

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1978-79)**

(SIXTH LOK SABHA)

**TWENTY EIGHTH REPORT**

**ON**

**PUBLIC UNDERTAKINGS—DELAYS IN COMMENCE-  
MENT OF PRODUCTION/BUSINESS, UNDER-  
UTILISATION OF CAPACITY AND  
RELATED MATTERS**

*[Presented in Lok Sabha on 9-4-1979]*

*[Laid in Rajya Sabha on                   ]*



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## CORRIGENDA

TWENTY-EIGHTH REPORT OF THE COMMITTEE  
ON PUBLIC UNDERTAKINGS (1973-79) ON  
"PUBLIC UNDERTAKINGS-DELAYS IN  
COMMENCEMENT OF PRODUCTION/BUSINESS,  
UNDER-UTILISATION OF CAPACITY AND  
RELATED MATTERS"

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(1978-79)

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer*
3. Shri Lekh Raj—*Senior Research Officer*

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\*Elected w.e.f. 26-12-1978 vice Shri Deorao Patil died.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to present the Report on their behalf, present this Twenty-eight Report on "Public Undertakings—Delays in commencement of production|business, under-utilisation of capacity and related matters".

2. This Report brings out in sharp focus the problems that beset the public sector and suggests remedies. Unless the public sector enterprises contribute to the rapid growth of GDP and generate substantial internal resources for future investment the country cannot move forward quickly. Today the investment of Government is of the order of Rs. 13,000 crores and the current value thereof will be much more. What ails the public sector are unusually long gestation period, very low level of production or utilisation of assets created and the consequential escalation of cost of projects and their products.

3. The micro level planning and execution continue to be weak even after two decades and a half since the commencement of the Plans. A clear concept of requirements of projects and a well-coordinated endeavour to meet them at the implementation stage seem to have been singularly lacking. The managements have yet to learn a lesson and acquire a will to ensure that the public sector is well organised.

4. The malady of under-utilisation of capacities all these years is quite glaring. While the available machinery remains under utilised more and more capital goods imports take place draining out the country's resources, which is disastrous. Production planning, management and control are not what these ought to be. The claim of the Government and of the Bureau of Public Enterprises in particular, to have studied the problem in depth and taken remedial steps is not at all borne out by any tangible results. The consequences of the utter neglect of this crucial area entailing severe loss to the economy seem to be nobody's responsibility.

5. Central to the problems discussed in this Report is the failure of management, a factor which remains unacknowledged for obvious reasons. Instead the factors that are the results of this failure are brazenly brandied about in support of poor performance. The

Bureau of Public Enterprises has been maintaining a facade of monitoring. Obviously it is unable to cope with it. The public sector enterprises should therefore be grouped based on the characteristics and nature of business and for each group of enterprises there should be a set-up to examine the functioning from very close quarters at frequent intervals. The Bureau of Public Enterprises should also be reorganised as far as possible on these lines.

6. Obviously, one Committee of Parliament cannot do any justice to the examination of public enterprises with their increasing number and diverse nature of activities covering a wide spectrum of the economy. There should therefore be atleast six independent Parliamentary Committees on Public Undertakings with equal powers one for each group of enterprises organised in the manner suggested in this Report.

7. The Committee considered and adopted this Report at their sitting held on 4th of April, 1979.

JYOTIRMOY BOSU,

*Chairman,*

*Committee on Public Undertakings.*

NEW DELHI;

April 6, 1979

Chaitra 16, 1901 (S).



## INTRODUCTORY

1.1. At the outset the Committee wish to record that a time has come to critically review the working of the Public Sector Enterprises having regard to the crucial role they have come to occupy in our developmental efforts. A planned economy that we are aiming at is possible only when the public sector comes to occupy the commanding heights. Today the investment of Government is of the order of Rs. 13,000 crores and the current market value thereof will be much more. The public sector dominates critical segments of the economy like coal, oil, power, transport, steel etc., but growth in other segments is bound to be restrained without adequate development of these. Unless the Public Sector Enterprises contribute to the rapid growth of G.D.P. and generate substantial internal resources for future investment, the country cannot move forward quickly. In the matter of incremental capital output ratio for the country as a whole we seem to rank poorly even among the developing countries. Further, profitability of the Public Enterprises has also suffered a serious set back in 1977-78. The reasons obviously are the long gestation period, low level of production or utilisation of assets created and the consequential escalation of cost of projects and their products. It is in this context that the Committee thought it necessary to go into the various aspects of functioning of the Public Undertakings. It is indeed very disappointing that what has come out of their review is certainly not an edifying spectacle.

1.2. This Report deals with the production aspects with particular reference to (i) delays in commencement of business/production; (ii) under-utilisation of capacity and related matters and is based on replies furnished by 177 undertakings out of a total of 185 Undertakings, 8 of them having been set up after 1977-78.

## II

### DELAYS IN COMMENCEMENT OF BUSINESS/PRODUCTION

2.1. The Committee enquired about the dates on which the Undertakings were set-up, commenced business/production and whether the same were according to schedules.

2.2. It is regrettable that replies have not been furnished by Public Undertakings in a uniform manner although the questionnaire issued to them was clear enough. However an analysis of the replies from 177 undertakings reveals the following position:—

#### (A) Industrial|or production Enterprises

(i) *Undertakings which have reported delays in completion of projects/commencement of production*

2.3 There are 112 Industrial and Production Enterprises. Table below shows the delays in commencement of production vis-a-vis schedules as reported by 26 Undertakings:—

Undertaking/Projects	1	2	3	4	5	6
		Original scheduled time of completion/commencement of production	Delay in completion/commencement of production vis-a-vis schedules laid down	No. of revisions in original completion schedules, where indicated	Reasons for delay where indicated	Remarks
<b>MINERALS &amp; METALS</b>						
1. Bharat Aluminium Co. Ltd.						
I-Korba Aluminium Complex :						
(i) Korba Aluminium Plant		October, 1971	1-1/2 years		Delayed availability of power from Madhya Pradesh Electricity Board.	
(ii) Korba Smelters (1-4 Phases)		4th Quarter to 1974 3rd Quarter, 1975.	5 months to 3 years			
(iii) Properzi		January, 1975	1 year			
(*) Sheet Rolling Shop		March, 1976	2-3/4 years			
(t) Profile & Tube Shop.		September, 1975	3-1/4 years			
** Ratnagiri Aluminium Project*						*Implementation was approved by Govt. in April, 1964 ; has not been taken up so far due to continuing financial constraints.

Undertaking/Projects	Original scheduled time of completion/commencement of production	Delay in completion/commencement of production vis-a-vis schedules laid down	No. of revisions in original completion schedules, where indicated	Reasons for delay where indicated	Remarks
1	2	3	4	5	6
a. Hindustan Copper Ltd.					
(i) Khetri Copper Complex . . . . .	10 months	one			
(ii) Rakha Copper Project . . . . .	1974-75	1 year			
b. National Mineral Development Corporation Ltd.					
(i) Kiriburu Iron Ore Mines . . . . .	Dec., 1962	1 year 4 months.		Delays in selection of Contractors for Civil Works ; procurement of machinery from abroad and non-completion of iron ore handling plant at Vizag Port.	
(ii) Expansion Project . . . . .	1972	1 year (partial completion; entire project completed after over 3 years delay).		Delay in supply of equipment by H.E.C.	

(ii) Belladilla Iron Ore Project

Deposit No. 1	.	.	.	Dec., 1966	1 year 4 months 4 years*	Delays in completion of Civil Works and supply of electricity of M.P. Electricity Board.
Deposit No. 5	.	.	.	Dec., 1973		*Delay in supply of equipment by HEC/MAMC.

(iv) Dornimalai Iron Ore Project . . . Mid., 1974 3-1/4 years

Delay in execution of civil works & receipt of equipment.

(v) Diamond Mining Project\*\*

\*\*D.P.R. approved by Govt. in November, 1961 but implementation deferred. Revised scheme approved by Govt. in December, 1967 and regular production since 1967-68.

**CHEMICALS & FERTILIZERS :**

4. Bongaigaon Refinery & Pharmaceuticals Ltd.

(i) Crude Distillation Unit	.	.	.	August, 75	2-3/4 years (as anticipated)	Delay in acquisition of land and constraints of resources.
(ii) Coker & Coke Calcination Unit.	.	.	.	July, 1978	1-1/4 years (as anticipated)	Delay in lining up a foreign party for vetting process design of EIL.

Undertaking/Projects	Original scheduled time of completion/commencement of production	Delay in completion/commencement of production vis-a-vis schedules laid down	No. of revisions in original completion schedule where indicated.	Reasons for delay where indicated	Remarks
1	2	3	4	5	6
(iii) Captive Power Plant	Feb., 1978	3 months (as was expected).			
(iv) Petrochemicals Unit	35 months from date of commencement of work.*	4 years (as was expected)		Financial constraints.	Investment approval first accorded by Government in August, 1972; Estimates revised in 1977-78 and resubmitted for obtaining Investment Board's approval. Government started allotting some funds from 1975-76; adequate funds expected from 1978-79 and completion by 1981-82.

Change in site of location.

5. Cochin Refineries Ltd. . . . . October, 1965 1 year

6. Fertilisers & Chemicals Travancore Ltd.

Cochin Fertilizer Project Phase I . . . . . October, 1969 3-1/2 years  
Phase II . . . . . September, 1974 2-1/3 Years

Delay in supply of plant and equipment and defects in Gas Plants.

7. Fertilizer Corpn. of India Ltd., New Delhi.

—Delay in 5 expansion and 4 new projects Oct. 1971 to 3 months to April, 1978 6-1/2 years (as anticipated)

For Korba new project no schedule fixed due to go-slow directive by the Government.

8. Hindustan Antibiotics Ltd.

—Penicillin plant 40% . . . . . 1-10-1964 2 years  
—Vitamin C Plant . . . . . 30-9-1972 6 months

Difficulty in getting equipment and materials.

9. Hindustan Organic Chemicals Ltd.

Delay in all the 12 plants . . . . . Sept., 1968 to Nov., 1969 1 1-1/4 to 5 years.

10. Indian Oil Corpn. Ltd.

—Delays in all Refinery projects and pipeline units. Oct., 1961 to Dec., 1972 2 months to 5 months.

Mathura Refinery & Salaya—Mathura Pipeline still under consideration.

11. Indian Petrochemicals Corporation Ltd.

(i) Aromatic Plant . . . . . April, 1971 2 years  
(ii) Olefins Project }  
(iii) Acrylonitrile and Acrylic Fibre Projects } Not clearly indicated.

12. Madras Fertilizers Ltd. . . . . 1970 1 Year

Undertaking/Project	1	2	3	4	5	6
			Delay in completion/commencement of production	No. revisions in original schedules where indicated	of Reasons for delay where indicated	Remarks
		Original scheduled time of commencement of production	21-8-63 schedules laid down			

13. National Fertilisers Ltd.,

- Baatinda project
- Panipat project

Sept., 77	7 months	} as was expected	Delay in supply of equipment.
Jan., 78	9-1/2 months		

14. Neyveli Lignite Corpn. Ltd.

- (i) Open Cast Lignite Mine . . . July, 68 . . . 1 year
- (ii) Thermal Power Station (Original expansion phase) April, 61 to 3rd quarter '67 . . . 1 to 3 years
- (iii) Fertiliser plant . . . June, 63 . . . 2 year months. 9
- (iv) Briquetting & Carbonisation Plant . . . March, 64 . . . 1 year. 9 months.

Delay in supply of equipment.

Delay in supply of equipment.

Delay in supply of Steel.

Delay in supply of equipment.

ENGINEERING/OTHERS :

- 15. Bharat Heavy Plates & Vessels Ltd., Visakhapatnam . . . end of 1969-70 . . . 1 year and 4 months.
- 16. Artificial Limbs Manufacturing Co. Ltd. . . . March, 76 . . . 7 months



17. Hindustan Paper Corporation Ltd.  
 —Kerala Newsprint project . . . Oct., 78 . . . 9 months Revised  
 (as expected) once.  
 3 years 7 4 Revisions  
 months. in schedules\*
18. Hindustan Photo Films Mfg. Co. Ltd. . . . Nov., 63
19. Mining & Allied Machinery Corpn. Ltd.  
 —Coal Mining Machinery Plant . . . No initial sched- Over 3 yrs.  
 ule.

20. Bharat Leather Corpn. Ltd. . . . . Not given (no initial schedule)
21. Rehabilitation Industries Corpn. Ltd. . . . Stated there was no initial schedule
22. MIDHANI, Hyderabad \*\* . . . . .

\*Commercial production was delayed even beyond the 4th revised schedule.

It is stated that no scheduled dates of completion of the various Units were given in DPR. A general indication was only given that the commissioning should start by 1964. Actual production started after March, 1967.

\*\*It is stated that "According to the original plan, the plant is expected to go into production in 1980..... the date of commissioning of the plant has not been revised so far although there are some slippages likely in achieving the planned construction targets".

Undertaking/Project	Original scheduled time of completion/commencement of production	Delay in completion/commencement of production vis-à-vis scheduled laid down	No. of revisions in original completion schedules where indicated	Reasons for delay where indicated	Remarks
1	2	3	4	5	6
23. Nagaland Pulp & Paper Co. Ltd., (Tuli Project)	Oct., 77	1-1/4 years.			
24. Modern Bakeries (India) Ltd.	June/July, 1973	1-1/2 to 3-1/4 years.	Twice in respect of various projects.		
25. Bharat Dynamics Ltd.					
—Phase III Production	May, 1973	1 year	Once	Delay in supply of components and materials by collaborators.	
26. Damodar Valley Corpn.					
—Various Thermal and Other Projects	Not indicated*				*The Corporation stated that "in many cases the schedules had to be revised from time to time in the light of constraints encountered during construction of the Projects"
27. Bharat OptoMalmic Glass Ltd.					*The company stated that production was not according to schedule.
28. Hindustan Machine Tools Ltd.					
—Bangalore Watch Factory	9 months			Defect in title originally selected for Factory.	
—Other Units	Not indicated				

2.4 It will be seen that in most of the Projects there have been delays ranging from one to as long as 6½ years in completion/commencement of production *vis-a-vis* schedules (original or revised) set therefor. The delays of 6½ years in certain projects of Fertilizer Corporation of India; 5 years in plants of Hindustan Organic Chemicals; 4 years in certain projects of National Mineral Development Corporation, Bongaigaon Refinery and Pharmaceuticals and Refinery Projects of Indian Oil Corporation are marked.

2.5 Projects/Plants of four of the above undertakings (Bongaigaon Refinery Pharmaceuticals, National Fertilizers, Hindustan Paper Corporation and MIDHANI (Misra Dhatu Nigam) are still in construction stage.

2.6 Out of the aforesaid 28 Undertakings, only five have furnished information regarding the number of revisions made in original schedules of projects. The action of those deliberately withholding information would amount to contempt of the Committee.

2.7 It is seen that original schedules of commissioning/commencement of production have been revised upward in a number of projects—for instance in the case of Hindustan Photo Films there were as much as 4 revisions in original schedules and the completion of Plants was even delayed beyond 4 schedules by about 4 years.

In the case of Coal Mining Machinery Plants of Mining and Allied Machinery Corporation, it is stated that no scheduled dates of completion of various Units were given in the DPR (Detailed Project Report). A general indication was given that the commissioning of the Plant should start by 1964. Actual production however started after March, 1967 (i.e. 3 years later).

The Damodar Valley Corporation has stated that in many cases of their projects the schedules had to be revised from time to time in the light of constraints during construction of the projects.

Misra Dhatu Nigam, Hyderabad has stated that there have been slippages in achieving the planned construction targets, though they have not so far revised the original targets.

2.8. In the case of following six Undertakings though there was no delay in commencement of production, there was delay in their becoming functional/or commencement of business due to (a) time lag

in appointment of Chief Executives and (b) delay in transfer of assets/concerns to them:—

- |  |   |
|--|---|
| (1) Bharat Earth Movers Ltd. Bangalore   | . Delay of 7 months to start functioning due to time lag in transfer of Heavy Earth Moving Equipment Project together with rail coach Division of the then HAL. |
| (2) Bharat Coking Coal Ltd.  | . Delay of 4 months in commencing business due to time lag investing nationalised csm mines in the Company.   |
| (3) Hindustan Salts Ltd., Jaipur   | . Delay of 9 months in commencing business due to time lag in transfer of salt sources.   |
| (4) National Thermal Power Corporation Ltd., New Delhi (Under Construction)        | Delay of 4 months to start functioning due to time lag in appointment of Chairman-cum-Managing Director.  |
| (5) National Hydro-Electric Power Corporation Ltd., New Delhi (Under construction) | Delay of 7 months to start functioning due to delay in appointment of Chairman-cum-Managing Director.   |
| (6) State Farms Corporation of India Ltd.  | Delay of 2 1/2 months to start functioning due to time lag in transfer of State.  |
- (d) *Undertakings which have reported no delays/and which have not furnished complete information*

2.9 Out of the other 78 industrial undertakings, 16 (i.e. Bolani Ores, Bokaro Steel, Central Coalfields, Indian Rare Earths, Hydrocarbons India, ONGC, Indian Drugs & Pharmaceuticals, Indo-Burma Petroleum Co., Bharat Pumps & Compressors, Hindustan Prefab, India Firebricks & Insulation Co., NEPA Mills, Praga Tools, Cement Corporation of India, Pyrites, Phosphates & Chemicals and Scooters India) have not furnished complete information. The action of those deliberately withholding relevant information would amount to contempt of the Committee.

The remaining 62 undertakings have reported no delays in completion/commencement of production or they took over already running concerns.

2.10 In the case of some of these undertakings, the following points are, however, noteworthy:—

- (i) Though certain Undertakings (like HEC) have reported production according to schedule, no indication has been given whether it was according to original schedules or there were subsequent revisions in the construction or commissioning schedules.
- (ii) Oil and Natural Gas Commission has stated that as far as laying down of the schedule is concerned, they have only programmes/budgets and compare achievements with the targets set in the Annual Budget which is rather very strange.

**(B) Service Enterprises (including Trading, Financial Consultancy and other Non-production Enterprises).**

2.11 Analysis of replies of these Undertakings reveals the position as follows:—

**(i) Undertakings which took more than one year to commence Business**

The following 2 Undertakings took one to six years in commencement of business:—

- |   |  |
|---|--|
| 1. Banana and Fruit Development Corporation Ltd., Madras. | It is stated that the Corporation was set up on 6-4-1964 and the Government of India became major share-holder in 1973-74. The Company commenced business from 1970-71 onwards.    |
| 2. Tea Trading Corporation of India Ltd.                  | It is stated that the Corporation was set up on 21-12-1971; the Chief Executive was not appointed until October, 1972; the first break through in business came in December, 1974. |

**(ii) Undertakings which took more than 3 months to one year to commence business after setting up.**

2.12 The following 10 Undertakings took more than 3 months to one year to commence business after their incorporation:—

1. Central Inland Water Transport Corporation.
2. Central Warehousing Corporation.
3. Housing & Urban Development Corporation Ltd.
4. Hindustan Steel Works Construction Ltd.
5. Hotel Corporation of India Ltd.
6. Indian Motion Picture Export Corporation.
7. Jute Corporation of India.
8. Mica Trading Corporation of India Ltd.
9. National Seeds Corporation Ltd.
10. HMT (International) Ltd., Bangalore.

The Mica Trading Corporation of India Ltd., the Housing and Urban Development Corporation and the Jute Corporation of India, in which there were delays of one year, 10 months and 7 months respectively in commencement of business after incorporation, have attributed the delay to late appointment of Chief Executives or Board of Directors. Others have not given any reasons for the delay.

**(iii) Undertakings which have reported no delays or commenced business within three months of their setting up and which have not furnished complete information**

2.13 Of the remaining 53 undertakings in this category, 39 have reported commencement of business according to schedule or within

3 months of their setting up or took over running concerns. The remaining 14 undertakings (i.e., Agricultural Refinance & Development Corporation, Central Fisheries Corporation, Central Mine Planning & Design Institute, Engineers India, Engineering Projects (I), Export Credit & Guarantee Corporation, Film Finance Corporation, Handicrafts & Handlooms Exports Corporation, India Tourism Development Corporation, Mineral Exploration Corporation, National Small Industries Corporation, National Buildings Construction Corporation, Rail India Technical & Economic Services, Industrial Finance Corporation of India and Industrial Development Bank of India) have not furnished complete information in this behalf. The action of those deliberately withholding information would amount to contempt of the Committee.

2.14. The extent to which the micro level planning and execution have been weak is evidenced from the tardy implementation of several projects. That the position should continue to be so even after two decades and a half since the commencement of the plan and in spite of successive examination by the Committee of individual undertakings as well as horizontal reviews of all the undertakings shows that there is lack of political will and/or the managements have yet to learn a lesson and acquire a will to ensure that the Public Sector is well organised.

There have been enormous delays ranging up to 6½ years in completion of several industrial projects. In some cases surprisingly no original schedules of completion were set and in others these have been frequently revised. Even in service and other non-production enterprises there have been considerable delays in commencement of business or in their becoming functional after their setting up. All this has been attributed to procedural delays, defective planning, changes in site location, constraints of resources, delays in decision making, acquisition of land, selection of contractors, execution of civil works and supply of equipment material, non-availability of power and transfer of assets as also to belated appointment of Chief Executives and Board of Directors. Thus a clear concept of requirements of projects and a well coordinated endeavour to meet them at the implementation stage seem to have been singularly lacking. The result of this is clear for all to see, that is, needless cost escalation and postponement of realisation of benefits. The Administrative Ministries and the Bureau of Public Enterprises should therefore, undertake an indepth study of this problem in order to lay down fresh guidelines calculated to obviate recurrence of this phenomena.

### III

## CAPACITY UTILISATION

capacity (product-wise), installed capacity, actual production and value of production/turnover of the various public undertakings during the last four years, in order to find out the extent of utilisation of capacities created. The information received has been analysed and dealt with in this section.

### (A) Industrial or Production Enterprises

3.2. Out of a total of 177 undertakings, 112 are industrial or production enterprises. Of these 12 undertakings are in construction stage. Analysis of replies of the remaining 100 undertakings has revealed the following position:—

In the case of 33 public undertakings it has not been possible to determine precisely the extent of under-utilisation of capacity for thereasons indicated below:—

<i>Public Undertaking</i>	<i>Reasons</i>
<b>(a) Minerals and Metals</b>	
1. Bharat Coking Coal Ltd., Distt. Dhanbad, Bihar.	Licenced and installed capacities stated to be "not available."
2. Western Coalfields Ltd.	. Licenced and installed capacities stated to be "not applicable".
3. Central Coalfields Ltd. previously NCDC	Licenced capacity stated to be "not available". In lieu of installed capacity, annual target given and actual production was equal to or more than the target.
4. Coal India Ltd. .	. Licenced capacity stated to be "not available" In lieu of installed capacity annual target given and production more than that in 1977-78.
5. Manganese Ore (I) Ltd.	. Stated "no licenced capacity laid down for a mining industry such as ours."
<b>(b) Petroleum and Chemicals :</b>	
6. Indo-Burma Petroleum Co. Ltd., Bombay	Figures of licenced and installed capacities and actual production not given product-wise for all years and in precise terms.

7. Hydrocarbons India Ltd., New Delhi . Licenced and installed capacities stated to be "not applicable."
8. Hindustan Salts Ltd., Jaipur, Rajasthan . No licenced and installed capacities laid down for common salt manufacture "depends on natural factors."
9. Sambar Salts Ltd., Jaipur . No licenced or installed capacity for common salt; for process/iodised salt given actual production nil in 1975-76 and 1976-77- and only nominal expected in 1977-78 due to "flooding of sources."
10. Oil & Natural Gas Commission . No licenced or installed capacities laid down due to "nature of operations" annual target given and production more than the target.
- (c) *Engineering and Others :*
11. Artificial Limbs and Manufacturing Co. Ltd., Kanpur. Installed capacity given in terms of numbers but actual production given in terms of value.
12. Braithwaite & Co. Ltd., Calcutta . Do.
13. Bharat Dynamics Ltd., Hyderabad . Licence capacity not fixed, installed could not be precisely stated.
14. Cochin Shipyard Ltd., Cochin . Actual turn over not given; for repair work as well as for construction.
15. Mazagon Dock Ltd., Bombay . No licenced or installed capacity fixed as "company registered under Sec. 10 of Industries (Development and Regulation) Act, 1951 as an existing Industry."
16. Rehabilitation Industries Corpn. Ltd., Calcutta. Stated "no licence required; installed capacity not ascertained."
17. Damodar Valley Corporation Calcutta . Installed capacity given in terms of MW. but actual given in terms of MKWH.
18. Electronics Corporation of India Ltd. . Installed capacity given in terms of numbers but actual given in terms of value, due to fast changing technolog and number of items being used for testing etc. "it is not possible to compare."
19. Bharat Electronics Ltd. Bangalore . Installed capacity given for components only and not for equipments; further for certain components installed capacity given in terms of numbers but production in value.
20. National Textile Corporation Ltd., New Delhi. Installed capacity given in terms of numbers of spindles/looms but production given in terms of Mtrs./kgs.
21. National Textile Corpn. (T. N. and Pondicherry) Ltd., Coimbatore. Installed capacity given in terms of number of spindles/looms but production given in terms of Mtrs./Kgs.



<i>Public Undertakings</i>	<i>Reasons</i>
22. National Textile Corpn. (West Bengal, Assam, Bihar and Orissa) Ltd., Calcutta	Do.
23. National Textile Corporation (Gujarat) Ltd., Ahmedabad.	Do.
24. National Textile Corporation (Madhya Pradesh) Ltd., Indore.	Do.
25. National Textile Corpn. (Apkkm) Ltd., Bangalore.	Do.
26. National Textile Corporation (Maharashtra North) Ltd., Bombay.	Do.
27. National Textile Corporation (U.P.) Ltd., Kanpur.	Do.
28. National Textile Corporation (DP&R) Ltd.	Do.
29. Goa Shipyard Ltd.	Licensed installed capacities not fixed; production based on annual budget targets actual less than target.
30. State Farms Corpn. of India Ltd.	Stated "being engaged in agriculture, no licensed or installed capacity was fixed at the time of incorporation", Annual budget target given and compared with that shortfall was 86% in Cannanore, 64% in Raichur & 25% in Suratgarh.
31. Hindustan Machine Tools Ltd.	Stated that Ministry have approved reckoning capacity in terms of value of yearly production target as "this would be a better method of portraying the capacity." hence in lieu of installed capacity, annual targets or feasible capacity given; compared with that shortfall in 1977-78 was 63% of printing machinery; 25% of machine tools and 17% of watches; reasons given "labour unrest."
32. Burn Standard Co. Ltd.	In lieu of installed, attainable capacity given; compared with that shortfall in 1977-78 was 69% of pipes, 66% of wagons and 62% of silica; reasons given "lack of orders."
33. National Textile Corpn. (South Maharashtra) Ltd., Bombay.	Installed capacity given in terms of number of spindles/looms but production given in terms of Kgs. & Mtrs. stated "production in textile mills in terms of Kgs. & Mtrs. varies depending upon construction of cloth woven, average count of yarn spun-comparison is done with annual budget," Production was less than budgetted

3.3. It will be seen that these undertakings have not furnished complete and precise details of licensed and installed capacities as being either not available or having not been fixed due to nature of their operations. Some of them have given installed capacity and

actual production in different terms which is misleading and hence distressing. Nine of these undertakings have, however, given annual targets in place of installed capacity. What is more intriguing is that even Companies working in the same sector have made contradictory statements. For instance, out of four companies in the coal sector, one (Bharat Coking Coal) has stated that information regarding licensed and installed capacities is "not available", other (Western Coalfields) has stated it is "not applicable"; the other two (Central Coalfields and Coal India) have stated that information regarding licensed capacity is not available and in lieu of installed capacity have given annual targets.

This reflects serious weaknesses in the internal working of these undertakings. Due to non-availability of required information, scientific evaluation becomes impossible.

3.4. In some of above undertakings (like Sambhar Salts, State Farms Corporation, Hindustan Machine Tools and Burn Standard Co.), there has been gross under-utilisation of capacities even if compared with annual targets or attainable capacities.

3.5. As regards the remaining 67 undertakings, there has been under-utilisation of capacities of varying degrees in most of them as per the following details that emerged from the replies received from them:—

Sl. No. of Undertaking/Project	Variation between licenced/installed capacities	Position regarding installed capacity utilisation in respect of one or more main products or overall
(a) Minerals and Metals		
1. Hindustan Zinc Ltd. . . . .	For some products installed capacity is less, for certain products like lime zinc Dross and HF acid neither licenced nor installed capacity fixed.	In 1977-78 capacity utilisation was 45% of Zinc ingots and 52% of sulphuric acid.
2. Hindustan Copper Ltd. . . . .	Installed capacity of silver, selenium etc. is less.	In 1977-78 capacity utilisation was 46% of copper bars and electrolytic wire.
3. National Mineral Development Corpn., Ltd.	No licenced capacity; in lieu of installed, capacity DPR capacity given.	In 1977-78 capacity utilisation was 40% to 43% in Bailadilla mines; 48% in Kiriburu and 70% in Panna Mines overall.
4. Indian Iron and Steel Co., Ltd.	Installed capacity less in case of steel ingots and saleable steel castings.	In 1977-78 capacity utilisation was 65% of steel ingots and 63% of saleable steel.
5. Steel Authority of India Ltd. (SAIL merged with it w.e.f. 1-3-78).	Installed capacity less—(consolidated information given for all plants).	In 1977-78 capacity utilisation was 64% of pig iron and 83% of steel ingots of all plants taken together.
6. Bobaro Steel Ltd. . . . .	Installed capacity less—for H.R. Coils, plates and sheets.	In 1977-78 capacity utilisation was 58% of pig iron and 70% of H.R. Coils, plates and sheets.
7. Indian Rare Earths Ltd. . . . .	In Always Unit, installed capacity less for rare earth chloride and triiodium phosphate.	In 1977-78 capacity utilisation at Always Unit was 75% of rare earths chloride and at Quilon Unit was 51% of ilmenite.
8. Neyveli Lignite Corpn., Ltd.	Installed capacity less for mine by 43%.	In 1977-78 capacity utilisation was 59% of Fertilizer Plant; of mine production was near installed capacity and of power station figures given in different terms.

Sl. No.	Name of Undertaking/Project.	Variation between and licenced/installed capacities	Position regarding installed capacity utilisation in respect of one or more main products or overall.
9.	nearat Aluminium Co. Ltd. (Korba Aluminium Project).	Installed capacity less by 25% to 50% .	In 1977-78 capacity utilisation was 64% overall.
10.	Bharat Gold Mines Ltd. .	No licenced capacity fixed ;	Capacity utilisation ranged between 55% to 66% during the last 4 years overall.
11.	Uranium Corpn. of India Ltd.	No licenced capacity fixed " as question of obtaining licence did not arise " ;	In 1977-78 capacity utilisation was 67% of mill overall.
12.	Tungabhadra Steel Products, Ltd.	For some products installed capacity less, for others more or equal.	In 1976-77 capacity utilisation was 86% of steel structures (for 1977-78 quantity issued for production given and not actual).
13.	Bolani Ores Ltd.	(no licenced capacity as " This is a mining company, no licence necessary " ; installed capacity given for iron ore lump only.	In 1977-78 capacity utilisation was 76% of Iron ore lump.
14.	Eastern Coalfields Ltd.	Only installed given licenced capacity stated to be " not available."	In 1977-78 capacity utilisation was 93%
<i>(b) Fertilisers and Chemicals.</i>			
15.	Fertiliser Corpn. of India Ltd.	For some products installed capacity less; for others equal or more. (For Sindri and Trombay attainable capacities given and not installed, capacity which were derated due to deficiencies).	In 1977-78 capacity utilisation at Sindri was nil of double salt and urea and 12% of ammonium sulphate at Barauai 26% of urea ; at Durgapur 34% of urea ; at Namrup expansion 36% of urea ; at Trombay 62% of sodium nitrate, at Nangal 64% of heavy water and 70% of CAN and at Gorakhpur 70% of urea.
16.	Hindustan Antibiotics Ltd.	No difference (for form ulations there was no licenced or installed capacity).	In 1977-78 capacity utilisation was 19% of ampicillin and nil of Vit. C ; production of penicillin finished bulk and streptomycin sulphate was more than installed capacity.

17. Smith Stanistreet Co., Ltd. . . . No difference  
 In 1976-77 utilisation was 40% of tablets (1977-78 reply not received).
18. Pyrites, Phosphates and Chemicals, Ltd. Licenced not given; installed capacity also not given for Kashipatnam project. In 1977-78 utilisation was 33% at Amjshore project.
19. Hindustan Insecticides Ltd. . . . No difference  
 Utilisation at Udyogmandal Unit in 1937-78 was 41% of BHC Tech. 67% of BHC form and 81% DDT form.
20. Bharat Petroleum Corpn. Ltd. . . . Installed more for all plants ; for refinery three times more and for Lube Blending plant, Calcutta six times more than licenced.  
 In 1976-77 capacity utilisation was 67% of refinery (1977-78 figures of production given for 15 months).
21. Madras Refineries Ltd. . . . Installed capacity not given for all years.  
 In 1977-78 capacity utilisation was 50% of Lube Oil base and 59% of M.S. as compared with licenced capacity.
22. Caltex Oil Refining (I) Ltd. . . . Licenced given for products in gallons ; installed capacity given only for crude run ( inMT)  
 In 1976 capacity utilisation was 67% of crude run (company amalgamated with Hindustan Petroleum Corpn. in 1977-78).
23. Fertilizers and Chemicals Travncore Ltd. For some products installed capacity less ; for others equal or more.  
 In 1977-78 capacity utilisation at Cochin Division Phase I was 51% of urea ; at Udyogamandal Divn. utilisation was 70% of ammonia; 68% of ammonium sulphate and 75% of sulphuric acid.
24. Indian Drugs and Pharmaceuticals, Ltd For some products installed less; of others more.  
 In 1977-78 capacity utilisation was 61% of instruments at Madras plant ; 68% of bulk antibiotics and 69% formulations at Rushikesh Plant and 79% of bulk drugs at Hyderabad plant.
25. Hindustan Organic Chemicals, Ltd. . . . Installed capacity less  
 In 1976-77 capacity utilisation was 72% and in 1977-78 it was 86% overall.
26. Cochin Refineries Ltd. . . . No difference  
 In 1976-77 capacity utilisation was 82% of petroleum products (for 1977-78 only 7 months figures of production given).

Sl. No. Name of Undertaking/Project Capacities variation between licenced and installed Capacity Position regarding installed capacity utilisation in respect of one or more main products or overall.

- 27 Hindustan (Petroleum Corporation Ltd., For some products installed Capacity Production of bulk petroleum products was equal to installed capacity in 1977-78.
28. Indian Oil Corpn. Ltd. . . . . Installed Capacity Less for Gujarat Refinery (by 50%) In 1966-68 capacity utilisation was 84% of Haldia Refinery ; of Gauhati, Barauni and Gujarat refineries production was more than installed capacity. Overall production of all refineries was more than installed capacity by 9%
29. Indian Oil Blending Ltd. . . . . No difference In 1977-78 capacity utilisation was 94% both Calcutta and Bombay units overall.
30. Madras Fertilisers Ltd . . . . . Installed Capacity less for NPK complex and more for ammonia and urea. In 1977-78 capacity utilisation was 76% of ammonia, 78% of urea and 88% of NPK (Complex).
31. India Petrochemicals Corpn., Ltd., . . . . . No difference in Aromatic plant (other plants under construction). In 1977-78 capacity utilisation was 84% of ortho and mixed-xylenes and 78% of paraxylene.
- (i) *Engineering and others*
32. Central Electronics Ltd] . . . . . Installed Capacity less for some items In 1977-78 utilisation was 43% of ceramic capacitors (HF) and LV)
33. Radio and Electrical Mfg Co. . . . . For some items installed capacity less In 1977-78 utilisation was 1% of radio receivers and 60% of electricity meters Poly-Phase.
34. Bharat Pumps and Compressors Ltd. . . . . Installed Capacity less In 1977-78 utilisation was 1% of compressors, 27% of centrifugal pumps. 80% of reciprocating pumps and 86% of gas cylinders.

35. Bharat Ophthalmic Glass Co. Ltd. . . . . Installed less as compared with revised capacity.
36. Bridge and Roof Co., (India) Ltd. . . . . No difference
37. Richardson & Cruddas Ltd. . . . . For some items installed capacity less; for others more or equal (for some items licensed capacity not given).
38. Jespoy & Co., Ltd. . . . . For most items installed less
39. Garden Reach Shipbuilders and Engineers Ltd. . . . . For some items installed capacity less and for others more.
40. Instrumentation Ltd. . . . . Installed capacity less (for a number of items no installed fixed)
41. Heavy Engineering Corpn. Ltd. . . . . No difference
42. Mining and Allied Machinery Corpn. Ltd. . . . . Installed capacity less e.g. for mining equipment was 84% less and for conveyor and scraper 64% less (for some items no licensed capacity fixed).
43. Bharat Heavy Electricals Ltd. . . . . For some products installed less; for others equal or more.
- In 1977-78 utilisation was 26% overall as compared with original installed capacity and 43% as compared with revised installed capacity.
- In 1977-78 utilisation was nil of railway wagon and 70% of structures.
- In 1977-78 utilisation was 42% of structural fabrication 40% of rubber mill machinery and 63% of C.I. castings.
- In 1977-78 utilisation was nil of railway wagons and metergauge coaches; 32% of paper making plant 42% of road rollers, 48% of structural fabrication and 9% of crawler tractors. In respect of cranes utilisation was 96%.
- In 1977-78 utilisation was 31% of road rollers, 40% cranes, 44% old diesel engines and 97% of ship building.
- In 1977-78 utilisation was 70% of Temp. transmitters 42% panels and of manometers and 81% of electronics auto indicating recordings and control instruments.
- In 1976-77 capacity utilisation was 21% of HMT plant 30% of HMB plant and 32% of FF plant overall for 1977-78 installed not given; stated "under review due to change in product-mix."
- In 1977-78 capacity utilisation was 33% of conveyor and scraper and 55% of mining equipment. Overall utilisation of the company was 43%.
- In 1977-78 capacity utilisation at Bhopal was 28% of thermal sets, 61% of power transformers, 53% of control panels.
- At Hardwar—utilisation was 38% of electrical machines 86% of hydro sets and 90% of thermal sets.

No.	Name of Undertaking/Project	Variation between licenced and installed capacities	Position regarding installed capacity utilisation in respect of one or more main products or overall
44.	Biccoco Lawrie Ltd.	For some item installed capacity less (for some no licenced capacity).	At Hyderabad—utilisation was 30% of thermal sets 38% of compressors, 64% of switchgear and 90% of pumps.
45.	Scooters India Ltd.	Installed capacity for all items 90% less for 3 wheelers and 40% for two wheelers.	At Tiruchi—utilisation was 78% of valves and 89% of boiler auxiliaries.
46.	Tannery & Footwear Corporation of India Ltd.	For some items like industrial leather installed capacity less; for some like footwear wear more;	At Jhansi—Utilisation was 85% of power transformers.
47.	India Firebricks & Insulation Co. Ltd.	Installed capacity less by 30%.	In 1977-78 utilisation was 28% of electric motors and 50% of switchgear.
48.	Hindustan Teleprinters Ltd.	For some items installed capacity less (For some like stamp cancelling machines, data modems neither licenced nor installed capacity fixed).	In 1977-78 utilisation was 1% of three wheelers and 27% of two wheelers.
49.	Lubritrol India Ltd.	No difference.	In 1977-78 utilisation was 19% of footwear, 24% of bark leather and 40% of chrome leather.
50.	Praga Tools Ltd.	Installed less capacity (for some items licenced capacity not given).	In 1976-77 utilisation was 36% and in 1977-78 50% overall.
			In 1977-78 utilisation was 72% of teleprinters.
			In 1977-78 utilisation was 55% of engine oil components and 79% of chemical additives.
			In 1977-78 utilisation was 53% of drill chucks, 60% of forge items and 68% of machine vices (of machine



tools was also less, production figures given "as per BPE's formula" which is not indicated).

In 1977-78 utilisation was 61% overall.

In 1977-78 utilisation was 64% overall.

In 1977-78 utilisation was 60% overall.

In 1977-78 utilisation was 70% of rail coaches.

In 1977-78 utilisation was 74% of cement.

In 1977-78 utilisation was 70% of ships.

In 1976-77 utilisation was 59% of engine accessories at Lucknow Division.

Information for 1977-78 could not be given.

In 1977-78 utilisation was 88% of storage exchange equipment at Bangalore Factory; at Srinagar Factory utilisation was 73% overall.

In 1977-78 utilisation was 71% overall.

In 1977-78 utilisation was 82% of newsprint and pulp and 84% of chlorine and caustic soda.

In 1977-78 production was more than installed.

In 1977-78 utilisation was 79% of dry core cables 85% of co-axial and 95% of plastic cable wires Kupaansapur unit. At Hyderabad Unit production was more than installed capacity.

No difference.

Only installed capacity given (licenced capacity & "not applicable").

No difference.

Installed capacity less by 25% for rail coaches for other items installed capacity not given.

Installed capacity less by 73% (some projects under construction).

Only Installed capacity given.

Only installed capacity given; stated no specified licenced capacity.

Installed capacity less

Installed capacity less

Installed capacity less of all items

Installed capacity less in the case of barrels by over 50%.

For some products installed capacity less; for others more.

51. Bharat Heavy Plate & Vessels Ltd.

52. Hindustan Housing Factory Ltd. (now Hindustan Prefab Ltd.)

53. Hindustan Latex Ltd.

54. Bharat Earth Movers Ltd.

55. Cement Corporation of India Ltd.

56. Hindustan Shipyard Ltd.

57. Hindustan Aeronautics Ltd.

58. Indian Telephone Industries Ltd.

59. Mandya National Paper Mills Ltd.

60. NEPA Mills Ltd.

61. Balmer Lawrie & Co. Ltd.

62. Hindustan Cables Ltd.

S. No.	Name of Undertaking/Project	Variation between licensed and installed capacity	Position regarding installed capacity utilisation in respect of one or more main products or overall
63.	Bharat Refractories Ltd.	Installed capacity less by 38%.	In 1974-75 utilisation was 77%; in other years production was more than installed.
64.	Triveni Structurals Ltd.	No difference.	In 1977-78 utilisation was 81% overall.
65.	Hindustan Photofilms-Manufacturing Co. Ltd.	Installed capacity less by 30%.	In 1974-75 utilisation was 76%; in this year production more than installed.
66.	Modern Batteries India Ltd.	Only installed capacity given; stated "no licence is required."	In 1977-78 utilisation was 80% of bread; of peanut butter figures not clearly given.
67.	National Instruments Ltd.	Licensed & installed capacity given in different terms.	In 1977-78 utilisation was 87% overall.

3.6. Most of the public undertakings have a number of units producing several distinct products. Therefore, while in the case of some undertakings it has been possible to indicate in the foregoing statement overall under-utilisation of capacities as per data furnished by them, in others it has been indicated for one or more principal products produced by them or units under them.

3.7. The Committee on Public Undertakings in their 40th Report on "Role and Achievements of Public Undertakings (1973)" *inter-alia* noted that:

- (i) the percentage of achievement of rated capacity in 1971-72 by certain undertakings—such as 12.6 per cent by Hardwar Plant of BHEL; 24 per cent by Tannery & Footwear Corporational 34 per cent by Co-axial Plant of Hindustan Cables; 40 per cent by Durgapur Steel Plant of HSL, etc. was far from satisfactory; and
- (ii) even where attempts had been made by individual undertakings for diversification of production, such attempts had been rather sporadic and diffused and no serious efforts seemed to have been made to have comprehensive plan of diversification consistent with the market trends of the products.

The Committee observed that the under-utilisation of production capacities not only led to locking up of scarce resources but also resulted in wide-spread repercussions in linked industries and heavy avoidable imports. It had also the affect of inflating the cost of production and adversely affecting the financial results of the undertakings. Besides, it meant that the plant and machinery might become obsolescent and even unprofitable because of technological development before full value of the investments had been derived. The Committee recommended that Government should immediately analyse the reasons for persistent under-utilisation of capacities in various undertakings and take remedial measures, which should be reviewed every year and the position brought to the notice of Parliament through a special chapter in the Annual Report of the Bureau of Public Enterprises. The Committee also called upon the Government to pay special attention to the question of diversification and create a machinery for taking suitable steps with a view to deriving maximum benefit from the installed capacity.

3.8. The Government in their reply (March 1974) *inter-alia* stated that as a result of trend analysis arising out of monitoring of the performance of enterprises carried out by Government Such enterprises which showed persistently low output, were being examined

in depth with the help of agencies such as Bureau of Public Enterprises and the Action Committee on Public Enterprises (an *ad-hoc* Committee set up under the Chairmanship of Shri M. S. Thacker, Member Planning Commission—since dissolved). So far, a large number of enterprises in the core and basis sectors had been studied in depth (including the Tannery & Footwear Corporation and Durgapur Steel Plant) and remedial measures in almost all the cases had been instituted. This organised approach would continue with a view to assisting the public sector enterprises in achieving the optimum level of production in the shortest possible time. It was further stated that Government also continued to assist enterprise which persistently showed under-utilisation of capacity, in diversifying their production to make maximum use of installed capacity.

3.9. The Committee in their 72nd Action Taken Report (1975) while reiterating their earlier recommendations, hoped that Government will continue to give utmost importance to the problem and urged upon the public undertakings to spare no efforts to achieve rated capacity of production. The Bureau of Public Enterprises has since started including a Chapter on "Capacity Utilisation" in its 'Annual Report on the working of Industrial and Commercial Undertakings of the Central Government' bringing out percentages of capacity utilisation for main products in each unit, operating constraints, remedial steps taken etc.

**B. Service enterprises (include Trading, Financial, consultancy and other Non-production Enterprises)**

3.10. There are 65 public undertakings engaged on activities like trading, financial, consultancy etc. In their case, the question of under-utilisation of capacities does not strictly arise. It is, however, noted from the figures of turnover sales or total income furnished by them that there is downward trend in the case of following nine undertakings:—

1. Banana & Fruits Development Corporation
2. Central Inland Water Transport Corporation
3. Cotton Corporation of India Ltd.
4. Delhi Transport Corporation
5. Food Corporation of India
6. Jute Corporation of India.
7. Metal Scrap Trade Corporation Ltd.
8. National Industrial Development Corporation.
9. National Seeds Corporation Ltd.

Further, it is noted that in some of these enterprises (like Air India, Central Warehousing Corporation) there is not full utilisation of productive assets. For example, in the case of Air India, overall load factor (i.e. ratio of Revenue Tonne Kilometres to Available Tonne Kilometers) in 1977-78 was 62.8 per cent indicating under-utilisation to the extent of 37.2 per cent.

**3.11. The malady of under-utilisation of capacities all these years is quite glaring. The position if anything seems to have deteriorated during 1977-78. This inference is inescapable from the details brought out by the Committee.**

Unutilisation or under-utilisation of production resources means a severe loss to the national economy. Total investment made by Central Government on industrial and commercial enterprises amounted to Rs. 12,851 crores at end of 1977-78. Huge amounts have been borrowed from foreign sources and the machineries purchased thereby have been kept unutilised or under-utilised on the one hand and on the other hand there are heavy service charges on these foreign loans. These factors tend to cripple our economy.

**3.12. In the case of Heavy Engineering Corporation it is interesting to note that the production in its Heavy Machine Building plant is stated to have been diversified to manufacture mining equipment whereas there is already high under-utilisation of capacity for such equipment in the Mining and Allied Machinery Corporation. It is also noteworthy that though a number of units producing railway wagons suffer from want of orders and have large un-utilised capacity, Government have recently taken over the Mukameh Unit of Britania Engineering Co. and the undertakings of the Arthur Butler & Co. "In order to ensure continued manufacture of railway wagons and other allied goods."**

**3.13. The reasons for the malady of un-utilised capacity are deeper than meet the eye. The Committee are left with the impression that the production planning management and control are not what these should be. The claim of the Government and of the B.P.E. in particular, to have studied the problem in depth and taken remedial steps is not at all borne out by any tangible results. The consequence of the utter neglect of this crucial area seems to be no body's responsibility. The Committee would, therefore, like to know what concrete steps were taken in the units where the under-utilisation was more than 50 per cent and why the position should continue to be so bad. In this connection they desire to make it clear that there should be no question of allowing expansion of a line of production where the existing facility therefor in any undertaking remains under-utilised to the extent of more than 25 per cent without valid reasons. This should invariably be kept in mind at the time of scrutinising of investment proposals**

## PRODUCTION & COST CONTROL SYSTEM

### (A) Deficiencies pointed out in Audit

4.1. In pursuance of directive issued by the Comptroller & Auditor General of India. Company Auditors bring out special reports on the accounts of various public undertakings. Certain deficiencies pointed out in these reports of 94 companies and 24 subsidiary companies on the accounts for the year 1975-76, and as stated in the C&AG's Audit Report (Commercial) 1977, Part II—Miscellaneous Topics of Interest, *inter alia* include the following:—

#### (a) THE TARGETS OF PRODUCTION WERE NOT ACHIEVED IN RESPECT OF THE FOLLOWING COMPANIES:—

1. Bolani Ores Limited.
2. Hindustan Steel Limited (Durgapur Steel Plant—except in the case of ingot steel).
3. Hindustan Machine Tools Limited [Kalamassary Unit, Srinagar Unit and Bangalore Unit (in some cases)].
4. Tungabhadra Steel Products Limited (Gate Structural, pen-stock and pressure vessels)
5. Indian Oil Corporation Ltd. (Refineries Division, Gujarat Refinery, Haldia Refinery—certain products).
6. Bharat Pumps and Compressors Limited.
7. Indian Drugs and Pharmaceuticals Ltd. [Antibiotics Plant (in the case of some/products), Surgical Instruments Plant and Synthetic Drugs Plant (In many cases)]
8. Praga Tools Limited (most of the items).
9. Hindustan Housing Factory Limited (in respect of RCC products)
10. Hindustan Zinc Ltd. (in respect of certain products)
11. Balmer Lawrie and Company Limited.
12. Garden Reach Workshops Limited.

13. Hindustan Copper Limited.
14. Hindustan Insecticides Limited (Always Unit Tech. BHC and 50 per cent from BHC)
15. Bharat Heavy Electricals Limited [Bhopal Division (in certain products) Ramchandrapuram, Hyderabad Division (in certain products) and Hardwar Unit (in respect of major products)]
16. Richardson and Cruddas (1972) Limited (head office-some major products and Nagpur Branch)
17. Heavy Engineering Corporation Limited (Foundry Forge Plant—overall targets and Heavy Machine Building Plant—(in most of the items of production).
18. National Instruments Limited.
19. Mining and Allied Machinery Corporation Limited.
20. Bharat Electronics Limited.
21. Fertilizer Corporation of India Limited. [Gorakhpur Unit and Planning and Development Division—in certain cases, Sindri Unit (excepting Ammonium Sulphate) and Trombay Unit (Suphala 15 : 15, Ammonia, Nitric acid and certain industrial products)].
22. Scooters (India) Limited.
23. National Buildings Construction Corporation Limited.
24. Indian Telephone Industries Limited (Equipment and small exchange lines).
25. National Seeds Corporation Limited (in most of the cases).
26. Bridge and Roof Company (India) Ltd.
27. State Farms Corporation of India Limited (Except Wheat).
28. Bharat Coking Coal Limited (Dhanbad and Barakar—Hard Coke and Soft Coke).
29. Hindustan Cables Limited.
30. Pyrites, Phosphates and Chemicals Limited.
31. Electronics Corporation of India Limited.
32. Bharat Aluminium Company Limited (Alumina).
  - (i) In Indian Oil Corporation Limited targets of production were not fixed for the Lube and Drum plants (Marketing Division—Southern Region).

(ii) In Hindustan Antibiotics Limited, targets of production and sales were not achieved in certain cases.

(iii) In Bharat Ophthalmic Glass Limited, the capacity utilisation was only 37 per cent.

**(B) IN THE FOLLOWING COMPANIES THERE WAS NO SYSTEM OF ASCERTAINING IDLE TIME FOR LABOUR AND MACHINERY SPECIFYING THE REASONS THEREFOR:—**

1. Balmer Lawrie and Company Limited.
2. Modern Bakeries (India) Limited [Bombay Unit (labour only) and Hyderabad Unit.]
3. Bharat Coking Coal Limited (Areas I, II, III, Dhanbad and Barakar).
4. Hindustan Machine Tools Limited (Srinagar Unit).
5. Fertilizers and Chemicals, Travancore Limited.
6. Indian Oil Corporation Limited (Refineries and Pipelines Division—Gujarat Refinery, Barauni refinery, Gauhati Refinery, Haldia Refinery and Haldia-Barauni—Kanpur Pipeline (labour only).
7. Indian Telephone Industries Limited (Naini Unit).
8. Bharat Gold Mine Limited.
9. National Small Industries Corporation Limited (Prototype Development-cum-Training Centre, Okhla—machinery only).
10. Hindustan Zinc Limited.
11. Richardson and Cruddas (1972) Limited (Madras Unit and Nagpur Branch).
12. Jessop and Company Limited.
13. Hindustan Copper Limited.
14. Hindustan Insecticides Limited.
15. Hindustan Steel Works Construction Limited (labour only).
16. Central Road Transport Corporation Limited.
17. Hindustan Cables Limited (Hyderabad Unit).
18. Indian Drugs and Pharmaceuticals Limited (Synthetic Drugs, Plant—labour only).
19. Indian Oil Blending Limited.



20. Mineral Exploration Corporation Limited.
21. Pyrites, Phosphates and Chemicals Limited.
22. Bridge and Roof Company (India) Ltd.
23. Bharat Heavy Plate and Vessels Limited (Machinery only).
24. Rehabilitation Industries Corporation Limited.
25. Goa Shipyard Limited (Machinery only).
26. Tannery and footwear Corporation of India Limited.
27. Electronics Corporation of India Limited (Machinery only).
  - (i) In Hindustan Steel Limited, the percentage of idle hours to available hours was on the high side.
  - (ii) In Neyveli Lignite Corporation Limited, idle time for labour other than those engaged in service units was not ascertained.
  - (iii) In Tungabhadra Steel Products Limited, there was a noticeable increase in the idle hours of labour and machinery during 1975-76 in comparison to 1974-75 and 1973-74.
  - (iv) In Heavy Engineering Corporation Limited:
    - (a) Loss of man-hours and machine-hours was high; causewise analysis of idle time for labour and machinery was not made (foundry Forge Plant).
    - (b) Idle hours for labour and machinery were to the extent of 33 per cent and 43 per cent of available hours respectively (Heavy Machine Building Plant).
  - (v) In Hindustan Steelworks Construction Limited, idle time of machinery/equipment at Bokaro site was very high.
  - (vi) In Hindustan Aeronautics Limited, there was excessive idle time of labour and machinery in Helicopters and Overhaul Division (Bangalore Complex).
  - (vii) In National Instruments Limited, idle time records for individual machinery were not maintained.
  - (viii) In Mining and Allied Machinery Corporation Limited, no records were maintained for idle machinery.
  - (ix) In Indian Drugs and Pharmaceuticals Limited, certain machines remained idle for periods of more than 90 days (Synthetic Drugs Plant).

- (x) In Bharat Heavy Electricals Limited, six machines costing Rs. 64.99 lakhs remained idle for more than three months (Hardwar Unit).
- (xi) In Hindustan Teleprinters Limited, records were not maintained to ascertain the idle time of machinery.
- (xii) In Indian Oil Blending Limited, and Electronic Blender costing Rs. 2.58 lakhs remained idle during a part of the year.
- (xiii) In Fertilizer Corporation of India Limited:
- (a) No record to ascertain idle time for labour was maintained (Namrup and Sindri Units).
  - (b) One machine costing Rs. 5.75 lakhs remained idle (Durgapur Unit).
- (xiv) In National Mineral Development Corporation Limited, no proper records were maintained for ascertaining idle time for labour and machinery (Panna Diamond Mining Project).
- (xv) In Hindustan Machine Tools Limited, the percentage of idle time to available hours was on the high side in the Machine Tools and Press Division (Hyderabad Unit).
- (xvi) In State Farms Corporation of India Ltd. there was no effective system of ascertaining idle time for labour and machinery.
- (C) In the following companies there was no regular costing system in operation:—
1. Bharat Electronics Ltd. (Ghaziabad Unit).
  2. India Tourism Development Corporation Ltd. (Hotel Ashoka, Bangalore).
  3. State Farms Corporation of India Ltd.
  4. Bharat Refractories Ltd.
  5. In Bharat Coking Coal Ltd.
    - (i) Costing system had not been properly introduced in as much as the figures of consumption of stores and spares shown in the cost sheets were not on actual basis but on approximation (Areas I, II and III).
    - (ii) The cost accounting system was not effective (Area XI).

6. In Mica Trading Corporation Ltd., detailed cost accounts were not maintained for processing mica purchased in unprocessed condition.
7. In Hindustan Aeronautics Ltd., the costing records maintained by the Company were not written up to date.
8. In Triveni Structural's Ltd., proper costing records were not being maintained.
9. In Hindustan Zinc Ltd. existing costing system was not considered to be comprehensive and adequate (Tundoo Smelter, Vizag, Sargipalli Mines and Calcutta Unit).
10. In National Small Industries Corporation Ltd.
  - (i) Overhead costs were fixed long back and required revision as also the system of allocation (Proto-type Development-cum- Training Centre, Rajkot).
  - (ii) Cost accounts were not reconciled with the financial accounts (Proto-type Development-cum-Training Centre, Okhala and Pottery Depot, Khurja).
11. In National Instruments Ltd., reconciliation between cost and financial records had not been done.
12. In Central Inland Water Transport Corporation Ltd.:—
  - (i) There was considerable time-lag in compilation of costs.
  - (ii) Cost estimates prepared for the purpose of quotations did not compare favourably with the actual costs incurred for jobs undertaken.
13. In Mining and Allied Machinery Corporation Ltd., cost records were not maintained properly to arrive at the cost of each of the products.
14. In Central Coalfields Ltd. there was no effective system of reconciliation between cost and financial records (Bai-kunthpur and Singrauli Branches, Korba Unit, Calcutta, Head Office at Ranchi and Area Offices at Bokaro, Kathara, Giridhi, Hazaribagh, Rajhara, Barkakana, Argada, McCluskieganj, South Balanda and Monidih).
15. In Scooters (India) Ltd. there was no system for reconciliation between costs and financial accounts.
16. In Biecco Lawrie Ltd., costing system was deficient to the following extent:

- (i) Various types of switch gear panels were treated as one job.
  - (ii) Frames of different sizes and motors of different horse-powers were clubbed together.
  - (iii) Labour cost was distributed on pro rata basis in case of production of motors.
  - (iv) There was no job-wise standard cost system.
  - (v) There was no regular system of distribution of administrative and selling overheads of major products.
17. In Modern Bakeries (India) Ltd., cost records were not maintained (Calcutta Unit).
  18. In National Seeds Corporation Ltd., cost records were not maintained.
  19. In Bharat Ophthalmic Glass Limited, the Company did not maintain any account indicating cost per unit of its products.
  20. In Pyrites, Phosphates and Chemicals Limited no cost records were maintained (Mussoorie Phosphate Project and Kasipatnam Mining Project).
  21. In Hindustan Machine Tools Limited, standard hours were not fixed in respect of assembly department of Press Division (Hyderabad Unit).
  22. In Praga Tools Limited, the cost accounts department was required to be strengthened to have an effective system of componentwise costing.
  23. In Heavy Engineering Corporation Limited, the system of costing was deficient and inadequate.
  24. In Instrumentation Limited, the cost had been compiled only at the time of finalisation of the accounts but not on a regular basis during the year itself.

(D) In the following companies the consumption of Raw Materials was made than the Standards/estimates:—

1. Indian Drugs and Pharmaceuticals Limited [Synthetic Drugs Plant (in many cases) and Antibiotics Plant].
2. Mazagon Dock Limited (in the case of construction of some ships).
3. National Instruments Limited (in case of some products).

4. Hindustan Cables Limited (in many cases).
5. Fertilizer Corporation of India Limited [Sindri Unit (in majority of cases), Durgapur Unit and Gorakhpur Unit].
6. Modern Bakeries (India) Limited (Calcutta Unit).
7. Hindustan Photo Films Manufacturing Company Limited (fixed in certain cases).
  - (a) In Indo-Burma Petroleum Company Limited, the consumption of major raw materials for manufacture of main products and the estimated quantity budgeted by the management were not compared.
  - (b) In National Projects Construction Corporation Ltd., the actual consumption of materials had not been compared with the estimated consumption.
  - (c) In Jessop and Company Limited:
    - (i) In the absence of detailed quantitative analysis of materials consumed, job-wise comparison of actual consumption with estimates could not be made.
    - (ii) No records were maintained for rejections in production.
  - (d) In Central Inland Water Transport Corporation Ltd.:
    - (i) No records had been maintained to compare the actual quantity of materials used with the estimated quantity for activities like General Engineering, Deep-Sea Ship Repairs.
    - (ii) Actual consumption of materials in some of the jobs done was higher than the estimated consumption.
  - (e) In Mining and Allied Machinery Corporation Limited, records for variation of consumption of raw materials with reference to the bill of materials (prepared at the time of acceptance of a job) were not available.
  - (f) In National Building Construction Corporation Limited:
    - (i) Actual consumption of construction materials (sand bricks) was more than the estimates.
    - (ii) Rejections worked out to 48 per cent which was beyond the normal percentage of rejections (Brick Plant).
  - (g) In Bridge and Roof Company (India) Limited:
    - (i) No separate records were maintained for determining the rejections in production.

(ii) Actual consumption of materials was not compared with the estimates.

(h) In Fertilisers and Chemicals, Travancore Limited the consumption of raw materials was in excess of the estimated quantity as per the norms fixed by the management.

(i) In Hindustan Steel Limited:

(i) Rejections were more than the norms fixed (Durgapur Steel Plant—except in the case of skelp).

(ii) Consumption of raw materials was generally more than the norms fixed (Durgapur Steel Plant—Coke Ovens Plant and Blast Furnaces).

(j) In Bharat Refractories Limited, the percentage of rejections was on the high side.

(k) In Bharat Coking Coal Limited, there were rejections but the rejected stock had not been accounted for (Areas I, II and III).

(l) In Hindustan Aeronautics Limited, no records for rejections in production were maintained (Lucknow Division).

(m) In Hindustan Zinc Limited, no records were maintained for rejections (Zinc Smelter Debari, Zawar Mines, Rajpura—Dariba Mines and Matton Mines).

(n) In Garden Reach Workshops Limited, no record for determining the rejections and scrap during production was maintained except in Foundry Shop and Timber workshop.

(o) In Hindustan Latex Limited, the rejections at various stages of production were high during the year.

(p) In Heavy Engineering Corporation Ltd., rejections as compared to norms fixed by the Company were on the high side (Foundry Forge plant—in 5 out of 7 items).

(q) In Hindustan Cables Limited, no norms for rejections were fixed.

(r) In Hindustan Photo Films Manufacturing Company Ltd., rejections in production were more than the standards fixed.

(s) In Bharat Ophthalmic Glass Ltd., the Company had not maintained any records of rejections of raw materials.

(t) In Bharat Coking Coal Ltd., no records were maintained for determining rejections in production (Dhanbad and Bharakar).

(u) In Electronics Corporation of India Ltd. consolidated statement to show quantity-wise out put and rejections was not drawn up.

(e) *In the following companies, standard costs for main products had not been fixed:*

1. Balmer Lawrie and Company Limited. (Containers|Division).
2. Indo-Burma Petroleum Company Limited (Engineering Division).
3. Heavy Engineering Corporation Limited (Heavy Machine Tools Plant).
4. Hindustan Steel Limited [Central Coal Washeries Organisation (washed coal)].
5. Mandya National Paper Mills Limited.
6. Hindustan Aeronautics Limited (Kanpur Division).
7. Indian Oil Corporation Limited (Refineries Division—Gujarat Refinery, Barauni Refinery, Gauhati Refinery and Haldia Refinery).
8. Madras Fertilizers Limited.
9. Hindustan Housing Factory Limited.
10. Hindustan Zinc Limited.
11. Central Inland Water Transport Corporation Limited.
12. Bharat Heavy Electricals Limited (Trichy and Hyderabad Units).
13. Indian Drugs and Pharmaceuticals Limited (Surgical Instruments Plant).
14. Instrumentation Limited.
15. Fertilizer Corporation of India Limited (Jodhpur Mining Organisation and Sindri Unit).
16. National Buildings Construction Corporation Limited (Brick Plant).
17. Modern Bakeries (India) Limited (Calcutta Unit).
18. Bharat Coking Coal Limited (Dhanbad and Bharakar).
19. Rehabilitation Industries Corporation Limited.

20. Bharat Pumps and Compressors Limited.
21. National Newsprint and Paper Mills Limited.
22. State Farms Corporation of India Ltd.

In Bharat Coking Coal Limited, standard cost had not been compared with the actual cost (Area No. XI).

(F) *In the following companies standard costing system had not been introduced:*

1. Indian Rare Earths Limited.
2. Hindustan Antibiotics Limited.
3. Hindustan Aeronautics Limited (Hyderabad, Koraput and Nasik Divisions).
4. Central Coalfields Limited (Baikunthpur and Singrauli Branches and Korba Unit).

(G) *In the following companies actual cost of production was more than estimated/standard cost:*

1. Hindustan Steel Limited [Durgapur Steel Plant (except in the case of fish plates), Bhilai Steel Plant (actual works cost—of saleable steel) and Rourkela Steel Plant (actual works cost—in majority of cases)].
2. Cement Corporation of India Limited.
3. Hindustan Machine Tools Limited (Kalamassary Unit—printing machines and most of the machine tools and Bangalore Complex).
4. Fertilisers and Chemicals; Travancore Limited (various product).
5. Hindustan Aeronautics Limited (Kanpur Division—air frames).
6. Indian Drugs and Pharmaceuticals Limited [Antibiotics Plant and Synthetic Drugs Plant (certain products)]
7. Indian Telephone Industries Limited (Naini Unit—instruments division).
8. Triveni Structurals Limited (main products).
9. Jessop and Company Limited (Major jobs during the last three years).
10. Hindustan Insecticides Limited (some major products).



11. Bharat Heavy Electricals Limited (Bhopal Division—certain products).
12. Fertilizer Corporation of India Limited [Gorakhpur Unit, Sindri Unit and Trombay Unit (Urea, Suphala 15:15:15, Ammonia, Sulphuric Acid, Nitric Acid, Ammonium Bicarbonate and Concentrated Nitric Acid)]
13. Hindustan Photo Films Manufacturing Company Limited (certain products).
14. In Bridge and Roof Comapny (India) Limited, actual cost was not compared with the estimates for each phase of work.
15. In Garden Reach Workshops Limited, actual costs in some cases were considerably higher than the estimated costs.

4.2. The Committee on Public Undertakings in their 67th Report on 'Production Management in Public Undertakings (1970) had noted that a number of undertakings (like Hindustan Photo films Mfg. Co., Hindustan Salts, MAMC, Modern Bakeries, National Instruments, Praga Tools etc.) had not developed any cost control scheme so far. Observing that in the absence of a satisfactory cost control scheme it was unthinkable for the management of any enterprise to keep an eye on the trends of cost of prouction and to take timely remedial measures, the Committee recommended that all the undertakings should take early steps to instal effective cost control schemes within a specified period.

4.3. The Committee also noted that in a number of undertakings (NBCC, National Instruments, Garden Reach Shipbuilders & Engineers, HSL, FCI etc.) there was no proper system for control on labour utilisation and that consumption of raw materials and rejections were on the high side in certain undertakings (like HSL, FCI etc. etc.). The Committee recommendad that all undertakings should maintain labour utilisation record in suitable form, fix norms for consumption of raw materials and rejections so that managements might take remedial measures before it was too late.

4.4. Government accepted all the above recommendations and the Bureau of Public Enterprises asked the Ministries to issue suitable instructions to undertakings under their administrative control. The Committee have no information as to whether the Ministries issued instructions to the Public Enterprises under each of them and watched the implementation thereof. However, it is clear from the position brought out in the Reports of the C&AG as mentioned earlier that no serious attempt was made in this regard. This is deprecated.

## (B) Cost of sales to turnover

4.5. The high incidence of under-utilisation of installed capacities and utter lack of control over production and cost of production have resulted in increasing the cost of sales to turnover. In this connection the following expense ratios (i.e. percentage of cost of sales to turnover) brought out in the Annual Reports of the Bureau of Public Enterprises on 'Working of Industrial and Commercial Undertakings of the Central Government' for 1975-76 to 1977-78 are noteworthy:—

Sl. No.	Name of the Enterprises	Expense Ratio i.e. percentage of cost of sales to turnover (net)		
		1975-76	1976-77	1977-78
<b>A. ENTERPRISES PRODUCING &amp; SELLING GOODS</b>				
<i>(a) Enterprises producing basic materials</i>				
<b>STEEL</b>				
1	Bokaro Steel Limited . . . . .	120·5	99·1	104·2
2	Hindustan Steel Limited . . . . .	94·5	92·6	95·5
3	Steel Authority of India Ltd. . . . .	100·0	99·6	99·6
4	Indian Iron & Steel Co. Ltd. . . . .	..	110·1	1·9
	<b>TOTAL . . . . .</b>	<b>97·3</b>	<b>95·3</b>	<b>103·0</b>
<b>MINERALS AND METALS</b>				
<i>(a) Other than coal</i>				
5	Bharat Aluminium Co. Ltd. . . . .	133·6	108·0	107·4
6	Bharat Gold Mines Ltd. . . . .	134·9	115·0	117·1
7	Bharat Refractories Ltd. . . . .	117·2	120·0	129·6
8	Bolani Ores Ltd. . . . .	112·7	112·5	135·8
9	Hindustan Copper Ltd. . . . .	106·1	97·6	137·7
10	Hindustan Zinc Ltd. . . . .	62·9	89·1	100·8
11	Indian Rare Earths Ltd. . . . .	56·9	59·1	73·2
12	India Firebricks and Insulation Co. Ltd. . . . .	5700·0	115·0	124·6
13	National Mineral Development Corporation. . . . .	96·9	107·1	136·8
14	Pyrites, Phosphates & Chemicals Ltd. . . . .	101·7	99·6	97·1
15	Uranium Corporation of India Ltd. . . . .	110·4	108·8	108·0
	<b>TOTAL . . . . .</b>	<b>98·4</b>	<b>99·8</b>	<b>118·2</b>

Sl. No.	Name of the Enterprises	Expense Ratio i.e. % of cost of sales to turnover (net).		
		1975-76	1976-77	1977-78
<i>(b) Coal :</i>				
16	Bharat Coking Coal Ltd.		113.9	121.7
17	Central Coalfields Ltd. . . . .		99.0	102.5
18	Central Mine Planning & Design Institute Ltd., . .	..	..	..
19	Coal India Ltd.	113.6	123.5	127.8
20	Eastern Coalfields Ltd. . . . .	..	114.2	121.4
21	Neyveli Lignite Corpn. Ltd.	108.4	82.0	87.3
22	western coalfields Ltd.	..	101.3	106.6
	<b>TOTAL</b>	<u>113.2</u>	<u>104.7</u>	<u>111.7</u>
<i>Petroleum</i>				
23	Bharat Petroleum Corpn. Ltd.		98.9	97.4
24	Caltex Oil Refinery (India) Ltd.	..	99.5	98.2
25	Cochin Refineries Ltd. . . . .	97.8	99.1	98.2
26	Hindustan Petroleum Corpn. Ltd. . . . .	99.3	98.5	98.1
27	Hydro Carbons India Private Ltd.	39.2	43.3	35.0
28	Indian Oil Blending Ltd. . . . .	84.5	71.7	69.3
29	Indian Oil Corporation Ltd. . . . .	97.8	96.0	96.8
30	Indo Burma Petroleum Company Ltd.	98.9	99.4	99.5
31	Lubrizol India Ltd.	82.2	80.9	79.1
32	Madras Refineries Ltd.	97.8	97.9	98.4
33	Oil & Natural Gas Commission	77.8	80.7	79.7
	<b>TOTAL</b>	<u>96.6</u>	<u>95.9</u>	<u>95.9</u>
<i>Chemicals &amp; Pharmaceuticals</i>				
34	Cement Corporation of India . . . . .	97.6	99.9	107.8
35	Fertilizers & Chemicals (T) Ltd. . . . .	119.3	121.1	112.4
36	Fertilizers Corporation of India . . . . .	114.0	115.0	125.1
37	Hindustan Antibiotics Ltd. . . . .	130.9	103.9	114.9

Sl. No.	Name of the Enterprises	Expense Ratio i.e. % of cost of sales to turnover (net).		
		1975-76	1976-77	1977-78
38	Hindustan Insecticides Ltd.	86.3	90.4	91.7
39	Hindustan Salts Ltd.	60.0	84.9	126.7
40	Hindustan Organic Chemicals Ltd.	82.3	82.6	78.4
41	Indian Drugs & Pharmaceuticals	93.9	94.1	89.9
42	India Petro-Chemicals Corporation	60.9	67.4	49.9
43	Madras Fertilizer Ltd.	97.4	96.4	89.8
44	Sambhar Salts Ltd.	80.6	156.3	243.2
	<b>TOTAL</b>	<b>103.5</b>	<b>104.4</b>	<b>108.2</b>

## (b) CAPITAL GOODS

*Heavy Engineering*

45	Bharat Heavy Electricals Ltd.	84.4	87.3	89.1
46	Bharat Heavy plate & Vessels Ltd.	105.7	102.6	102.7
47	Braithwaite & Co. (India) Ltd.	225.4	180.2	113.6
48	Bridge & Roof Co. (India) Ltd.	110.7	99.0	99.9
49	Burn Standard company Ltd.	109.2	111.3	122.5
50	Heavy Engineering Corpn. Ltd.	96.7	95.7	151.2
51	Jessop & Co. Ltd.	99.7	98.7	111.9
52	Mining & Allied Machinery Corporation Ltd.	96.8	98.7	231.0
53	Triveni Structurals Ltd.	97.0	99.2	99.7
54	Tungbhadra Steel Products Ltd.	92.5	98.4	95.5
	<b>TOTAL</b>	<b>90.0</b>	<b>92.0</b>	<b>102.0</b>

*Medium and Light Engineering*

55	Balmer Lawrie & Co. Ltd.	97.9	96.7	95.5
56	Bharat Dynamics Ltd.	97.9	98.7	80.6
57	Bharat Electronics Ltd.	90.9	89.0	88.1
58	Bharat Pumps & Compressor Ltd.	108.8	121.4	114.2

Sl. No.	Name of the Enterprises	Expense Ratio i.e. % of cost of sales to turnover (net)		
		1975-76	1976-77	1977-78
59.	Biecco Lawrie Ltd.	102.7	108.7	142.2
60.	Central Electronics Ltd.	..	683.3	356.3
61.	Electronics Corpn. of India	92.9	94.7	103.7
62.	Hindustan Cables Ltd.	92.9	89.4	84.6
63.	Hindustan Machine Tools Ltd.	90.0	90.8	9.8
64.	Hindustan Teleprinters Ltd.	78.1	72.6	80.0
65.	Indian Telephone Industries Ltd.	90.3	88.2	89.6
66.	Instrumentation Ltd.	94.0	88.6	83.9
67.	National Instruments Ltd.	98.3	117.2	135.7
68.	Praga Tools Ltd.	100.2	91.5	98.5
69.	Richardson & Cruddas (1972)	97.5	98.8	104.8
		<u>92.2</u>	<u>91.3</u>	

#### TRANSPORTATION EQUIPMENT

70.	Bharat Earth Movers Ltd.	88.1	89.9	91.3
71.	Central Inland Water Transport Corpn. Ltd.	196.0	160.8	162.8
72.	Garden Reach Shipbuilders & Engineers Ltd.	99.1	98.8	99.3
73.	Goa Shipyard Ltd.	93.3	89.7	107.4
74.	Hindustan Aeronautics Ltd.	91.8	92.0	92.3
75.	Hindustan Shipyard Ltd.	86.7	90.3	86.9
76.	Mazagaon Dock Ltd.	93.2	90.3	100.9
77.	Scooters India Ltd.	150.2	118.8	135.6
78.	Cochin Shipyard Ltd.	—	117.3	323.9
	<b>TOTAL</b>	<u>94.6</u>	<u>94.9</u>	<u>97.6</u>

Sl. No.	Name of the Enterprises	Expense Ratio (i.e. % of cost of sales to turnover (net))		
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(c) Consumer goods		1975-76	1976-77	1977-78
79.	Bharat Ophthalmic Glass Ltd. . . . .	130.3	174.3	174.3
80.	Hindustan Latex Ltd. . . . .	91.1	85.8	93.6
81.	Hindustan Photofilms Mfg. Co. . . . .	99.3	95.4	95.4
82.	Mandya National Paper Mills Ltd. . . . .	93.5	116.6	105.7
83.	Modern Bakeries (India) Ltd. . . . .	98.6	96.8	95.9
84.	National Newsprint & Paper Mills Ltd. . . . .	91.4	94.3	104.1
85.	Rehabilitation Industries Corporation Ltd.	230.8	229.8	363.2
86.	Tannery & Footwear Corpn. of India Ltd.	104.3	146.9	160.2
TOTAL . . . . .		100.0	102.0	105.7

## (d) Agro-based Enterprises

87.	BANANA & Fruit Development Corporation.	160.6	177.8	280.0
83.	National Seeds Corporation Ltd.	95.3	95.9	106.7
89.	State Farms Corporation Ltd.	105.7	127.2	110.1
		98.8	102.3	

## B. SERVICE ENTERPRISES

## (a) Trading &amp; Marketing Services

90.	Cashew Corporation of India Ltd.	88.1	88.1	89.1
91.	Central Cottage Industries Corpn. of India	—	103.2	100.4
92.	Central Fisheries Corporation Ltd. . . . .	94.4	128.9	144.9
93.	Central Warehousing Corporation . . . . .	77.7	75.3	67.5
94.	Computer Maintenance Corporation Ltd.	—	—	800.00
95.	Cotton Corporation of India Ltd. . . . .	94.9	94.9	99.6
96.	Electronics Trade & Technology Dev. Corpn. . . . .	97.5	97.5	94.9
97.	Food Corporation of India . . . . .	99.8	99.9	99.9
98.	H.M.T. International Ltd. . . . .	84.2	82.1	93.8

Sl. No.	Name of the Enterprise	Expense Ratio i.e. % of cost of sales to turnover (net)		
		1975-76	1976-77	1977-78
99.	Handicrafts & Handlooms Exports Corporation of India Ltd. . . . .	97.8	97.6	98.2
100.	Indian Motion Pictures Export Corpn. Ltd.	100.0	68.0	60.0
101.	Jute Corporation of India Ltd. . . . .	98.4	99.5	109.2
102.	Metal Scrap Trade Corporation Ltd.	23.8	21.1	38.5
103.	Mica Trading Corpn. of India Ltd.	99.9	98.8	90.0
104.	Minerals & Metals Trading Corporation of India Ltd. . . . .	95.8	94.2	85.0
105.	Projects & Equipment Corpn. Ltd. . . . .	97.1	94.5	95.6
106.	State Chemicals & Pharmaceuticals Corpn. of India	—	95.0	96.2
107.	Sail International Ltd. . . . .	97.7	95.02	56.8
108.	State Trading Corporation of India Ltd. . . . .	98.5	96.9	96.4
109.	Tea Trading Corporation of India Ltd. . . . .	93.0	96.5	96.6
		<u>98.4</u>	<u>97.6</u>	<u>98.1</u>
<b>TRANSPORTATION SERVICES</b>				
(a) <i>AIR</i>				
110.	Air India . . . . .	96.5	93.0	90.0
111.	Air India Charters Ltd. . . . .	99.3	100.4	100.0
112.	Indian Airlines . . . . .	92.6	83.2	90.1
113.	International Airports Authority of India	64.4	76.1	64.3
(b) <i>Water</i>				
114.	Moghul Lines Ltd. . . . .	111.3	112.8	134.3
115.	Shipping Corpn. of India Ltd.	95.1	98.3	105.2
		<u>95.2</u>	<u>93.8</u>	<u>95.9</u>
(c) <i>Contracts and Construction Services</i>				
116.	Hindustan Housing Factory Ltd.	114.4	117.1	120.3
117.	Hindustan Steel Works Construction Ltd. . . . .	98.0	98.0	99.4
118.	Indian Railway Construction Co. Ltd. . . . .	—	—	96.9

Sl. No.	Name of the Enterprises	Expense Ratio i.e. per centage of cost of sales to turnover (net)		
		1975-76	1976-77	1977-78
119.	Indian Road Construction Corpn. Ltd.	—	—	—
120.	Mineral Exploration Corpn. Ltd.	122.0	81.8	86.9
121.	National Building Construction Corporation Ltd.	93.3	97.2	92.3
122.	National Projects Construction Corporation	—	99.7	99.6
(d) Industrial Development & Technical Consultancy Services		98.7	98.0	98.2
123.	Engineers India Ltd.	85.5	80.5	86.8
124.	Engineering Project (India) Ltd.	99.4	99.4	99.5
125.	Metallurgical & Engineering Consultants (India) Ltd.	90.0	90.2	77.8
126.	The National Industrial Development Corpn.	87.6	95.5	153.8
127.	Rail India Technical & Economic Services Ltd.	91.3	83.8	82.2
128.	Water & Power Development Consultancy Services (India) Ltd.	65.3	80.8	79.8
		93.9	95.3	95.4
(e) Development of Small Industries				
129.	National Small Industries Corporation Ltd.	99.7 99.7	105.5	105.4
130.	Delhi State Industrial Development Corpn. Ltd.	99.7	98.6	
		99.7	102.4	
(f) Tourist Services				
131.	Hotel Corporation of India Ltd.	124.9	101.2	93.1
132.	India Tourism Development Corporation Ltd.	94.7	92.5	90.4
TOTAL		100.6	94.7	91.1
(g) Financial Services				
133.	Film Finance Corporation Ltd.	78.3	97.1	89.4
134.	Housing & Urban Development Corporation Ltd.	104.8	170.2	67.2
135.	Rural Electrification Corporation Ltd.	50.6	60.3	68.5
TOTAL		61.0	63.6	63.6
GRAND TOTAL		97.8	96.7	



4.6. Thus in 1976-77 and 1977-78 the expense ratio was more than 100 per cent in the case of 40 as much as and 56 undertakings, mostly in those industrial enterprises which had high under-utilisation or total un-utilisation of installed capacities.

4.7. The absence of even minimal production and cost control seems widespread and no note of it has been taken by the management of the enterprises or Government. The position during the year 1975-76 in relation to 94 Government Companies and 25 subsidiaries in respect of which reports were received by the C&AG from the Company Auditors in pursuance of his directives could be summed up as follows:—

34 Companies did not achieve targets of production. In 24 companies there was no regular costing system. In 42 companies there was no system of ascertaining idle time for labour or machinery specifying the reasons therefor. In 28 companies consumption of raw materials was more than standards/estimates. In 26 companies standard costs for main products had not been fixed or standard costing system not introduced. In 15 companies actual cost of production was more than estimated/standard cost.

The Companies that suffer from combination of most of these deficiencies are (i) Heavy Engineering Corporation Ltd. (ii) Hindustan Zinc Ltd. (iii) Steel Authority of India Ltd. (iv) Indian Drugs and Pharmaceuticals Ltd. (v) Hindustan Machine Tools Ltd. (vi) National Instruments Ltd; (vii) Mining and Allied Machinery Corporation Ltd; (viii) Fertilizer Corporation of India Ltd; (ix) Bridge and Roof Co. (I) Ltd; (x) State Farms Corporation of India Ltd; (xi) Bharat Coking Coal Ltd. The Committee would like to know what precisely were the steps taken all these years to remove the deficiencies in these cases.

It is no wonder that the ratio of cost of sales to sales is adverse in as many as 56 public undertakings in 1977-78 which can only be attributed to lack of production and cost control. This has considerably eroded the profits of the Undertakings during 1977-78.

4.8. It is distressing that in this age when Industrial Science and Management Science and Techniques have advanced very much, mismanagement and lack of scientific control are rampant and the activities of the public enterprises are carried on in a haphazard manner. The Bureau of Public Enterprises and the Administrative Ministries who control everything that matters in the enterprises are equally responsible for this miserable state of affairs. It has therefore become necessary that there should be more than one independent

agency to examine the working of all the enterprises as minutely as possible in order to make a correct diagnosis and take prompt remedial measures. Such independent agencies should be able to enlist the services of economists, technocrats, industrial scientists, sociologists etc., who are unconnected with the private sector. The Committee have dealt with this question further elsewhere in this Report.

### (C) Monitoring and Appraisal

4.9. The Bureau of Public Enterprises and the administrative Ministries have been maintaining a facade of monitoring the progress and performance of public undertakings for several years. They have stated that in 1974, various reports, returns and other information inflows to Ministries were reviewed by a Working Group and as a result the Bureau of Public Enterprises (vide their O.M. No. BPE/GL-003/75/I&B-16(4)/72 dated 11-3-1975) introduced an Integrated Reporting System for more effectively monitoring appraising the progress and performance of public sector projects 'under construction' and 'on going' projects. For projects 'under-construction' (including expansion schemes) total of eight quarterly reports were prescribed and for 'on going' projects a total of 4 monthly, quarterly, half yearly or yearly reports were prescribed and the Ministries were asked to issue suitable instructions to public undertakings under their control.

4.10. The Committee found that the Bureau of Public Enterprises is not aware as to which of the Ministries have introduced the Management Information System, much less its effective follow-up and implementation.

In this connection the Planning Commission in the Draft Five Year Plan 1978-83 has observed 18-4-1978 as follows:—

“Monitoring and evaluation machinery—organisation as well as systems, have not been adequately established at all levels...The monitoring and evaluation system introduced by the Bureau of Public Enterprises in consultation with Planning Commission in respect of Central public sector undertakings have begun to highlight closely the problem areas, even though it has not yet started working fully.”

4.11. The Committee are convinced that central to the problems discussed in the foregoing paragraphs is the failure of management, a factor which remains unacknowledged for obvious reasons. The factors that are the result, of this failure are instead brazenly advanced in support of poor performance. The Committee have been stressing the need to have an efficient monitoring and appraisal system in their

various Reports e.g., 40th Report on Role and Achievement on public Undertaking. They note that a system has been introduced in 1975 whereby the performance of production enterprises could be reviewed quarterly by the Administrative Ministries associating the representatives of Bureau of Public Enterprises and Planning Commission. If only this has not been as perfunctory as it seems to be the position would not have been what it is now. It is strange that the Bureau of Public Enterprises which is supposed to get the information and be a participant in such reviews is not in a position to furnish readily any details to the Committee. The Committee would like to know how the system was operated during the last three years with special reference to the problem units.

4.12. The Committee regret that in spite of what has been stated in regard to the existing system of monitoring and appraisal the performance has been disappointed. A meaningful periodic review of production, consumption of raw material and utilization of manpower and machinery as well as and cost and efficiency is a must. It is also necessary to verify the statements furnished by the enterprises independently through a specialised agency. The Committee have found that the figures of profits/losses of Public Enterprises thought out by the Bureau did not tally with those of audited accounts. They have reasons to suspect that the data regarding consumption of raw material, employment of casual workers and production are not invariably accurate.

4.13. The BEP has been maintaining a facade of monitoring. Obviously it is unable to cope with it. The Committee therefore are constrained to suggest that the public Sector Enterprises should be grouped based on their characteristics and nature of business and for each group of enterprises there should be a set up to oversee the functioning from very close quarters. The BPE should also be reorganised as far as possible on the above lines. The Headquarters of the enterprises and as well of the groups of enterprises should be as closely situated as possible to their area of operation.

4.14. The narration of facts relating to the delay in commencement of production, under-utilisation of capacity, the lacunae in the systems of production and cost control, monitoring and appraisal as well as the observations and conclusions of the Committee contained in this Report would convince anybody that all is not well and the position is far from what one desires. Neither the Government nor the Parliament can be a silent spectator to this kind of disastrous situation. Obviously one Committee of Parliament cannot do justice to the examination of public enterprises with their increasing number and

diverse nature of activities covering a wide spectrum of the economy. The Committee since their inception in 1964-65 could examine so far only 54 enterprises and the number of enterprises to day is over 180. Realising the imperative need to examine an enterprise atleast once in 5 years the Committee are inevitably led to recommend that there should be a Parliamentary Committee on Public Undertakings under the Speaker for each Group of enterprises organised in the manner specified earlier. Such mutually exclusive groups should atleast be six with about 25 Enterprises coming within the purview of each. In other words in the place of the existing one Committee there must be atleast six independent Committees on Public Undertakings of Parliament with equal powers.

4.15. The Committee further require the following to be acted upon:

- (i) Government should bring out a White Paper critically appraising the functioning of the Public Undertakings and present it to Parliament within a period of six months indicating the position separately for manufacturing and non-manufacturing enterprises. This should clearly set out the measures proposed to remove the deficiencies under a time bound programme.
- (ii) The Bureau of Public Enterprises should also forthwith evolve an effective monitoring and appraisal system in respect of service enterprises; trading enterprises etc.
- (iii) The management ratios which should be indices for evaluating the working of Public Undertakings from time to time as already evolved for production enterprises and to be evolved for the rest should be brought out in the annual reports of the Bureau of Public Enterprises.
- (iv) The performance appraisal reviews to be taken periodically should cover the deficiencies in the system of control as brought out in the reports of the C.&A.G.
- (v) The Annual Reports of the Ministries should contain detailed information on the overall functioning of Public Sector Enterprises, the results of performance reviews and the action taken on the basis thereof as well as the improvements made.
- (vi) Any reviews either by the Bureau of Public Enterprises or by the Ministries as are published in their annual reports

should clearly relate the achievements of Public Undertakings in different sectors to the plan anticipations both in regard to generation of internal resources and the value added. The gaps in achievement should be highlighted to inform the wider public who are the real owners of these enterprises.

- (vii) The role of the Bureau of Public Enterprises needs to be redefined in order that it can truly function as a clearing house of information with an in built system of feed back to the Public Undertakings, an able co-ordinator where matters are of multi-disciplinary character, a critical but a constructive appraiser and a guide. This should include evolving of a system of incentives and disincentives so that all concerned especially the management of the Public Sector Enterprises would acquire a stake in the success of the Public Sector. The career advancement of Executives should be related to the performance of the units under them.
- (viii) The Government representatives on the Boards of Management should be held personally responsible for any serious lapse and malfunctioning of the enterprises, unless they draw pointed attention of the Secretary and the Minister concerned without any lapse of time. In fact they should effectively represent the Government as a whole on the Board but unfortunately their presence in the Board has so far made no difference.

NEW DELHI;  
 April 6, 1979  
 Chaitra 16, 1901 (S).

JYOTIRMOY BOSU,  
 Chairman,  
 Committee on Public Undertakings.

## APPENDIX I

### *Summary of Conclusions|Recommendations*

S. No.	Para No.	Conclusions/Recommendations
1	2	3
1	2.14	<p>The extent to which the micro level planning and execution have been weak is evidenced from the tardy implementation of several projects. That the position should continue to be so even after two decades and a half since the commencement of the plan and in spite of successive examination by the Committee of individual undertakings as well as horizontal reviews of all the undertakings shows that there is lack of political will and/or the management have yet to learn a lesson and acquire a will to ensure that the Public Sector is well organised.</p> <p>There have been enormous delays ranging upto 6½ years in completion of several industrial projects. In some cases surprisingly no original schedules of completion were set and in others these have been frequently revised. Even in service and other non-production enterprises there have been considerable delays in commencement of business or in their becoming functional after their setting up. All this has been attributed to procedural delays, defective planning, changes in site location, constraints of resources, delays in decision making, acquisition of land, selection of contractors, execution of civil works and supply of equipment/material, non-availability of power and transfer of assets as also to belated appointment of chief executives and Board of Directors. Thus a clear concept of requirements of projects and a well coordinated</p>

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endeavour to meet them at the implementation stage seem to have been singularly lacking. The result of this is clear for all to see, that is, needless cost escalation and postponement of realisation of benefits. The Administrative Ministries and the Bureau of Public Enterprises should therefore undertake an indepth study of this problem in order to lay down fresh guidelines calculated to obviate recurrence of this phenomena.

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3.11

The malady of under-utilisation of capacities all these years is quite glaring. The position if anything seems to have deteriorated during 1977-78. This inference is inescapable from the details brought out by the Committee.

Unutilisation or under-utilisation of production resources means a severe loss to the national economy. Total investment made by Central Government on industrial and commercial enterprises amounted to Rs. 12,851 crores at end of 1977-78. Huge amounts have been borrowed from foreign sources and the machineries purchased thereby have been kept unutilised or underutilised on the one hand and on the other hand there are heavy service charges on these foreign loans. These factors tend to cripple our economy.

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3.13

In the case of Heavy Engineering Corporation it is interesting to note that the production in its Heavy Machine Building plant is stated to have been diversified to manufacture mining equipment whereas there is already high under-utilisation of capacity for such equipment in the Mining and Allied Machinery Corporation. It is also noteworthy that though a number of units producing railway wagons suffer from want of orders and have large un-utilised capacity, Government have recently taken over the Mukameh Unit of Britania Engineering Co. and the undertakings of the Arthur Butler & Co. "In order

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to ensure continued manufacture of railway wagons and other allied goods.”

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The reasons for the malady of unutilised capacity are deeper than meet the eye. The Committee are left with the impression that the production planning management and control are not what these should be. The claim of the Government and of the B.P.E. in particular, to have studied the problem in depth and taken remedial steps is not at all borne out by any tangible results. The consequence of the utter neglect of this crucial area seems to be nobody's responsibility. The Committee would, therefore, like to know what concrete steps were taken in the units where the under-utilisation was more than 50 per cent and why the position should continue to be so bad. In this connection they desire to make it clear that there should be no question of allowing expansion of a line of production where the existing facility therefore in any undertaking remains under-utilised to the extent of more than 25 per cent without valid reasons. This should invariably be kept in mind at the time of scrutinising investment proposals.

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4.7

The absence of even minimal production and cost control seems widespread and no note of it has been taken by the management of the enterprises or Government. The position during the year 1975-76 in relation to 94 Government Companies and 25 subsidiaries in respect of which reports were received by the C&AG from the Company Auditors in pursuance of his directives could be summed up as follows:—

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The Companies that suffer from combination of most of these deficiencies are: (i) Heavy Engineering Corporation Ltd., (ii) Hindustan Zinc Ltd., (iii) Steel Authority of India Ltd., (iv) Indian Drugs and Pharmaceuticals Ltd., (v) Hindustan Machine Tools Ltd., (vi) National Instruments Ltd.; (vii) Mining and Allied Machinery Corporation Ltd.; (viii) Fertilizer Corporation of India Ltd.; (ix) Bridge and Roof Co., (I) Ltd.; (x) State Farms Corporation of India Ltd.; (xi) Bharat Coking Coal Ltd. The Committee would like to know what precisely were the steps taken all these years to remove the deficiencies in these cases.

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It is distressing that in this age when Industrial and Management Science and Techniques have advanced very much, mismanagement and lack of scientific control are rampant and the activities of the public enterprises are carried on in a haphazard manner. The Bureau of Public Enterprises and the Administrative Ministries who control everything that matters in the enterprises are equally responsible for this miserable state of affairs. It has therefore become necessary that there should be more than one independent agency to examine the working of all the enterprises as minutely as possible in

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order to make a correct diagnosis and take prompt remedial measures. Such independent agencies should be able to enlist the services of economists, technocrats, industrial scientists, Sociologists etc., who are unconnected with the private sector. The Committee have dealt with this question further elsewhere in this Report.

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