

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1974-75)**

(FIFTH LOK SABHA)

FIFTY-NINTH REPORT

**Action taken by Government on the recommendations
contained in the Forty-seventh Report of the Com-
mittee on Public Undertakings (Fifth Lok Sabha)**

MODERN BAKERIES (INDIA) LTD.

**MINISTRY OF AGRICULTURE
(Department of Food)**



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1975/Phalgun, 1896 (S)

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COMMITTEE ON PUBLIC UNDERTAKINGS

(1974-75)

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3. Shri T. H. Gavit
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5. Shri Krishna Chandra Halder
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21. Shri S. G. Sardesai
22. Pandit Bhawani Prasad Tiwary

SECRETARIAT

1. Shri M. A. Soundararajan—*Chief Financial Committee Officer.*

Shri K S. Bhalla—*Senior Financial Committee Officer.*

*Elected w. e. f. 28-11-1974 in the vacancy caused by appointment of Shri H.M. Trivedi as Minister.

COMMITTEE ON PUBLIC UNDERTAKINGS
(1974-75)

Composition of Sub-Committee on Action Taken Reports

1. Shri Vasant Sathe—*Convener*
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4. Shri S. G. Sardesai
5. Shri Digvijaya Narain Singh
6. Shrimati Purabi Mukhopadhyay
7. Shri Sriman Prafulla Goswami

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report in their behalf present this Fifty-ninth Report on the Action taken by Government on the recommendations contained in the Forty-Seventh Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Modern Bakeries (India) Ltd.

2. The Forty-Seventh Report of the Committee was presented to Lok Sabha on the 25th March, 1974. Government furnished their replies indicating the action taken on the recommendations contained in that Report on the 26th September, 1974 and 20th February, 1975. Further information in respect of some of the recommendations was called for by the Committee from the Government on the 4th November, 1974 and replies to these were received from Government on the 25th November, 1974.

3. The replies of Government to the recommendations contained in the aforesaid report were considered by the Sub-Committee on Action Taken Reports on 6th January, 1975. The Sub-Committee desired further information in respect of recommendations of Serial Nos. 1, 5, 6, 18 and 19. Further information in respect of these recommendations was received from Government on 18th January, 1975.

4. The draft Action Taken Report was considered and adopted by the Committee at their sitting held on the 4th March, 1975. The Committee authorised the Chairman to finalise the Report and present it to Parliament.

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

6. An analysis of the Action Taken by Government on the recommendations contained in the Forty-Seventh Report of the Committee is given in Appendix XII. It would be observed therefrom that out of 40 recommendations contained in the Report 52.5 per cent have been accepted by the Government, and the Committee do not desire to pursue 37.5 per cent of the recommendations in view of Government's reply. Replies in respect of 10 per cent of the recommendations have not been accepted by the Committee.

NAWAL KISHORE SHARMA,

Chairman;

Committee on Public Undertakings

NEW DELHI;

March 14, 1975.

Phalgun 23, 1896 (S).

CHAPTER I

REPORT

ACHIEVEMENT OF OBJECTIVES

Recommendation (Serial No. 1) (Paragraph 1.19)

In their recommendation in paragraph 1.19 of their 47th Report, (1973-74), the Committee observed that the Undertaking had marketed 1055.76 lakhs of standard loaves during 1972-73 out of which sales under the Social Welfare Programme accounted for 529.68 lakhs of standard loaves, i.e. 50.17 per cent of the total sales, which according to the Ministry went to the urban slum areas and the tribal areas. The Committee were not sure as to how far the bread sold by the Undertaking was actually available to the weaker sections of the society living in jhuggi jhopri, industrial and other areas. They recommended that the Undertaking should examine the feasibility of producing cheaper type of bread/buns in suitable smaller size and to ensure adequate arrangements for its distribution so as to be within the easy reach of the weaker sections of the society.

2. In their reply in September, 1974, the Government stated as follows:—

“The Company attempts to produce the maximum quantity of bread from available capacity for bread production. Production of smaller size of bread/buns results in the reduction of this capacity. Recommendation has, however, been noted. The Company has already included in their plans of expansion setting up of six buns plants producing 50 grams size buns at Calcutta, Bombay, Cochin, Bangalore, Hyderabad and Kanpur”.

3. The Committee further enquired as to what was the basis of the claim of the Corporation for 50.17 per cent of the total sales under the Social Welfare Programme during 1972-73 and what arrangements had been made to distribute bread to the weaker sections of the society under the social welfare programme and to ensure the bread was sold to them on fixed prices.

*4. In their reply dated the 18th January, 1975, the Government stated that during 1972-73 the total quantity of bread produced by

the Company was 105.57 million loaves out of which 52.968 million loaves were supplied to the Social Welfare Programme under which bread was supplied to the vulnerable sections of the Society, namely, pre-school children and pregnant and lactating mothers in urban slum areas and tribal areas. The percentage supplied to the Social Welfare Programme worked out to 50.17 per cent. Under this programme bread was distributed free and not sold to the beneficiaries.

*5. In addition to distribution under Social Welfare Programme, the Company supplied bread to various hospitals and canteens of the Industrial Workers on commercial basis. During the year 1973-74, the supplies to various segments of the markets were as follows:—

Market Segment	Percentage of sale
Commercial	41%
Hospitals	5%
Army and Navy	2%
Other Institutions including Industrial Canteens	4%
Social Welfare	48%
TOTAL	100%

*6. It was further stated that besides the existing retail points near or in the 'Jhuggi' colonies, the company had also requested the Delhi Municipal Corporation and the New Delhi Municipal Committee to consider a scheme for putting up kiosks in areas inhabited by weaker sections of the society and 'Jhuggi-Jhonpri' colonies so that these sections of the society could be served better by making available the company's products on these kiosks. The matter was under their consideration. Similar schemes were proposed to be taken up by the other units of the company also.

7. The Committee regret to find that the percentage of sale of bread under social welfare programme has come down from 50.17 per cent in 1972-73 to 48 per cent in 1973-74. The Committee reiterate their recommendation and urge that the undertaking should examine the feasibility of producing cheaper type of bread/buns in suitable smaller size and to ensure adequate arrangements for its distribution so as to be within the easy reach of the weaker sections of the society.

8. The Committee also recommend that the question of setting up kiosks in the localities of weaker sections in Delhi and else-

*Noted vetted by Audit.

where may be finalised early and distribution of bread started from such points for the weaker sections as early as possible.

EXPANSION PROGRAMME

(2) Recommendation (Serial No. 12) (Paragraph 2.55)

9. In their recommendation in paragraph 2.55 of their 47th Report, the Committee observed that the Undertaking proposed to set up a Biscuit Plant and Yeast Plant in the Fifth Five Year Plan and feasibility studies in this regard had already been either initiated or completed. The Committee desired that decision in regard to the setting up of these plants should be finalised quickly.

10. In their reply, in September and November, 1974 the Government stated that market surveys for a biscuit plant and a yeast plant had been completed. On the advice of the Government, the Company discussed the matter with UNICEF who were willing to donate a biscuit plant and a feasibility study for setting up of a biscuit plant with UNICEF assistance was being made by UNICEF. As regards the yeast plant the Company had examined the technical feasibility of the project outliness received from CFTRI and N.S.I. and was negotiating with NRDC for acquiring know-how of the CFTRI process.

11. The Committee stress that feasibility study in regard to setting up of the biscuit project and negotiations with regard to Yeast Project should be finalised quickly so that the plants are set up without much delay.

DEFECTIVE PRODUCTION AND RETURN

(3) Recommendation (Serial No. 20) (Paragraph 3.43)

12. In their recommendation in paragraph 3.43 of their 47th Report, the Committee observed that in the case of Bangalore, Bombay and Kanpur Units, the percentage of return of stale and mouldy bread was more than 1 per cent fixed by the Management with effect from 2nd December, 1972. The Committee, viewed with concern the high percentage of return of such bread in these units. The Committee recommended that the Undertaking should take effective measures to tighten up its inspection machinery to ensure that stale and mouldy bread was not put in the market. The Committee desired that the Undertaking should immediately conduct a review of the return of stale bread *vis-a-vis* the supplies made to the various centres from these units so as to localise the areas from which there was high return of stale bread and take suitable remedial measures to regulate the supplies to such areas.

13. The Government in their reply in September, 1974 stated that there were strict checks made in the factory before the bread

was sent to the market and in no case was stale or mouldy bread allowed to enter the market. Strict measures had also been taken by Sales Department to see that no excess supply of bread was made to any retail point. As a result, the percentage of return of the bread from the market during the period January, 1974 to May, 1974 had been well within the norms at all the units of the Company.

14. The Committee further enquired whether a review of the return of stale bread vis-a-vis supplies made to various centres had since been made. The Government in their reply in November, 1974 stated as follows:—

“In order to improve the shelf life of bread so that its softness is maintained for a reasonably good time, a detailed study of the mixing and fermentation process was made by the Company and detailed instructions were given by them to the Units in May, 1974. The position for the Company as a whole has shown improvement as will be seen from the table given below:—

RETURNS FROM MARKET (Percentage)

Month Unit	Ah- meda- bad	Banga- lore	Bom- bay	Cal- cutta	Co- chin	Delhi	Hyde- rabad	Kan- pur	Mad- ras	Total
1974										
April	0.29	0.72	0.07	0.02	0.16	0.01		0.51	0.04	0.16
May	2.23	0.26	0.07	0.03	0.06	0.02		1.18	0.04	0.21
June	1.24	0.39	0.07	..	0.20	0.05		1.27	0.05	0.23
July	1.19	0.26	0.06	0.01	0.07	0.02		0.46	0.04	0.15
August	2.18	0.32	0.09		0.10	0.02		0.25	0.04	0.20
September	0.68	0.37	0.63		0.15	0.04		4.48	0.04	0.63
October	0.98	0.31	0.27	..	0.11	0.06	..	0.40	0.05	0.21

15. It will thus be observed that the return from the market in all the Units except Ahmedabad during the month of October has been well within the permissible limit of 0.5 per cent. However, the Company is being asked to conduct further review with a view to localise the areas from which a larger percentage of return of bread take place.”

16. The Committee find that the percentage of return of stale and mouldy bread from the market during the period June, 1974 to

October, 1974 at Ahmedabad unit and during May, June and September, 1974 at Kanpur unit of the Undertaking had been above the norm laid down by the Management. The Committee recommend that the reasons for the percentage of return being higher than the norm at these units may be analysed and suitable remedial measures taken to see that the percentage is well within the norm.

17. The Committee would also like that the review of the return of stale and mouldy bread should be continuous so that appropriate measures are taken in time by the Undertaking to ensure that the returns are within the prescribed norms.

ANTICIPATED IN THE PROJECT REPORT *VIS-A-VIS* ACTUALS

(4) Recommendation (Serial No. 33) (Paragraph 7.32)

18. In paragraph 7.32 the Committee noted that all elements of expenditure, e.g., direct materials, manufacturing overheads and administrative overheads not only exceeded the anticipations made in the Detailed Project Report, but also by and large the estimates framed by the Management. Even amongst the various units *interse* there had been wide variations in respect of expenditure against individual elements of cost. The Committee recommended that the reasons for such variations should be gone into and economies effected with a view to ensuring reduction in cost and sustaining a reasonable sale price.

19. The Government in their reply in November, 1974 stated that the variation in elements of cost from unit to unit had been generally due to the following reasons *viz*:—

- “(a) Difference in the type of Plant, i.e., Australian and Canadian Units.
- (b) Production Capacities;
- (c) Difference in weight mix and;
- (d) Local conditions.”

20. It was further stated that a detailed study of inter-unit variation in the individual elements of cost had been taken up by the Company and would be placed before the Board of Directors.

21. The Committee reiterate their recommendation that Modern Bakeries (India) Ltd. should take suitable steps to effect economies wherever necessary with a view to ensuring reduction in cost after the results of the study of inter-unit variation in the individual elements of cost are analysed and examined by the Board of Directors.

CHAPTER II

Recommendations that have been accepted by Government

Recommendation (Serial No. 2)

The Committee find that the Board of Directors had revised the list of objectives and obligations on 5th September, 1973, but Government have not yet given their decision on the revised objectives. The Committee desire that Government should finalise this matter soon.

(Paragraph 1.20)

Reply of Government

The revised objectives and obligations have since been approved by Government. A copy of the revised objectives and obligations is enclosed. (Appendix I)

[Ministry of Agriculture (Department of Food) O.M. No. 9(10)/74-FNB, II dated 25-9-74].

Recommendation (Serial No. 3)

The Committee note that one of the reasons for the revision of the estimates for setting up of 9 bakery units from Rs. 241.20 lakhs to Rs. 370.03 lakhs was non-provision of ancillary equipment and services, custom duty, pre-operative expenditure, etc. in the Detailed Project Report. The Committee regret to point out that in spite of their repeated observations that the original estimates should be prepared by Undertaking and approved by Government after taking into account all known factors, these estimates had not included even provision of ancillary equipment and services, customs duty, pre-operative expenditure etc. in the Detailed Project Report with the result that true picture of the cost likely to be incurred on the project was not available.

(Paragraph 2.15)

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 25-9-74].

Further information called for by the Committee

The Ministry have not given any reply to Committee's observation that the original estimates should be prepared by undertaking and approved by Government after taking into account all known factors e.g. provision of ancillary equipment and services, customs, duty pre-operative expenditure etc. in the DPR.

Please state whether the Ministry have issued any instructions in this regard and what action has been taken to obviate such lapses in future. A copy of the instructions, if issued, may be furnished along with the reply.

[L.S. Sectt. O.M. No. 12-PU/74 dated 4-11-1974]

Further Reply of Government

The Company is now preparing these estimates for new units keeping in view all these factors. However, instructions have since been issued to the Company to keep these factors in mind while preparing project reports. (copy enclosed). (Appendix-II).

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 23-11-74].

Recommendation (Serial No. 4)

The Committee also find that there was an additional expenditure to the extent of Rs. 4.32 lakhs because of the training and posting of some of the officers much ahead (13 to 40 months) of the date of commissioning of the plants. The Committee recommend that there should be proper planning and strict control should be maintained over expenditure to ensure that there was no wastage or avoidable expenditure on the setting up of the various units.

(Paragraph 2.16)

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Further information called for by the Committee

The Ministry have not given any reply to Committee's recommendation that there should be proper planning and strict control

should be maintained over expenditure to ensure that there was no wastage or avoidable expenditure on the setting up of the various units.

[L.S. Sectt. O.M. No. 12-PU/74 dated 4-11-1974]

Further Reply of Government

Government accept the recommendations of the Committee. Suitable instructions are being issued to the Company also.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 23-11-74].

Recommendation (Serial No. 7)

The Committee would also like in this connection to draw the attention of Government to paras 1.7 and 1.9 of the Fiftieth Report of the Public Accounts Committee (Fourth Lok Sabha) on New Services and New Instrument of Service and stress that effective action should be taken by the Government to implement the recommendations and take prior approval of Parliament in case of substantial revision. The recommendation was reiterated by this Committee in para 2.20 of their 39th Report (1972-73) on pyrites, Phosphates and Chemicals Ltd. The Committee also expect that while examining the question of according approval to revised estimates, Government would seriously consider its effects on the economics of the projects. The Committee feel that where the economics of the projects are adversely affected as a result of revised estimate of capital expenditure, the matter should be specially brought to the notice of Parliament without delay.

(Paragraph 2.19)

***Reply of Government**

In according approval to the revised estimates of a project, the effect of the revision of estimates on the economics of the project is carefully considered by Government and in case of substantial revision of investments etc. beyond certain limits which require approval of Parliament or need to be reported to Parliament, action is taken in accordance with the instructions contained in the Ministry of Finance, Department of Economic Affairs Office Memorandum No. F. 8(60)-B/69 dated 27th July, 1970.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB-II dated 20-2-1975].

*Not vetted by Audit.

Recommendation (Serial No. 9)

The Committee are surprised to find that in spite of the fact that Belgachia site was known to be soft and low and water-logged during the monsoon season, it was selected by the Board of Directors on the technical advice of the Catering Adviser to the Government of India and an expenditure to the extent of a lakh of Rupees had to be incurred on the site which ultimately proved to be infructuous. The Committee wish to record their unhappiness at the hasty decision with which the Belgachia site was selected and later abandoned.

(Paragraph 2.34)

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 25-9-74].

Recommendation (Serial No. 10)

The Committee find that the Undertaking had formulated a detailed plan in 1971 for the expansion, setting up of units and diversification of its product lines over a seven year period from 1972-73 to 1978-79 including the setting up of three medium size bakery units to be located at Chandigarh, Ranchi and Jammu & Kashmir and the approval of Government for these plants was accorded in principle in September, 1972. However, no financial sanction has been issued so far. The main reason for the delay is stated to be that the earlier proposal to set up medium size units has been changed for setting up standard size plants at Chandigarh, and Ranchi in view of detailed market surveys carried out at these places. In respect of Jammu and Kashmir the matter is still stated to be under the consideration of the State Government.

The Committee view with concern the lack of advance planning and a detailed market survey in the centres proposed for location of these plants before a decision was taken to set up medium size plants at these centres. The Committee feel that a detailed market survey at Chandigarh and Ranchi could have enabled the undertaking to have gone in for standard size plants even at the first instance thereby obviating the delay in the setting up of these units at these places. The Committee are surprised that even after a lapse of two years, a firm decision has not been taken as to the type of plant to be put up in Jammu and Kashmir. The Committee need

hardly stress that any delay in setting up of the plants would only accentuate the already existing shortage of much needed bread in the country and making the availability of bread at reasonable prices more difficult.

(Paragraph 2.53)

Reply of Government

Noted. The Company now ensures that before taking up any new projects, market surveys are carried out.

The original proposal was to set up bread-cum-bun plant in Jammu and Kashmir. The State Government had, however, asked the Company to explore the possibility of producing 'Girdha' and 'Kulcha' which is not possible through the mechanised processes. The Company is, however, setting up a pilot plant for production of Nan at Delhi and depending on commercial feasibility of the product, it may be possible to extend the production of Nans to other parts of the country including Jammu and Kashmir.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Further information called for by the Committee

Please state:

- (a) what is the progress made in the setting up of a standard size bakery plants at Chandigarh and Ranchi and when the plants at these places are likely to be commissioned? What is the latest position with regard to the setting up of a unit in Jammu and Kashmir?
- (b) whether financial sanction has since been issued in respect of these three Units? If so, what are the details thereof?

[L.S. Sectt. O.M. No. 12-PU/74 dated 4-11-1974]

Further Reply of Government

- (a) The construction of buildings at Chandigarh and Ranchi is in progress. According to the latest estimates, these plants are expected to be commissioned by May, 1975. There has been no further development in regard to setting up of a Unit in Jammu and Kashmir.

- (b) The financial sanction of the Government has been issued for Chandigarh and Ranchi at a total estimated cost of Rs. 59.50 lakhs and Rs. 60 lakhs respectively.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 23-11-1974].

Recommendation (Serial No. 13)

The Committee were also informed that during the Fifth Plan the Undertaking propose to set up six standard units and twelve medium size units. The Committee feel that the necessary investigations in regard to these projects should have been completed and well considered and detailed schemes prepared and decisions taken well before the commencement of the Fifth Plan to obviate the delay in the setting up of these plants. The Committee would urge that advance action should be taken about the precise location and acquisition of land for these units as acquisition of land has taken a lot of time in the past and delayed the completion of the projects.

(Paragraph 2.56)

***Reply of Government**

Before formulating proposals for the Fifth Plan, the Company made a macro study of desk data available about the development of the Bakery industry in India from various sources. They have included 32 candidate locations for detailed market survey and selection of suitable locations in various States for setting up bakery units. The Company has also fixed priorities of detailed project reports in a phased manner. They have also sounded the various State Governments well in advance for making land etc. available and surveys are being carried out as per plan.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 25-9-74].

Recommendation (Serial No. 15)

The Committee find that although the Project envisaged the operation of each of the bakeries at its full rated capacity from the commencement of production, the rated capacity had not so far been attained at Ahmedabad, Bombay and Calcutta even after 5 years of continuous production at Ahmedabad and Bombay and three years at Calcutta.

The Committee also find that even the targets of production which have been fixed by the Undertaking at less than the rated

capacity have not been achieved in any year at Ahmedabad unit and except for 1971-72 in the Calcutta Unit. The Committee were informed that the main reason for the poor performance of Ahmedabad, Bombay and Calcutta Units were lack of market demand besides frequent changes in the incumbancy of the Chief Manager of the Ahmedabad Unit. The Committee fail to understand as to how non-achievement of target of production could be due to lack of market demand specially when there has been wide spread scarcity of bread in the market. The Committee recommend that a careful analysis as to the causes of nonattainment of the rated capacity in each of the units of Ahmedabad, Bombay and Calcutta should be made and suitable remedial measures taken to improve the performance of these units.

(Paragraph 3.21)

Reply of Government

A careful analysis as to the causes of non-attainment of rated capacity in units at Ahmedabad, Bombay and Calcutta has been made by the Company and suitable remedial measures have been taken by them. Production figures for 1973-74 are as under:

Unit	Capacity	Production	Remarks
Ahmedabad	90 lakhs S.L.	*95.20 lakhs S.L.	
Bombay	180 lakhs S.L.	213.32 lakhs S.L.	
Calcutta	180 lakhs S.L.	114.89 lakhs S.L.	Due to strike from 4th July to 9th Oct. 1973

It will be observed that there has been considerable improvement in the performance of these units as compared to their capacity except in Calcutta where there was lesser production due to strike from 4-7-1973 to 8-10-1973.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 25-9-74].

Further information called for by the Committee

It has been stated that a careful analysis as to the causes of non-attainment of rated capacity in Units at Ahmedabd, Bombay and Calcutta has been made by the Company and suitable measures have been taken by them.

*Production figures vetted by Audit:

Ahmedabad: 95.20 lakhs S.L.

Bombay: 213.30 lakhs S.L.

Calcutta: 114.10 lakhs S.L.

Please state what are the findings of the careful analysis as to the causes of non-attainment of rated capacity in the past and what remedial measures have been taken?

[L.S. Sectt. O.M. No. 12-PU/74 dated 4-11-74]

Further Reply of Government

A careful analysis as to the causes of the non-attainment of the rated capacity and the remedial measures was made during Chief Managers' Conference in March, 1974. The operations in each of the above Units were discussed separately with the respective Chief Managers. It was revealed that the lower production was mainly due to inadequate commercial sales and it was felt that concentrated effort was required in the sales at these three units and the Chief Managers were directed to improve the sales. A vigorous drive was carried out and the performance of the units for the period April—August, 1974 against targets is given below:

(In lakhs standard loaves)

	Annual Sales target	Sales target from April- August, 1974	Sales perform- ance from April to August, 1974
Bombay	215.00	77.00	75.74
Calcutta	180.00	70.00	64.12
Ahmedabad	90.00	38.50	22.27

Although the situation is fairly satisfactory in Bombay and Calcutta, Ahmedabad is still lagging behind. Further study was undertaken in respect of Ahmedabad Unit and new directions have been issued to the Unit (A copy of which is attached. Appendix III). It may also be stated that a Chief Manager was posted to Ahmedabad unit in August, 1973 who had previous experience of working in that area.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 23-11-74].

Recommendation (Serial No. 16)

The Committee also recommend that frequent changes at the top level should be avoided in the interest of smooth working of the plans.

(Paragraph 3.22)

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Recommendation (Serial No. 21)

The Committee are of the opinion that a detailed demand survey of Buns Rolls etc. should have been conducted before obtaining the machines for manufacture of these products, as gift from the Government of Italy. Having obtained the machinery for making Buns, Rolls, etc. the Committee would like these to be pressed into service at the earliest. Consumer preference particularly of the weaker sections of society should be tested. The Committee would like the Undertaking to develop the capacity for buns, rolls etc. if these meet more effectively the requirements of the weaker sections of society.

(Paragraph 3.54)

***Reply of Government**

In order to meet more effectively the requirements of weaker sections of society, the company has initiated steps to develop capacity for production of buns/rolls. Six automatic bun plants are being received under aid programme from Australia and Canada.

With regard to the small machines received in 1969, from Italy for production of buns/rolls, it would not be economical for the company to produce buns and hold up bread production at a time when plants are being utilised fully. However, the possibility of using these machines would be examined as and when the new bread plants are set up and where spare even capacity is available.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Recommendation (Serial No. 22)

The Committee feel that the Undertaking should have made use of the critical shortage of butter in the market during the last

*Not vetted by Audit.

several months to push up the sale of peanut butter which is stated to be nutritious and cheaper. The Committee would like the Undertaking to locate suitable sale points and assure availability of peanut butter on regular basis. The Committee would like the Undertaking to critically examine the pricing aspect and take suitable measures to bring down the cost of production to make this plant economically viable and to ensure availability of butter at reasonable prices.

(Paragraph 3.67)

***Reply of Government**

The pricing of peanut butter has been critically examined by the Company and prices have been refixed by them after taking into account the increase in the price of raw materials and services. The consumer prices for 350 grams is at present Rs. 4.75 plus local taxes. This price compares favourably with peanut butter prices of other brands being sold in the market and at this price the plant will be economically viable. Distribution of the product is now being made through the sale channels developed by the nine units of the company and peanut butter is available in all principal cities of the country.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II dated 25-9-74].

Recommendation (Serial No. 24)

From the data made available to the Committee, they find that during 1971-72 market participation of the undertaking was 17.32 per cent of all India consumption of bread though the participation ranged from 16.52 to 78.39 per cent, in five major centres where the Modern Bakeries have their units. The Committee also note that the undertaking has expansion programmes to increase production from 112 million standard loaves at the end of 4th Five Year Plan to 282 million standard loaves at the end of the 5th Five Year Plan. The Committee feel that if the objective of the Undertaking to introduce and popularise enriched and fortified bread for raising the level of nutrition in the country is to be achieved in a greater measure the market participation of the Undertaking must also grow progressively consistent with the demand.

(Paragraph 4.10)

*Not vetted by Audit.

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Recommendation (Serial No. 28)

The Committee regret to note that though the Undertaking was set up as far back as on 1st October, 1965 the Undertaking has not been able to fix the maximum and minimum limits and ordering levels for stores and spares at the various units. It is only now that the Management has entrusted the study of the inventory control measures to the Institute of Secretariat Training and Management (Department of Personnel). The Committee urge that the Undertaking should reorganise soon its stores organisation in the light of the recommendations of the Institute.

(Paragraph 5.30)

Reply of Government

After examining the recommendations made in the Report on the study of Inventory Management Practices completed by the Team of Officers deputed by the Institute of Secretariat Training and Management (Department of Personnel) detailed directions with regard to introduction of techniques of A-B-C Analysis, fixing of minimum, maximum and reorder levels, identification of non-moving items etc. have been issued to various units in December, 1973. These are under implementation by them.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Further information called for by the Committee

It has been stated that detailed directions with regard to introduction of techniques of A-B-C Analysis, fixing of minimum, maximum and reorder levels, identification of non-moving items etc. have been issued to various units in December, 1973 and these directions are under implementation by them.

Please state by what time the directions of the study team are likely to be implemented fully?

[L.S. Sectt. O.M. No. 12-PU/74 dated 4-11-74]

Further Reply of Government

Directions have been implemented in five units; the remaining existing units are expected to implement these by the end of the current financial year.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 23-11-74].

Recommendation (Serial No. 30)

The Committee note that though the profit of the Undertaking was Rs. 62.45 lakhs during 1972-73, as against the profit of Rs. 52.91 lakhs during 1971-72, the increase in profit was only on account of the supplies under Social Welfare Programme. While the Committee appreciate that the undertaking has been maintaining the price line of bread in spite of increase in price of raw materials etc. the Committee feel that the Undertaking should not develop a sense of complacency by the overall increase in profits which are mainly on account of supplies under Social Welfare Programme. As stated by the Secretary of the Department during evidence, the Undertaking should take all steps to improve their efficiency and productivity to ensure a more reasonable price level and achieve greater profitability without having to increase the price.

(Paragraph 7.26)

*Reply of Government

Steps are being taken by the Company to improve efficiency and productivity. Profit margins on commercial and Social Welfare bread have been rationalised. As a result, however, of the general increase in price of raw materials particularly maida and costs of services, prices of bread have had to be raised.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Recommendation (Serial No. 31)

The Committee find that in spite of the overall increase in profit, there was decline in profit during 1972-73 in the case of the units at Bombay, Madras and Kanpur as compared to 1971-72. The Committee were informed that this decline in profit was due to the inferior quality of flour resulting in high waste and lower yield and also high cost of raw materials. The Committee would like Government/Food Corporation of India to ensure that flour of requisite quality

*Not vetted by Audit.

is consistently and in time made available to Modern Bakeries in the interest of sustaining supply of good quality bread to the public and abviating losses on defective or substandard production. The Committee would like the Modern Bakeries also to take effective measures to see that inferior quality of flour which would result in defective production is not accepted.

(Paragraph 7.27)

***Reply of Government**

The position regarding supply of suitable varieties of wheat to Modern Bakeries has been explained in reply to recommendation No. 19.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Recommendation (Serial No. 32)

The Committee are not able to appreciate the Undertaking charging a higher margin of profit for bread supplied under the Social Welfare Programme. The Committee while welcoming the recent reduction in the price of bread supplied under the social welfare Programme, recommend that the margin of profit should be continuously reviewed so as not to burden unduly this programme for social welfare.

(Paragraph 7.28)

***Reply of Government**

Noted. The profit margin on supplies to social welfare programme has now been rationalised as indicated in reply to Recommendation No. 30.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Recommendation (Serial No. 34)

The Committee recommended that the Undertaking should arrange to get the standard cost fixed early and maintain proper records to indicate the idle labour so that a scientific analysis of the causes of variance in costs by labour, materials and overheads may be possible to enable the Undertaking to take suitable remedial measures in time to obtain the maximum utilisation of labour and machinery, effect economics in use of materials and reduce the cost of production.

(Paragarph 7.36)

*Not vetted by Audit.

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Further information called for by the Committee

The Ministry have not given any reply to Committee's recommendation that the Undertaking should arrange to get the standard costs fixed early and maintains proper records to indicate the idle labour.

Please state what specific action has been taken on the recommendation of the Committee.

[L.S. Sectt. O.M. No. 12-PU/74 dated 4-11-74]

Further Reply of Government

The standard costing of bread has been made by the Company for all the units separately and is being examined in consultation with units. The system will be introduced soon.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dated 25-9-74].

Recommendation (Serial No. 36)

There is no denying the fact that internal audit in a modern commercial undertaking plays a very important role. Besides discovering irregularities, if any concurrently it has the added advantage of bringing in advance to the notice of the Management the weak areas and help them to streamline financial procedures, cutting out waste etc. The Committee would therefore, stress that the Undertaking should give due importance to the role of the Internal Audit in the organisation and evolve a procedure for submission of internal audit reports to the Board of Directors at regular intervals which should include a critical review of the system, procedures and the operation as a whole with a view to effect economies and improve efficiency in production.

(Paragraph 7.48)

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)-74-FNB. II dated 25-9-74]

Further information called for by the Committee

The Ministry have not given any reply to the Committee's recommendation that the undertaking should give due importance to the role of Internal Audit in the organisation and evolve a procedure for submission of internal Audit-Reports to the Board of Directors at regular intervals which should include a critical review of the system, procedures and operations as a whole.

Please state what specific action has been taken by the undertaking on the recommendation of the Committee?

[L.S. Sectt. O.M. No. 12-PU/74.dated 4-11-74]

*Further Reply of Government

Company has issued instructions to Internal Audit to prepare a critical review of the system, procedure and the operations of the Company as a whole from the year 1974-75 (copy of Circular No. MD/FIN/32/74-75 dated 2-9-1974 enclosed. Appendix. IV). A summary of the internal audit objection along with critical review of the systems and procedures will be placed before the Board of Directors annually.

[Ministry of Agriculture (Department of Food) O.M. No. 3(10)/74-FNB. II. dated 23-11-1974]

Recommendation (Serial No. 37)

The Committee note that at Bombay Port, customs duty on the bakery equipment imported from Australia was paid at the rate of 27 per cent, whereas at Madras Port for similar equipment imported for the Madras Unit of the Undertaking, customs duty at 27-1/2 per cent to 100 per cent of the value of equipment was paid which had resulted in excess payment amounting to Rs. 1, 01, 273. The Committee are surprised to find that there has been a difference in the rate of customs duty at 27-1/2 per cent to 100 per cent at Madras Port and 27 per cent at Bombay for the similar type of equipment. The Committee feel that had the correctness of the rate of customs duty been verified at the time of making payment, this situation would not have arisen. The Committee hope that the Undertaking/Ministry would draw a lesson from this experience and take suitable measures to verify the correctness of the rates of customs duty at the time of payment to obviate recurrence of such cases.

(Paragraph 8.8)

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II. dated 25-9-1974].

Recommendation (Serial No. 38)

The Committee find that although the average maximum power load required in the Kanpur Unit of the Undertaking during 1969-70 and 1970-71 was of the order of 74.5 KVA and 105.2 KVA respectively, which was subsequently reassessed at 120 KVA power load of 150-175 KVA connected load, the power load applied and sanctioned for the unit i.e. 350 KVA (subsequently reduced to 200 KVA) was evidently much in excess of the actual demand and even more than the required connected load. The Committee regret to note that the agreement with the State Electricity Board had not taken into account the realistic requirement of the power load with the result that the Kanpur Unit had to incur an extra expenditure of Rs. 19,000 upto November, 1971 towards payment to the State Electricity Board. The Committee suggest that the Undertaking/Ministry should take immediate steps to work out the maximum requirement of power load on a realistic basis in the light of the experience of actual working of the plants and review the agreement with the State Electricity Board accordingly.

(Paragraph 8.19)

Reply of Government

In the initial stages the total contracted load at Kanpur was 350 KVA. The contracted demand was subsequently reduced to 200 KVA on 1-12-71. The present connected load at the Kanpur Unit is 225 KVA approximately and the maximum recorded KVA is 155 KVA. Minimum charge is levied at 60 per cent of the contracted demand. Since the maximum demand of 155 KVA is more than 60 per cent of the present contracted demand (200 KVA), the Kanpur Unit is not paying any excess charges to the Electricity Board any longer.

While evaluating the power requirement of various new units and for the expansion programme for the existing units maximum requirement of the electric power load is being worked out on a realistic basis.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II. dated 25-9-74]

Recommendation (Serial No. 39)

The Committee note that the Undertaking had decided to purchase bakery plants from a private firm in Bombay after invitation of open tenders and has also started a dialogue with HMT, a Government of India Undertaking for the manufacture of automatic slicing and wrapping machines. The Committee consider that the Undertaking/Government should explore in depth the possibility of getting the bakery plants, for which there are growing requirements fabricated through public sector undertakings like Hindustan Machine Tools, Heavy Engineering Corporation etc. where large unutilised capacity is available.

(Paragraph 3.26)

Reply of Government

Manufacture of automatic slicing and wrapping machine is under discussion with the Hindustan Machine Tools and other firms. As for bakery plants, possibilities are being explored from public sector unit like I. B. P. Engineering Project India. Public Sector Undertakings like the Heavy Engineering Corporation are also being contacted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-
FNB. II. dated 25-9-74]

CHAPTER III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLY

Recommendation (Serial No. 5)

The Committee are also surprised to find that although the revised estimates were approved by the Board of Directors in December, 1967, these have not been approved by Government even after lapse of six years. The Committee take a serious view that the Undertaking incurred additional expenditure on these units to the extent of 68 per cent of the original estimates amounting to Rs. 164.78 lakhs although any variation of 10 per cent or above the approved estimates for any particular components part required prior approval of Government.

(Paragraph 2.17)

Reply of Government

Government have since conveyed ex-post-facto approval to the revised project estimates on 30th March, 1974. Instructions have also been issued to the Company not to incur any expenditure beyond the powers vested in the Board without the prior approval of Government.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II. dated 25-9-74]

Further information called for by the Committee

In this recommendation the Committee took a serious view that the Undertaking incurred additional expenditure on these units to the extent of 68 per cent of the original estimates amounting to Rs. 164.78 lakhs although any variation of 10 per cent or above the approved estimates for any particular component required prior approval of Government.

The Committee have been informed that the ex-post-facto approval was conveyed on the 30th March, 1974 after the presentation of the Report of the Committee on 25th March, 1974. Please state for

the information of the Committee whether Government have examined and satisfied themselves about the justification for the huge excess of 68 per cent over the original estimate and also the reasons for the serious delay of over six years? If so, details thereof may please be furnished. It may also please be stated why the Government of their own accord did not look into the matter before the presentation of the Committee's Report on 25th March, 1974?

(L.S. Sectt. O.M. No. 12-PU/74. dated 8-1-74)

***Further Reply of Government**

The Company was asked on 30th October, 1973 and not after 25th March, 1974 by Government to furnish the details of the excess expenditure, the justification thereof and the circumstances in which the approval of the Government was not obtained. The matter was examined with reference to the justifications given by the Company and Government sanction for the expenditure as on 1.4.70 was conveyed to the Company after the Government was satisfied that the excess expenditure was unavoidable.

[Ministry of Agriculture (Department of Food). O.M. No. 8(10)-74.
FNB. II. dated 25-9-74]

Recommendation (Serial No. 6)

The Committee note that in the case Calcutta Unit the Undertaking incurred expenditure on the setting up of double line without specific approval of Government as required under the Articles of Association. The Committee recommend that the reasons for incurring such large unauthorised expenditure by the Undertaking without approval of Government should be looked into and responsibility fixed.

(Paragraph 2.18)

Reply of Government

The matter regarding incurring of excess expenditure over and above the powers of Board of Directors in respect of Calcutta Unit as well as other units has been examined and ex-post-factor approval of the Government has already been conveyed on 30th March, 1974. The expenditure was incurred for bonafide purposes with a view to commission the plants as early as possible. Instructions have also been issued to the Company not to incur any such expenditure in future.

[Ministry of Agriculture (Department of Food). O.M. No. 8(10)-74.
FNB. II. dated 25-9-74]

*Not vetted by Audit.

Further information called for by the Committee

According to the Ministry, the matter regarding incurring of excess expenditure over and above the powers of Board of Directors in respect of Calcutta Unit as well as other units had been examined and *ex-post-facto* approval of the Government had been conveyed on 30th March, 1974. The Committee are surprised to find that *ex-post-facto* approval for the excess expenditure to the tune of Rs. 18.36 lakhs on the setting up of double line at Calcutta was only accorded when this thing was brought to the notice of the Government by the Committee.

The Committee desire to have a detailed note with connected papers showing the circumstances on the basis of which the Ministry had arrived at the conclusion that it was done for bonafide purposes.

(L.S. Sectt. O.M. No. 12-PU/74. dated 8-1-74)

*Further Reply of Government

The original programme was to set up single line unit in Calcutta but it was subsequently decided to put up a double line unit as in the case of Bombay considering the larger demand bread in Calcutta. Australian authorities also agreed to supply a double line unit for Calcutta. The Company therefore had to incur additional expenditure for setting up of the double line unit instead of the original programme of setting up a single line unit.

Since the Company had incurred additional expenditure not only in respect of Calcutta Unit but in respect of other units also, the Company was asked on 30-10-73 to furnish detailed justification for incurring excess expenditure on the setting up of the 9 units. The matter was examined in the light of the justifications furnished by the Company and it was observed that the original cost for setting up of the 9 units i.e. Rs. 241.20 lakhs included an amount of Rs 6.5 lakhs on account of imported equipments from Australia and Canada which was to be received as a gift by the Government of India. Due to the change from single to double line for Calcutta unit and also the fully automatic unit supplied by these countries, the actual cost of the equipments received for the 9 units was Rs. 162.64 lakhs. The increase on the cost of the equipment was thus inevitable. Over and above this the customs duty which was not originally taken into account had to be paid amounting to about Rs. 28 lakhs. If the cost of the imported equipments received as a gift by the Government is excluded the increased cost of which was beyond the control of Government, the actual expenditure incurred upto 1-4-1970 when all the units had been commissioned, works to Rs 193.56 lakhs as

against the original estimates of Rs 154.70 lakhs. This increase was mainly due to increased cost of construction of buildings, provision of ancillary services etc. It was considered that the increased cost over the original estimates was due to unavoidable and unforeseen reasons and was justified and accordingly Government approval to the total expenditure of Rs. 356.20 lakhs (which included Rs. 44.3 lakhs on double line unit at Calcutta) as on 1-4-1970 was communicated to the Company.

[Ministry of Agriculture (Department of Food). O.M. No. 8(10)-74.
FNB. II. dated 25-9-74]

Recommendation (Serial No. 8)

The Committee regret to note that there has been delay in the construction and commissioning of the nine bakery units set up by the Undertaking ranging from 5 to 33 months as compared to the anticipated dates of commissioning. They are surprised to find that in respect of the majority of units, target dates of completion of erection of machinery had not been laid down to watch the progress in the erection of machinery and commissioning of the plants. It was admitted during evidence that there was no schedule and planning in depth. The Secretary of the Ministry stated that the Undertaking had been asked to fix precise schedules and targets and to adopt modern methods to watch the progress of construction, erection, commissioning etc. The Committee desire that for the units to be set up by the Undertaking in the Fifth Five Year, detailed schedules for construction, erection and commissioning should be prepared keeping in view the past experience. There should be effective supervision and check at all levels to see that these schedules are adhered to. There should be close liaison between the Management and Government so that assistance and guidance are readily available to resolve any difficulties and hurdles which may come up in the way of adherence to targeted schedule. The Committee would like to be informed of concrete measures which have been taken or are now proposed to be taken by the Undertaking/Government to achieve the above objective.

(Paragraph 2.28)

Reply of Government

Modern Bakeries have since introduced the latest methods for planning, scheduling and monitoring of projects. Each Project is being controlled on the basis of latest techniques i.e. P. E. R. T./C. P. M. for which trained personnel are available with the Company.

The progress of each project is reviewed by a co-ordination Committee periodically and such measures as may be necessary to keep the project on schedule are taken by them. Progress is also reviewed by the Board of Directors during their meetings and by the Government in the Department of Food.

[Ministry of Agriculture (Department of Food). O.M. No. 8(10)-74.
FNB. II. dated 25-9-74]

Recommendation (Serial No. 11)

The Committee also take a serious view of the Undertaking incurring expenditure on the plant to be set up at Chandigarh and Ranchi without a proper financial sanction of Government. The Committee fail to understand as to why Government should not have issued advance sanction for incurring expenditure upto certain monetary limit pending approval of detailed estimates.

(Paragraph 2.54)

Reply of Government

Detailed estimates for setting up of units at Chandigarh and Ranchi had been under consideration and Government's approval has since been communicated to the Company. The question of sanctioning advance expenditure pending approval of detailed project reports would be considered in future cases, if necessary.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)74-
FNB. II dated 25-9-74].

Recommendation (Serial No. 14)

The Committee note that the rated capacity of 35,000 standard loaves per day of 24 hours on multiple shift basis mentioned in the Project Report was reduced to 30,000 standard loaves per day on two shift basis in September, 1958 on the ground that the third shift would not be theoretically possible in a single line bakery in view of the time required for maintenance and the rated capacity of each plant was fixed on the basis of 300 working days per annum on two shift basis. The Committee also note that as against 300 working days assumed in the calculation of rated capacity the plants practically worked for 357 days in a year. The Committee do not find any justification for working out the rated capacity on the basis of two shifts for 300 working days. The Committee regret that the reduced capacities fixed in September, 1958 were not reviewed till

November, 1972, after a lapse of four years and had been provisionally revised only then. The revised rated capacities have, however, not been finalised so far. It was admitted by the Ministry that it was possible to work a unit for a part of the third shift after providing some time for cleaning and maintenance. The Committee recommend that the rated capacity of each bakery unit should be critically examined and fixed after taking into account all the relevant factors and the imperative need to maximise production in the interest of meeting the pressing requirements of public in these days of shortages. The Committee also deprecate the manner in which the rated capacity of the bakery plants was reduced. The Committee need hardly point out that the Management should continuously review the actual production against the capacity|targets fixed on scientific basis. The Management should also review at least once a year the whole question of capacity with a view to improving the production. The Committee would like to be informed at an early date of the precise action taken in pursuance of the recommendations.

(Paragraph 3.10)

Reply of Government

The matter has been reviewed and a note indicating the final capacity of the various units is enclosed. (Appendix V).

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)|74-FNB. II dated 25-9-74].

Further Information Called for by the Committee

- (a) Please furnish a factual note justifying the working out of the rated capacity on the basis of two shifts for 300 working days, when the plants practically worked for 357 days in a year.
- (b) What is the actual production as against the rated capacity targets fixed?
- (c) Whether any instructions to review the capacity every year have been issued? If so, please furnish a copy thereof.

[L.S. Sectt. O.M No. 12-PU|74 dated 4-11-74].

Further Reply of Government

- (a) As indicated during the oral evidence before the Committee the capacity was fixed by the Company at 30,000

loaves per day on the basis of two shifts working for 300 days in 1968 when the units had been sanctioned operational staff on the basis of two shifts. The Company had also taken into account the time required for maintenance, weekly holidays and other factors. Subsequently however with the demand for bread going up particularly to meet the requirement of the Social Welfare Programme, it was necessary to gear up the working of the plant to achieve maximum production. Accordingly, the Company decided to work the third shift and also work for the optimum number of days in a year after providing for essential maintenance of the plant and machinery. These factors were taken into account by the Company and they fixed the target on this realistic basis as would be evident from the fact that during 1973-74 the Company fixed target of 1105 lakhs standard loaves. In fact this was further revised upwards to 1170 lakhs standard loaves. This was against the capacity of two shifts basis fixed at 990 lakhs standard loaves. It may also be pointed out that the Company's performance during the year 1973-74 was considered by the Board of Directors with reference to targets fixed by the Company and not with reference to the capacity.

The Government also took note of the observation of the Public Undertakings Committee contained in its 47th Report and asked the Company to revise the capacity on a realistic basis. The Company had reviewed the matter as recommended by the Committee and revised the capacities, as already communicated in our earlier reply.

- (b) A statement indicating unit-wise performance during the year 1973-74 and 1974-75 is attached. (Appendix VI).
- (c) As desired by the Committee, the capacity of each Bakery Unit was reviewed at the Conference of Chief Managers' held in March, 1974 and revised capacity of the plants were fixed (M/B/I's Letter No. MB/Tech/15/1/73-74 dt. 29-4-1974). The capacity utilisation of individual units is being reviewed every month and measures are taken to remove the bottlenecks which hampered fuller utilisation of the capacity. It has been decided by the Company that as a matter of policy, the capacity of each Unit will be review-

ed every year and revised on the basis of the experience gained during the previous year. The Company has been asked to ensure that this is done (Copy enclosed) Appendix VII.

[Ministry of Agriculture (Department of Food) O. M. No. 8(10)/74-FNB.II dated 23-11-74].

Recommendation (Serial No. 17)

While the Committee note that the percentage of norm of defective production has been reduced from 1 to 0.5 the Committee find that the percentage of defective production continues to be higher than the norm in several units of the Undertaking. The Committee recommend that the system introduced in the Head Office in 1972-73 for an analytical study of the defective production of bread at various units should be made more effective and the results of such analytical study fed back to the respective units in order to take effective remedial measures to minimise the defective production so as not to exceed, in any case, the norm fixed therefor.

(Paragraph 3.40)

Reply of Government

A detailed study of the reasons for defective production and the steps required to reduce it had been completed by the Indian Statistical Institute, New Delhi. As a feed back, specific instructions for (i) proper and timely maintenance of banking tins, segregation of banking tins which have outlived their life and timely replacement of such baking tins; (ii) systematic maintenance of de-pan-o-vac-machine (iii) exercise of due care at the time of inspection and testing of flour, etc. have been given to the units by the Company in January, 1974. To make the existing system more effective, the units have been directed by them to furnish a report every month specifying the remedial steps which they take to control defective production. These reports are examined by the Company and guidance given to units wherever considered appropriate.

[Ministry of Agriculture (Department of Food O.M. No. 8(10)/74-FNB. II. dated 25-9-73].

Further information called for by the Committee

What is the present position with regard to the percentage of defective production as against the norm fixed?

(L.S. Sectt. O.M.No. 12-PU/74 dated 4-11-1974)

Further Reply of Government

The percentage of defective production to total production which was 2.31 per cent for the Company for the month of April '73 has gone down to 1.29 per cent for the month of March, 1974. During the current year the percentage of defective production for the Company as a whole has further gone down to 0.61 per cent in the month of September, 1974. Table below indicates the unitwise position in respect of defective from April, 74 to September, 74:—

Defective Production (Percentage to total production)

Month/Unit	Ahmedabad	Bangalore	Bombay	Calcutta	Cochin	Delhi	Hyderabad	Kanpur	Madras	Total
April, 1974	1.10	0.63	1.26	2.01	1.24	0.78	0.87	6.60	0.59	1.55
May, 1974	0.29	0.50	0.58	1.33	1.60	0.46	1.22	1.24	0.60	1.02
June, 1974	1.17	0.62	0.27	1.35	1.44	0.91	1.17	2.22	0.63	1.01
July, 1974	0.82	0.65	0.46	1.21	0.67	0.35	0.65	1.57	0.40	0.75
August, 1974	0.79	0.45	1.04	0.74	0.71	0.32	0.59	2.13	0.57	0.85
September, 1974	0.68	0.33	0.53	0.52	0.32	0.28	1.16	1.37	0.40	0.61

In the month of September, 1974 the defective production was less than the norm in the case of Bangalore, Cochin, Delhi and Madras Units. In the case of Bombay, Calcutta and Ahmedabad Units the percentage was nearer to the norm. The defectives were high in the case of Hyderabad Unit mainly because of absenteeism and therefore employment of casual workers. The position of Kanpur Units, though not yet within the norm of 0.5 per cent, had shown significant improvement over the last six months. Steps are being taken to reduce defective further.

[Ministry of Agriculture (Department of Food) O.M.No. 8(10)/74-FNB. II. dated 23-11-74.]

Recommendation (Serial No. 18)

The Committee were informed that while defective breads was utilised for cattle feeding and some percentage of it was also destroyed, it was also sold to the workers of the Undertaking at reduced rates. The Committee need hardly stress that a careful watch should be kept to see that no manipulations take place in declaring any part of the production as defective.

(Paragraph 3.41)

Reply of Government

A directive has already been issued by the Company to reduce the defective production and separate instructions are being issued by them to discourage selling of defective bread to employees and also laying down the procedure for declaring production as defective.

[Ministry of Agriculture (Department of Food) O.M.No. 8(10)/74-FNB. II, dated 25-9-74.]

Further information called for by the Committee

According to the Ministry, a directive has been issued by the Company to reduce the defective production and separate instructions are being issued by them to discourage selling of defective bread to employees and also laying down the procedure for declaring production as defective.

Please indicate the procedure laid down for declaring bread produced as defective. Please also furnish a copy of the instructions issued discouraging selling of defective bread to employees.

(L.S. Sectt. O.M. No. 12-PU/74 dated 8-1-1975)

*Further reply of Government

A directive was issued by the Company in January, 1974 to control and reduce defective production (copy enclosed) Appendix VIII. The accounts manual of the Company provides that bread becoming hard or stale or damaged in the course of handling shall be written off from stock. The details of spoilage shall be reported in the bread spoilage report form No. FA 1172 for approval of the General Manager. A copy of the form is enclosed for information Appendix IX. The reports are prepared by the production unit and inspected by Sales Manager and approved by the General Manager. Further instructions have been issued in August, 1974 to ensure that there was no defective production due to manipulations (Copy enclosed) Appendix X. The Company have since discontinued the practice of selling defective breads to employees of the Company with effect from 15-10-1974 (copy of instructions issued, is enclosed (Appendix XI).

[Ministry of Agriculture (Department of Food) O.M.No. 8(10)/74-FNB-II, dated 18-1-1975.]

Recommendation (Serial No. 19)

The Committee are concerned to note that one of the reasons for defective production is lack of supply of satisfactory quality of flour by F.C.I. a public undertaking. The Committee see no reason why it should not be possible to take effective measures to see that F.C.I. supply the Modern Bakeries with satisfactory quality of flour in public interest.

Reply of Government

With the stoppage of concessional imports of wheat, the need for locating suitable indigenous varieties of wheat for bread making was examined and certain specific varieties identified as suitable for bread making. The question of such varieties being supplied to Modern Bakeries was taken up with the Food Corporation of India. The Food Corporation did not have any system for segregation of stocks and separate storage by variety. They had indicated that they would be willing to carry out the necessary segregation on payment of additional charges. Modern Bakeries have now agreed to bear the additional cost of Re. 1/- per quintal indicated by F.C.I. F.C.I. have been asked to make a beginning in supplies on this basis to Modern Bakeries for their units in Northern States.

[Ministry of Agriculture (Department of Food) O.M.No. 8(10)/74-FNB. II, dated 25-9-74.]

Further information called for by the Committee

In this recommendation, the Committee were concerned to note that one of the reasons for defective production was lack of supply of satisfactory quality of flour by the Food Corporation of India. According to the Ministry, the question of specific varieties of wheat being supplied to Modern Bakeries was taken up by them with the Food Corporation of India. The FCI did not have any system for segregation of stocks and separate storage by variety. However, they were willing to carry out the necessary segregation on payment of additional charges.

Please state what was the quantity of wheat of particular variety supplied by the Food Corporation of India to Modern Bakeries during 1972-73, 1973-74 and 1974-75 (upto end of December, 1974)? What was the payment made by the Modern Bakeries to the F.C.I. for segregation of particular kind of wheat during this period and have Government examined the financial implications thereof?

(L.S. Sectt. O.M. No. 12-PU/74 dated 8-1-1975)

*Further Reply of Government

The question of separation of specific varieties of wheat to be supplied to the Modern Bakeries had been taken up with F.C.I. as early as August, 1973. The matter had been under examination in consultation with the Food Corporation of India and the Modern Bakeries. After detailed examination the Food Corporation informed Government on 20th June, 1974, that it would be possible for them to supply special varieties of wheat after segregation if an additional payment of Re. 1 per quintal was paid to the Food Corporation of India. The Company agreed to make this payment on 2nd August 1974 and accordingly instructions were issued to the Food Corporation on 20th August, 1974 to arrange for special varieties of wheat to be supplied to Modern Bakeries in the Northern States to begin with. The Company has also been asked to get in touch with the Food Corporation of India so that they could avail of this facility to obtain special varieties in the Northern States. In view of this the question of supplying special varieties by the Corporation in the earlier years or any payment being made on this account does not arise.

[Ministry of Agriculture (Department of Food) O.M.No. 8(10)/74-FNB-II, dated 18-1-1975.]

Recommendation (Serial No. 23)

The Committee also recommend that Government/Undertaking should explore the possibility of setting up a peanut butter plant on a pilot basis in a State where there is large scale production and usage of peanut as food.

(Paragraph 3.68).

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 25-9-1974.]

Further information called for by the Committee

Please state whether the Ministry/Undertaking have explored the possibility of setting up the suggested plant, if so, what is the outcome of the study?

(L.S. Sectt. O.M. No. 12-PU/74, dated 4-11-1974).

Further Reply of Government

The present pilot plant has still not attained capacity production. Meanwhile the Company has taken up market promotion in various States including groundnut producing State like Gujarat. The Company proposes to review the position in the next financial year with reference to the market potential etc. and explore the possibility of setting up more plants.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB-II, dated 23-11-74].

Recommendation (Serial No. 25)

The Committee note that the sales turn over of the Undertaking increased from 577.12 lakhs of standard loaves in the year 1970-71 to 1055.76 lakhs in the year 1972-73 representing an increase of more than 82 per cent. Out of this, while the Commercial sales showed a marginal rise from 514.56 lakhs in the year 1970-71 to 526.08 lakhs in the year 1972-73 representing an increase of 2 per cent, the sales under the social welfare programme showed a marked increase, a rise from 62.56 lakhs in 1970-71 to 529.68 lakhs in 1972-73, representing an increase of 746 per cent. The Committee were informed during evidence that a larger proportion of production was meant for the special nutrition programme and whatever remaining capacity was available, was utilised for commercial sales. While the Committee appreciate the sale performance of the Undertaking under the special nutrition programme, they see no reason why suitable promotional efforts should not be made to step up the commercial sales as well especially when there are proposals for increasing the production during the Fifth Plan.

(Paragraph 4.16).

Reply of Government

The constraints in the expansion of commercial sale has not been lack of promotional efforts but the increase in demand of social welfare which had to be given priority. The capacity of the existing plant is almost fully utilised and there is practically no scope for increasing the commercial sales in the present situation. As regards promotional efforts for 5th Plan period, publicity campaigns are being designed by the company well in advance to develop commercial sales as soon as any new plants are commissioned.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB-II, dated 23-9-74].

Recommendation (Serial No. 26)

The Committee find that the Modern Bakeries are using 70 per cent imported wheat and 30 per cent indigenous for the manufacture of bread. The Committee were also informed that if the Undertaking could get good quality of indigenous wheat such as Kalyan, Sonalika, Sharbati, PV-18 etc. they would not require any foreign wheat for the manufacture of bread. The Committee feel that in addition to the steps already taken to procure the special varieties of wheat through the Food Corporation of India, the Undertaking should explore the possibilities for procuring these special varieties of wheat from the State Farms Corporation of India so that in the years to come dependence on imported wheat for the manufacture of bread is reduced, if not altogether eliminated.

(Paragraph 5.8).

Reply of Government

Wheat is not imported for the purpose of manufacturing bread. In 1972, the Company had taken up with the State Farms Corporation of India the question of purchase of suitable indigenous wheat. Consequent upon take over of wholesale trade in wheat by Government, the State Farms Corporation had expressed their inability to supply wheat to Modern Bakeries. The question of obtaining right varieties of indigenous wheat has since been finalised with F.C.I. vide, answer to recommendation No. 19.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB, II, dated 25-9-74].

Recommendation (Serial No. 27)

The Committee find that the standard formulations for bread had been fixed by the Undertaking on the basis of the advice of the Australian Bakery Technologist and these also conformed to I.S.I. specifications. However, these formulations had been modified from time to time with reference to actual consumption pattern and other factors like local taste price structure etc. The Committee also find that there were variations in use of raw material from the standard formulations. The Committee were informed that the variations from standard formulations were made only in respect of sugar, oil etc. There was no change in the quality of bread so far as its nutritional value was concerned. The Ministry had, however, decided to appoint an Expert Committee to examine this aspect in detail. The Committee hope that the use of raw materials and

formulations would be reviewed and standardised in the light of the recommendations of the Expert Committee so as to optimise yield and reduce the cost keeping the nutritional value of the bread unaffected. The standard formulations so fixed should not be allowed to be changed without prior approval of the Board of Management in case it effects adversely in any way the nutritional value of the bread.

(Paragraph 5.26).

Reply of Government

An Expert Committee has been set up by the Government. The report of the Committee has just been received necessary instruction will be issued to the Company after examining the report.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 25-9-1974]

Further information called for by the Committee

It has been stated that an Expert Committee had been set up by the Government to examine the aspect regarding variations in the use of raw materials from Standard formulations and the Report of the Expert Committee has been received.

Please state what action has been taken by Government|Undertaking on the recommendations contained in the said report?

(L.S. Sectt. O.M. No. 12-PU/74, dated 4-11-1974).

Further Reply of Government

A copy of the report submitted by the Expert Committee has been sent to the Company with the request that the standard formulation indicated in the report should be adopted by the Company and should not be changed without the prior approval of the Head Office of the Company.

The Company has asked their Bangalore, Bombay and Delhi Units to conduct trials with the formulation recommended by Expert Committee and submit a report to Head Office. Further action will be taken by them on receipt of the reports.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-F.N.B. II, dated 23-11-74].

Recommendation (Serial No. 29)

The Committee note that the Undertaking has at present a part-time Chairman and a full-time Managing Director. They, however,

find that according to the instructions issued by the Ministry of Finance (Bureau of Public Enterprises), a typical structure of a Board for a smaller enterprise could be a Chairman-cum-Managing Director with one and possibly even two senior Officers of the Undertaking itself as functional directors together with some part-time Directors. The Committee desire that the Government should review the matter and consider the feasibility of appointing a Chairman-cum-Managing Director for the undertaking instead of having both a part-time Chairman and a full time Managing Director.

(Paragraph 6.6).

Reply of Government

Government have reviewed the matter. It has, however, been decided that, for the present, the existing pattern of part-time Chairman and full-time Managing Director may continue in the Modern Bakeries particularly at this developmental stage.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 25-9-74].

Recommendation (Serial No. 35)

The Committee regret to note the heavy amount outstanding against Sundry Debtors of the Undertaking. The amount outstanding from the State Governments against Social Welfare Programme is as large as Rs. 95.15 lakhs upto September, 1973. The Committee feel perturbed to find that in the case of Delhi State alone, a sum of Rs. 19.58 lakhs was outstanding as on 28th February, 1973. This hardly testifies to the alertness and efficiency of the Undertaking in realising its dues. The Committee also see no justification for such heavy outstandings against the Government Departments. The outstandings result in locking up of funds, loss of interest and affect the liquidity position of the Undertaking. The Committee, therefore, recommend that the present procedure for billing and collection of outstandings should be reviewed and streamlined to ensure prompt realisation of all the dues and to have an effective control over them. The Committee trust that efforts will be speeded up in this respect and a better picture will emerge as a result thereof.

(Paragraph 7.42).

Reply of Government

The procedure for billing has been examined in detail by the Company and it has been decided by them to prefer fortnightly bills instead of monthly so that outstandings can be narrowed down.

In addition the Company has taken up the matter with the State Governments to agree for at least 90 per cent payment as soon as the bills are presented and clear the remaining 10 per cent within one month. Other methods like imposition of interest for late payment are also being discussed by the Company with the concerned State Governments.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-
FNB. II, dated 25-9-1974]

Further Information called for by the Committee

It has been stated that the procedure for billing has been examined in detail by the Company and it has been decided by them to prefer fortnightly bills instead of monthly so that outstanding could be narrowed down. It has further been stated that the Company has taken up the matter with the State Governments to agree for at least 90 per cent as soon as the bills are presented and clear the remaining 10 per cent within one month. The Company is also discussing with the concerned State Government, other methods like imposition of interest for late payment.

Please state what is the outcome of these steps and what is the present position of outstanding debts?

(L.S. Sectt. O.M. No. 12-PU/74, dated 4-11-1974).

Further Reply of Government

The negotiations for prompt payment by the State Governments are still continuing. The present position of the outstanding as on 30-9-1974 is as follows:—

<i>Due less than one year old</i>	(Rs. in lakhs)
Social Welfare Department	4.04
Institutions & Hospitals	0.55
Others	0.57
<i>Due more than one year old</i>	
Social Welfare Department	130.86
Institutions and Hospitals	33.97
Others	4.00
TOTAL	173.99

The Ministry also propose to take up this matter with the Department of Social Welfare to expedite the payment.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 25-9-1974]

Recommendation (Serial No. 40)

Every effort should also be made to meet the requirements of spares and other parts for existing plants from indigenous sources so as to attain self-reliance at the earliest and obviate outgo of foreign exchange.

(Paragraph 8.27).

Reply of Government

Noted.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 25-9-74]

Further Information called for by the Committee

The Ministry have not given any reply to the Committee's recommendation that every effort should be made to meet the requirements of spares and other parts for existing plants from indigenous sources so as to attain self-reliance and obviate outgo of foreign exchange.

Please state what specific action has been taken on the recommendation of the Committee and with what result?

(L.S. Sectt. O.M. No. 12-PU/74, dated 4-11-1974).

Further Reply of Government

Considerable progress has been made by the Company in regard to indigenous substitution of the imported items used in the machines both in mechanical and electrical side. 90 per cent of the electrical items have been substituted by indigenous ones.

As for mechanical items, about 90 per cent parts have been replaced and only a few items like worm gears and wheels used in the gear boxes are yet to be fabricated locally. Some of the prototype for the same have been received from the manufacturers in Australia. They expected from Canada also.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 23-11-74].

CHAPTER IV

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

Recommendation (Serial No. 1)

The Committee note that the main object of the Undertaking is to manufacture wholesome and nutritious bread and other bakery products under hygienic conditions for supplying to general public, Institutions and Government sponsored programmes at reasonable prices and thus be of assistance in improving the dietary standards of people and popularise the distribution of convenience foods. They find that the Undertaking had marketed 1055.76 lakhs of standard loaves during 1972-73 out of which sales under the social welfare programme accounted for 529.68 lakhs of standard loaves, i.e. 50.17 per cent of the total sales, which according to the Ministry go to the urban slum areas and the tribal areas. The Committee are not sure as to how far the bread sold by the Undertaking is actually available to the weaker sections of the society living in jhuggi jhonpri industrial and other areas. They recommend that the Undertaking should examine the feasibility of producing cheaper type of bread|buns in suitable smaller size and to ensure adequate arrangements for its distribution so as to be within the easy reach of the weaker sections of the Society.

(Paragraph 1.19)

Reply of Government

The Company attempts to produce the maximum quantity of bread from available capacity for bread production. Production of smaller size of bread|buns results in the reduction of this capacity. Recommendation has, however, been noted. The Company has already included in their plans of expansion setting up of six bun plants producing 50 grams size buns at Calcutta, Bombay, Cochin, Bangalore, Hyderabad and Kanpur.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-
FNB. II, dated 25-9-1974]

Further Information Called for by the Committee

According to the Ministry, 50.17 per cent of the total sales went to the urban slum areas and the tribal areas under the Social Welfare Programme during 1972-73. The Committee were not sure as to how far the bread sold by the Undertaking was actually available to the weaker sections of the Society living in Jhuggi Jhonpri industrial and other areas. The Ministry have not given any reply to this point. Please state as to what is the basis of the claim for 15.17 per cent of the total sales under the Social Welfare Programme during 1972-73? Please also state what arrangements have been made to distribute bread to the weaker sections of the Society under the Social Welfare Programme and to ensure that the bread is sold to them on fixed prices?

(L.S. Sett. O.M. No. 12-PU/74 dated 8-1-75).

*Further Reply of Government

During 1972-73 the total quantity of bread produced by the Company was 105.57 million loaves out of which 52.968 million loaves were supplied to the Social Welfare Programme under which bread is supplied to the vulnerable sections of the Society namely pre-school children and pregnant and lactating mothers in urban slum areas and tribal areas. The percentage supplied to the Social Welfare Programme works out to 50.17 per cent. Under this programme bread is distributed free and not sold to the beneficiaries.

In addition to distribution under Social Welfare Programme the Company supplied bread to various hospitals and canteens of the Industrial Workers on commercial basis. During the year 1973-74, the supplies to various segments of the markets were as follows:—

Market Segment	Percentage of Sale
Commercial	41%
Hospitals	5%
Army and Navy	2%
Other Institutions including industrial canteens	4%
Social Welfare	48%
TOTAL	100%

Besides the existing retail points near or in the 'Jhuggi' colonies, the company has also requested the Delhi Municipal Corporation and the New Delhi Municipal Committee to consider a scheme for

*Not vetted by Audit.

putting up kiosks in areas inhabited by weaker sections of the society and 'Jhuggi-Jhompri' colonies so that these sections of the society could be served better by making available the company's products on these kiosks. The matter is under their consideration. Similar schemes are proposed to be taken up by other units of the company also.

Comments of the Committee

Please see paras 7 and 8 of Chapter I of the Report.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 18-1-1975].

Recommendation (Serial No. 12)

The Committee also find that the Undertaking propose to set up a Biscuit Plant and a Yeast Plant in the Fifth Five Year Plan and feasibility studies in this regard have already been either initiated or completed. They desire that decision in regard to the setting up of these plants should be finished quickly.

(Paragraph 2.55).

Reply of Government

Market surveys for a biscuit plant and a yeast plant have since been completed. On the advice of the Government, the Company is discussing the matter with UNICEF who are willing to donate a biscuit plant and are getting a feasibility study carried out in consultation with the Company. The choice of technology for putting up the yeast plant is being examined.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 25-9-74].

Further Information called for by the Committee

Please state the present position in regard to the setting up of a biscuit plant and a yeast plant.

(L.S. Sectt. O.M. No. 12-PU/74, dated 4-11-1974).

Further Reply of Government

Biscuit Project:

Feasibility study for setting up of a biscuit plant with UNICEF assistance is being made by UNICEF.

Yeast Projects

The Company has examined the technical feasibility of project outlines received from CFTRI and NSI. They are negotiating with NRDC for acquiring know-how of the CFTRI process.

[Ministry of Agriculture (Department of Food) O.M. No. (10)/74-FNB. II, dated 23-11-1974.]

Comments of the Committee

Please see para 11 of Chapter I of the Report.

Recommendation (Serial No. 20)

The Committee also find that in the case of Bangalore, Bombay and Kanpur units, the percentage of return of stale and mouldy bread was more than 1 per cent during 1972-73 as compared to the norm of 0.5 per cent fixed by the Management with effect from 2nd December, 1972. The Committee view with concern the high percentage of return of such bread in these units. The Committee recommend that the Undertaking should take effective measures to tighten up its inspection machinery to ensure that stale and mouldy bread is not put in the market. The Committee would also like that the Undertaking should immediately conduct a review of the return of stale bread *vis-a-vis* the supplies made to the various centres from these units so as to localise the areas from which there is high return of stale bread and take suitable remedial measures to regulate the supplies to such areas.

(Paragraph 3.43):

Reply of Government

There are strict checks made in the factory before the bread is sent to the market and in no case is stale or mouldy bread allowed to enter the market. Strict measures have also been taken by Sales Department to see that no excess supply of bread is made to any retail point. As a result, the percentage of return of the bread from the market during the period January, 1974 to May, 1974, has been well within the norms at all the units of the Company.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II, dated 25-9-74].

Further Information Called for by the Committee

The Ministry has not given any reply to the Committee's recommendation that the undertaking should immediately conduct a re-

view of the return of stale bread *vis-a-vis* the supplies made to the various centres from these units so as to localise the areas from which there is high return of stale bread and take suitable measures to regulate the supplies to such areas.

Please state if any review has been done.

(L.S. Sectt. O.M. No. 12-PU/74, dated 4-11-1974).

Further Reply of Government

In order to improve the shelf life of bread, so that its softness is maintained for a reasonably good time, a detailed study of the mixing and fermentation process was made by the Company and detailed instructions were given by them to the Units in May, 1974 (M.B.I's letter No. MB|MD| 9|74-75 dated 14-5-1974). The position for the Company as a whole has shown improvements as will be seen from the table given below:—

RETURNS FROM MARKET (Percentage)

Month/Unit	Ahm- edabad	Ban- galore	Bom- bay	Cal- cutta	Co- chin	Delhi	Hyd- erabad	Kan- pur	Mad- ras	Total
April, 1974	0.29	0.72	0.07	0.02	0.16	0.01	0.51	0.04	0.16	
May, 1974	2.23	0.26	0.07	0.03	0.06	0.02	1.18	0.04	0.21	
June, 1974	1.24	0.39	0.07	..	0.20	0.05	1.27	0.05	0.23	
July, 1974	1.19	0.26	0.06	0.01	0.07	0.02	0.46	0.04	0.15	
August, 1974	2.18	0.32	0.09	..	0.10	0.02	0.25	0.04	0.20	
September, 1974	0.68	0.37	0.63	..	0.15	0.04	4.48	0.04	0.63	
October, 1974	0.98	0.31	0.27	..	0.11	0.06	..	0.40	0.05	0.21

It will thus be observed that the return from the market in all the Units except Ahmedabad during the month of October has been well within the permissible limit of 0.5. However, the Company is being asked to conduct further review with a view to localise the areas from which a larger percentage of return of bread takes place.

[Ministry of Agriculture (Department of Food) O.M. No. (10)/74.
FNB. II, dated 25-9-1974]

Comments of the Committee

(Please see paras 16 and 17 of Chapter I of the Report.)

Recommendation (Serial No. 33)

The Committee note that all the elements of expenditure e.g. direct materials, manufacturing overheads and administrative overheads not only exceeded the anticipations made in the Detailed Project Report but also by and large the estimates framed by the Management. Even amongst the various units *inter se*, there have been wide variations in respect of expenditure against individual elements of cost. The Committee recommend that the reasons for such variations should be gone into and economies effected with a view to ensuring reduction in cost and sustaining a reasonable sale price.

(Paragraph 7.32).

Reply of Government

Noted

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB-II, dated 25-9-74.]

Further Information Called for by the Committee

The Ministry have not given any reply to the Committee's recommendation that the reasons for variations should be gone into and economies effected with a view to ensuring reductions in cost and sustaining a reasonable sale price.

Please state what specific action has been taken on the recommendation of the Committee.

(L.S. Sectt. O.M. No. 12-PU|74 dated 4-11-1974).

Further Reply of Government

The variation in elements of cost from unit to unit has been generally due to the following reasons *viz.*

- (a) Difference in the type of Plant. . i.e. Australian and Canadian Units;
- (b) Production capacities;
- (c) Difference in weight mix; and
- (d) Local conditions.

A detailed study of inter Unit variation in the individual elements of cost has been taken up by the Company and will be placed before the Board of Directors.

[Ministry of Agriculture (Department of Food) O.M. No. 8(10)/74-FNB. II dt. 23-11-74.]

Comments of the Committee

Please see para 21 of Chapter I of the Report.

NEW DELHI;
 March 14, 1975.
 Phalguna 23, 1896 (S).

NAVAL KISHORE SHARMA,
 Chairman,
 Committee on Public Undertakings.

APPENDIX I

(vide Recommendation 2, Page 12)

OBJECTIVES AND OBLIGATIONS OF MODERN BAKERIES (INDIA) LIMITED

I. *Non-Financial Objectives:*

- (1) To manufacture wholesome and nutritious bread and other bakery products under hygienic conditions for supplying to general public, institutions and Government sponsored programmes at reasonable prices and thus help in improving the dietary standards of the people.
- (2) To promote the manufacture of indigenous plants, equipments, chemicals and other raw materials required for manufacture of bread and bakery products and set up such ancillary industries as may be necessary for sustaining the production and growth of bakery industry on modern lines.

II. *Financial Objectives*

- (1) To pay a dividend of not less than 6 per cent on the paid up capital of the Company on continuing basis after the first five years of operation.
- (2) To earmark every year profit equal to 4 per cent of the share capital for expansion programmes.
- (3) To price the products taking into account the
 - (a) cost of production;
 - (b) the need to ensure adequate return on the capital invested; and
 - (c) the price of similar products in the market.
- (4) To pay remuneration to the employees keeping in view the wage structure policy as declared by the Central Government to be applicable to public Sector Enterprises and the likely implication on the cost of production.

APPENDIX II

(*vide* Recommendation 3, p. 14)

22-11-74.

8|10|74-FNB. II

The Managing Director,
Modern Bakeries (India) Ltd.,
New Delhi.

SUB:—Recommendations of the Public Undertakings Committee,
Sir,

I am directed to invite a reference to the Recommendations Nos. 3 and 4 of the Public Undertakings Committee contained in its 47th Report and to say that these recommendations have been accepted by Government. I am accordingly to request that in future while preparing original estimates for the projects to be undertaken by the Company, the Company should take into account all relevant factors like provision for ancilliary equipments and services, Customs duty on imported equipment if any pre-operative expenditure etc. before submitting them to Government for approval.

I am also to request that the Company may kindly exercise proper planning and strict control over the avoidable expenditure for setting up of various units.

Yours faithfully,

Sd/- T. R. PARAMESHWARAN,
Deputy Secy. to the Govt. of India.

APPENDIX III

(Vide Recommendation 15, p. 23)

MODERN BAKERIES (INDIA) LIMITED

(A Government of India Enterprise)

25-B, L.S.C. Paschimi Marg,

Vasant Vihar

New Delhi-110057

BRIG. CC. UTHUP AVSM

MANAGING DIRECTOR

D.O. No. MB|MKG|P|1|74-75

Dated 22 Nov. 1974.

My dear Mr. Shah,

The study conducted on the sales and allied matter of your Unit from 30th October, 1974 to 2nd November, 1974 by the team of officers from Head Office has revealed that besides certain bottlenecks in production the fall in sale of your Unit has been due to lack of sales planning and effort. A detailed examination of the data collected by the team has also brought out that the Unit has not been able to take any advantage of the demand in the local commercial market, or in the outstation markets partly because the demand for Social Welfare Programme was given overriding priority at the expense of commercial supplies which resulted in losing ground in the commercial market in the State. To overcome the situation, and to develop the commercial sales to the required minimum limit of six to seven lakhs standard loaves per month within the next four months the Unit should take the following steps:

- (1) The loaves produced by the unit should appear large enough to favourably compare with the competitors bread. It had been found that some of the varieties sold by our competitors, though less in weight appear larger than Modern bread and the customer finds it difficult to appreciate the weight and quality of our bread. This will obviously require baking tins of different size than the ones being used at present. Some new standardised

size of baking tins are now being fabricated under Head Office contracts and shall be despatched to your unit within 3 to 4 weeks' time. The dimensions of these tins are given below:

Load Size	Original Australian Tins	New standardised tins now being fabricated under H.O. contracts
400 gms.	Top	7" × 3½"
	Bottom	6 1/2" × 3"
	Height	3½"
800 gms.	Top	10 1/2" × 1/8"
		9 11/16" × 3 5/8"
	Height	4" × 3-13/16"

As will be noticed these tins are longer than the original Australian tins and will produce slightly long loaf with approximately 3 extra slices. The unit should examine and confirm that this size will suitably compare with the competitors' bread.

- (2) Sufficient number of bread baskets should be procured locally immediately.
- (3) Ahmedabad Market favours softer, whiter and sweeter bread. The samples collected from some competitors were found to have those qualities more pronounced than our product. It is essential that the formulation of white bread be suitably revised to maintain the cost of sales as far as possible within the present limits but give a softer, whiter and sweeter bread.
- (4) The Sales Department should be immediately re-organised under the Sales Manager shortly to join at Ahmedabad. The three Sales Assistants should be given specific areas and field duty. One of the Assistants who seems to be looking after some of ice work should also be shifted to the field and assigned specific area for developing sales. Office work should be left to Administrative staff.
- (5) A few selected outstations particularly Baroda, Surat, Rajkot and Jamnagar be developed for commercial sales. It has been estimated that sales in Baroda and Surat can easily be developed upto 7,000 and 3,000 loaves per day

in commercial segment alone. If the distributor at Baroda namely the Baroda Dairy is not able to take up the expansion of commercial market the unit should set up another whole-saler or develop their own system of distribution at Baroda immediately. Complete suggestion for developing sales at Baroda may be sent to the Head Office within a weeks time for approval. It may be pointed out that ultimate aim is to develop indirect distribution system at Baroda as was discussed with the Chief Manager by the team of officers who visited your unit.

- (6) It has come to notice that having special decoration and bulk supplies display has a particular appeal to the Public of that area. With this view, it is suggested that 4 to 6 dealers be selected in different areas in Ahmedabad and their shops be decorated with Modern Bread Boards etc. There should be sufficient stocks of Modern Bread available on these shops for decoration purposes even dummy bread can be piled up in cupboards suitably. For this purpose if necessary some special monthly payment can be made to the selected shops over and above the normal commission. Your proposal in this regard should also be sent within a week's time for approval.
- (7) From the long term point of view, the distribution system within Ahmedabad city should be reorganised to reduce the number of routes. It was felt that the city could be covered with four routes more economically and easily in comparison to the present seven routes. Your proposal in this regard may also be finalised and sent to the Head Office within a week.

At the Head Office suitable publicity Campaign is being designed and instructions will follow in this matter within next 10 days. Meantime if you have any suggestion the same may be forwarded to the Head Office. The stress in the publicity campaign will be on quality and weight of our bread.

The Unit may also take up with the Government of Gujarat the question of making it compulsory for all the bread producers to declare the net weight on the wrappers. A weekly progress report on the matter may be furnished to the Head Office regularly.

If considered necessary the Sales Manager of the Unit may be sent to the Head Office immediately after finalisation of the plans, a copy of which may be sent by post in advance to the Head Office. The timing should be so organised that the plan can go into action by the first week of December, 1974.

Yours sincerely,
Brig. C. C. Uthup

Shri P. L. Shah
Chief Manager,
Modern Bakeries (India) Ltd.
Ahmedabad Unit.

APPENDIX IV

(Vide Recommendation 36, p. 34)

MODERN BAKERIES (I) LIMITED

No. MB|FIN|32|74|74-75 CONFIDENTIAL Dated 2nd Sept. '74.

The Regional Internal Audit Officer,
Modern Bakeries (India) Limited,
Southern|Western|Northern Region.

SUB: *Enlargement of the scope of internal audit—critical review of the systems, procedures and operations of the Company*

Sir,

The Committee on Public Undertakings in its 15th report (4th Lok Sabha) on Financial Management in Public Undertakings recommended that the functions of internal audit should include a critical review of the systems, procedures and operations of the Public Enterprises as a whole. As you know, the internal audit was introduced in our Company for the first time in September, 1968. The various systems and procedures were codified in the form of account Manual in June, 1970. It is now more than 3 years when the systems and procedures were codified and more than 5 years when the internal audit was introduced in the Company. It has, therefore, been decided that the scope of the internal audit may be enlarged and a critical review be undertaken. Henceforth starting from the financial year 1974-75 the internal audit of the last quarter should *inter alia* be in the form of the Units under systems, procedures and overall performance of the Units under your internal audit.

The review of systems and procedures will *inter alia* include:—

- (i) Determination of the soundness, adequacy and application of accounting, financial and operational procedures laid down in the Accounts Manual, Purchase Manual etc.
- (ii) Ensuring compliance with the Company's policies and procedures by the Unit.

- (iii) Ensuring reliability of the data|information|reports furnished to Head Office for decision making or reviewing performances.
- (iv) Simplifications of procedures and records and application of efficient methods in use in one area to other areas.
- (v) To increase productivity in all areas.
- (vi) Identification of instances:—
 - (a) which are indicative of adverse trends in business operations.
 - (b) which show a lack of integrity (Acceptance of stores| Raw Materials without exercising the prescribed norms weighment, quality test etc.)
 - (c) which reflect careless judgement of decisions.

2. Now we have introduced many reporting forms which *inter alia* give information regarding production, sales and other allied matters. In your reviews, inter-se-comparison of the Units under your audit control and suggestions for improvement may also please be highlighted.

Yours faithfully,
S/d. Brig. C. C. Uthup
Managing Director.

APPENDIX V

(Vide Recommendation 14, p. 49)

NOTE ON PLANT CAPACITY

Effective from 1st April, 1974

Notes

1. Two hours should be devoted each day for maintenance which means the plant will work for 22 hours daily.
2. In addition, each work, 16 hours should be devoted to maintenance (weekly maintenance). This means the plant will work for 3 shifts for 6 days normally. The units may work for one shift on seventh day.
3. Keeping in view national holidays and the time required for maintenance average effective working of plant works out to 310 days in a year.

A. FOR AUSTRALIAN MAKE BAKERY PLANTS

- (i) A line having two slicing and wrapping machines, the capacity will be 1800 production units per hour (one production unit—400 gms loaf).
- (ii) A line having one slicing and wrapping machine, the capacity will be 1600 production units per hour.

B. FOR CANADIAN MAKE BAKERY PLANTS

- (i) A line having two slicing and wrapping machines, The capacity will be 1730 production units per hour.
- (ii) A line having one slicing and wrapping machine the capacity will be 1600 production units per hour.

CONVERSION FACTORS

For the purpose of evaluation of plant capacity utilisation, the following factors will be used for converting the various sizes of loaves into production units:

One 400 gms. loaf	-	One production Unit.
One 800 gms. loaf	-	(a) 1.39 production unit for a plant having the slicing and wrapping machines. For both Australian and Canadian Units.
		(b) 1.29 production Units for a Canadian Plant provided with only one slicing and wrapping machine.

NOTE.—In case of Canadian-aided Units, the conversion factors for 800 gms. bread have been fixed on the basis of each 800 gms.

Strap having 5 tins. At present, straps with 3 tins are available, therefore, the conversion factors till the 5 tin-straps are provided will be one 800 gms. loaf-1.66 production units in the case of a line with two slicing and wrapping machines and 1.54 production units in the case of a line having one slicing and wrapping machine.

(c) 1.23 production units for an Australian Plant provided with one slicing and wrapping machine.

- (iii) One 200 gms. loaf-
- (a) 0.56 production units for a line having two slicing and wrapping machines.
 - (b) In case of a line having one slicing and wrapping machine, one 200 gms. loaf will be equal to one production unit.

(iv) The capacity of bread line producing rolls/buns has been fixed at one lakh buns of 50 gms each per day of 22 hours.

(v) For evaluating the performance of Bombay Unit for the period when both the lines produce bread, the conversion factors will be 1.23 and 1 and not 1.39 and 0.56 for converting 800 gms. and 200 gms. loaves in production units and the capacity will be calculated at 1600 loaves per hour for both line so long the units has two slicing and wrapping machines.

APPENDIX IV

(Vide Recommendation 14, P. 51)

MODERN BAKERIES (INDIA) LIMITED.

Statement showing Unit-wise production figures and Capacity utilisation during 1973-74 and 1974-75 (April, 1974—September, 1974)
(In lakhs of Std. loaves)

Name of the Unit	Original Capacity	Revised Capacity	1973-74		1974-75		Actual (April, 1974—Sept. 1974)
			Target	Actual	Target	Actual	
Ahmedabad	90	109	100	95.20	90	90	29.90
Bengalore	90	109	110	106.60	114	114	53.00
Bombay	180	218	210	213.32	215	215	91.84
Calcutta	180	218	155	114.89	180	180	78.08
Cochin	90	123	120	118.43	120	120	55.10
Delhi	90	123	120	141.23	140	140	68.40
Hyderabad	90	109	110	104.02	115	115	51.86
Kanpur	90	118	100	86.52	107	107	49.25
Madras	90	109	145	160.57	160	160	80.57
	990	1236	1170	1140.78	1241	1241	558.00

APPENDIX VII

(Vide Recommendation 14, p. 52)

8-10/74. FNB. II

Dated 22-11-74.

The Managing Director,
Modern Bakeries (India) Ltd.
New Delhi.

SBB: 14th Recommendations of the Public Undertakings Committee
contained in its 47th Report

Sir,

I am directed to invite a reference to the Recommendation No. 14 contained in the 47th Report of Public Undertakings Committee and to say that it has been observed from the reply furnished by the company in their letter No. MB|FIN|Review|CPU|73-74 dated 22.11.74 that the Company has decided as a matter of policy to review every year capacity of each unit and revise it on the basis of the experience gained during the previous year. I am to request that the Company may kindly ensure that this is done regularly and the capacities reviewed and refixed every year.

Yours faithfully,

Sd/- T. R. PARAMESHWARAN
Deputy Secy. to the Govt. of India.

APPENDIX VIII

(Vide Recommendation 18, p. 56)

MODERN BAKERIES (INDIA) LIMITED

No. MB/STAT/11/3/73-74

Dated: 23rd January, 1974.

25-B, Local Shopping Centre,
Paschimi Marg, Vasant Vihar,
New Delhi-110057.

The Chief Manager,

Modern Bakeries (I) Limited,

Ahmedabad|Bangalore|Bombay|Calcutta|Cochin|Delhi|Hyderabad|
Kanpur|Madras Unit.

SUB: Managing Director's Directive No. 5—Need to control defective production.

Sir,

For quite sometime, I have been drawing your attention to the adverse effects which defective production has been having on cost of production of our bread and the need to reduce them. As you would have seen from the unit-wise monthly performance reports sent to you, defective production is still an area which has been eroding profits in the case of a number of our units heavily and needs action to reduce it and bring it within the ceiling of 0.5 per cent of total production. In order to enable you to appreciate the acuteness of the problem, the position of unit-wise incidence of defective production during the last nine months is shown in the table below:—

Incidence of Defective Production in Unit—April, 1973—December, 1973.

(Figures in Std. oaves)

Unit	1973											
	April	May	June	July	August	September	October	November	December	10	9	8
Ahmedabad	31473 (4.87)	27981 (4.96)	33835 (4.86)	20621 (2.41)	21288 (2.51)	11677 (1.46)	4605 (0.64)	16812 (1.59)	7063 (0.57)			
Bangalore	5827 (0.70)	5380 (0.61)	5614 (0.63)	5286 (0.52)	4616 (0.51)	6257 (0.69)	5210 (0.58)	4356 (0.50)	3223 (0.36)			
Bombay	25104 (1.50)	34792 (1.93)	28518 (1.59)	22646 (1.14)	26326 (1.40)	23237 (1.26)	25083 (1.32)	17244 (0.94)	24370 (1)			
Calcutta	58956 (5.55)	65211 (5.58)	46500 (4.00)	18990 (3.20)	47260 (2.83)	43110 (3.00)			
Cochin	8086 (0.80)	10712 (0.99)	10676 (1.05)	8438 (0.85)	11748 (1.09)	15342 (1.49)	14634 (1.51)	12333 (1.31)	13478 (1.41)			
Delhi	43049 (3.84)	45590 (4.10)	52672 (4.59)	41164 (3.43)	48046 (3.93)	26449 (2.92)	44336 (3.82)	53301 (4.89)	41786 (3.34)			
Hyderabad	5125 (0.51)	6041 (0.66)	5475 (0.62)	5642 (0.62)	4757 (0.55)	3595 (0.41)	2448 (0.31)	2918 (0.32)	4250 (0.47)			
Kampur	23752 (3.78)	26722 (3.98)	25038 (4.10)	25510 (4.29)	22989 (3.90)	26288 (3.53)	17135 (2.01)	15554 (1.84)	18194 (2.12)			
Madras	8113 (0.65)	5683 (0.87)	8810 (0.64)	11504 (0.79)	12503 (0.94)	10367 (0.76)	12307 (0.84)	12044 (0.76)	14920 (1.00)			
TOTAL	209485 (2.31)	228112 (2.58)	217138 (2.27)	140811 (1.56)	152272 (1.75)	133212 (1.51)	144748 (1.55)	181822 (1.68)	170394 (1.57)			

Note : Figures in brackets represent defectives as percentage of total production. December 1973 figure for Calcutta unit is an estimated one. There was also strike in Calcutta unit from 4.7.1973 to 9.10.1973.

Evidently, none of the units has been able to keep the defectives within the ceiling of 0.5 per cent except Hyderabad unit in the months from September to December, 1973 and Bangalore unit in the month of December, 1973 only.

2. As you know, we have appointed the Indian Statistical Institute (Statistical Quality Control Unit), New Delhi, to go deep into this problem at our Delhi Unit, identify reasons for it and recommend measures to reduce them. Keeping in view the findings of the Institute, I would like you to take the following action:—

I. BAKING TINS

(i) *Repairs and Maintenance of Baking Tins:*

The Head Office vide letter No. MB|Fin.|25|51|72-73 dated 11-12-1972 has already revised the life of baking tins to 1 year from 14 years. In order to keep expenditure on baking tins within control, the Unit should institute a system of (a) regular segregation of defective tins for repairs, (b) effective and regular repair to such tins, and (c) periodic cleaning of tins.

In the "Report on visit to Australia" by me and Chief Technical and Materials Manager, copies of which are already available with you by now, it has been recommended that in case of our plants which are running for 3 shifts per day and 6 days a week, it is necessary to recondition baking tins at least once a quarter for ensuring smooth operation at depanning stage and reducing defectives. As suggested in the report, the Chief Engineer is examining the possibilities of installing a small hand operated hydraulic press with necessary dies for 400 gms. and 800 gms. size baking tins at each of our units for regular and periodical reconditioning of baking tins. You may also get the matter examined locally and sent suggestions to the Chief Engineer.

(ii) Each Unit should (a) evolve an index for rejection of tins related to number of loaves produced (b) segregate every month those tins which have served their life and (c) inform Head Office periodically as already laid down in our letter No. MB|PUR|1-BT|73-74 dated 28.6.1973 so that their replacement is arranged in time.

(iii) Till such time as defective tin shave to be used, such tins should be marked as "Defective tins" and should be manually depanned just behind the Repan-O-Vac Machine so that there are not fed to the machine.

(iv) Each unit should explore whether tins can be greased by automatic sprayer instead of manual greasing as at present done.

II. MAINTENANCE OF DEPANNER:

The units should (i) ensure immediate replacement of fallen or ineffective rubber cups; (ii) pay quick attention to break-down of depanner and (iii) draw an effective schedule for cleaning this machine and ensure compliance.

III. PROPER TESTING OF FLOUR:

I have received reports from Regional Internal Audit Officers that the flour which was accepted by both the Quality Control Section and the Production Department at the time of its receipt, was rejected by the latter at the time of its issue to them. The quality Control Section in the Units should exercise due care at the time of inspection and test and ensure that the flour satisfies the specifications.

3. *Dough Wastage:*

The study shows that most of the wastage of dough occurs at the Rounder and divider and some variations in wastage also occurs at the pressure plate in the moulder. As regards the former, the recommendation is that recasting of the Rounder Spiral with toflon may effect some improvements. As regards the moulder, proper attention to adjustments has been suggested.

4. *Wastages of Slices:*

The study points out that this type of wastage is closely related to the Quality of bread and can be reduced if breads are less damaged and the volume variations are reduced. Operatives can also help in reducing the incidence of wastage of slices by (a) careful handling; (b) proper adjustments; (c) avoiding slicing of insufficiently cooled bread.

5. At present, the average defective for the Company as a whole per month is about 1.5 to 1.6 per cent of total production. Concerted action by the production Engineering and Quality Control Sections in the Units should enable them to bring down defectives within 0.5 per cent ceiling. This also requires establishment of an effective information system which should ensure timely feedback in respect of defective to shift supervisor so that remedial measures are taken without delay. The Units should institute such a system immediately.

6. I would like you to send me a brief progress report on 10th of every month indicating the steps taken by you to keep defectives within the ceiling of 0.5 per cent. The first report should be sent to me on 10-2-1974.

Please acknowledge the receipt of this letter.

Yours faithfully,
Sd/- Brig. (C. C. Uthup) A.V.S.M.
Managing Director.

APPENDIX IX

(Vide Recommendation 18, p. 56)

Form No. FA-172

(See para 13.10)

BREAD SPOILAGE REPORT

No.

Date

Description of goods

Quality
spoilt

Reasons for spoilage

Reported by

Inspected by
Sales Manager

Approved by
General Manager.

APPENDIX X

(Vide Recommendation 18, p. 56)

No. MB/Tech/1|3|74-75.

Dated the 6th August, 1974.

The Chief Manager,
Modern Bakeries (India) Limited,
Ahmedabad/Bangalore/Bombay/Calcutta
Cochin/Delhi/Hyderabad/Kanpur/Madras.

Sir,

The Parliamentary Committee on Public Undertakings in their report on the working of the Modern Bakeries (India) Ltd. have stressed that a careful watch should be kept to see that no manipulations take place in declaring any part of the production as defective. This recommendation the Committee have made taking into account that the defective bread is also sold to the workers of the Undertaking at reduced rates.

At present the Units are required to indicate the reasons for defectives in the report "On the steps taken by them to reduce defective" which the units send every months to Head Office. From now onwards, the Units should indicate in this report specifically whether there was any incidence of defective bread due to any deliberate manipulations. Also before defectives are declared as such, reasons thereof may be indicated in the record kept for the purpose and countersigned by the Chief Manager himself.

The Supervisory staff who are indirect touch with the operatives should also exercise greater vigilance and be more tactful to prevent development of any such tendency among employees.

Yours faithfully,
Sd/- C. C. Uthup
Managing Director.

APPENDIX XI

(Vide Recommendation 18, p. 57)

MODERN BAKERIES (INDIA) LIMITED

25-B, L.S.C. Paschchimi Marg, Vasant Vihar, New Delhi-110057.

MB/MKG/11/2/74-75

Dt: 15th October, 1974.

The Chief Manager,

Modern Bakeries (India) Ltd.,

Ahmedabad|Bangalore|Bombay|Calcutta|

Cochin/Delhi/Hyderabad/Kanpur/Madras.

SUB:—*Sale of bread to Employees*

Sir,

In supersession of all earlier orders regarding sale of bread, good or defective, to company employees/workers at a concessional rate, the following decisions have been taken:—

- (a) One 400 gms., or 800 gms. loaf may be sold to each employee per day at the ex-factory rate that is first point of sale rate.
- (b) No defective bread should be sold to any employee/worker by the units.

These decisions will be implemented by all units with immediate effect.

The receipt of the circular may be acknowledged.

Yours faithfully,

Sd/- VIPIN K. GARG,

CHIEF MARKETING AND PLANNING MANAGER.

Copy to:—

FC|CTM|CE|Secretary for information.

- (i) This dispose of your Memo No. MB|IR|Adm.8|17|73-74, dated 11th September, 1974.

APPENDIX XII

Vide Para 6 of Introduction)

Analysis of Action Taken by Government on the recommendations contained in the Forty-seventh Report of the Committee on Public Undertakings (Fifth Lok Sabha).

I.	Total number of recommendation made	40
II.	Recommendations that have been accepted by Government (<i>vide</i> recommendations at S. Nos. 2, 3, 4, 7, 9, 10, 13, 15, 16, 21, 22, 24, 28, 30, 31, 32, 34, 36, 37, 38 and 39)	
	Number	21
	Percentage to total	52.5%
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply (<i>vide</i> recommendations at S. Nos. 5, 6, 8, 11, 14, 17, 18, 19, 23, 25, 26, 27, 29, 35 and 40)	
	Number	15
	Percentage to total	37.5%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at S. Nos. 1, 12, 20 and 33)	
	Number	4
	Percentage to Total	10%