cent on marketing. The norm in advanced countries like West Germany, USA and UK is 15 to 20 per cent. The Company would also like to place on record that the Marketing Department of the Company has the highest turnover per man as compared with Marketing Department of other major machine tool producing/selling companies in India.

If the selling agency work had been given to any outside firm, the selling agency commission would not have been less than 7½ per cent to 10 per cent of the sale price. Hence the selling expenses incurred by the Company is extremely reasonable and is on the conservative side.

The Company has informed the Committee of the basis on which the anticipated demand for machine tools is assessed from time to time. The Company has also informed that the Market Research Development Department has been set up to determine the short term and long term sales plans. The market surveys for specific new products which the Company wants to introduce in the market are conducted through this department to get the customers' comments and reactions.

It may incidentally be mentioned that the Company has concluded an agreement with Gujarat Small Industries Corporation Ltd., Ahmedabad for sale of most of HMT Machines in the State of Gujarat. Since this corporation directly draws loans from various financial institutions for the small scale and medium scale industries the company expects business for its products in the coming years through the Gujarat Small Industries Corporation. Through the technique of "Systems Selling", the company is also making a small contribution towards promotion of small and medium industries in the country.

The value of orders secured through the Sales Engineering Department at Bangalore amounted to Rs 533 lakhs upto 31-3-1971 and Rs. 351.50 lakhs during 1971-72. It can, therefore be seen that orders for tooled up machines for Rs. 8.85 crores has been secured through the sales engineering department upto 31-3-1972. The value of orders received during 1972-73 through the technique of 'Total Plant Engineering Service' amounted to Rs. 2.5 crores.

The Company has a well organised servicing department to cater to the after sales servicing needs of the customers in the country. At the time of formulating the annual budgets including production budgets, the sales department indicates the anticipated demand for the various types of products. The production plans are formulated only after taking into account the anticipated sales demand to make the production plans as far as possible sales oriented. The technique of 'Systems selling', total Plant Engineering Service, 'Creative Selling', etc., also help the sales department to analyse and sell the types and patterns of machine tools needed by the customers.

The statistics of orders received production is compiled every month and made available to all concerned with production and sales. This will help in making production plans as far as possible, sales oriented. This is in addition to furnishing the full details of orders received to the unit concerned with the execution of such orders.

Participation in international exhibitions can be of 3 categories *viz*:

(i) direct participation by the Company.

(ii) participation through the selling agents of the Company.

(iii) Participation through the Governmental and other export promotion agencies, such as Directorate of Exhibitions & Publicity, Engineering Export Promotion Council, Indian Council Trade Fairs and Exhibitions, Indian Machine Tools Manufacturers' Association etc.

Out of participation in 36 exhibitions during the year 1967-68 to 1972-73, 26 exhibitions were sponsored either by Government Agencies or by the other Export Promotion Agencies

Participations are intended mainly to create a better industrial image of the country in the foreign countries and also to create an impression about the high quality of the products in the minds of the machine tool users in these exhibitions. The effect of participation in the exhibitions cannot, therefore, be gauged only by the orders booked during the exhibitions yearwise is as follows:—

Orders booked	Rs. lakhs
1967-68	2·64
1968-69	2·04
1970-71	32·40
1971-72	6·13

Apart from this, it should be mentioned that the participation in the exhibitions and fairs abroad will have a long lasting effect in the promotion of the export sales of the Company over the future years. The growth in the export trade of the Company can in a large measure, be attributed to the demonstration of the Company's machine tools in various trade fairs and exhibitions abroad which would have created a good impression about the quality of the Company's products.

Committee itself has recommended that the export efforts can be built up by building up the image in developing and socialist countries by participation in exhibitions held in these countries.

The expenditure incurred on participation in exhibitions and sales promotion tours is not subsbtantial. The expenditure incurred on exhibitions and sales promotion tours also cannot be related to the immediate gains but, on the other hand, should be treated as having a substained effect over export promotion activities of future years also.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7.11.1973).

Recommendation (Serial No. 21)

The Committee find that the Company appointed M/s R.G. Gardner Machinery Co. in April, 1969 as their agents for the sale of Conpany's products in the Western Hemisphere but the same was terminated in December, 1970 as the foreign firm did not fulfil a number of contractual obligations. The agreement entered into in May, 1969 with another firm M/s. Vernick Machinery for the Western Territory of USA was also terminated in September, 1969 as the firm gave up all lines of machines tool distribution.

The Committee were informed that M/s R.G. Gardner Machinery Company claimed damages of the order of $ 6.5 million from the Company representing estimated loss of profits which they claimed they have suffered due to termination of the contract. HMT had also preferred counter-claim of Rs. 32.50 lakhs plus the sale proceeds of machines sold by the agent, cost of legal action etc. and the case regarding claims and counter claims is stated to be pending in the Supreme Court of Toronto. M/s. Vernisk Machinery Co., had executed promissory notes in favour of HMT for $11,983.81 in respect of sale proceeds of 3 machines sold by them during the currency of the agreement. The question of recovery of the amount was being pursued by the Sale Office of HMT in U.S.A.

The Committee, therefore, recommend that the circumstances in which the agreements were entered into should be thoroughly investigated and responsibility for the lapse in the process of fixing up the agencies should be fixed. The Committee would like to be kept informed of the settlement of the claims preferred by the Company. The Committee also urge the Government/Company should evolve an effective procedure for selection of and entering into agreements with agents/foreign firms so as to avoid recurrence of such mistakes in future. The Committee suggest that such agreements should be finalised with the help of Indian Missions abroad only after full knowledge about the firms concerned.

(Paragraphs 8.39—8.40)

Reply of Government

The counter claim preferred by the Company should read as $32.50 lakhs. The case against Messers. R.G. Gardner Machinery Company is still pending in the Supreme Court of Toronto. The amount due from Messrs Vernick Machinery Company has since been recovered during 1972-73.

The agreement with Messrs R.G. Gardner Co. was entered into only after the usual checks and verifications through embassies and banks and also by personal contacts regarding the reliability of the firm. HMT officers visited the various areas and ascertained the various commercial details from the interested parties. The company has also covered for political and commercial risks for the transactions with Messrs Gardner with the Export Credit Guarantee Corporation of India.

Unfortunately, however, M/s. R. G. Gardner Machinery Co., Ltd., committed several breaches of the agreement As has already been explained to the Committee, with the permission of this firm, negotiations were conducted with Messrs ATW for covering the American Market. However, Messrs Gardner would not come to an agreed solution with M/s ATW and fell out with the firm. M/s. Gardner also terminated the agency agreement with the company and hence the company had no alternative but to accept this termination and appoint Messrs ATW as M/s. Agents in America.

M/s. Vernick Machinery Co. gave up the machine tool business due to the crisis in the space and aircraft industries in the west coast of America as a result of which the demand for machine tools went down considerably. This development was beyond the control of the Company.

It can, therefore, be appreciated that there was no lapse in entering into the export selling agency agreements and hence the same would not call for any investigation and fixation of responsibility.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7.11.1973).

Further information called for by the Committee

It has been stated that the case against Messrs R. G. Gardner Machinery Company is pending in the Supreme Court in Toronto. What is the latest position?

(Lok Sabha Secretariat O.M. No. 26-PU|73, dt. 20-9-74).

Reply of Government

The case is still pending before the Supreme Court at Toronto.

(Ministry of Heavy Industry O.M. No. 19-4|73-MT dt. 18-11-74).

Recommendation (Serial No. 22)

The Committee note that whereas the Company appointed Messrs. American Machine Tool Works as their agents for the sale of the Company's product in the Western Hemisphere consisting of North, South and Central America in February, 1971 and the American firm placed a blanket purchase order for 4,304 machines valued at $1.475 millions, only 109 firm orders had been received by HMT and out of these only 77 have been executed so far. HMT could not adhere to the delivery schedule as many as modifications had to be carried out in the existing products. Certain items procured locally and supplied along with the machines were not acceptable as per American practice. The foreign firm had to specially procure and change these items at their end which resulted in delays in delivery of machines by the firm to their dealers and customers. As the introduction of HMT machines in American Market was delayed Messrs American Machine Tool Works could not release further orders.

The Committee feel that complete manufacture details and specifications should have been settled in advance before the orders had been accepted for execution so as to obviate the difficulties in acceptance of the products by the customers at the time of delivery. The Committee would also urge that once the orders are accepted, the Company should ensure timely delivery of the machines and honour the commitments.

(Paragraphs 8.44-8.45)

Reply of Government

As on 20th September, 1973 the Company had received orders for 252 machines valued at $13,23,610 and had despatched 125 machines valued at $6,36,342 and 5 machines valued at $24,425 were awaiting shipment at the port. Complete manufacturing details and specifications of machines had been discussed with Messrs American Tool Works in advance before receiving the orders. A team consisting of the Chief Engineer, Manager, Marketing Development and a Design Engineer from Messrs. American Tool Works visited HMT during March, 1971 and held discussions with the technical team of HMT to finalise details and specifications of machines to be exported to them. The Company received the first batch of order, from Messrs. American Tool Works for 76 machines during December, 1971. Against these orders the Company shipped 39 machines to them during February to May, 1972. As per the agreement Company supplied machines without electricals and without finish painting. M/s American Tool Works, on their part, after receipt of machines, have to provide electricals, test the machines and finsh paint them before delivery to the customers. Initially this took longer time at their works, resulting in considerable delay in delivery of machines by Messrs American Tool Works to their dealers and customer. Even after the introduction of HMT machines in American market, some changes to be incorporated on the machines based on the customers requirements. The test procedure followed in India and America was slightly different. Messrs American Tool Works after testing the first batch of machines received at their and informed HMT to follow their testing procedures. In view of this, some of the machines which were ready for despatch to Messrs American Tool Works had to be reworked before despatch. This took time resulting in delayed deliveries. In addition to the above, continued labour unrest followed by two lockouts in the Bangalore works during 1972-73 has also affected timely delivery of machines to American Tool Works.

As can be seen from the above clarification, the Company had, as far as possible, discussed the specifications and modifications to be carried out on the products to suit the American Market. However, it is inevitable that further change and modifications as subsequently desired by Messrs American Tool Works to suit their customers' requirements have to be carried out to make the products acceptable to them. It is, not, therefore, possible to settle all problems like manufacturing details and specifications once and for all since changes are to be incorporated from time to time to meet specific market requirements. As regards deliveries, the Company makes every effort to maintain scheduled deliveries except for unavoidable circumstances like labour agitations dock strikes, non-availability of proper sailings, etc.

(Ministry of Heavy Industry O.M. No. 19-4|73-MT dt. 7-11-1973).

Recommendation (Serial No. 2)

The Committee find that there has been an accumulation of stocks in regard to established products such as lathes, grinders radial drills, milling machines etc. During the years 1967-68 to

1969-70 such as accumulation has been attributed to recession and during 1970-71 and 1971-72 it has been stated to be "due to drop in the order position." The Committee also note that whereas the Company was short of orders for the established machines, they could not execute the orders for sophisticated machines within the prescribed dates of delivery as according to the Company the manufacture of such machines involved more technical and production problems than in the case of General Purpose Machines (*e.g.* lathes, radial drills, milling machines, etc.).

The Committee were informed that a number of initial production difficulties in the manufacture of sophisticated machines have now been solved and action has also been taken to increase the indigenous content in these machines. The Committee would also like that the reasons as to why the Company went on manufacturing standard machines without any orders therefor should be investigated. It has also been stated that a number of steps towards sales promotion by means of participation in exhibitions, by conducting demonstrations in showrooms, by improving the after sale servicing facilities are now being taken in order to improve the order position in respect of established products. The Committee hope that as a result of such steps the orders position both in regard to established products and sophisticated machines would improve.

(Paragraphs 8.60-8.61).

Reply of Government

The Company had intimated that the pending orders in the case of all the new products were not more than machines in stocks in all the years. The Company had also furnished the statement of pending orders versus closing stock. The closing stock in some cases were more than the pending orders at the close of the financial year. Similarly, it can be observed from the details of pending orders and closing stock for 1970-71 and 1971-72 that the closing stock was more than the pending orders in some cases. Bulk of the orders are generally received in the 3rd and 4th quarters of the financial year and the same would not allow sufficient lead time for manufacturing the same during the financial year itself. All the orders are not meant for execution during the current year itself, and hence include forward delivery orders.

Instances of products where the closing stocks was more than the pending orders during 1970-71 are as follows:

Minichucker, M2P, Broaching Machines, MITR, and Drum Turret Lathes.

Instances for 1971-72 are as follows:

Minichucker, G9, GT 20, M2P, MITR Broaching Machines, FN2 and Drum Turret Lathes.

It can also be observed that the Company was carrying orders not merely in respect of established machines but also in respect of machines.

Against the accumulation of stocks the Company was also carrying pending orders. It is not as if the Company was carrying all the stocks without orders.

In some cases, the machines had been kept reserved for want of completion of the formalities before despatch of the machines to the various customers. The value of machines held in stock with out orders amounted to Rs. 245 lakhs only as on 31st March, 1972 as against the total stock holding of Rs. 644 lakhs. The consideration should be given to the machines kept reserved for the customers, machines carried on consignment stocks abroad which cannot be regarded as free stock available for sale against any future orders.

In establishing the production of new and sophisticated products, the Company had to face certain initial production difficulties which are not always altogether avoidable. It is, however, not correct to say that the Company could not execute orders for sophisticated machines within the prescribed dates of delivery which may convey a meaning that the Company could not adhere to the delivery dates in such cases in toto. As on 31st March, 1972, there were no orders for new and sophisticated machines pending for delivery beyond the scheduled dates in the case of HMT &II, Bangalore and also HMT V, Hyderabad. In the case of HMT III, Pinjore, the value of orders products (broaching|machines, MITR, M2H) which could not be delivered within the scheduled delivery dates amounted to Rs. 6.89 lakhs only. Similarly, in the case of HMT-IV, Kalamassery the value of new products which could not be delivered with the delivery schedules amounted to Rs. 44.77 lakhs (Turret Lathes, Copying Lathes, Drum Turrets and LT-20). HMT-IV, Kalamessary could not adhere to the delivery dates during 1971-72 mainly due to the labour troubles which had affected the production in that unit.

Even according to Audit observation, as on 31st March, 1970, the Company could not adhere to the delivery dates only in respect of 63 machines, the value of which amounted to Rs. 20.50 lakhs only. In any manufacturing organisation, it is not always possible to adhere very strictly to the delivery dates and the delivery dates will have to be rescheduled depending on various circumstances which affect production and despatch of the products. The customers also contribute to delay in adhering to the delivery schedules.

Considered as a percentage of total turnover, the value of machines which could not be delivered (340 machines valued at Rs. 150.90 lakhs) within the delivery date would represent only about 6.7 per cent of the total turnover. This would mean that the Company has been able to adhere to delivery dates to the extent of almost 93 to 94 per cent of the turnover. This should be regarded as a very satisfactory performance.

As already explained in Company's reply to para 8.60, the Company was carrying stocks as well as pending orders for various products. Certain machines had been kept reserved for customers against orders. The machines could not be despatched for want of completion of other formalities like payment terms, etc. Machines were also held on consignment stock abroad against export indent. Similarly, machines were held in showrooms and exhibitions for demonstration purposes. Machines held in the categories cannot be available as uncommitted stock for sale against other orders. The Company furnish the details of free stock held without orders:

(Rs. in lakhs)

Year ended		Percentage of value of production
31-3-1971	344·00	21·5%
31-3-1972	245·00	12·3%
31-3-1973	123·00	6·5%

It will be observed that the free stocks held without firm orders has been on the decline which indicates an improvement in the position. It is necessary to undertake the production of machines, more particularly standard machines, in anticipation of orders and it is not always economical to undertake the production of machines only after receipt of firm orders which would involve enormous delay in production and adherence to the delivery dates but also add to the cost of production.

It is, therefore, felt that there is no need for any further investigation as suggested by the Committee. The value of orders received for the year 1972-73 for machines amounts to Rs. 2122 lakhs which marks a significant improvement over the order position for the years 1966-67 to 1971-72. This improvement in the order position by and large is attributable to the various sales efforts made by the company during the previous years.

(Ministry of Heavy Industry O.M. No. 19-4|73-MT dt 7-11-73).

Recommendation (Serial No. 25)

The Committee find that out of the pending orders for 1285 machines (excluding consignment orders) as at the end of March, 1972, 340 orders could not be executed although the promised delivery dates had expired. As on 1st January, 1973, 106 orders valued at Rs. 43.99 lakhs were still pending execution. The Committee also find that orders worth Rs. 52.72 lakhs were cancelled as the Company could not supply the machines on the due date of delivery.

The delay in the execution of orders in respect of new products was stated to be mainly due to the initial production difficulties.

The Committee need hardly stress that the delay in the execution of orders acts as an inhibiting factor in securing further orders as well as in the cancellation of orders already secured. They recommend that effective steps should be taken by the Company to ensure that the delivery dates are adhered to.

The Committee note that during 1966-67 to 1971-72 orders worth Rs. 686.31 lakhs were cancelled. Besides delay in the delivery of machines, the orders were cancelled due to change in customer's requirement subsequent to placement of orders, financial difficulties faced by the customer, difficulties experienced by the customer in getting the projects sanctioned from Government, cancellation of letters of intent earlier booked as orders but later on removed as orders could not materialise for several reasons. The Committee feel that many of the problems quoted above could however be solved if the Government|Management had taken suitable steps at the appropriate time. Financial difficulties faced by customers due to delay in getting loans or difficulties experienced by the customers in getting the project sanctioned from Government can be solved by the Ministries concerned. The Committee recommend that appropriate steps to help the customers to lift the machines should be taken as soon as such difficulties come to the notice of Government| Management.

(Paragraphs 8.77—8.79).

Reply of Government

The Committee had to face certain unavoidable problems in the establishment of initial production of various new products including sophisticated and tooled up machines. Delivery of such sophisticated and specially tooled up machines tools is not completely in the hands of the manufacturers, since such machine tools can only be delivered after extensive trials which means that the customer is also deeply involved inasmuch as he has to make available the necessary trial components, his own inspectors etc., in time. In many cases, the customer himself was not able to make available trial components and inspectors which has contributed in a large measure to delay in adherence to the delivery schedule. The customers sometimes delay inspection of the machines at the Company's works. Where the delivery schedules cannot be adhered for reasons mainly of customers' faults, the Company cannot be held responsible for the same.

The delay in execution of 340 orders valued at Rs. 150.90 lakhs would represent hardly 6.7 per cent of the total turnover during 1971-72. This should be regarded as a very satisfactory performance keeping in view particularly the responsibility of the customers for such delays.

The value of orders cancelled due to non-adherence of the delivery dates by the Company amounting to Rs. 52.72 lakhs for the years 1966-67 to 1971-72 would represent hardly 1 per cent of the total turnover. The Company takes all possible steps to avoid cancellation of orders due to delayed delivery. The General Managers of the Units concerned are consulted before accepting the cancellation of such orders. The cancellations are accepted only in unavoidable circumstances where the customers are not in a position to wait and where the machines cannot be produced to meet the customers' delivery requirements.

As has alrady been explained, the cancellation of orders in such cases has not resulted in any financial loss to the Company and the Company has benefited as a result of selling such machines to other customers at higher prices ruling at the time of cancellation. Since the loss of orders due to delay in delivery is just 1 per cent of the total turnover, the Company does not regard it as an inhibiting factor in securing further orders.

The cancellation of orders for several reasons works out to 10 per cent of the total value of orders booked for the years 1966-67 to 1969-70 and to 8 per cent for the years 1970-71 and 1971-72. The percentage cannot be regarded as high more particularly in view of the abnormal conditions which prevailed in the country due to industrial recession.

The sales department is trying to liaise the customer with the financial institutions and bankers and also follows up with the Government the progress of issue of licences, letters of intent etc., to secure as many orders as possible. The Company has already indicated the steps taken by them to bring about improvement in the promotional sales scheme.

The Company is offering machines under the IDBI scheme and also under the Reserve Bank of India Bill Market Scheme to promote sale of machines. The Company also offers special terms of payment depending on the bulk nature of the orders and the financial standing of the firms to secure bulk orders to the extent possible. If, however, the customers change their plans over the earlier envisaged project|requirement of machine tools, it would be in a situation beyond the control of the Company and the Company cannot pursuade the customers in such cases to retain the orders. The Company cannot also take undue risks in solving the difficulties of the customers which may ultimately result in bad debts to the Company.

(Ministry of Heavy Industry O.M. No. 19-4-73|MT dated 7-11-73).

Recommendation (Serial No. 26)

The Committee are surprised to note that as on 31st March, 1972 the Company had in stock 1075 machines valued at Rs. 644 lakhs. Out of these 433 machines valued at Rs. 245 lakhs were without orders. It has been stated that 194 machines valued at Rs. 125 lakhs were manufactured in Unit III merely to utilise the idle capacity in that Unit. One hundred machines valued at Rs. 411.50 lakhs were not lifted by the customers during 1969-70 to 1971-72 due to financial difficulties. Among these customers mentioned by the management are the reputed firms with sound financial position. The committee fail to understand as to how the Company could not evolve a rational machinery for guarantee of payment from such customers. The Committee would like that the manufacture of 433 machines without a firm order for them should be investigated as the machines remaining unsold only block the Capital.

The Committee recommend that effective procedure should be evolved for ensuring prompt payment by customers who have placed firm orders. The question of imposition of penalty should be considered in the light of past experience. The Committee also recommend that the orders for the machines which were manufactured in anticipation of orders should be secured without delay so that undue accumulation of stock is evolved.

(Paragraphs 8.87-8-88).

Reply of Government

Some of the machines are to be produced in anticipation of demand, with a view to offer machines from ready stock. Production of machines in HMT III, Pinjore in anticipation of demand not merely helped in utilisation of capacity but also contributed to reduction of costs by reducing the idle capacity costs. Machines held in stock in such circumstances would also produce a better price in future due to revision of selling prices.

The bulk of the machines produced in that unit upto 31-3-1972 have already been sold. It should, therefore, be appreciated that there was nothing wrong in producing certain machines in anticipation of demand with a view to utilising of capacity and also to reducing the cost of production.

As regards the point that 100 machines valued at Rs. 411.50 lakhs were not lifted by the customers during 1969-70 to 1971-72 due to financial difficulties, it is clarified that there was delay on the part of the customers in lifting these machines due to financial difficulties. It is not that these machines were not altogether lifted by the customers subsequently.

The various aspects involved in the acceptance of the order including the payment terms are considered at the time of furnishing the quotation and also issue of Order Acceptance by the Company after receipt of the firm orders from the customers. The Company cannot evolve any system for guaranteeing the payment by the customers. The customers fail to adhere to the agreed terms of payments for several reasons including the financial difficulties they might have been put to subsequent to the placement of the orders. I would not be possible for the company to render any help in such situations and attract criticism for any bad debts. The Company cannot also insist on 100 per cent advance from the customers.

The value of 433 machines held as free stocks without orders amounted to Rs. 245 lakhs. This represent roughly 12 per cent of the total value of production. The value of machines in stock without orders was Rs. 123 lakhs as on 31st July, 1973. This marks a definite improvement over the position in the previous years. In any manufacturing organisation, production of various products has to be undertaken to meet not merely the firm orders but also the anticipated sales demand. It would not be possible to undertake production based on 100 per cent availability of orders. Adherence to such a system would not only hemper the production efforts but also result in higher cost of production.

Every precaution is taken regarding the terms of payment and other conditions at the time of issuing Orders Acceptance by the Company. However, if circumstances arising subsequently render adherence to those terms difficult by the customers, the company would not be able to render any help to the customers in such situations. If for example, the customer who has agreed to pay for the value of the machines through bank on proof of despatch fails to honour his commitments in clearing the documents through bank, it would be very difficult to force the customer to do so not a procedure can be evolved for such contingencies.

In the case of standard general purpose machines, the machines can always be reallotted from one customer to another without involving any financial implications to the Company. Imposition of penalty, may act severe inhibiting factor in securing further orders and hence may not prove beneficial to the Company. However, in the case of machines built specifically for a customer, the Company forfeits the advance received against the order in the event of cancellation of such orders.

As regards the concluding sentence of this para, the Company has pointed out the value of machines held without orders as on 31st July, 1973 was hardly Rs. 112 lakhs which has shown an improvement over the position during the previous years.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7-11-1973.]

Further Information called for by the Committee

It has been stated that the value of machines in stock without orders was Rs. 123.00 lakhs as on 31st March, 1974. Subsequently it has been stated (at page 64 of the replies) that "the value of machines held without orders as on 31st March, 1973 was hardly Rs. 112.00 lakhs". What is the correct position?

[Lok Sabha Secretariat O.M. No. 16-PU/73 dated 20-9-1974.]

Reply of Government

From the observation of the Committee on Public Undertakings, it is observed that there has been some typographical mistake in our replies which have been furnished to them earlier. The correct position is as follows:—

"the value of machines in stock without orders was Rs. 123.00 lakhs as on 31st March, 1973 and Rs. 112.00 lakhs is as on 31st July, 1973".

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated the 18th November, 1974.]

Recommendation (Serial No. 27)

The Committee find that throughout the past years (except in respect of Unit V for 1967-68 and 1971-72 and Unit III for 1968-69 and 1971-72) the actual sales were far less than the budget framed by the Company on the basis of the sales forecast. In Units III and V the sales performance was not even 50 per cent in 1966-67 of the sales budgets. It has been stated that the Sales Budgets had to be revised keeping in view the orders position and other relevant factors. It has also been stated that the shortfall in actual sales with reference to original estimates was also owing to the fact that the Company at the beginning of the financial year had to make somewhat enhanced sale budgets to fix the targets for sales field staff.

The Committee are not convinced with the arguments put forward by the Management with regard to fixing the sale budgets on the highside. They would like that realistic targets should be fixed keeping in view the order position and other relevant factors and the reasons for the non-achievement of targets should be analysed every year so as to improve the system of sales. Likewise export targets should also be fixed as realistically as possible keeping in view the sales prospects and the order position after a careful study of the export market. The Committee have already stressed the need to step up exports in order to fully utilise the capacity of the units of HMT and in order to bring about technical improvements in the machines tool industry in the country. The Committee would also stress that prices of machines for export should be competitive and delivery schedule of machines should be adhered to.

The Committee recommend that the Management/Government should keep themselves in touch with the other public sector undertakings in order to find out their perspective demand so as to ensure that orders are secured for HMT well in advance as it takes a lot of time in designing and in the development of skill for a job which is not already within the production profile of HMT. This will also to a great extent avoid such imports which are resorted to only in view of urgency.

(Paragraphs 8.101 to 8.103)

Reply of Government

The actual sales performance is quite comparable to the original sales budgets during the years 1968-69, 1970-71 and 1971-72 in HMT III, Pinjore during 1966-67 and 1967-68 in HMT IV, Kalamassery, during 1967-68, 1968-69 and 1971-72 in HMT V, Hyderabad. The sales performance was quite comparable to the revised budgets in all the units excepting HMT IV Kalamassery during 1971-72.

It was necessary for the Company to revise the sales budgets as well as the production budgets suitably keeping in view the order position and the need to control inventory of finished machines to the extent practicable. It is necessary for the Company to make somewhat enhanced sales budget at the beginning of the financial year to fix higher targets for the sales field staff with a view to not making them to put in their best efforts for the securing the maximum orders. But as the year progresses, more realistic and pepth survey of the order position is made taking into account several factors affecting the investment atmosphere generally and particularly in the machine tool use industry which cannot always be accurately anticipated by the company at the beginning of the year. Though all relevant factors known the time of formulating the original budgets are taken into consideration, it is not always possible to adhere to the original sales budgets keeping in view the production, demand position and other market conditions affecting the sale of the Company's products.

The Company should take note of the fact that in some cases, the revised sales budgets were higher than the original budgets which proves that the revision is made depending the changed circumstances.

The Company has already explained the reasons for shortfall in the export targets. In view of the changing economic conditions in the world market as well as other factors which cannot be anticipated at the beginning of the year it will be equally necessary to revise the original budgets though all known relevant factors are considered in fixing the original targets.

As regard the Committee's recommendations for stepping up of exports, the Company has already clarified the position in reply to the earlier paragraphs. As regards the competitiveness of their prices, Company has pointed out that every effort is made by them to keep its prices as competitive as possible.

The performance of the sales field staff in respect of orders booked periodically *vis-a-vis* the targets is being continuously reviewed by the sales department with a view to taking corrective action for ensuring better performance. The overall sales performance both inland and export is also kept under continuous review by the top management of the Company to take remedial action wherever necessary.

The Sales field staff as well as the senior officers of the sales department make periodical visits to the works of the prospective users including public sector undertakings with a view to obtaining maximum orders for the Company's products, and also to get an accurate idea of their future expansion plans.

Apart from this, the Company's Marketing Department continuously gather data and disseminate the same to the Top Management in the Marketing Department and as well as the field staff on the licences issued by the Government of India, so that advance contacts can be made with the prospective customers. The Marketing Department also gather and disseminate published data with regard to the Five Year Plans both Centre and State so that advance Planning is done in marketing and production efforts.

Apart from all this, as stated above, regular visits are made by the field staff as well as the Top Management of Marketing Division to major customers to continually review the requirements.

The sales performance of the Company is being reviewed every month by the Government.

[Ministry of Heavy Industry O.M. No. 19-4|74-MT dated 7-11-1973.]

Recommendation (Serial No. 28)

The Committee note that the selling prices are fixed in respect of (a) established machines with reference to cost of production and landed cost of equivalent imported machines; (b) machines manufactured out of Company's own design with reference to cost of production including venture allowance at a fixed percentage, and

(c) sophisticated and tooled up machines with reference to cost of production or landed cost equivalent imported machines and in all these cases, the prices are subject to the constraint of what the market can bear. The Committee have found that in regard to sophisticated machines, the selling prices in several cases did not cover even the factory cost of production and have thus resulted in loss. The Committee feel that with the experience now gained and the expertise acquired over a period of years, it should not be difficult for the Company to effect economies in working, improve efficiency and reduce the cost of production, so as to obviate the necessity of selling its products at less than the cost prices on the plea of "what the market can bear", and incur losses in transactions.

(Paragraph 9.6)

Reply of Government

The Committee's observations regarding the selling prices not covering the factory costs appear to have been made with reference to the position obtaining in respect of special purpose machines (*vide* para 9.31). It would, therefore, not be correct to make a general observation for all the sophisticated machines. The Company was passing through recession more particularly during the years 1966-67 to 1969-70 resulting in low order position and also under utilisation of capacity. It was also not possible to revise the selling prices during those years keeping in view the market constraints. There has been an improvement in the performance during 1970-71 and 1971-72. By and large selling prices were more than the cost of production during 1971-72 and 1972-73.

While every effort would be made by the Company to effect economies in working and improving the efficiency and productivity, the reduction in the cost of production is not fully within the control of the company, more particularly in view of the increased cost of procurement of raw materials and also increased wages. In an organisation manufacturing several products, it may not always be possible to market every product at a profit as after all the prices of products should in a way be related to the market conditions and the principle of what the market can bear. It is, therefore, necessary to view profitability from an overall angle and not with reference to each and every product.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7-11-1974.]

Recommendation (Serial No. 31)

The Committee note that while HMT have brought down the stock of raw materials and components, stores, spares, etc. from 7.3 months' consumption in 1966-67 to 6.3 months' consumption in 1971-72, the stock of finished goods in terms of value of sale has increased from 1.8 months' in 1966-67 to 3 months' in 1971-72. The increase has been quite appreciable from Rs. 523 lakhs in 1970-71 to Rs. 728 lakhs in 1971-72. As admitted by the Management, the closing stock of machines is slightly on the higher side and the value of machines held without orders as on 31st March, 1972 amounted to Rs. 245 lakhs. The Committee were informed that efforts were being made to reduce the inventory of finished goods to Rs. 5 crores by 31.3.1973. The Committee also find that 26 machines worth Rs. 10.51 lakhs are lying in stock for more than 3 years. The Committee are at a loss to understand as to why machines worth more than 2 crores were manufactured without any orders therefor and why 25 machines are lying in stock for over 3 years. The Committee recommend that this matter should be thoroughly investigated. The Committee are convinced as earlier observed in this Report that the production of the machines has not been related to the demand projections with the result that the Company has been accumulating stock for years unnecessarily leading the inventory. The Committee hope that the company would ensure that at least, in future, production of machinery would be related to the actual demands and assured off-take. The Committee recommend that the company should take suitable steps to clear the existing stock of finished goods as early as possible.

(Paragraph 10.5)

Reply of Government

Comparison of inventory holdings should be made with reference to the projected programme for the subsequent years as the inventory has to be planned in relation to such programme and not with reference to the consumption of the concerned year itself. In fact, the comparison of inventory holdings should be made with reference to the cost of production of the subsequent years.

Even according to the basis adopted in this para, there has been no improvement in stock holdings of raw materials, components, stores and spare parts and tools during 1972-73 (*i.e.* 5-6 months consumption). The work-in-progress was equal to 2—1 months value of production whereas the stock of finished goods came down to 2.2 months value of sale during 1972-73.

The inventory of finished goods as on 31st March, 1973 stood at Rs. 635.70 lakhs as against Rs. 730.67 lakhs as on 31st March, 1972 Excluding Tractors, Presses, and Printing Machines, the value of inventory stood at Rs. 567.77 lakhs on 31st March, 1973 as compared to Rs. 668.36 lakhs as on 31st March, 1972. It can, therefore, be seen that the inventory of finished stock of machines has been reduced by Rs. 1.00 crore during the year.

The value of machines held in stock without orders stood at Rs. 123 lakhs as on 31st March, 1973 and at Rs. 112 lakhs on 31st July, 1973 as against Rs. 245 lakhs as on 31st March, 1972. There has been therefore, an improvement in respect of machines held in stock without orders.

Out of 26 machines valued at Rs. 10.5 lakhs held in stock for more than 3 years, the Company has clarified that 4 machines valued at Rs. 1.50 lakhs were held in showrooms and exhibitions and the same cannot be considered as available for outright sale. As regards the balance machines the Company has since disposed of one machine. Efforts are being made to dispose of the balance machines also as quickly as possible.

The Company has already clarified the position in reply to the earlier paras regarding the production planning in relation to demand projection. The Company has been planning its production as far as possible to be sales oriented from time to time. It is, however, not possible to produce each and every machine based on firm orders as the same would not only be uneconomical but may not prove to be a wise policy. It is, therefore, necessary to produce standard general purpose machines in certain economic batches to reduce the cost of production and to hold stocks to cater to anticipated future demands.

This policy has by and large proved to be beneficial to the Company. As regards the Committee's recommendation regarding clearance of existing stock, the Company would like to point out that this is a continuous process and some stock is always bound to be carried in the books of the Company.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT dated 7-11-1974.]

Further Information called for by the Committee

What is the latest position with regard to the sale of 26 machines valued at Rs. 10.5 lakhs held in stock for more than three years?

[Lok Sabha Secretariat O.M. No. 16-PU|73 dated 20-9-1974.]

Reply of Government

As on 31st March, 1974 only one machine valued at Rs. 14,841 remained in stock out of 26 machines valued at Rs. 10.5 lakhs.

[Ministry of Heavy Industry O.M. No. 19-4/73-MT Dated 18-11-1974.]

Recommendation (Serial No. 32)

The Committee note that the value of slow-moving and non-moving stores as on 31-3-72 is of the order of Rs. 45.26 lakhs out of which stores of the value of Rs. 26.23 lakhs have not moved for over 3 years. The Committee are of the view that this situation would not have arisen if only purchase of stores had been made on the basis of actual requirements of production. The Committee recommend that the stores should be reviewed and items really surplus to requirements should be identified and disposed of in the best interests of the company, as accumulation of these stores is only blocking the capital. The Committee recommend that a thorough review of all the slow-moving|non-moving stores should be undertaking immediately reasons for slow|non-moving analysed and suitable remedial measures taken to prevent recurrence of the same. The Committee also recommend that stores really surplus to requirements should also be identified and action taken to transfer them to other public undertakings where they may be useful.

(Paragraph 10.9)

Reply of Government

The following factors will have to be kept in view while commenting on the slow-moving and non-moving stores:—

(i) Difficulty in procurement of basic and critical materials and lead time required by the suppliers for imported and indigenous materials.

(ii) The necessity to maintain buffer stock of certain basic and critical raw materials to avoid production hold up for want of materials to the extent possible.

(iii) Changes in production programme from time to time particularly during the recession years.

(iv) Need to maintain certain stock levels of tools and instruments, particularly long delivery indigenous and imported items to avoid production hold up for want of such items from time to time.

(v) The frequent increase in the price of raw materials and other stores items which had the effect of inflating the values without corresponding increase in physical terms.

(vi) Need to maintain stocks of maintenance stores.

As a matter of fact, procurement of materials is planned only on the basis of the planned production requirements. But due to the unavoidable changes in production programme the materials may subsequently become slow moving or non-moving based on time factor and the same does not tantamount to stocks becoming obsolete or unusable.

It is not possible to accept the view that the situation would not have arisen if only purchase of stores had been made on the basis of actual requirements of production. If the Company has to follow this policy the same may act as a deterrent to better production performance. It is not possible to procure basic and critical materials at short notice either from the indigenous sources of supply or by import of the same. It is, therefore, necessary to maintain stock of certain critical items with a view not to hamper production and maintenance works, which will have more serious consequences than carrying certain stores items as slow non-moving stocks. The Company has a system of preparing lists of slow-moving and non-moving items periodically and the lists are being constantly reviewed. In any manufacturing organisation it is not probably possible altogether to avoid the emergence of certain slow-moving stores items. As a matter of fact, item considered as slow-moving mainly with reference to the time factor in one year may not remain as slow-moving during the subsequent period also. Items which are considered as slow-moving and non-moving and|or surplus are being transferred from one unit to another unit of the Company depending on their requirements.

In the past the Company had also furnished lists of items which can be spread to other public undertakings. Items really found surplus are also being offered for sale to outside the Company. The value of slow-moving items was just 5.5 per cent of the total inventory holding and that of non-moving items 3.2 per cent of the total inventory holdings, which is quite insignificant and hence does not call for any special review.

[Ministry of Heavy Industry O.M. No. 19-4|73.MT. dt. 7-11-73.]

Recommendation (Serial No. 36)

The Committee find that according to the Detailed Project Report as approved by Government in June, 1970, the Watch Factory II at Banglore was to cost Rs. 416 lakhs. This was later revised to Rs. 421 lakhs It has now been stated that the estimates are again likely to increase by Rs. 23 lakhs due to additional cost to be incurred in respect of Plant and machinery and payments towards licence rights based on the current exchange parity rates and customs duty.

The original estimates of Rs. 425 lakhs in respect of Watch Factory III at Srinagar has been revised to Rs. 470 lakhs. The increase in estimates is due to statutory increase in prices for construction steels, increase in custom duty, revaluation of currency by Japan & Switzerland, unforeseen inland costs for transportation, local taxes, duties and certain unforeseen items of expenditure as a result of the recent war.

The Committee feel that delay in the construction and commissioning of the projects is a major factor contributing to the increase in the original estimates. The Committee would like Government to ensure that the estimates are prepared accurately in the first instance and that the completion of the Projects are not delayed as it results in substantial increase in the expenditure and ultimately effects the profitability. (Paragraphs 11.53—11.56).

Reply of Government

The increase in the project cost is mainly due to statutory levies, and revaluation of foreign currencies. The project cost has been estimated as accurately as possible with reference to the prices prevailing at the time of compilation of detailed project reports.

Even accoridng to Detailed Project Report the capital expenditure of Srinagar Watch Factory has been phased between 1970-71 to 1975-76 and of Banglore Watch Factory expansion between 1970-71 and 1974-75. In view of this phased programme, the extra costs which may arise due to variations in statutory levies and rates of exchange, etc. are unavoidable. The technical assistance fee is payable to the foreign collaborator over a period of years as per the Technical Collaboration Agreement and the time is not in any way related to the completion of the project. The extra expenditure on this account due to variations in the rate of exchange is also unavoidable. In view of the position explained above, increases in project cost may become unavoidable even if the projects are comleted according to the time schedule.

[Ministry of Heavy Industry O.M. No. 19.4|73-MT. dt. 7-11-73.]

Recommendation (Serial No. 38)

The Committee find that the selling prices for the watches manufactured by HMT were originally fixed at Rs. 89, Rs. 94, and Rs. 99 respectively for janta, citizen and Sujata types of watches. There have been an upward revision in prices on three occasions and the price of each category of watch is Rs. 23 more than original price.

The Committee recommend that concerted efforts should be made to reduce the cost of production so that there is no occasion to increase the prices further. (Paragraphs 11.76—11.77)

Reply of Government

The Cost of production during 1964-65 and 1965-66 was higher than the cost of production for the subsequent years due to higher import content in the watches. The Company reached the contemplated indigenous content of 84 per cent from 1966-67 onwards. Further during 1964-65 and 1965-66, custom duty on watch components was charged at 110 per cent which was subsequently reduced to 100 per cent thus reducing the cost of production in the subsequent years. The cost of production also progressively reduced with the factory production increased number of watches.

Increase in expenditure in technical assistanee fee and interest on yen credit due to devaluation of the Rupee is not included in the cost of production figures as the same are charged off directly in the financial accounts. In revising the selling prices the Company has given due consideration to the increase in expenditure due to devaluation in respect of imported components, interest on yen credit, technical assistance fee, etc. as the prices are expected to absorb fully, the increase in such costs also.

If the prices had not been revised periodically the rate of profit on turnover and the quantum of profit would have been substantially reduced compared to the anticipated returns. While considering the profits earned by the Watch Factory, the company should bear in mind the fact that if dealers for marketing the watches had been appointed, dealers commission would have been substantial of the selling prices. Since the Company is marketing the watches mostly through its own Sales and Servicing Centres spread over the country, the dealer commission has rightly been retained by the Company which again cannot be passed on to the consumer merely because the watches have been marketed directly by the Company.

In dealing with the pricing policy in a multi-unit organisation producing multiple products, due regard will have to be given not merely to the profitability of the concerned unit but also to the overall profitability of the Company as a whole. The losses which the company might suffer in a specific product or products due to several constraints will have to be made good in other products where the prices can be increased with advantage but without affecting its marketability. It may also be pointed out that the various efforts which the Comapny might initiate for reducing the cost of production by improved efficiency, productivity etc., can always be neutralised or even negatived by uncontrollable costs like increase in material prices,, wage costs, etc. In the circumstances it is considered that it will not be possible to commit that there will be no occasion to increase prices further.

[Ministry of Heavy Industry O.M. No. 19.4|73-MT. 'dt. 7-11-73.]

Recommendation (Serial No. 41)

The Committee find that whereas the Company incurred a net loss of Rs. 154.53 lakhs during 1967-68 to 1969-70, it showed a net profit of Rs. 53.34 lakhs and 122.51 lakhs during 1970-71 and 1971-72 respectively. The Committee, however, note that it is the watch factory that has mainly and substantially contributed towards profitability and economic viability of HMT. As against the total profit of Rs. 9.53 crores made by the watch factory, during 1966-67 to 1971-72, the machine tool units incurred a net loss of Rs. 9.42 crores during this period. The bulk of the loss was contributed by Unit IV (Kalamassery) and Unit V (Hyderabad). Unit IV incurred a loss of Rs. 312.84 lakhs during 1967-68 to 1971-72 and Unit V incurred a loss of Rs. 467.52 lakhrs during 1966-67 to 1970-71. Recession in the country resulting in low order position increase in the expenses on salaries, wages and other expenses particularly the interest liability from year to year and the expenditure incurred on excess staff resulting in high cost of production, disturbed industrial relations resulting in strike and lock-out have been cited as the reasons for the losses in the machine tool units.

As explained in the preceding Chapters of the reports, the Committee need hardly point out that there has been lack of proper planning right from the beginning in not having made a clear and realistic assessment of the demand for the various types of machine tools in the country, not fixing the capacities of the units on a scientific basis taking into account the relevant factors affecting production, not improving the productivity and labour efficiency resulting in high cost of production, in not having a broad blue print for diversification etc.

The Committee have at the relevant time made suitable recommendations in order to increase the productivity and production performance of HMT. They hope that the recommendations will be considered and implemented by the Government|Management in the best interest of HMT.

The Committee also hope that with the remedial measures already introduced by the Management, it should be possible to improve profitability of HMT and maintain its dominant role as producer of machine tools in the country.

Reply of Government

The cumulative loss of Rs. 942 lakhs referred to in this para is inclusive of the interest on Government of India loans amounting to Rs. 477 lakhs for the year 1966-67 to 1971-72.

During the major part of the period covered by the review, the country was passing through a severe economic recession which had severely hit the order position of the Company and have resulted in substantial under utilisation of capacity. It should not be correct to draw any conclusions regarding the performance of the Company merely with reference to such monetary losses during this period, the company has made substantial break through in machine tool technology by diversifying the range of production including the manufacture of highly sophisticated and tooled up machines. The Company had also developed new product of its own design thereby avoiding import either of the machines or of know-how for the manufacture of machines. The Company have also obtained technical know-how for a number of products without involving any payment of know-how fees or royalty.

As a result of production efforts of the Company, it was possible for various machine tool using industries in the country to step up their own production more particularly in the field of automobiles, tractors, etc. The Company had made a very significant contribution to the 'Defence' efforts by supplying several sophisticated machines. The Company had also made its contribution for development of small scale sectors by supplying machine tools to the small scale entrepreneurs. It is, therefore, right to say that HMT has produced 'Mother' machine to produce other machines.

The production of machine tools by the Company has, therefore, made a substantial contribuition to the growth of national economy which should not be measured in terms of certain monetary losses which the Company had to suffer mainly for circumstances beyond its control. It is only to improve the overall profitability that the Company has undertaken the manufacture of watches, tractors, Printing Machines, Heavy Duty Presses, etc. The profitability will, therefore, have to be considered from the overall angle and not with reference to the profits earned by each product and|or with each unit of the Company.

The country was passing through a period of recession which resulted in low orders and under utilisation of capacity for the company. Continuous diversification of the products also has affected labour efficiency. The higher cost of production was also due to circumstances beyond the control of the Company such as under utilisation of capacity increase in material costs, wage cost, etc. The labour agitations also had their own impact on loss of production.

No other single machine tool manufacturer in the world has diversified into such a wide range of machine tools as has been done by the Company. This has been done mainly with a view to help the nation to achieve self-sufficiency and save foreign exchange. The profits of the Company during 1972-73 were seriously affected due to labour agitations in HMT I & II, Bangalore resulting in a loss of production plan for 1973-74, the Company expects a net profit of Rs. 263 lakhs subject to prevalence of labour peace. This profit, however, does not take into account the additional wage cost which the company has to incur due to revision of the wage structure which is now under negotiations with the labour unions of the Company.

[Ministry of Heavy Industry O.M. No. 19.4|73-MT. dt. 7-11-73.]

CHAPTER IV

Recommendations in respect of which replies of Government have not been accepted by the Committee.

Recommendation (Serial No. 13)

The Committee find that during the years 1966-67 to 1971-72 the production performance of Unit IV at Kalamassery has been far from satisfactory and the shortfall in production ranged from 30 per cent to 58 per cent of the developed capacity at 1.3 inefficiency factor. The shortfall has been stated to be due to reduction in the production of a number of Pilot Lathes Drum Turret and low value LT lathes. The Committee were informed that the Unit did not have the full capacity to manufacture some of the accessories and most of the machines were to be supplied with Tooling which had to be designed etc. The Committee are at a loss to understand how the production programme was determined when adequate facilities were not arranged nor the expertise for them developed in advance of taking them for production. It was only in 1971 that a Committee was constituted and certain suggestions for improving the performance of the unit were made which after approval by the Board in 1972 are being implemented. The Committee take a serious view of this defective and inadequate planning which has resulted in continuous loss, and suggest that this matter should be thoroughly gone into and responsibility fixed.

The Committee hope that with the balancing equipment now added the measures taken, it should be possible to achieve the targets of production.

The Committee would also stress that steps should be taken early to resolve the problems affecting industrial labour relations so that production in the Unit is improved.

(Paragraphs 6.24—6.26)

Reply of Government

It is not possible to establish the production of new machines including highly sophisticated machines like Pilot Lathes, Drum Turrets, etc., without facing any initial production problems. A number of production problems both technological and manufactur-

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ing which arise at the shop floor cannot always be anticipated in advance and they have to be solved as and when they come to notice in the course of production. The Company does not have full facility for manufacturing some of the accessories in its own shops and that before establishing indigenous production of accessories and certain imported components, extensive trails are necessary to achieve the required standard of performance. They had to establish outside sources for some of the items and it was a difficult and time consuming process to establish indigenous sources in view of the limited facilities available in the country for manufacture of the same to rigid standards and accurate performances.

It would not have been a wise policy to defer altogether the production of the machines till all the sources of supply are fully established. In some cases, even if sources of supply are established, the Company has to solve the problems of quality and performance only after receipt of such items at the works and|or after noticing the defects in the course of manufacture or in the course of trial performance of the machines.

Expertise for the manufacture of sophisticated machines in the form of development of skills and efficiency of personnel is a gradual process and can be achieved gradually only in actual production processes. It is not possible to have any arrangement for acquiring such expertise more particularly skills and efficiency of workmen in advance of production.

Inspite of several difficulties the Company has been able to achieve the production of these sophisticated machines and has also been able to overcome most of the difficulties. If, on the other hand, the Company had waited for every thing to be ready before commencement of the production or formulation of production programme for the same not only the Company would have been put to a loss due to under-utilisation of capacity but the country would also have suffered by the continued import of these products.

Copying lathes and Drum Turrets are required to be tooled up to suit individual customer requirement and hence, the tool design and manufacture of tooling has to be undertaken as and when required and cannot therefore, be pre-determined and standardised. As the main reason for lower production performance and consequent working losses was economic recession which had seriously hit the prospects of the Company, no useful purpose would have been served if such a depth study had been conducted earlier during the recession years.

HMT IV, Kalamassory went into commercial production during 1965-66 and HMT V Hyderabad during 1966-67. Unless the trend of working at least for a period of 5 to 6 years was known, therefore, would have been no scope or material for conducting and depth study of the type attempted by the Company subsquently but at the earliest opportunity.

The decision of the Company to establish new machine tool factories was based on the estimated demand for the machine tools during the 3rd plan period. From the statistics of production and sales during the year 1962-63 to 1965-66, it can be seen that the Company was able to market almost all its entire production. HMT V. Kalamessary achieved the best performance during 1966-67. The poor production performance in 1967-68 was due to labour troubles. The performance during the subsequent years was also hit by recession. In fact, the cumulative production and sales performance of this unit was quite comparable to the cumulative orders received upto 31-3-1973. It can, therefore, be seen that there was no defective or inadequate planning.

It can be mentioned in this connection that during 1972-73 the value of production of machine tools worked out to Rs. 390.00 lakhs and printing machines to Rs. 25.00 lakhs in HMT IV, Kalamassery. The Company have also provided a sum of Rs. 20.82 lakhs for procurement of plant, machinery and equipment during 1973-74 in the capital budget of the unit. The planned production target for this unit for 1973-74 is fixed at Rs. 489.00 lakhs for machine tools and Rs. 114.00 lakhs for printing machines. It can be seen from these statistics that the performance of the unit during 1972-73 has shown a more significant improvement and will improve further during 1973-74.

The unit has achieved a good production performance during 1972-73, and according to the production targets set for 1973-74 there would be a further substantial improvement in the production performance of this Unit. According to the budgetary plan for 1973-74 the working results of this unit are expected to show a profit of Rs. 13.84 lakhs.

The Company have already been negotiating with the various unions of the Company to arrive at a new wage settlement. While the Company could do every thing possible to have peaceful labour conditions it cannot achieve any success unless the labour unions also respond favourably and co-operate in maintaining labour peace and thereby help to achieve better production and profitability.

[Ministry of Heavy Industry O.M. No. 19-4|73-MT. dt. 7-11-73]

Further information called for by the Committee

What was the production performance of Unit IV at Kalamassery during 1972-73 and 1973-74 and what were the working results during these years? It is seen that the Company had been negotiating with the various Unions to arrive at a new wage settlement. What are the results of the negotiations? How far it has been possible to achieve peaceful labour conditions and how far it has been possible to achieve better production and profitability?

(Lok Sabha Sectt. O.M. No. 16-PU/73 dt. 20.9.74).

Reply of Government

The Production performance and the working results achieved by HMT IV, Kalamassery are as follows:

(Rs. lakhs)

Year	Production	Working Results
1972-73	390·00	(-)32·65
1973-74	300·00	(-)102·46

The Joint Negotiating Committee of HMT after successfully negotiating a company Level Settlement on 11-2-1974 on the issue of minimum wage and Dearness Allowance for the workers submitted the proposal for the approval of the Government and the approval has since been accorded on 22nd October, 1974. According to this settlement the minimum wage as on 1-10-1973 will be Rs. 325/- per month as under:—

	Rs.
Basic Wage	200·00
Dearness Allowance . .	100·00
House Rent Allowance (for those who are not provided with Company quarters)	25·00
TOTAL .	325·00

The DA of Rs. 100/- is linked to the quarterly average (local consumer price index, Simla Series, 1960—100 as base) for the quarter April-June 1973, at respective places. This DA is adjusted every quarter at the rate of Rs. 1.30 per point of variation in the base levels of the said Consumer Price Index for the respective places.

The signing of this settlement resulted in the preservation of the industrial harmony and enlisted the cooperation from the Union leaders and the employees during the vital two months—February and March of the financial year 1973-74, in which period the production drop was made good by over Rs. 4.00 crores.

(Ministry of Heavy Industry O.M. No. 19-4/73-MT dated the 18.11.74)

Recommendation (Serial No. 14)

The Committee regret to note that Unit V of HMT which was mainly set up to meet the demand for special purpose machines and Fay Automatic could not get adequate orders for these machines to utilise its capacity. The orders secured could not be executed in time due to lower level of labour efficiency. Even a period of five years was considered inadequate for developing the officiency and skill required for the manufacture of so histicated machines and overcoming the initial production problems. The Committee further note that the agreement with M/s. Renault could not be fully exploited as the design techniques formed by RNUR could not be adopted for the requirements of SPM in India Renault contemplated manufacture of substantial number of special purpose machines designed for automative use and the demand for special purpose machines for automotive use did not materialise.

The Committee are at a loss to understand as to how the collaboration agreement with Renault was entered into without taking into account the technological requirements of sophisticated machines in India. They regret to note that this serious matter was not thoroughly investigated and recommend that it should now be gone into and responsibility fixed for such defective agreement with M|s. Renault. The Committee would like to be kept informed of the action taken in this regard.

The Committee were informed that HMT are now in the advanced stage of negotiations with an American firm M/s. Cross Company in order to improve their technology and in order to get orders from the international market for special purpose machines.

The Committee recommend that the implications of the proposed agreement with M/s. Cross and Company should be carefully examined so that the mistakes in the earlier agreement with Renault are not repeated.

The Committee further note that out of the machines already installed machines worth Rs. 1 crore need replacement as they were not capable of giving the required accuracy. Some of them could not even be reconditioned. The Committee fail to understand as to why such machines were accepted without proper examination| verification of their capabilities. The Committee recommend that this matter should be probed into thoroughly and the responsibility for the lapses fixed.

The Committee are unhappy to note that Government/Management are not following any fixed pricing policy with regard to the sale of Special Purpose Machines. The Committee feel that HMT with all the technological advantage and the experience should be able to produce the machinery at economic cost. The Committee hope that with the procurement of export orders, it should be possible to increase their production and reduce the cost of production so that price may be competitive. (Paragraph 6.48—6.54).

Reply of Government

By the time HMT V, Hyderabad went into commercial production, the country was in the midst of severe economic recession which had severely hit the order prospects for the company. The order position during the recession period was of a low order. The demand for special purpose machines which are basically used in mass production applications depended mostly on the growth of mass production industries like Automobile industry was low, there was lack of adequate demand for these machines. The factory commenced production with the manufacture of special purpose machines an subsequently Fay automatics and Horizontal boring machines were added to the production range of this unit under the diversified programme.

There has been an improvement in the order position from 1970-71 onwards as can be seen from the following statistics:

	Order received	(Rs in lakhs)	
	Machine Tool	Presses	Total
1970-71	289	42	331
1971-72	326	241	567
1972-73	447	177	624

During 1972-73 the value of production achieved by this unit amounted to Rs. 438 lakhs consisting of machine tools Rs. 360 lakhs. According to the production plan for 1973-74, the value of production for this unit is estimated to be Rs. 590 lakhs made up of machine tools Rs. 440 lakhs and presses Rs. 150 lakhs.

The Committee has observed that the orders secured could not be executed in time due to lower level of labour efficiency. All the 293 machines referred to in para 8.63 and 3.40 machines referred to in para 8.67 of the CPU report relate to machines produced in HMT I & II, III and IV only. In other words, there were no such cases in HMT V, Hyderabad. There was also no cancellation of orders for machines relating to HMT V, Hyderabad for reasons of delayed delivery.

As the special purpose machines are to be manufactured to suit the individual customer requirement, the same does not admit itself fully to the batch production techniques as in the case of standard general purpose machines. Each and every special purpose machine involves designing and manufacture of machines and tooling individually to suit the customer requirement. Hence the manufacture of SPMs calls for much superior designing, engineering and production expertise and the build up of requisite expertise in this behalf at least a minimum period of 7 years.

As regards Renault Agreement, M/s. RNUR supplied to the company complete design and design data for standard units, rotary tables, linear tables, transferline elements, boring heads, etc. They also gave design guidance in electrical control circuits and electrical equipment for some machines. Details of production methods for compressor blades, racks for boring bars, bronze nuts were supplied by them. They also furnished clarifications on various technical matters as and when required. They trained HMT engineers in different fields during the period November, 1961 to October, 1967. They regularly sent technical data sheets, reference sheets, standards sheets for cutting tools, machine elements, electrical and pneumatic equipment, etc. Through RNUR, to a large extent, the company was able to keep pace with the development in special purpose machine building in Europe.

Design techniques followed by RNUR could not be adopted in toto as SPMs are required in India for medium rate of production and have to be tooled up for more number of components. The various other factors like manufacturing facilities and skills available in the customers' work, import substitution, raw materials, etc., had to be taken into consideration by the Company in designing the SPMs. To effect economies in production, HMT had to restrict to the use of linear tables with perpendicular motor fee mechanism. HMT had also developed gear boxes for standard boring units and special integral bed with guideways for milling machines. They apreached RNUR in critical areas like cutting tool problems regarding surface finish, tool life and tolerances, coolant supply, ship disposal and precision positioning. HMT V, Hyderabad, could not get much benefit under the agreement since the manufacture of these machines commenced at Bangalore in the beginning and the RNUR experts had been deputed to Bangalore. It will, however, be seen that RNUR had given HMT all possible assistance.

The Government have carefully considered the observations of the Committee about how the collaboration agreement with Renault was entered into without taking into account technological requirements of sophisticated machines in India. The fact, however, remains that this agreement did help HMT to keep pace with the development of special purpose machine building in Europe. It has also to be appreciated that technology for SPMs has been very rapidly expanding and it would not be right to depend only one type of technology. As regards the specific point as to how the RNUR design techniques could not be adopted to suit medium rate of production in India and as to how this was not thought of earlier, Government are examining the position closely with a view to ascertaining as to how those difficulties were not anticipated by the Company in time. The correct position will emerge only the company submits a report on the basis of a detailed proble into the whole matter.

The circumstances under which machinery which have now come up for replacement were purchased originally have already been indicated in para 6.44 of the Report. Due to difficult foreign exchange situation, the Government could not find free foreign exchange to the Company for making purchase of imported plant and machinery. The Company was required to make purchase under foreign credits allocated by the Government and it became necessary for the Company to make the best choice out of the available limited sources due to constraint of foreign exchange. Apart from this, it was also decided at that time to transfer some surplus machinery from the other units of the Company to this unit with a view to reducing the idle capacity in these units. Even if these machines had been retained in their original units, the same would have come up for replacement due to ageing factor.

It can be appreciated from the position explained above that subject to the limiting factors then prevailing, the decisions were taken in the best interest of the Company. Though the unit started manufacturing special purpose machines, Company has now added new products like Fay Automatics, Horizontal Boring Machines, etc.

which also need high precision plant and machinery since the accuracies called for in these machines are much closer than the accuracies required for SPMss. The replacement of plant and machinery worth Rs. 1.00 crore has now been suggested by the Committee after reviewing the present requirements.

The pricing policy followed in respect of the manufacture of SPMs is as follows:—

> "As the manufacture of SPMs is one off and as each machine differs from the other, the method of 'Block Estimation' has been adopted in place of usual and conventional way of detailed estimation. The machine is divided into distinct blocks such as standard units, special items, toolings, auxiliary equipment, assembly, etc. The standard costs of these blocks have been calculated in respect of completed machines. The estimates are prepared on the basis of these standard costs adjusted to the individual characteristics/requirements of the machine under estimation. The standard costs are being periodically reviewed keeping in view the increase in material costs."

Actual costs of machines completed and the current rates for materials are furnished to the Estimating Section so as to enable them to use the latest costs in the estimation. The estimate also includes provision towards 'Uncertainly Reserve.'

The prices also contain an escalation clause as follows:—

> "The prices quoted are tentative and are likely to vary by 5 per cent at the time of submitting the design layouts for approval. For supplies made beyond 18 months from the date of order, the prices shall be subject to escalation for variations in material and labour costs exceeding 3 per cent. The contract price shall then be amended accordingly."

In view of the fact that the special purpose machines are to be customer built to suit the specific needs and requirements of each customer, it is not possible to have any standard price for special purpose machine.

This policy has been followed consistently during all the previous years. The prices quoted by the Company for the SPMs have been competitive when compared with the prices of equivalent machines quoted by other manufacturers in the country. The prices are below the landed cost of similar machines imported from country like West Germany and America.

As has already been explained, HMT V, Hyderabad, faced the problem of under utilisation of capacity due to economic recession. The cumulative loss suffered by this unit on the manufacture of special purpose machines for the period upto 31-3-1970 would have amounted to Rs. 62,000/- only, if the capacity under utilisation cost is excluded. The position for 1970-71 and 1971-72 is indicated in para 9.35 of the Report.

During 1972-73, the Company has not suffered any loss in the manufacture of SPMs as the cost of production in each and every case was below the ceiling price. The loss suffered by this unit during 1972-73 amounted to Rs. 53.85 lakhs which shows a reduction as compared to the position during 1967-68 to 1971-72. With still better production performance during 1973-74 as per details given in reply to para 6.48, the estimated loss for 1973-74 would be Rs. 32 lakhs which would show a further improvement in the overall position of the working of the unit.

It can, therefore, be seen that there has been an improvement in the working of this unit.

(Ministry of Heavy Industry O.M.19-4|73-MT dt. 4-1-74.)

Further Information called for by the Committee

It is seen that Government were examining the position closely with a view to ascertaining as to how the difficulties were not anticipated by the Company in time with regard to the agreement with Messrs Renault and that the correct position would emerge only when the Company submitted a report on the basis of a detailed probe into the whole matter.

Whether the report has since been submitted? If so, what are the findings and what action has been taken by Government on the basis of the detailed proble?

(Lok Sabha Sectt. O.M. No. 16-PU/73, dt. 20.9.74).

Further Reply of Government

The matter is still under consideration.

(Min. of Heavy Industry O.M. No. 19-4/73-MT dt. 18.11.74).

Recommendation (Serial No. 30)

The Committee regret to note that out of 250 SPMs manufactured in the Unit V upto 1971-72, the Company incurred losses agregating Rs. 71 lakhs in respect of 123 machines (about 50 per cent of the total) and in 50 cases the Company could not even recover the factory costs, and the loss on this account alone amounted to Rs. 18.44 lakhs. The Committee find that the losses were mainly due to estimates not being realistic taking into account the actual inefficiency, designing and engineering difficulties etc. The Committee suggest that the reasons for the losses should be more critically analysed and suitable remedial measures taken to effect economies in cost of production by improving efficiency and maximising output. The Committee also suggest that preparation of estimates and system costing should be on scientific lines and on realistic basis so that a comparison of actual cost with estimates is always possible to locate the areas of deficiencies and to enable the management to take timely corrective action. (Paragraph 9.36).

Reply of Government

The Government wishes to submit respectfully here that the losses arose in this sphere primarily due to the under-utilisation of capacity and that the selling price more or less matched the cost of production of such SPMs. The Company has also clarified that the actual losses were investigated with reference to the estimates prepared earlier and corrective action was taken to the extent possible while submitting the future quotations. The main reasons which contributed to the loss in production of SPMs was under utilisation of capacity and not the selling price policy as such.

The Company are in the process of increasing the standardised content of SPMs to have a better cost control and also to prepare estimates comparable with actual cost data after obtaining a high degree of standardisation. Each SPMs is customer built and does not admit itself to the mass production techniques. The efficiency of workmen is, therefore, bound to fluctuate machine to machine until a high degree of standardisation. Each SPMs is customer built and does not admit itself to the mass production techniques. The efficiency of workmen, is, therefore, bound to fluctuate machine to machine until a high degree of standardisation in respect of components is achieved which again is a gradual and time consuming process. The cost reduction due to improvement in efficiency and maximisation of output can be negatived by higher costs due to the inflationary conditions.

(Min. of Heavy Industry O.M. No. 19-4/73-MT dt. 7.11.73).

NAWAL KISHORE SHARMA

Chairman

Committee on Public Undertakings.

NEW DELHI;

February 17, 1975

Magh 28, 1896.

APPENDIX I

(*Vide Recommendation No.* 33 *p.* 37)

Purchase of additional Balancing Machines for Watch Factory

Sl. No.	Description of Machinery	Date of request for FE AND IL.	Import Licence No. and Date.
1	2	3	4
1	Decorating Machine (Sun Ray) for Watch Dials—1 No.	Secl. F-4 (1966-67) dated 18-4-1966	G/AU/1029272/C dated 29-9-1966
2	Decorating Machine (Record Type, for Watch Dials—1 No. . . .	,,	,,
3	Nikon Stereoscopic Miscroscope type SM-5 & SM-1—20 Sets . . .	,,	,,
4	Wet Abrassive Blasting Machine—1 No.	,,	,,
5	Nikon Measure Scope-Set	,,	,,
6	Apparatus for Testing Water Proof Watch Cases—1 Set . . .	,,	,,
7	Bergeon & Die sinking Machine—1 No.	,,	G/AU/1033125/C dated 10-8-1967
8	Autelca Revitting Machine—1 No.	,,	,,
9	Cam Micrometer—1 No.	,,	,,
10	Hausar Wheel Trueing Machine—1 No.	Secl. F-4 (1966-67) dated 18-4-1966	G/AU/133125/C dated 10-8-67
11	Hauser Wheel Trueing Machine—1 No.	,,	,,
12	Citizen Cam Farming Machine—1 No.	,,	A/AU/1034633/C dated 8-1-69
13	Nerfos Torque Testing Machine—1 No.	Secl. F-4 (1966-67) dated 18-4-1966 Secl. F-4 (ii) dated 16-12-1967	C/CG/2027845 dated 8-1-69 ,,
14	Grinder Spiomatic Hair Spring Vibrator—1 No.	Secl. F-4 (1966-67) dated 18-4-1966 Secl. F. (ii) dated 16-12-1967	,, ,, ,,
15	Aciera Gang Drilling Machine—1 No.	,,	,,
16	Hauser Type Measuring Machine—1 No.	,,	,,
17	Technical Type Vertical Milling Machine—1 No.	,,	,,
18	Strausak Automatic Milling Machine	,,	,,
19	EUAG Universal Grinding Machine	,,	,,

Issued from File No. 19/4-73/MT dated 12-11-1973.

APPENDIX II

(*Vide Para* 5 *of Introduction*)

Analysis of action taken by Government on the recommendations contained in the Thirty-eighth Report of the Committee on Public Undertakings (Fifth Lok Sabha).

I	Total number of recommendations made :	45
II	Recommendations that have been accepted by Government (*vide* recommendations at S. Nos. 2, 3, 5, 7, 8, 9, 10, 11, 18, 19, 23, 29, 33, 34, 35, 37, 39, 40, 42, 43, 44 & 45)	22
	Percentage to total :	49%
III	Recommendations which the Committee do not desire to pursue in view of Government's reply (*vide* recommendations at Serial Nos. 1, 4, 6, 12, 15, 16, 17, 20, 21, 22, 24, 25, 26, 27, 28, 31, 32, 36, 38 & 41:	20
	Percentage to total :	44%
IV	Recommendations in respect of which replies of Government have not be accepted by the Committee (*vide* recommendations at Serial Nos. 13, 14 and 30)	3
	Percentage to total :	7%

MGIPND—LS II—3007 LS—26-2-75—1375.