

ESTIMATES COMMITTEE
1961-62

HUNDRED & FIFTY-SEVENTH REPORT

(SECOND LOK SABHA)

MINISTRY OF COMMERCE AND INDUSTRY

National Newsprint and Paper Mills Ltd., Nepanagar

(Reports and Accounts)



LOK SABHA SECRETARIAT
NEW DELHI

March, 1962/Phalgun. 1883 (Saka)

Price : 60 nP.

LIST OF AUTHORISED AGENTS OF LOK SABHA SECRETARIAT

- | | | |
|---|--|--|
| ANDHRA PRADESH | KERALA | 30. The Good Companions, Rasputra, Baroda. |
| 1. G. R. Lakshminpathy Chetty & Sons, General Merchants & News Agents, Newpet, Chandragiri, Chittoor District (Andhra Pradesh). | 17. C. V. Venkitachala Iyer, Near Railway Station, Chalakudi. | 31. The Imperial Book Depot, 266, Mahatma Gandhi Road, Poona. |
| 2. Hindustan Diary Publishers, Market Street, Secunderabad. | 18. International Book House, Main Road, Trivandrum. | 32. The International Book House, Private Ltd., 9, Ash Lane, Mahatma Gandhi Road, Bombay-1. |
| 3. Hyderabad Book Depot, Abid Road (Gun Foundry), Hyderabad. | 18a. M. Mukanda Krishna. Nayak, Manjeshwar S.K., Cannore Distt., Kerala State. | 33. The International Book Service, Deccan Gymkhana, Poona-4. |
| 4. International Consultants Corporation, 48, C. Marredpally, (East), Secunderabad-3. | MADHYA PRADESH | 34. Minerva Book Shop, Shop No. 1/80, Netaji Subhash Road, Marine Drive, Bombay-2. |
| 5. K. J. Asservadam and Sons, Cloughpet, P.O. Ongole, Guntur District (Andhra Pradesh). | 19. Modern Book House, 286, Jawahar Ganj, Jabalpur-1. | 35. The New Book Company (P) Limited, Kitab Mahal, 188-90, Dr. Dada-bhai Naoroji Road, Bombay. |
| 6. M.S.R. Murthy & Company, Visakhapatnam. | 20. The National Law House, Near Indore Library, Opposite Old High Court Building, Indore. | 36. The New Book Depot, Modi No. 3, Nagpur. |
| 7. People's Book House, B. 2-829/1, Nizam Shahi Road, Hyderabad-1. | MADRAS | 37. The Popular Book Depot (Registered), Lamington Road, Bombay-7. |
| 8. The Triveni Publishers, Masulipatnam. | 21. E. M. Gopalkrishna Kone, (Shri Gopal Mahal), North Chitrai Street, Madura. | 38. Sahitya Sangam, Booksellers, 44, Lok Manyu Vastu Bhandar, Dadar, Bombay-28. |
| BIHAR | 22. The Kalpana Publishers, Booksellers, Trichinopoly-3. | MYSORE |
| 9. Amar Kitab Ghar, Diagonal Road, Jamshedpur-1. | 23. The Presidency Book Supplies, 8-C, Pycroft's Road, Triplicane, Madras-5. | 39. H. Venkataramiah & Sons, Vidyaniidhi Book Depot, New Statue Circle, Mysore. |
| 10. Book Centre, Opposite Patna College, Patna. | 24. S. Krishnaswami and Company, P.O. Teppakulam, Tiruchirapalli-2. | 40. Makkalapustaka Press, Balamandira, Gandhi Nagar, Bangalore-9. |
| 11. 'Jagriti,' Bhagalpur-2. | 25. (Vacant) | 41. People's Book House, Opp. Jaganmohan Palace, Mysore-1. |
| GUJARAT | MAHARASHTRA | 42. Pervaje's Book House, Koppikar Road, Hubli. |
| 12. Chanderkant Chiman Lal Vora, Law Publishers and Law Book Sellers, P.B. No. 163, 57/2, Ghandi Road, Ahmedabad. | 26. Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay. | 43. The S. S. Book Emporium, 'Mount Joy' Road, Basavangudi, Bangalore-4. |
| 13. Gandhi Samiriti Trust, Bhavnagar. | 27. The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-1. | ORISSA |
| 14. Lok Milap, District Court Road, Bhavnagar. | 28. D. B. Taraporevala & Sons, Co., (P) Limited, 210, Dr. Naoroji Road, Bombay-1. | 44. The Cuttack Law Times Office, Cuttack-2. |
| 15. The New Order Book Company, Ellis Bridge, Ahmedabad-6. | 29. Deccan Book Stall, Fergusson College Road, Poona-4. | 44a. Ekamra Vidyabhaban, Eastern Tower Room No.3 Bhuvaneshwar-3, Orissa. |
| 15. Swadeshi Vastu Bhandar, Booksellers etc., Jamnagar. | | |

PUNJAB

45. The English Book Depot, 78, Jhoke Road, Ferozepore Cantt.
46. The Krishna Book Depot, Publishers, Booksellers, Stationery and News Agents, Main Bazar, Pathankot.
47. Minerva Book Shop, The Mall, Simla-1.
48. The New Book Depot, 76, The Mall, Simla-1.
49. (Vacant)
62. Shalig Ram & Sons, Booksellers, Madar Gate, Aligarh.
63. Universal Book Company, 20, Mahatma Gandhi Marg, Allahabad.

WEST BENGAL

64. Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akkur Lane, Calcutta-12.
65. M. C. Sarkar & Sons (Private) Limited, 14, Bankim Chatterjee Street, Calcutta-12.
66. Thacker Spink & Company (1933) Private Ltd., 3, Esplanade East Calcutta-1.
67. W. Newman & Company Limited, 3, Old Cour House Street, Calcutta.

RAJASTHAN

50. "Bookland", 663, Madar Gate, Ajmer (Rajasthan).
51. K. M. Agarwal & Sons, Railway Book Stall, Udaipur.
- 51a. Information Centre, Govt. of Rajasthan, Tripolia, Jaipur City, Rajasthan.

UTTAR PRADESH

52. A.H. Wheeler & Company, Private Limited, 15, Elgin Road, Allahabad.
53. British Book Depot, 84, Hazaratganj, Lucknow.
54. B.S. Jain & Company, 71, Abupura, Muzaffarnagar.
55. Friends Book House, M.U., Aligarh.
56. Goel Traders, 100-C, New Mandi, Muzaffarnagar.
57. Kitabistan, 17-A, Kamla Nehru Road, Allahabad.
58. Law Book Company, Sardar Patel Marg, Allahabad.
59. Laxmi Narain Agarwal, Hospital Road, Agra.
60. The Loyal Book Depot, Chhipi Tank, Meerut.
61. Mittal & Company, 85-C, New Mandi, Muzaffarnagar.

JAMMU AND KASHMIR

68. The Kashmir Book Shop, Residency Road, Srinagar, Kashmir.
69. Students Stores, Raghunath Bazar, Jammu-Tawi.

DELHI

70. Atma Ram & Sons, Kashmere Gate, Delhi-6.
71. Bahri Brothers, 188, Lajpat Rai Market, Delhi-6.
72. Bookwell, 4, Sant Naran-kari Colony, Kingsway Camp, Delhi-9.
73. The Central News Agency, 23/90, Connaught Circus, New Delhi.
74. City Book Sellers, Sohanganj Street, Delhi.
75. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.
76. The English Book Shop, 7-L, Connaught Circus, New Delhi.
77. Freeland Publications Private Limited, II-A/16, Lajpat Nagar, New Delhi.
78. Hind Book House, 82, Jan Path, New Delhi.

79. The Imperial Publishing Company, 3, Faiz Bazar, Daryaganj, Delhi-6.

80. Jayana Book Depot, Chapparwala Kuan, Karol Bagh, New Delhi.

81. Jain Book Agency, Connaught Place, New Delhi.

82. J. M. Jaina & Brothers, Mori Gate, Delhi-6.

83. Lakshmi Book Store, 42 M.M. Janpath, New Delhi.

84. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.

85. M. Gulab Singh & Sons Private Limited, Press Area, Mathura Road, New Delhi.

86. The New Book Depot, P. O. Box No. 96, Connaught Place, New Delhi.

87. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.

88. People's Publishing House, Rani Jhansi Road, New Delhi-1.

89. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.

90. Sikh Publishing House Private Limited, 7-C, Connaught Place, New Delhi.

91. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.

- 91a. Kitab Mahal (W.D.) Private Ltd. 28, Faiz Bazar, Delhi.

MANIPUR

92. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.

AGENTS IN FOREIGN COUNTRIES

U.K.

93. The Secretary, Establishment Department, The High Commission, of India, India House, Aldwych, LONDON, W.C. 2.

CORRIGENDA

HUNDRED AND FORTY-SEVENTH REPORT OF THE
ESTIMATES COMMITTEE (SECOND LOK SABHA)

- Page 1, para 1, line 7 : for 'newsprnt' read
'newsprint'
- Page 1, para 2, line 16 : for 'relinqshed' read
'relinquished'
- Page 2, para 5, line 5 : for '1968' read '1958'
- Page 6, line 1 : for 'newsprnt' read 'newsprint'
- Page 6, line 5 from below : omit 'in'
- Page 7, para 19, line 13 : for 'non-availabilty'
read 'non-availability'
- Page 8, para 23, line 13 : (i) for 'Pup' read 'Pulp'
(ii) for '84,1637' read '84,163'
- Page 9, para 28, lines 3 and 4 : for 'probelms'
read 'problems'
- Page 11, S.No.5 of Table : for 'Maintenance to'
read 'Maintenance of'
- Page 17, para 45, line 1 : for 'Creation o' read
'Creation of'
- Page 19, S.No.10 of Table: for 'Surplus' read
'Surpluses'
- * Page 25, para 66, marginal heading: for 'personn'
read 'personnel'
- Page 27, line 4 : after 'Use' add 'of'
- Page 29, S.No.1, line 1 : for 'committee' read
'Committee'
- Page 29, line 3 from below : for 'regretable'
read 'regrettable'
- Page 33, S.No.20, line 8 : for 'subse ent' read
'subsequent'
- Page 35, line 4 from below : for 'capacily'
read 'capacity'
- Page 36, S.No.32, line 2 : for 'sector he' read
'sector the'
- *Page 23, para 61, line 8 : for 'in' read 'by'

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ESTIMATES COMMITTEE

(1961-62)

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Shri H. C. Dasappa

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SECRETARIAT

Shri N. N. Mallya—Deputy Secretary.

INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Fifty-Seventh Report on the Ministry of Commerce and Industry—National Newsprint and Paper Mills Ltd. (Reports and Accounts).

2. A general examination of the published Annual Reports and Accounts of the National Newsprint and Paper Mills Ltd. for the year ending 31st March, 1961 was conducted by the Sub-Committee of the Estimates Committee on Public Undertakings whose Report thereon was finally adopted by the whole Committee.

3. A statement showing an analysis of the recommendations contained in this Report is also appended (Appendix II).

4. The Committee wish to express their thanks to the Officers of the Ministry of Commerce and Industry and the National Newsprint and Paper Mills Ltd. for placing before them the material and information that they wanted in connection with the examination of the Annual Reports and Accounts of the Company.

NEW DELHI;
March 15, 1962.

Phalguna 24, 1883 (Saka).

H. C. DASAPPA,
Chairman,
Estimates Committee.

I

BACKGROUND

The National Newsprint and Paper Mills Ltd. (popularly known as Nepa Mills) was floated as a private enterprise by the Nair Press Syndicate Ltd. in January, 1947 with an authorised capital of Rs. 5 crores and issued capital of Rs. 1.5 crores. It was originally planned as a Paper and Straw Board Mill, but on receiving encouraging results regarding the possibility of manufacturing newsprint from 'Salai' wood, the project was modified into a Newsprint Mill of the capacity of 100 tons per day *i.e.* 30,000 tons per year. The Mill was located in the Nimar District of the Madhya Pradesh State, as Salai and Bamboo, the principal raw materials, were available in abundance in the neighbouring forests.

Origin.

2. The Government of Madhya Pradesh took an active interest both in guaranteeing and subscribing to the share capital as also in promising certain facilities in the earlier stages. In May, 1949, it was found that larger funds were required to complete the erection of the Mills. So the Managing Agents approached the Government of Madhya Pradesh to finance the venture on cash-credit basis. When this matter was under consideration of that Government, numerous instances of wastefulness and mismanagement on the part of the Managing Agents came to light. The Government was left with the alternative either to provide the industry with the necessary finances or to allow it to go into liquidation. Ultimately the Madhya Pradesh Government agreed to undertake the financial responsibility for the running of the concern on the condition that the Managing Agents relinquished their office. This the Managing Agents did in October, 1949 without prejudice to any rights for compensation under the Managing Agency agreement. The paid up capital of the Company at that time was Rs. 127.5 lakhs of which the Madhya Pradesh Government held shares worth Rs. 65 lakhs including free fully paid shares of Rs. 5 lakhs allotted to them in consideration of rights and concessions granted to the Company, and the private investors had invested Rs. 62.5 lakhs.

Madhya Pradesh Govt. takes over.

3. After taking over the management of the Company, the Madhya Pradesh Government appointed in April, 1950 a Committee, under the Chairmanship of Shri A. D. Shroff, to examine the project, from the financial and technical points of view, with particular reference to the total cost of the project and its cost of production. The Shroff Committee

Examination by Shroff Committee.

confirmed the essential soundness of the project and estimated its cost at Rs. 472.37 lakhs. As the Shroff Committee Report was encouraging, the Madhya Pradesh Government decided to persevere with the project.

Investigation
by Ranganathan
Committee.

4. In May, 1951, the Nepa Mills project was included in the First Five Year Plan as one of the major projects of the State. On this basis, the Government of India was approached for loans to finance its completion. Upto June, 1953, Rs. 97.33 lakhs had been loaned by the Centre to the Madhya Pradesh Government for the purpose. The loan requirements of the Company were anticipated to be considerably higher. The Government of India, before giving further financial assistance to the Mill, decided to have an independent investigation of the feasibility of the project and the prospects of its manufacturing newsprint on competitive terms with reference to the prevailing world market prices. Accordingly, a Committee headed by Shri C. R. Ranganathan, IFS, President, Forest Research Institute, Dehra Dun was constituted in July, 1953 to examine the project in detail. The final figure of the capital cost of the project placed before the Ranganathan Committee stood at Rs. 6 crores. After examining the project in all its aspects that Committee felt that since considerable progress had been made in the completion of buildings (both for the factory and township), power house, water works and erection of machinery, it was not possible either to shift the Mill elsewhere or to abandon the project. In short, a point of no return had been reached. It recommended that the project should be proceeded with. The Government of India thereupon agreed to advance necessary loans to the Madhya Pradesh Government and appointed two of their Officers on the Board of Directors.

Central
Government
takes over.

5. In 1958, the capital structure of the Company was recast and a major portion of the loans from the Government of India and Government of Madhya Pradesh was converted into share capital. The Government of India acquired majority shares in the Mill and on the 29th December, 1968, took over control of the project. Of the total paid up capital of the Company as on 31-3-61, the share-holding of the Central Government, Madhya Pradesh Government and private investors was as follows:—

Government of India	Rs. 255 lakhs
Govt. of Madhya Pradesh	Rs. 169.73 lakhs
Private Investors	Rs. 69.78 lakhs
	<hr/>
TOTAL	Rs. 494.51 lakhs
	<hr/>

6. It would thus be seen that first the Madhya Pradesh Government and later the Central Government were compelled by circumstances to participate in this venture. To an enquiry whether any valuation of the company's assets had been made at the time of its being taken over by the Central Government, the Secretary of the Ministry stated that no formal valuation had been made but that a sum of Rs. 20 lakhs was proposed to be written down from the capital of the company. The company was taken over by Government as a result of a negotiated settlement with the State Government and other share-holders to enable the project to survive or be resuscitated in the national interest. Even if a formal valuation had been made, Government would not have arrived at different conclusions. In corroboration the Financial Adviser stated that the estimate of infructuous expenditure of Rs. 20 lakhs was worked out by the then Chairman of the Company who was an independent Chairman. It was thought, at that stage, that this estimate might be accepted without meticulously going into the valuation. *Later on it was stated in written reply that the decision was not to write down any amount from the share capital, on account of technical difficulties.*

Assets not valued.

7. *The Committee do not consider it worth while commenting on the action of the Government in participating in the share capital of the Company as they were more or less confronted with a fait accompli. It is surprising that no valuation of its assets was insisted upon at the time of taking over its control, particularly when the Government were fully aware of the numerous instances of waste and mis-management on the part of the Managing Agents, which according to the Ranganathan Committee Report, had cost the project several lakhs of rupees. What is more surprising is that even the infructuous expenditure of Rs. 20 lakhs, estimated by the Chairman, was not finally written down from the share capital of the Company. It was essential that the normal commercial practice should have been followed in such a case and the assets valued to ascertain the actual worth of the concern. The Committee hope that definite principles would be laid down by Government in this regard for guidance in similar cases in future.*

Committee's Observations.

II

PRODUCTION

A. Rated capacity and actual production

8. The rated production capacity of the Mill is 100 tons of newsprint per day and 30,000 tons per annum. The figures of production during the last six years are as follows:—

	1955- 56	1956- 57	1957- 58	1958- 59	1959- 60	1960- 61
Production :						
(a) Value (Rs. in lakhs)	26.60	104.16	127.10	231.54	238.87	246.16
(b) Quantity (in tons)	3,455	13,354	14,145	21,838	22,411	23,029

Show:fall.

9. According to the Ranganathan Committee Report the trial production of newsprint, at half the capacity with imported chemical pulp was to have commenced in April, 1954 and continued till December, 1954. The commercial production at 2/3rd of capacity using local mechanical and chemical pulp was to start in 1955. Actually the trial operation with imported chemical pulp was started in January 1955, and commercial production of newsprint from indigenous pulp wood commenced in March, 1956. Even at present it is stated to be producing about 80 tons per day as against the capacity of 100 tons per day. In this connection, the Ranganathan Committee stated that the assured production of 100 tons of newsprint per day had been calculated on an estimated speed of the paper machine at 900 to 1,000 feet per minute. The machine was capable of working at a speed upto 1,200 feet per minute. If the pulp could stand speed exceeding 1,000 feet per minute, it should be possible in due course, when the Mill got into full working stride and the technical staff became sufficiently experienced to step up the production by 10 to 20 per cent.

Reasons.

10. The following factors are stated to have contributed to the rated capacity not having been reached:—

- (i) The raw material, particularly Salai, is difficult to process and has given rise to various problems.
- (ii) Limited supplies of power and steam were made available from the thermal station.
- (iii) Inability to get the right type of personnel with sufficient experience to handle the machines at higher speed.

11. It was stated that owing to breakdown of the power plant in 1957 and 1958 and earlier years, power was available for only batch working and the position was restored towards the end of 1958. Further, the Thermal Plant had not been supplying the requirements of power and steam in full. Arrangements were, therefore, being made to secure power from Chambal hydro-electric scheme by end of 1962 or early in 1963.

12. It was also stated that the paper machine, whose rated capacity was 1,200 feet per minute was worked only upto about 850 feet and occasionally upto 900 feet since the present personnel were not able to handle the machines at higher speeds. Due to the need for further expert advice, a team of four American experts would be visiting the Mill in January, 1962 for about three months and suggest ways and means of improving production and quality. It was proposed to attach to them suitable Indian officials of the Company to learn their work and methods. It was expected that in the course of a year and a half full production would be reached.

13. *The Committee are surprised that even after six years of starting commercial production, the Mill has not reached its rated capacity. The Ranganathan Committee (1953) had envisaged that the rated capacity could be exceeded by 10 to 20%. Adequate supply of power and steam, technical know-how and suitability of raw material are problems basic and vital to any industry and should have been foreseen and provided for well in time. That they should have remained unsolved all these years is regrettable. Six years is a long enough period for overcoming the teething troubles of such a concern. The Committee suggest that in such cases, in future, planned efforts should be made from the very beginning to achieve the rated capacity within a specified time. They hope that in the present case efforts would be made to reach full production by the end of 1962.*

Planned efforts to achieve rated capacity suggested.

B. Raw Materials

14. The project is based on the combined utilisation of Pulp. chemical pulp from bamboo and mechanical pulp from

Salai in the ratio of 40:60 for the production of newsprint. Bamboo is already being used widely in the industry for the manufacture of chemical pulp. The use of Salai for mechanical pulp was untried except on an experimental scale.

Supply of Salai.

15. The annual requirement of Salai when the Mill is in full production is estimated at 30,000 tons per year. The Ranganathan Committee pointed out that the existing stock of utilisable Salai could be expected to suffice for a period of 20 years, and that effective steps must be taken to promote and foster natural regeneration of Salai during this period. It also recommended the raising of plantations other than Salai, for example, *Maharukh*, which was thought to be a more suitable wood for mechanical pulp than Salai, being whiter and free from coloured heartwood. For this purpose that Committee recommended that the Madhya Pradesh Government might immediately constitute a Nepa Mills Forest Division for preparing detailed working plans and raising plantations of about 1,500 acres a year so that there would be no shortage in the supply of this raw material.

Position re: replantation.

16. During evidence, the Managing Director stated that no separate Forest Division for Nepa Mills had as yet been constituted by the Madhya Pradesh Government. The existing division had been split into North and South Nimar Divisions, the latter being made entirely responsible for Nepa requirements. It appeared that plantation had been done in a certain portion of the area but detailed reports, which had been called for from the Division had not been received so far. The Managing Director was not aware whether there was a blue print to afforest the denuded areas.

Views of the Committee.

17. *It needs no emphasis that the successful working of the Mill depends on a regular and sustained supply of raw material. For this purpose, it is essential that there should be intimate coordination and cooperation between the Madhya Pradesh Forest Department and the Mill. The Committee are, however, surprised to note that the position regarding implementation of the recommendations of the Ranganathan Committee about the progress of replantation, which were made as far back as 1953, still remains nebulous. Considering the fact that the Madhya Pradesh Government are partners in this venture, the Committee feel that there should have been no difficulty in enlisting their full cooperation. They suggest that immediate steps may now be taken to impress on the Forest Department in the urgent need for preparing a blue-print for the afforestation of the denuded areas, and speedy implementation of the plantation scheme to ensure that at no time the working of the Mill is hampered due to lack of this basic raw material.*

C. Power and Steam

18. One of the reasons for the shortfall in reaching the rated capacity of production of 100 tons per day is non-availability of adequate supply of power and steam from the Chandni power station which at present is sufficient only for a production of 70 to 75 tons of paper per day. Limited supply.

19. In this connection, the Committee were informed that the thermal power station at Chandni was set up by the Madhya Pradesh Electricity Board in 1953 mainly to meet the requirements of the Nepa Mills. As the Mill was not ready to utilise the power till 1955, the Electricity Board, with a view to avoiding losses entered into commitments with other consumers. When Nepa Mills went into production in 1955, the Electricity Board could not supply the power requirements of the Mill in full on account of these commitments. Arrangements are being made to get extra power from Chambal hydro-electric project by the end of 1962 or early 1963. A *main difficulty* in this regard, however was the non-availability of adequate steel sections for the transmission lines from Indore to Nepa Nagar. Reasons.

20. *It is really unfortunate that production in the Mill has been allowed to suffer since 1955 for lack of adequate supply of power, which has resulted in considerable loss on account of under-utilisation of machinery and manpower. The Committee urge that effective steps should now be taken to ensure adequate supply of power to the Mill as also to remove any difficulty in the matter of speedy procurement of Chambal hydel power. So far as steel sections for transmission lines are concerned, there should be no difficulty whatsoever in view of the increased output of steel in the country.* Speedy supply of Power urged.

D. Quality of Newsprint

21. It was stated that the quality of the Nepa newsprint compared favourably with the imported newsprint except for the shade and finish. This was due to the fact that entirely new raw materials, only those available in the country, were being used in the manufacture of newsprint. In this context, the Committee were informed that the Consultants had not visualised at the project stage that the colour of the newsprint made from Salai which had a reddish core would need improvement and hence no provision had been made in the design for the bleaching of the mechanical pulp. Since it was necessary to improve the colour a part of the bleaching equipment intended for the chemical pulp was requisitioned and converted for bleaching the mechanical pulp to the detriment of the multistage bleaching of the chemical pulp. A Inferior shade.

very flexible bleaching plant had, therefore, been designed and was under erection.

22. *The danger of dis-colouration of newsprint on account of the use of Salai was pointed out by the Shroff Committee as well as the Ranganathan Committee and was also felt at the time of trial production as far back as 1955. The Committee regret to observe that in spite of these indications no early steps were taken to install the Greenwood Bleaching Plant and production was allowed to suffer both in quantity and quality.*

Use of im-
ported pulp. 23. The Committee were informed that with a view to improve the shade, strength and quality of Nepa Newsprint, a proportion of imported pulp, both chemical and mechanical, was being used in the Mill. The annual quantity of imported pulp (chemical and mechanical) used by the Nepa Mills together with its cost is given below:—

	1958-59		1959-60		1960-61	
	Quantity (Tonne)	Cost (Rs.)	Quantity (Tonne)	Cost (Rs.)	Quantity (Tonne)	Cost (Rs.)
Chemical Pulp	105	84,1637	37	32,506	1,045	829,720
Mechanical Pulp	..	..	..	..	1,217	661,723
	105	84,163	37	32,506	2,262	14,91,443

Of the percentage of imported pulp used, 5% was chemical and 5% mechanical. The Secretary of the Ministry stated that it was difficult to say for how long it would be necessary to import such pulp. They were, however, trying to reduce it.

24. *It will be seen that an expenditure of Rs. 15 lakhs was incurred in 1960-61 on the import of pulp, which accounted for over 7 per cent of the total cost of production. The project was originally started with the ostensible object of saving foreign exchange by promoting industrial development in newsprint with indigenous raw material. The Committee, therefore, urge that concerted efforts should be made to find out new processes for the manufacture of good quality newsprint from indigenous material and to eliminate the necessity of importing the pulp for the purpose.*

Fly ash
from the
Power
House.

25. The Committee understand that fly ash from the power house settles all over the paper plant spoiling the colour of the newsprint. It was stated in evidence that

several alternatives were being examined by the Madhya Pradesh Electricity Board to eliminate the same but so far no tangible results had been achieved. The Secretary of the Ministry admitted that having regard to the prevailing direction of the wind, the location of the power house was wrong. After switching over to hydel power the trouble would be minimised but not completely eliminated, as one boiler would still have to be operated upon to maintain the supply of steam.

26. *The Committee deplore that proper thought was not given to the location of the power house in the beginning. It may be worthwhile to consider shifting the power house to a convenient place so as to see that no damage could be caused to the paper and the machinery, if it could be done with advantage and at not much cost. If, however, it cannot be done, then such measures as may be open to them may be taken to protect the machinery and the colour of the newsprint from flyash.*

27. The Committee were informed that there was a **Research** laboratory in the Mill where routine tests and research on the materials and processes were carried out. Several new processes for manufacture of newsprint were tried with good results and were stated to be under active examination for being adopted on a commercial scale. Their effect on the combination of pulp and cost structure would be gone into with the help of the American experts who would be shortly joining the Mill. One of the items of research was pre-treatment of Salai by soaking it in plain water to which some chemical was added and the other was chemi-ground wood under which it was converted into chips and cooked. The adoption of this process would result in the Mill increasing the proportion of mechanical pulp to about 80% as against 60% at present. *The Committee hope that the results of the researches and tests carried out in the laboratory would be pursued vigorously and the quality of the newsprint improved.*

28. The Committee were informed that the Forest **Need for specialised Research Centre.** Research Institute, Dehra Dun was doing some research on paper. The Nepa Mills were also referring to them problems regarding the use of different types of wood for making pulp. In fact one of the suggestions of that Institute in this respect would be experimented upon shortly on a commercial scale. It was stated that the paper section of the Forest Research Institute was good but its coverage was not quite adequate as the Institute dealt with all forest products. *The Committee feel that in view of the proposed*

expansion in the newsprint and paper manufacturing industry in the country, it would be desirable if a specialised research centre on paper technology is set up.

E. Cost of Production

Production and Cost per ton.

29. The total quantity of newsprint produced and average cost of production per ton as worked out by the management since 1956-57 are given in the following table:—

Year	Quantity produced (tons)	Percentage increase over previous year	Cost per ton (Rs.)	Percentage increase over previous year
1956-57	13,354	..	1,107	..
1957-58	14,145	5.9%	1,014	(—) 8.4%
1958-59	21,838	54.4%	801	(—) 21%
1959-60	22,411	2.6%	864	(+) 7.8%
1960-61	23,029	1.3%	885	(+) 2.4%

It would be seen that the average cost of production of newsprint per ton which declined during the first three years shows a rising trend from 1959-60 recording an increase of 7.8% and 2.4% respectively over the previous years. The production of newsprint has been constantly rising from year to year the increases in 1959-60 and 1960-61 being 2.6 per cent and 1.3 per cent respectively over the previous years. With the increase in production, the average cost per ton was normally expected to come down, but it has shown an increase from 1959-60 onwards. The increase in cost has also been at a rate faster than that of production.

Items of expenditure.

30. The following table gives some of the items of expenditure during the last 5 years:—

	(Rs. in lakhs)				
	1956-57 (1)	1957-58 (2)	1958-59 (3)	1959-60 (4)	1960-61 (5)
1. Raw materials consumed	18.9	19.8	26.9	27.2	24.7
2. Stores, chemicals and sundry materials	35.8 (24.2%)	32.4 (22.6%)	46.3 (26.5%)	58.5 (30.2%)	69.7 (34.2%)

	(1)	(2)	(3)	(4)	(5)
3. Power, Steam and Water .	28.1 (19%)	27.2 (18.9%)	39.2 (22.4%)	43.0 (22.2%)	51.60 (25.3%)
4. Salaries and Wages .	14.8 (10.2%)	15.6 (10.9%)	16.6 (9.5%)	18.4 (9.5%)	22.4 (10.9%)
5. Maintenance to plant and machinery .	1.7	2.8	3.6	4.4	4.7
6. Production :					
(i) Cost .	147.8	143.2	176.2	193.6	203.9
(ii) Quantity . (in tons)	13,354	14,145	21,838	22,411	23,029

NOTE : Figures in brackets indicate percentage to total cost.

31. *It will be seen from the above table that there has been a disproportionate increase in the expenditure under (i) stores, chemicals and sundry materials; and (ii) power, steam and water, which together constitute more than half the total cost of production.* While the production in 1960-61 registered an increase of 5.4% over that of 1958-59, the expenditure under the above two heads has gone up by 55.3 per cent and 31.7 per cent respectively during the same period. The rise in expenditure on chemicals and stores has been ascribed to increased costs, use of more imported pulp, consumption of more chemicals to make the production of acceptable brightness etc. As regards power and steam, it was stated that the tariff rates had been raised by the Madhya Pradesh Electricity Board recently. The Mill was, however, trying to negotiate a fair tariff through the Central Water and Power Commission.

Disproportionate increase in certain items.

32. *The Committee hope that every effort will be made to get the tariff of power and steam reduced as early as possible as these items constitute about 25% of the cost of production. They further feel that there is enough scope for curtailing expenditure on other items also. In view of the fact that the cost of Nepa newsprint is already very high, it is essential that the management should exercise strict control over costs by following modern methods of cost control. An expert study to bring down costs may be arranged, if considered necessary.*

Expert study suggested.

33. *The Ranganathan Committee in 1953 had given the estimates of quantities of certain chemicals which would be required for the production of 30,000 tons of newsprint*

Increase in consumption of chemicals.

annually. The estimates and the actual consumption of the chemicals are given below:—

(In tons)

	Quantity as estimated by Ranga- nathan Committee	Actual consumption		
		1958- 59	1959- 60	1960- 61
1. Caustic Soda	1,223	2,277	3,143	2,709
2. Soda Ash	100	176	204	234
3. Lime	1,350	2,535	3,757	4,542
4. Liquid Chlorine	700	1,458	2,295	1,819
5. Alum	1,200	1,172	1,301	1,357
6. Sulphur Dioxide	75			
7. Clay	2,250			
8. Formaldehyde	30			

Reasons for
increase.

34. *It will be seen that while there has been no consumption of some of the chemicals listed by the Ranganathan Committee, in other cases the actual consumption has been far in excess of the estimates even though the Mill has all along been working below the rated capacity. It was explained that the estimates in the Ranganathan Committee Report were based on the production of newsprint in other countries from conventional soft woods like fir, spruce and pine. Since the production of newsprint by Nepa Mills was based on non-conventional raw materials, it was found when the Mill went into production that some changes in the process of manufacture had to be effected, and additional consumption of chemicals was necessitated for bleaching the mechanical pulp which was not originally envisaged.*

Special
study of use
of chemi-
cals sugges-
ted.

35. *It is really surprising that the estimates of the consumption of chemicals given by the Ranganathan Committee, which were apparently based on the estimates prepared by the Mill in 1953, should have proved so wide of the mark. That local factors such as the use of new raw materials for the manufacture of newsprint in the country were not taken into account in assessing the consumption of chemicals is unfortunate. In the absence of realistic estimates in these important matters, their very purpose is defeated. Even so the Committee doubt whether the use*

of chemicals on such an excessive scale could be justified by the necessity of bleaching mechanical pulp only. They cannot over-emphasise the need for utmost economy in the consumption of these stores. The Committee, therefore, suggest that a special study of the use of chemicals should be made with a view to effect economy in their consumption.

III

SALES, PROFITS AND PRICES

A. Capital and Sales

Capital,
Sales and
Profit.

36. The following table gives the figures of total capital and sales of newsprint in the Nepa Mills together with the rate of turnover of capital and the yield on capital during the last four years:—

(Rs. in lakhs)

	1957- 58	1958- 59	1959- 60	1960- 61
1. Total Capital	575	599	534	547
2. Net Worth	(—) 61·10	337·80	378·45	416·57
3. Sales :				
(i) Value	129	228	235	247
(ii) Quantity (Tons)	14,274	21,590	22,139	23,012
4. (a) Net Profit (before tax and interest)	(—) 13·45	55·65	42·11	33·21
(b) Net Profit (after tax and interest)	(—) 33·38	36·83	37·76	32·94
5. Percentage of net profit (before tax and interest)				
(i) Total Capital		9·5%	8%	6%
(ii) Sales		24·4%	17·9%	13·5%
6. Percentage of net profit (after tax and interest) to Net Worth . . . . .	..	11·3%	10%	7·9%
7. Total accumulated Loss (to-date)	(—)173·21	(—)136·38	(—)98·62	(—)65·68
8. Ratio of Total Capital to Sales	1:0·22	1:0·38	1:0·44	1:0·45

Low Turn-
over.

37. It would be seen from the above table that the ratio of sales to total capital, which was 0·22 in 1957-58 has gone up to 0·45 in 1960-61. It was admitted by the Secretary of the Ministry during evidence that the turnover of the company was very low and that it should be at least 1: 1 in a factory of this kind. The turnover had also to be viewed against the fact that the concern was slightly over-capitalised. The Committee hope that energetic steps

would be taken to increase production and improve the turnover to normal standards.

38. The Committee regret to observe in this connection that in spite of a written enquiry from them, neither the Ministry nor the Mill could furnish any information regarding the normal turnover of such concerns elsewhere. The Committee consider it very necessary for all public undertakings to collect such information so that normal standards are known and their performance could be assessed against them.

Need for assessing performance against normal standards.

B. Profits

39. The Mill continued to incur heavy losses upto 1957-58 which amounted to Rs. 173 lakhs at the end of that year. In 1958-59 the Mill turned the corner inasmuch as it started making profits. These profits are being utilised to wipe off the earlier losses. It will be seen that the percentage of net profit (before tax and interest) to total capital was 9.5, 8 and 6 in 1958-59, 1959-60 and 1960-61 respectively and to sales 24.4%, 17.9% and 13.5% respectively during the same period. Compared to net worth, the yield (profit after tax and interest) amounted to 11.3%, 10% and 7.9% in 1958-59, 1959-60 and 1960-61 respectively. It was admitted during evidence that the yield on capital and net worth was low. In their various reports the Committee have emphasised the need for the public undertakings to obtain a reasonable return on their capital. They hope that the Nepa Mills would make all out efforts to achieve this end by increasing their efficiency and adopting adequate measures of economy.

Low yield on Capital and Net Worth.

C. Prices

40. The price of Nepa newsprint is Rs. 1,064 per ton while that of imported newsprint including customs duty of Rs. 50 is about Rs. 900 per ton only. Thus Nepa newsprint costs Rs. 164 per ton more than the imported newsprint though not up to the standard of imported quality. It was stated that there was a demand for reducing the price. The Committee hope that with increased production, reduction of tariffs for power and steam and stricter control over costs, the cost of production of newsprint would come down and facilitate fixation of a fair price as compared to the imported product.

Price compared to imported newsprint.

41. Nepa newsprint has been exempted from excise duty from 1st April, 1955 in respect of supplies to newspapers and printers and publishers of text books. It was

Exemption from Excise Duty.

stated that the levy of excise duty, which is Rs. 224 per ton, would mean that consumers would have to pay more and thus the Nepa newsprint would become unpopular. *The question whether there should be exemption from excise duty is a matter that needs to be carefully examined by Government, particularly in view of the fact that more Mills are being set up for the manufacture of newsprint which might come up for similar exemption in future.*

D. Distribution

Priorities

42. It was stated that in the distribution of the newsprint from the Mill, first priority was accorded to the requirements of newspapers and printers and publishers of text books and books of general interest. Thereafter, the requirements of Government under the rate contract system and of dealers and other consumers were met. Supplies to the newspapers were made on the basis of allocation by the Press Registrar. Ninety per cent of each newspaper's entitlement was met from imported newsprint and 10% from Nepa newsprint.

Press Commission's recommendation.

43. As far back as December, 1955 the Chairman of the Company in his annual speech had suggested to the Government to assure a market for the Mill by creating a pool of indigenous and imported newsprint. The Press Commission in its report (1954) also suggested that 'it might be of advantage if a State Trading Corporation took over the entire output of the Mills on a fair price basis and sold it, along with imported newsprint at equated prices. It would be necessary for the Press to bear to some extent the cost of developing the Indian Mills and putting it on a sound basis and this can best be done by ensuring that the products are sold through an organisation which also controls all imports from abroad'.

44. The Secretary of the Ministry informed the Committee during evidence that he had, off and on, during the last two years discussed with owners of newspapers the feasibility of setting up a central organisation for importing newsprint but the question of including Nepa newsprint in the pool was not discussed. The Indian newspaper societies had promised to formulate a scheme by which a Corporation could be set up, as existed at one stage in the U.K. during a period of shortage. All along the approach had been to do some centralised purchase and distribution because of the prevailing shortage. It was subsequently stated in written reply that the recommendation of the Press Commission had been examined by Government in 1957 and it

was then felt that there was hardly any case for introducing state trading in newsprint, since under the existing arrangements, the legitimate demands of the newspapers including the small ones were being met. Also no difficulty was being experienced in selling the newsprint produced at Nepa Mills.

45. *In view of the wide disparity in the prices of the Nepa newsprint and imported newsprint, the Committee consider it desirable to pool the prices. They, therefore, recommend that the feasibility of creating a centralised organisation to distribute both the imported and Nepa newsprint at equated prices may be examined at an early date.*

Creation of a centralised organisation suggested.

46. In response to an enquiry from the Committee the Secretary of the Ministry stated during evidence that the danger of duty-free newsprint finding its way to unauthorised places was not so serious because of the shortage of newsprint and the need felt by the newspapers themselves to have their full quota. Further, a tally of the total consumption by the newspapers was kept. The possibility of malpractices in this matter, however, could not be ruled out. *The Committee suggest that so long as the Nepa newsprint remains exempted from excise duty, the feasibility of water marking the duty-free newsprint might be examined in order to ensure that it does not find its way to unauthorised users.*

Leakage of duty-free newsprint.
Water marking suggested.

IV

CAPITAL AND FINANCE

A. Cost Estimates

Steep increase in Estimates.

47. As already stated the Nepa Mills Ltd., was registered with an authorised capital of Rs. 5 crores and issued capital of Rs. 1.5 crores. This issued capital was soon found to be quite insufficient for the completion of the project. It was stated by the Shroff Committee in 1950 that no serious attempt was made by the Company to draw up a detailed cost of the project till March, 1949. The first detailed estimate of cost was Rs. 250 lakhs. Later on, the estimate was revised to Rs. 392 lakhs plus a working capital of Rs. 30 lakhs. The Shroff Committee placed the total capital requirements of the project at Rs. 472 lakhs. This estimate had also to be revised twice as it had to be based on actual quotations for various items of plant and machinery and residential quarters. The final figure in November, 1952, stood at Rs. 600 lakhs. The Ranganathan Committee, which ultimately examined the capital and financial requirements of the Nepa Mills placed them at Rs. 550 lakhs.

Committee's observations.

48. *The steep increase in the estimates of the project obviously indicates lack of proper planning and sound management in the early stages of the project. Its repercussions have been loss of valuable time, increase in costs and delay in commencement of production. The inability to use power supply from the power house that was specifically earmarked for the project and was ready in 1953 and the subsequent difficulties on account of limited supply of power and steam were the direct off-shoots of the initial vacillation and delay. How vitally necessary it is to have a realistic blueprint for a project and to proceed with its implementation according to a schedule are some of the valuable lessons to be drawn from the history of this project.*

B. Financial Position

49. The following table shows the financial position of

the Company during the last four years:—

	(Rs. in Lakhs)			
	1957-58	1958-59	1959-60	1960-61
1. Authorised Capital	500·00	500·00	500·00	500·00
2. Total Capital	575·11	598·65	533·68	547·47
3. Paid-up Capital	133·52	493·25	493·25	494·51
4. Net Worth	(—) 61·10	337·80	378·45	416·57
5. Loans from Government ¹ .	523·00	128·00	124·00	88·00
6. Fixed Assets	417·09	405·06	398·86	384·80
7. Current Assets	158·02	193·59	134·75	162·66
8. Current Liabilities	113·62	134·13	29·07	39·08
9. Sundry Debtors	7·53	11·02	11·01	12·42
10. Reserves and Surplus	0·74	2·09	4·02	4·11
11. Depreciation :				
(i) During the year	35·50	32·41	31·25	29·02
(ii) Up-to-date	78·71	111·08	141·81	178·80

50. It would be seen that upto 1957-58 the paid-up capital of the Company was small and loans from the Central and Madhya Pradesh Governments constituted a major portion of its total capital. In order to get over the recurring interest charges on loans from the two Governments, the capital structure was reorganised in December, 1958 and a portion of their loans was converted into share capital.

Reorganisa-
tion of Capital
structure.

51. The Committee were informed that the accumulated interest upto 29-12-58 amounting to Rs. 111·19 lakhs was converted into a non-interest bearing loan, payable in ten equal annual instalments. It was stated that this major concession was agreed to be given by the Government of Madhya Pradesh as a part of the general settlement reached between the Central Government, the Madhya Pradesh Government and the Company to place the Company on a sound financial footing. The Madhya Pradesh Government had substantial financial interest in the concern both because they were the major share-holders and the loan from the Central Government was advanced to the Company through and at the instance of the Madhya Pradesh Government. The Central

Conversion
of accumu-
lated
interest into
interest-free
loan.

Government stepped in because it was a national concern. *The Committee feel that the grant of the above concession was not in accordance with normal commercial practice which should be observed in the case of public undertakings.*

C. Fixed Assets

Ratio to total capital. 52. The ratio of the fixed assets of the Company to the total capital is given below:—

(Rs. in lakhs)

Year	Total capital	Fixed Assets	Percentage of fixed assets to total capital
1957-58	575·11	417·09	73 %
1958-59	598·65	405·06	70 %
1959-60	533·68	398·86	75 %
1960-61	547·47	384·80	70·3 %

Intensive utilisation of assets suggested.

53. *It would be seen that the fixed assets account for over 70 per cent of the total capital of the Company. The Secretary of the Ministry admitted during evidence that the concern was somewhat over-capitalised though a good proportion of the expenditure was for the township. He added that in the circumstances in which the Company was taken over, anything better did not appear to be possible. The very fact that the Company is overcapitalised and there is a high proportion of fixed assets, points out strongly to the necessity for intensive utilisation of the assets with a view to increased production.*

Maintenance of Assets.

54. The figures of expenditure on the maintenance of assets of the Company during the last four years are as follows:—

(Rs. in lakhs)

	1957-58	1958-59	1959-60	1960-61
Maintenance of Plant and Machinery	2·83	3·62	4·35	4·74
Maintenance of Buildings	·80	·77	0·46	·78
Maintenance of others (Workshop & Vehicles)	·94	1·75	1·24	·74
TOTAL	4·57	6·14	6·05	6·26

The rise in the expenditure on the maintenance of plant and machinery since 1957-58 has been attributed to more machinery being brought into use, and also to working it nearer the rated capacity than in 1957-58. The Managing Director of the Mill stated that the condition of the plant and machinery was satisfactory.

55. It is an elementary requirement that plant and machinery should be maintained in excellent condition by annual overhaul and running maintenance. The Committee value the assurance given by the Managing Director regarding the condition of the plant and machinery of the Mill. Nevertheless they feel that to avoid a repetition of what happened at Sindri Fertilisers & Chemicals Factory, it would be very desirable if a common-purpose team of Engineers is appointed to inspect periodically the condition of the plant and machinery in all the public undertakings. The Secretary of the Ministry viewed the suggestion favourably. The Committee would recommend that the feasibility of appointing such a team may be examined.

Appointment of common-purpose team of Engineers suggested.

D. Sundry Debtors

56. The figures of Sundry Debtors of the Company including doubtful debts are given below:

(Fig. in Rs.)

Year	Sundry Debtors		Total
	Debts outstanding for more than 3 months	Other Debts	
1957-58	62,317 (including 2,446 doubtful)	6,90,517	₹7,52,834
1958-59	1,42,785 (including 2,422 doubtful)	9,59,222	11,02,007
1959-60	1,94,390 (including 28,316 doubtful)	9,06,683	₹11,01,073
1960-61	2,32,352* (including 26,243 doubtful)	10,09,997	12,42,349

*Outstanding for over six months.

In addition, a sum of Rs. 17,283 has been classified in 1960-61 as doubtful under 'Loans and Advances'.

Reserves for Bad and Doubtful Debts suggested.

57. It will be seen that the amount outstanding against 'Sundry Debtors' has been rising from year to year and in 1960-61 it stood at Rs. 12:42 lakhs, including a sum of Rs. 2:32 lakhs which is outstanding for more than six months. There is, however, no provision in the books to cover any contingency arising on account of bad and doubtful debts. *The Committee would stress the desirability of building reserves for bad and doubtful debts as also keeping under control the position regarding 'Sundry Debtors', which shows a rising trend.*

E. Reserves and Surpluses

Need for keeping adequate reserves.

58. The reserves of the Company stood at only Rs. 4 lakhs at the end of 1960-61. This works out to a little over 1% of its Net Worth. It was conceded that the reserves were inadequate but the limiting factor in adding to the Reserves was that the Company had not been able to make profits. In two years' time, the position would be much better. *Since the Company has now started making profits, the Committee trust that the need for building adequate reserves would be borne in mind with a view to strengthening the financial position of the concern. They would also suggest that in the case of public undertakings Government should lay down a policy for the creation of various kinds of Reserves which are considered essential in consultation with Company Law Administration.*

V

PERSONNEL

A. Board of Directors

59. It is seen that few of the members of the Board of Directors have any knowledge of paper industry and technology. It was explained to the Committee during evidence that a paper technologist from the private sector could be appointed to the Board but there was likely to be conflict of interest.

60. *The Committee feel that it might be possible to find men who, though having nothing to do with competitive paper mills, have acquired considerable knowledge about the paper industry. They suggest that efforts should be made to appoint such persons on the Board of Directors.*

B. Staff

61. The strength of staff in the Mills in May 1961 was 1,190. It was indicated in the Report of the Ranganathan Committee that the total requirements of staff for the Mill when in full production would be 750 only. Compared to these estimates, the actual number of personnel employed in the Mill is very much excessive even when it is working at about 80 per cent of its rated capacity. It was stated during evidence that the estimate referred to in the Ranganathan Committee was that of the Consulting Engineers who gave the figures according to the standards in America, which were not possible to be maintained here. Further, the estimates by the Consultants were given only for operating staff and did not include staff required for township and general administration. It was claimed that the existing staff was utilised to the maximum and there was no surplus. No further recruitment would be resorted to and the present strength would be stabilised even if the production reached upto the rated capacity. *From the details of the existing staff furnished to the Committee, it is seen that the operating staff of the Mill is 943 against the estimate of 741, given by the Consultants. Thus even in this category there is an excess of 202 men. The Committee regret that the estimates of the Consultants should have proved wrong in these important matters which vitally affect the working and efficiency of the concern. They feel*

Surplus Staff.

that local standards should be specifically brought to the notice of Consultants at the time of framing of estimates. The Committee have already suggested an expert enquiry into the working of the Mill with a view to achieving efficiency and economy. They suggest that the manpower requirements of the Company should also be reviewed by those experts. Further, there should be a periodical review of the staff position and their out-turn according to well defined standards so as to ensure that there is no surplus or idle manpower.

C. Technical Personnel

Lack of
experienced
personnel.

62. One of the reasons for the shortfall in production was stated to be the inability of the Mill to get the right type of personnel with sufficient experience to work the paper machine to its rated speed of 1,200 feet per minute. In this connection, the Committee note that as far back as 1953 the Ranganathan Committee had suggested the securing of the services of foreign experts for an initial period of two years under T.C.M. and the attaching of six to eight fully qualified Indian mechanical and chemical Engineers to them so that they might be able to take over the operation of the Mill in due course and train such additional staff as may be necessary.

Foreign
experts.

63. It was stated that three American experts were employed during 1954-55 under the T.C.M. Programme and four persons at Foremen level and their crews in the paper machine section were trained by them. Later on one more foreign expert was engaged by the Mill who worked for a period of about two years as Maintenance Superintendent. One Assistant Mechanical Engineer who was trained by him left service for employment in the private sector.

64. The Committee were informed that four American experts would be coming in January, 1962 and it was proposed to attach Indian counterparts to them, so that they would run the machine after the experts had left. The experts would be engaged for a period of three months, in the first instance and be paid \$25,000 plus free passage to and fro and free board and lodging.

Committee's
observations.

65. It will be noted that while the Ranganathan Committee had recommended the training of six to eight qualified engineers under foreign experts, only four Foremen were trained by the Mill under them. It indicates that due attention was not paid by the Mill to the training of their personnel in spite of the recommendations of the Ranganathan Committee. The

Committee regret to observe that even though it was apparent that sufficient technical know-how was lacking, efforts were not made after the American experts left in 1956, to obtain the services of some experts again. Had this important aspect been attended to in time, the present position of the Mill being unable to work to its rated capacity for want of experienced personnel may not have arisen. The Committee hope that understudies to the American experts would gain sufficient experience to run the Mill to its rated capacity.

66. The number of technical personnel who had left the Mill during the last five years is as follows:—

1. Electrical Engineers	—	9
2. Mechanical Engineers	—	19
3. Civil Engineers	—	6
4. Chemical Engineers	—	38
5. Other specialised boiler attendants, windermen, fitters etc.	—	34

Flight of
technical
personn

It was stated that there was great difficulty in retaining the services of competent and experienced Indian personnel in the Mill as there was dearth of experienced persons in the newsprint industry. The private sector units were able to wean them away by more attractive emoluments. There was also difficulty in recruiting experts because the scales of pay which the undertaking was able to offer were inadequate.

67. *The problem of exodus of trained people to the private sector is undoubtedly one which should cause anxiety. One way to secure them would be to enter into agreements of service for specific periods. Another alternative would be to examine to what extent the existing pay scales can be brought on a parity with those obtaining in the paper industry so as to prevent the drift of trained hands to the private sector. This is a matter of general importance to all public sector projects and requires early consideration.*

Committee's
views.

VI MISCELLANEOUS

A. Expansion

Provision in
the Second
Five Year
Plan.

68. The Nepa Mills has been meeting only a quarter of the requirements of newsprint in the country as would be evident from the Table below:—

(In tonnes)

	Total Consump- tion	Imported newsprint		Nepa newsprint	
		Quan- tity	% age to total	Pro- duction	% age to total
1958-59	1,84,713	1,62,526	73.8%	22,187	26.2%
1959-60	1,06,084	83,308	78.5%	22,776	21.5%
1960-61	96,761	73,363	75.8%		24.2%

To meet the demand in full it has been proposed in the Third Five Year Plan to double the capacity of Nepa Mills and establish other newsprint factories. The Committee were informed that three new mills with a total capacity of 150,000 tons would be set up in the private sector. These will use bagasse and soft woods available in the Himalayan region. In addition the private sector has also applied for the setting up of a mill in Madhya Pradesh.

Doubling
the capacity
of Nepa
Mills.

69. *The Committee were informed that the licensing of these units in the private sector would not affect the proposal for doubling the capacity of the Nepa Mills which was being processed. When it was pointed out that the Mill had not been located properly and was facing difficulties in the matter of supply of power and steam, lack of experienced technical personnel and was importing pulp for want of good wood pulp etc., the representative of the Ministry stated that these difficulties were under their consideration and were in fact delaying the progress in this matter. He added, however, that it was worthwhile having a large sized unit in the public sector if it could be made more economical. The Committee hope that careful consideration would be given to these difficulties before embarking on the expansion of the Mill. Further, it should also be necessary to ensure that the doubling of the capacity would be an economically*

viable proposition especially in view of the possibilities of competition from the private sector units which would be more advantageously placed.

70. The Committee were informed that some of the units in the private sector would be based essentially on bagasse. It was stated that the large scale utilisation of bagasse for newsprint was handicapped because of the difficulties of providing alternative fuel to sugar mills which were at present utilising bagasse as fuel. The sugar mills were not in a position to use fuel oil from the refineries, which was comparatively costlier on account of the excise duty. *The Committee suggest that the question of utilising bagasse on a large scale for paper and newsprint, and providing the sugar mills with alternative fuel at economic rates should be examined at an early date preferably by a Committee appointed for the purpose.*

B. Production of Printing or Writing Paper

71. The Ranganathan Committee was of the view that the Nepa Mills could make substantially more profits if it switched on either to the production of cheap printing paper or good quality writing paper at competitive prices. That Committee further added:—

“Although on the assumption made, the comparative economics of manufacture of different types of paper has indicated that the project is likely to earn more profits while manufacturing ordinary printing paper or good quality writing paper, it is arguable that such advantages should be disregarded in favour of manufacturing newsprint if such a step is found feasible”.

72. It was stated by the Secretary of the Ministry during evidence that if the Mill switched on to production of paper, the machinery for mechanical pulp would remain partially or wholly idle according to whether writing or printing paper was produced. As a purely economic proposition, even at the risk of part of the machinery remaining idle, it might be possible to take to production of writing paper but in the larger interests production of newsprint was preferred. *The Committee feel that having regard to the proposed production of newsprint in the private sector the question of switching over the Nepa Mills to alternative production of writing and printing paper may assume importance in future from the point of view of competitive strength since cost of production of newsprint in the private sector may be cheaper.*

VII CONCLUSION

73. *From the foregoing chapters it would be seen that the Nepa project had a legacy of poor planning and mismanagement in the early stages. Further, it had all the difficulties of a pioneering venture in an entirely new line of production and with an untried raw material like Salai. All these factors, aggravated by the unfortunate position regarding inadequate supply of power and steam and lack of experienced technical personnel have been responsible for low output and high costs. As a result, the Company has yet to write off the accumulated losses of the order of Rs. 65 lakhs. In view of the proposal for setting up of three units for production of newsprint in the private sector it is of utmost importance that it should gear up its machinery to be able to produce newsprint at competitive prices.*

The Committee hope that with the availability of cheap Chambal hydel power, intensive training of the personnel and concerted measures to achieve technical improvements, coupled with sound management, it would be possible for the Nepa Mills to achieve full production of newsprint of standard quality at low costs.

H. C. DASAPPA,
Chairman,
Estimates Committee.

New Delhi;
March 15, 1962.
Phalguna 24, 1883 (s).

APPENDIX I

Statement showing the Summary of Conclusions/Recommendations of the Estimates Committee contained in the Report.

Sl. No.	Reference to para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	7	The committee do not consider it worth while commenting on the action of the Government in participating in the share capital of the Company as they were more or less confronted with a <i>fait accompli</i> . It is surprising that no valuation of its assets was insisted upon at the time of taking over its control, particularly when the Government were fully aware of the numerous instances of waste and mismanagement on the part of the Managing Agents, which according to the Ranganathan Committee Report, had cost the project several lakhs of rupees. What is more surprising is that even the infructuous expenditure of Rs. 20 lakhs, estimated by the Chairman, was not finally written down from the share capital of the Company. It was essential that the normal commercial practice should have been followed in such a case and the assets valued to ascertain the actual worth of the concern. The Committee hope that definite principles would be laid down by Government in this regard for guidance in similar cases in future.
2	13	The Committee are surprised that even after six years of starting commercial production the Mill has not reached its rated capacity. The Ranganathan Committee (1953) had envisaged that the rated capacity could be exceeded by 10 to 20%. Adequate supply of power and steam, technical know-how and suitability of raw material are problems basic and vital to any industry and should have been foreseen and provided for well in time. That they should have remained unsolved all these years is regrettable. Six years is a long enough period for overcoming the teething troubles of such a concern. The Committee suggest

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that in such cases, in future, planned efforts should be made from the very beginning to achieve the rated capacity within a specified time. They hope that in the present case efforts would be made to reach full production by the end of 1962.¹

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It needs no emphasis that the successful working of the Mill depends on a regular and sustained supply of raw material. For this purpose, it is essential that there should be intimate coordination and cooperation between the Madhya Pradesh Forest Department and the Mill. The Committee are, however, surprised to note that the position regarding implementation of the recommendations of the Ranganathan Committee about the progress of replantation, which were made as far back as 1953, still remains nebulous. Considering the fact that the Madhya Pradesh Government are partners in this venture, the Committee feel that there should have been no difficulty in enlisting their full cooperation. They suggest that immediate steps may now be taken to impress on the Forest Department the urgent need for preparing a blue-print for the afforestation of the denuded areas, and speedy implementation of the plantation scheme to ensure that at no time the working of the Mill is hampered due to lack of this basic raw material.

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It is really unfortunate that production in the Mill has been allowed to suffer since 1955 for lack of adequate supply of power, which has resulted in considerable loss on account of under-utilisation of machinery and manpower. The Committee urge that effective steps should now be taken to ensure adequate supply of power to the Mill as also to remove any difficulty in the matter of speedy procurement of Chambal hydel power. So far as steel sections for transmission lines are concerned there should be no difficulty whatsoever in view of the increased output of steel in the country.

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The danger of dis-colouration of newsprint on account of the use of Salai was pointed out by the Shroff Committee as well as the Ranganathan Committee and was also felt at the time of trial production as far back as 1955. The Committee regret to observe that in spite of these indications no early steps were taken to install the Groundwood Bleaching Plant and production was allowed to suffer both in quantity and quality.

1	2	3
6	24	An expenditure of Rs. 15 lakhs was incurred in 1960-61 on the import of pulp, which accounted for over 7 per cent of the total cost of production. The project was originally started with the ostensible object of saving foreign exchange by promoting industrial development in newsprint with indigenous raw material. The Committee, therefore, urge that concerted efforts should be made to find out new processes for the manufacture of good quality newsprint from indigenous material and to eliminate the necessity of importing pulp for the purpose.
7	26	The Committee deplore that proper thought was not given to the location of the power house in the beginning. It may be worthwhile to consider shifting the power house to a convenient place so as to see that no damage could be caused to the paper and the machinery if it could be done with advantage and at not much cost. If, however, it cannot be done, then such measures as may be open to them may be taken to protect the machinery and the colour of the newsprint from fly ash.
8	27	The Committee hope that the results of the researches and tests carried out in the laboratory of the Mill would be pursued vigorously and the quality of the newsprint improved.
9	28	The Committee feel that in view of the proposed expansion in the newsprint and paper manufacturing industry in the country, it would be desirable if a specialised research centre on paper technology is set up.
10	29	With the increase in production, the average cost per ton was normally expected to come down, but it has shown an increase from 1959-60 onwards. The increase in cost has also been at a rate faster than that of production.
11	32	The Committee hope that every effort will be made to get the tariff rates of power and steam reduced as early as possible as these items constitute about 25 % of the cost of production. They further feel that there is enough scope for curtailing expenditure on other items also. In view of the fact that the cost of Nepa newsprint is already very high, it is essential that the management should exercise strict control over costs by following modern methods of cost control. An expert study to bring down costs may be arranged if considered necessary.

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| 12 34-35 | <p>While there has been no consumption of some of the chemicals listed by the Ranganathan Committee, in other cases the actual consumption has been far in excess of the estimates even though the Mill has all along been working below the rated capacity. It is really surprising that the estimates of the consumption of chemical^o given by the Ranganathan Committee, which were apparently based on the estimates prepared by the Mill in 1953, should have proved so wide of the mark. That local factors such as the use of new raw materials for the manufacture of newsprint in the country were not taken into account in assessing the consumption of chemicals is unfortunate. In the absence of realistic estimates in these important matters, their very purpose is defeated. Even so the Committee doubt whether the use of chemicals on such an excessive scale could be justified by the necessity of bleaching mechanical pulp only. They cannot over-emphasise the need for utmost economy in the consumption of these stores. The Committee, therefore, suggest that a special study of the use of chemicals should be made with a view to effect economy in their consumption.</p> |
| 13 37 | <p>It was admitted by the Secretary of the Ministry during evidence that the turnover of the company was very low and that it should be at least 1:1 in a factory of this kind. The turnover had also to be viewed against the fact that the concern was slightly overcapitalised. The Committee hope that energetic steps would be taken to increase production and improve the turnover to normal standards.</p> |
| 14 38 | <p>The Committee regret to observe that in spite of a written enquiry from them, neither the Ministry nor the Mill could furnish any information regarding the normal turnover of such concerns elsewhere. The Committee consider it very necessary for all public undertakings to collect such information so that normal standards are known and their performance could be assessed against them.</p> |
| 15 39 | <p>It was admitted during evidence that the yield on capital and net worth was low. In their various reports the Committee have emphasised the need for the public undertakings to obtain a reasonable return on their capital. They hope that the Nepa Mills would make all out efforts to achieve this end by increasing their efficiency and adopting adequate measures of economy.</p> |
| 16 40 | <p>The Committee hope that with increased production, reduction of tariffs for power and steam and stricter control over costs the cost of production of newsprint would come down and facilitate fixation of a fair price as compared to the imported product.</p> |

1	2	3
17	41	The question whether there should be exemption from excise duty for Nepa newsprint is a matter that needs to be carefully examined by Government, particularly in view of the fact that more Mills are being set up for the manufacture of newsprint which might come up for similar exemption in future.
18	45	In view of the wide disparity in the prices of the Nepa newsprint and imported newsprint, the Committee consider it desirable to pool the prices. They, therefore, recommend that the feasibility of creating a centralised organisation to distribute both the imported and Nepa newsprint at equated prices may be examined at an early date.
19	46	The Committee suggest that so long as the Nepa newsprint remains exempted from excise duty, the feasibility of water marking the duty-free newsprint might be examined in order to ensure that it does not find its way to unauthorised users.
20	48	The steep increase in the estimates of the project obviously indicates lack of proper planning and sound management in the early stages of the project. Its repercussions have been loss of valuable time, increase in costs and delay in commencement of production. The inability to use power supply from the power house that was specifically earmarked for the project and was ready in 1953 and the subsequent difficulties on account of limited supply of power and steam were the direct off-shoots of the initial vacillation and delay. How vitally necessary it is to have a realistic blueprint for a project and to proceed with its implementation according to a schedule are some of the valuable lessons to be drawn from the history of this project.
21	51	The Committee feel that the grant of concession to the Nepa Mills, namely, the conversion of accumulated interest on the loans given to the Mill into a non-interest bearing loan to be repaid in ten equal annual instalments was not in accordance with normal commercial practice which should be observed in the case of public undertakings.
22	53	It would be seen that the fixed assets account for over 70 per cent of the total capital of the Company. The very fact that the company is overcapitalised and there is a high proportion of fixed assets, points out strongly to the necessity for intensive utilisation of the assets with a view to increased production.

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23	55	It is an elementary requirement that plant and machinery should be maintained in excellent condition by annual overhaul and running maintenance. The Committee value the assurance given by the Managing Director regarding the condition of the plant and machinery of the Mill. Nevertheless, they feel that to avoid a repetition of what happened at Sindri Fertilisers & Chemicals Factory, it would be very desirable if a common-purpose team of Engineers is appointed to inspect periodically the condition of the plant and machinery in all the public undertakings. The Secretary of the Ministry viewed the suggestion favourably. The Committee would recommend that the feasibility of appointing such a team may be examined.
24	57	The Committee would stress the desirability of building reserves for bad and doubtful debts as also keeping under control the position regarding 'Sundry Debtors', which shows a rising trend.
25	58	Since the Company has now started making profits, the Committee trust that the need for building adequate reserves would be borne in mind with a view to strengthening the financial position of the concern. They would also suggest that in the case of public undertakings Government should lay down a policy for the creation of the various kinds of Reserves which are considered essential in consultation with Company Law Administration.
26	60	The Committee feel that it might be possible to find men who, though having nothing to do with competitive paper mills, have acquired considerable knowledge about the paper industry. They suggest that efforts should be made to appoint such persons on the Board of Directors.
27	61	From the details of the existing staff furnished to the Committee, it is seen that the operating staff of the Mill is 943 against the estimate of 741, given by the Consultants. Thus even in this category there is an excess of 202 men. The Committee regret that the estimates of the Consultants should have proved wrong in these important matters which vitally affect the working and efficiency of the concern. They feel that local standards should be specifically brought to the notice of Consultants at the time of framing of estimates. The Committee have already

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suggested an expert enquiry into the working of the Mill with a view to achieving efficiency and economy. They suggest that the manpower requirements of the Company should also be reviewed by those experts. Further, there should be a periodical review of the staff position and their out-turn according to well defined standards so as to ensure that there is no surplus or idle manpower.

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It will be noted that while the Ranganathan Committee had recommended the training of six to eight qualified engineers under foreign experts, only four Foremen were trained by the Mill under them. It indicates that due attention was not paid by the Mill to the training of their personnel in spite of the recommendations of the Ranganathan Committee. The Committee regret to observe that even though it was apparent that sufficient technical know-how was lacking, efforts were not made after the American experts left in 1956, to obtain the services of some experts again. Had this important aspect been attended to in time, the present position of the Mill being unable to work to its rated capacity for want of experienced personnel may not have arisen. The Committee hope that under studies to the American experts would gain sufficient experience to run the Mill to its rated capacity.

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The problem of exodus of trained people to the private sector is undoubtedly one which should cause anxiety. One way to secure them would be to enter into agreements of service for specific periods. Another alternative would be to examine to what extent the existing pay scales can be put on a parity with those obtaining in the paper industry so as to prevent the drift of trained hands to the private sector. This is a matter of general importance to all public sector projects and requires early consideration.

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The Committee hope that careful consideration would be given to the difficulties such as unfavourable location, inadequate supply of power and steam, lack of experienced technical personnel, necessity for importing pulp for want of good wood pulp, etc. before embarking on the expansion of the Mill. Further, it should also be necessary to ensure that the doubling of the capacity would be an economically viable proposition especially in view of the possibilities of competition from the private sector units which would be more advantageously placed.

1	2	3
31	70	The Committee suggest that the question of utilising bagasse on a large scale for paper and newsprint and providing the sugar mills with alternative fuel at economic rates should be examined at an early date preferably by a Committee appointed for the purpose.
32	72	The Committee feel that having regard to the proposed production of newsprint in the private sector the question of switching over the Nepa Mills to alternative production of writing and printing paper may assume importance in future from the point of view of competitive strength since cost of production of newsprint in the private sector may be cheaper.
33	73	It would be seen that the Nepa project had a legacy of poor planning and mismanagement in the early stages. Further, it had all the difficulties of a pioneering venture in an entirely new line of production and with an untried raw material like Salai. All these factors, aggravated by the unfortunate position regarding inadequate supply of power and steam and lack of experienced technical personnel have been responsible for low output and high costs. As a result, the Company has yet to write off the accumulated losses of the order of Rs. 65 lakhs. In view of the proposal for setting up of three units for production of newsprint in the private sector it is of utmost importance that it should gear up its machinery to be able to produce newsprint at competitive prices.
		The Committee hope that with the availability of cheap Chambal hydel power, intensive training of the personnel and concerted measures to achieve technical improvements, coupled with sound management, it would be possible for the Nepa Mills to achieve full production of newsprint of standard quality at low costs.

APPENDIX II

Analysis of Recommendations contained in the Report.

I. Classification of Recommendations

A. *Recommendations for improving the Organisation and Working*

3,4,5,6,7,8,14,20,24,25,26,28,29,30,32.

B. *Recommendations for effecting economy which include suggestion for increasing the Production.*

2,10,11,12,13,15,16,22,27,33.

C. *Miscellaneous*

1,9,17,18,19,21,23,31.

II. Analysis of important recommendations directed towards economy.

Sl. No.	No. as per Summary of recommendations	Particulars
1	2	Planned efforts should be made to achieve rated capacity within a specified time.
2	11	Strict control over cost of production essential. Expert study to bring down costs suggested.
3	12	Special study of use of chemicals suggested with a view to effect economy in their consumption.
4	13	Turnover should be improved to normal standards.
5	15	Efficiency should be increased and adequate measures of economy adopted for increasing the yield on capital.
6	22	Need for intensive utilisation of assets indicated by overcapitalisation and high proportion of fixed assets.
7	27	Manpower requirements of the Company should also be reviewed by experts. The staff position and outturn should be periodically reviewed.
8	33	The Mill should gear up its machinery to be able to produce newsprint at competitive prices.

III. Monetary value of economy.

It is not possible to calculate the monetary value of the economies which might be effected as a result of the implementation of the recommendations classified under B above .