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**STANDING COMMITTEE ON LABOUR
(2008-2009)**

FOURTEENTH LOK SABHA

MINISTRY OF LABOUR AND EMPLOYMENT

PROBLEMS BEING FACED BY WORKERS DUE TO SICKNESS OF HMT UNITS

FORTIETH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

February 2009/Phalguna, 1930 (Saka)

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Presented to Lok Sabha on 25.02.2009

Laid in Rajya Sabha on 25.02.2009



**LOK SABHA SECRETARIAT
NEW DELHI**

February 2009/Phalguna, 1930 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON LABOUR
(2008-2009)

Shri Suravaram Sudhakar Reddy-CHAIRMAN

MEMBERS
LOK SABHA

2. Shri Furkan Ansari
3. Shri Ramdas Bandu Athawale
4. Shri Subrata Bose
5. Shri Santasri Chatterjee
6. Shri Thawar Chand Gehlot
- *7. Shri Munawar Hasan
8. Smt. Sushila Kerketta
9. Shri Mohammad Tahir Khan
10. Shri Virendra Kumar
11. Shri Rajesh Kumar Manjhi
12. Shri Basangouda R. Patil
13. Shri Devidas Pingle
14. Shri Chandra Dev Prasad Rajbhar
15. Shri Mohan Rawale
16. Shri Dhan Singh Rawat
17. Shri Kamla Prasad Rawat
18. Smt. C. S. Sujatha
19. Shri Parasnath Yadav
20. Vacant
21. Vacant

RAJYA SABHA

- **22. Chowdhary Mohammad Aslam
23. Shri Rudra Narayan Pany
24. Shri Narayan Singh Kesari
25. Shri K. Chandran Pillai
- ***26. Shri Gandhi Azad
27. Smt. Renubala Pradhan
28. Shri Arjun Kumar Sengupta
- **** 29. Shri Rajaram
- ****30. Shri Mohammed Adeeb
31. Vacant

* Expired on 10.12.2008.

** Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 29.11.2008.

*** Ceased to be a Member of the Committee consequent upon his retirement from Rajya Sabha w.e.f. 25.11.2008.

**** Nominated w.e.f. 27.1.2009

SECRETARIAT

- | | | | |
|----|---------------------|---|------------------|
| 1. | Shri Devender Singh | - | Joint Secretary |
| 2. | Shri R.K. Bajaj | - | Director |
| 3. | Shri N.K. Pandey | - | Deputy Secretary |

INTRODUCTION

I, the Chairman of the Standing Committee on Labour (2008-09), having been authorised by the Committee to submit the Report on their behalf, present this Fortieth Report on the 'Problems being faced by workers due to sickness of HMT units.'

2. The Committee during their study tour to Bangalore on 1st December 2008 held extensive deliberations with the various trade unions of employees, officers and all the other stakeholders of the HMT units regarding the numerous problems plaguing the organization which has ultimately led to its sickness and worsened the miseries of the workers. Subsequently, the Committee also held discussions with the management of HMT enquiring about the exact reasons which drove the company to its current state of affairs. A large number of trade unions also submitted written memoranda stating the difficulties being faced by the workers engaged in the different units of HMT.

3. The Committee took further evidence of the representatives of the Ministries of Labour and Employment, Heavy Industries and Public Enterprises, Finance and Chairman of HMT Limited on 5.1.2009 to get clarifications on the various points which remained unanswered during the study tour.

4. The Committee considered and adopted the Report at their sitting held on 24.2.2009.

5. The Committee also wish to convey their gratitude to the officers of the Ministries of Labour and Employment, Heavy Industries and Public Enterprises, Finance and Chairman, HMT for placing before them the detailed written notes on the subject and furnishing other desired information in connection with the examination of the subject and tendering evidence before the Committee.

6. The Committee would also like to place on record their deep sense of appreciation of the commitment, dedication and valuable assistance rendered to them by the officers of the Lok Sabha Secretariat attached to the Committee.

7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;

24th February, 2009
5 Phalguna, 1930 (Saka)

SURAVARAM SUDHAKAR REDDY,
Chairman,
Standing Committee on Labour

REPORT

Background

HMT was incorporated in 1953 at Bangalore for the manufacture of Machine Tools in collaboration with Oerlikon of Switzerland. Over the years, the Company diversified various kinds of Machine Tools, Watches, Printing Machinery, Presses, Tractors, Bearings and Food Processing Machinery. Presently, the Company has subsidiaries of Machine Tools, Watches, Chinar Watches, Bearings, HMT (International) and Praga Tools, Hyderabad under the ambit of the Holding Company-HMT Limited which includes the Tractor Business.

2. HMT Machine Tools Ltd., fulfilling the needs of so many Organisations/Industries like Defence, Automobile, Railways, Power Sector Atonics and Agriculture Industries since 40 years and it is having lot of infrastructure, technically qualified persons to meet the challenge tasks and developments required.

HMT Limited Holding Company including Tractor Business Group

3. HMT Tractor Business commenced operations in the year 1971 in collaboration with Zetor of Czech Republic. The product range includes Tractors for Agriculture, Haulage and Earth Moving, Engines, engines for gensets, high speed tractors called Trantors (in collaboration with Trantor Vehicles Limited, (TVL UK). The Installed capacity is 18000 tractors with marketing network comprising 17 marketing offices, 9 stock yards and 326 dealers. The total manpower of the Holding Company including Tractor Business Group is 2243 comprising 1827 Workmen and 416 Executives.

HMT Machine Tools Limited

4. The Machine Tools Business Group was incorporated as a wholly owned subsidiary in April 2000. The Machine Tool Subsidiary has manufacturing units in Bangalore, Kalamassery (Kerala), Hyderabad, Ajmer and Pinjore. HMT Machine Tools manufactures widest range of machine tools comprising CNC and Non-CNC machines, Horizontal and Vertical Machining Centres, Grinding Machines, Gear Cutting Machines, Die Casting and Plastic Processing Machinery and Metal Forming Presses. The Subsidiary also undertakes development of special jigs, fixtures and robot units for various applications in aerospace industry and BARC. The Subsidiary has manpower strength of 3975 employees comprising 2640 Workmen and 1335 Executives including that of Praga Tools Limited which was recently merged with HMT Machine Tools Limited.

HMT Watches Limited

5. HMT started manufacturing watches in the year 1962 in Bangalore in collaboration with Citizen of Japan. The Watch Business Group was incorporated as a wholly owned subsidiary in April 2000. The Watch subsidiary has manufacturing units at Bangalore, Tumkur and Ranibagh (Uttaranchal). The product portfolio of the Subsidiary comprises design, development and manufacture of Mechanical, Automatic, Quartz and Quartz Analog Watches, movement and components. The Subsidiary has manpower strength of 2088 Employees comprising 1652 Workmen and 436 Executives.

HMT Chinar Watches Limited

6. HMT started manufacturing watches at Srinagar (J&K) in the year 1974. The unit was incorporated as a wholly owned subsidiary in April 2000. Apart from manufacturing unit in Srinagar, the Subsidiary has established Watch Assembly facility at Jammu. The product portfolio of the Subsidiary comprises design, development and manufacture of Mechanical Watches. The Subsidiary has manpower strength of 229 employees comprising 197 Workmen and 32 Executives.

HMT Bearings Limited

7. The Bearing Unit was started in the year 1970 in collaboration with KOYO-SEIKO of Japan. HMT took over the Unit in 1981. The Subsidiary manufactures Ball Bearings, Cylindrical Ball Bearings and Taper Roller Bearings. The Subsidiary has manpower strength of 277 Employees comprising 210 Workmen and 67 Executives.

HMT (International) Limited

8. HMT (International) Limited was set up in 1974 as a wholly owned subsidiary of HMT to undertake export of goods manufactured by HMT and other Indian manufacturers. HMT (I) has been accorded the status of Mini-Ratna and has exported over 12,500 machines to more than 70 countries. HMT (I) also undertakes setting up of overseas projects on turnkey basis and extends technical/engineering consultancy services. Projects have been established in Nigeria, Indonesia, Kenya, Malaysia, Mauritius, Tanzania, UAE, Maldives and other countries. The Subsidiary has manpower strength of 61 Employees comprising 53 Executives and 8 supporting staff.

Revival Plans formulated by the Company

9. In order to address the constraints facing the Subsidiaries/business, the Company has formulated comprehensive Revival Plans that inter-alia include issues relating to high cost of borrowings and consequential outgo on account of interest, up-gradation of plant and machinery, manpower rationalization and acquisition of appropriate product technology to meet increased levels of competition in the market.

10. The Government has approved the Revival Plans formulated by the Company in respect of HMT Bearings Limited, Praga Tools Limited and HMT Machine Tools Limited. The Revival Plans in respect of HMT Limited (Holding Company including tractor business) and HMT Watches Limited are under consideration by the Government. The Company has also submitted a Five-year funding proposal in respect of HMT Chinar Watches Limited.

Guidelines regarding Industrial Relations Machinery

11. The Committee have been informed that the guidelines laid down in respect of the working of the industrial Relations Machinery are being followed in letter and spirit. It was further informed that consequent to formation of Subsidiary Companies, the IR Machinery got reviewed and reorganized in the Company. Day to day issues are sorted out at Unit level. Issues specific to Subsidiary Company come to its head quarter. All policy issues at the Company Level are discussed at the Corporate Head Office by the representatives of Workers' Federation.

12. On the question regarding the issue of Industrial Relations being discussed in the Board meetings or at the Ministerial level meetings during the last three years, the organization in its written reply stated that no such discussion took place in any of the meetings of the Board or the Ministerial level meetings.

13. During the recent study tour of the Committee to Bangalore, the Committee were apprised by the representatives of trade unions that the attitude of management is unfriendly and uncooperative to workers. Trade unions were not consulted on the issues of company in general and workers in particular. Rather, most of the time, management remains inaccessible to workers.

14. Regarding composition of IRM, it has been stated that generally, all the Units/Factories has an Industrial Relations Section attached to the HR Department. All grievances of workmen are initially addressed at the Shop Floor Level by the concerned Supervisor. The unresolved issues are discussed at the HOD Level for a solution. The unresolved issues at the Head of the Department Level are taken up at the Unit IR Section, generally by the Workers' Union and to the extent possible the matters are settled at the Unit level with the concurrence of HR, Finance Chiefs and with the approval of Unit Chief.

15. Apart from the above, effective Machinery in line with the true spirit of Participative Management, bipartite Committees to resolve the respective issues comprising both Management, Workers Union's and Officers' Association is in place at Unit level

16. On being asked about the number of cases pending for settlement in various Labour courts/tribunals, it was replied that 29 cases are pending in this regard and efforts are made for out of court settlement of the cases depending on their merits.

17. Regarding engagement of casual/contract workers in the various units of the organisation, it has been replied that the Company has not engaged any Casual/Contract Labour for a specific project. However, the Company has engaged Contract Labour as Helpers, Attenders and in the area of Gardening, Security, House Keeping and other peripheral works through contractors. Number of Contract Labour in the Holding and Subsidiary Companies is as under:

	<u>Casual Labour</u>	<u>Contract Labour</u>
Holding Company	-	Nil
HMT Machine Tools Limited	-	435
HMT Watches Limited	-	1
HMT (International) Limited	-	Nil
	-	104
	-	07
TOTAL	-	1
		1710

18. On the question of social security and welfare measures for casual/contract workers, it has been stated that the Social Security and Welfare measures for regular employees are also extended to Contract employees. Wages are paid in accordance with the Minimum Wages Act notified by the Appropriate Government. Facility of leave with wage, including National Holidays, Festival Holidays and Weekly Holidays are also extended. Further, the Company has extended the facility of canteen, health, safety measures and transport to the contract workers on par with the regular workers.

Wage Revision

19. The representatives of the Trade Union, who appeared before the Committee, expressed their views regarding wage revision as under:

“After 1992 Wage revision, despite a lapse of seventeen years, the wages of HMT workers are not revised. Due to price rise and high inflation, the educated and skilled workmen are forced to work under humiliation and embarrassment with bare minimum salaries. Due to non implementation of wage revision, the existing professionals, skilled and talented employees are leaving the organisation in search of better prospects, while the fresh talent is not getting attracted.”

20. The replies of the Government on the issue of the wage revision, stated that :

“The issue of Wage/Pay Revision is pending from 01.01.1997. However, various proposals have been made from time to time and submitted to the DHI/Ministry for consideration. But till date this issue has not been resolved, due to non-fulfillment of DPE Guidelines for Wage/Pay Revision.

However, the Revival Plan of HMT Machine Tools Ltd., has a component for Wage/Pay Revision which has since been approved by the Union Cabinet Committee and now awaiting for directions from the Ministry.

In respect of HMT Bearings Ltd., the Government has approved the Revival Plans in the year 2005. The plan envisaged infusion of around Rs. 25 crore towards enhancement of operations in terms of plant modernization and working capital. Of this, cash infusion was Rs. 7.40 crore, while the rest was by means of funds to be raised against GOI Guarantee. As Banks were not forthcoming to make funds available against GOI Guarantee, the revival floundered, and the Company is under reference to BIFR again. Therefore, the Wage/Pay Revision could not take place.

In respect of HMT Watches Ltd., the Ministry sought revalidation of the Revival Plan proposals which were submitted by the Company to the Government for consideration, by a Consultant. In line with the direction, M/s ICRA have been appointed Consultants to review the proposal, advise any changes and further assist in implementation and scouting to JV partner. On submission of revalidation of the Revival Plans, the Wage/Pay Revision component is also proposed to be added in the Revival Plans.

In respect of Holding Company, the revised Revival Plan has been submitted and is under consideration of the GOI, which has a component for Wage/Pay Revision to the employees.

Currently, the employees are under 1992 Wage/Pay scales.”

Workers and Management:

21. On the question of participation of workers in the decision making process of the organization as envisaged, the Government replied that they are provided opportunities through Unit Board Meetings held at Units periodically.

22. The Government was asked to submit a brief resume of the financial and physical performance of the company, working results of the HMT for the last three years, exercise undertaken, if any to ascertain and analyse the causes for the present ailing condition of the HMT units alongwith the remedial measures taken in this regard. The Government was also asked about its responsibility towards the employees of sick industrial unit of the Union Government with regard to their wages and other dues particularly when the unit has not been declared closed and is viable for revival and becoming a competitive unit. The information on all the above issues are yet to be received from the Government.

23. The Committee was apprised during the study tour that it would be appropriate that if few units of HMT are merged with some production units of Defence Ministry not only to make them viable but to strengthen the defence production also. The Ministry was requested to offer their comments in this regard in writing and the same are still awaited.

24. On the crucial issue of revival plan for the units of the HMT to make them viable, any written response is yet to come from the Government. Issues regarding wage revision of the workers, Voluntary Retirement Scheme for the workers has also not been responded to.

25. On the question of problems plaguing the HMT and necessary steps for their solution, the representative of the Ministry of Heavy Industries and Public Enterprises while deposing before the Committee stated:

“HMT was conceived in 1949 as a unit aimed at ushering in the area of industrial development and supporting the basic industrial edifice of the country. Incorporated in 1953, HMT has been in the area of machine tools, watches, bearings-basically ingredients for the development of the industries in the country. But with the setting in of liberalization in early 1990s, HMT units faced a lot of problems, problems of marketing their products, problems due to the lack of upgradation of plant and machinery problems due to excess manpower. Considering that, a turn around plan was prepared in 2000 and approved in August, 2000 which was basically aimed at the manpower restructuring and financial debt restructuring of the unit and subsidization of the unit with a view to joint venture formation of each of the units and selling of the non-performing assets to generate resources for development, modernization, etc. of the different units. But unfortunately, the sale of the non-performing assets, formation of the JV could not take up as expected as a result of which the turn around plan 2000 was not fully successful. As a part of the turn around plan, based on the Ernst & Young Report, these subsidiaries were formed. Each of the individual subsidiaries went through their individual revival plans and the plans were actually formulated in 2002-03, a period when HMT faced recessionary trends in the economy; its products were not selling as a result of which and with the liberalization, the machine tool sector, for example, faced the problem arising out of a lot of imports of second-hand machine tools from abroad. As a result, the HMT could not actually market its products as desired. Secondly, the technology upgradation of the machine tool sector did not take place and they could not get the technology of their choice from abroad as a result of which marketing of its products became very difficult.

26. With regard to watches manufacturing units of HMT, the representative deposed:

“As far as watches were concerned, in the watch sector, new technology, digital watches came in and HMT found it difficult to modernize it because it had got all the vertically integrated units producing each component of the watch, whereas there were a lot of assemblers came in importing modules at throw away process from abroad and assembling and selling directly at much lower cost than what the HMT could afford to. So, that resulted in HMT watches going into debts as a result of which the current thinking is that to have revival plans for each of the units. For example, for HMT Machine Tools Ltd., a revival plan has been sanctioned and it does include the revision of wages as per 1997 scales. But unfortunately, HMT Machine Tools Ltd. is not able to give those wages because it is not able to generate its own internal resources to support payment of such wages.

At present, the Revival Plans of the two units of HMT, which is essentially looking after the tractor unit at Pinjore and the HMT watches, are under consideration of the Government. Actually, what we are thinking is, the revival plans should incorporate a pucca business plan which will project over a period of five to 10 years the fiscal and financial projections in order to logically enable the Government to support the revival plan to see that HMT stands on its own legs. This business plan is under consideration; we will go to the Cabinet as soon as possible with the details after the business plan is formulated.

27. Asked about the revival plan of HMT bearing, the witness stated:

“As far as HMT Bearings is concerned, already revival plan is under implementation. As far as Government policy is concerned, till the revival plan is formulated and approved by the Government, the support in terms of wages, salary and statutory dues is provided every quarter by the Government. Money is sanctioned for that; and provided to those PSUs which have not been given the revival plan but those which have already undertaken the revival plan, they are supposed to stand on their own legs and have their own internal generation of resources to support their activities. As a result of which, they will not be a burden on the Government. So, this is the basic principle on which we are working.

As far as HMT is concerned, Praga Tools Ltd., which is another unit and which has been merged with HMT Machine Tools Ltd. As far as personnel problems are concerned, these are being sorted out; those which are yet to be sorted out are under consideration. I am expecting that it would be sorted out as soon as possible.

It is a fact that since 1992 wages are prevailing in HMT units. It is very difficult to retain talent in the company. It is a fact because outside other units are paying much better wages, talent, etc. We also want that all these units should come up and stand on their own legs based on the projections made in the revival plans.

Of late, the HMT units compared to last year have not been doing well because they are facing this particular problem of manpower, and working capital. For example, HMT Bearings, the whole package was approved but the point was that Rs. 10 crore was envisaged towards working capital loan, Rs. 14.8 crore towards the Capex to be given-50 per cent as loan and 50 per cent as equity-but there also, it was the loan to be raised against Government guarantee. So, about Rs. 17.4 crore was supposed to be raised against the Government guarantee. But because of the stipulations from the Finance Ministry that the loans must be negotiated with the banks at the rate of G-sec plus 50 basis points which

no bank was willing to give. For the last two years, we faced the problem of providing working capital support to HMT Bearings.

Recently, with a lot of efforts, Finance Ministry has come to the view that loans must be negotiated at the rate of G-sec plus 1.5 per cent but even then we are finding it difficult to get loans from the banks at the present rate, especially, because of the non-provision of the working capital support over the last two years has made the HMT Bearings company again being referred to BIFR. So, what we intended was that HMT Bearings should come out of BIFR on its own has not taken place and we are again slipping into BIFR fold and we are facing the problems.

Because of the peculiar situation prevailing due to liberalization of the economy, HMT units faced these problems. Some of the units which were set up, for example, the lamp manufacturing unit at Hyderabad, Central Metal Forming Institute and Watch Case Factory were not performing well and they were to be closed. As far as tractor unit at Pinjore is concerned, it was working well. We have a plan which is under formulation. We are looking into the business plan in detail. There are plans to increase the capacity from 6,000 to 15,000 tractors. But the point there also is that, substantial investment is necessary because mere production of tractors is not enough. It should be technological and environmental-friendly in the sense that they should satisfy Euro-III A norms by April, 2010.

This requires substantial investment by the company in terms of their production facilities and also the technological upgradation that is necessary. So, we are looking into the business plan in detail as to how to revive the units.

Basically we are going subsidiary by subsidiary. The two subsidiaries that are under the consideration of the Government are the HMT Watches and HMT holding, the tractor division. As far as HMT Chinar Watches is concerned, we are negotiating with the Government of Jammu and Kashmir whether the State Government can take up and have the units started with the support of the State Government. The State Government has given a positive feedback and we are going to negotiate further with them to clinch the issue. That is, in brief, the situation in HMT.”

28. While supplementing the efforts of the Ministry of Heavy Industries and Public Enterprises, the representative of the Ministry of Labour & Employment stated as under:

“We note that the Ministry of Heavy Industry has been taking specific tailored action with regard to different divisions of HMT, and that for want of certain timely steps, sometimes the best efforts have not borne

the fruits that they are expected to bear. The Ministry is still trying and we would be supportive of their efforts to ensure that the units come up in a manner that is sustainable. That is what I want to say from our side.”

29. Another representative of the HMT Organization in this regard stated that:

“As the Committee is aware, HMT is a leading precision engineering goods manufacturer in the country and has evolved in the design, development and manufacture of various products like machine tools, tractors, watches and bearing. Over the years, the company has established manufacturing facilities for these products across the country in places like Bangalore, Tumkur, Kalamachary near Cochin, Hyderabad, Ajmer, Ranibagh, Pinjore and Srinagar in Kashmir. HMT Limited presently operates the tractor business directly and is the holding company for four subsidiaries incorporated for the manufacture of machine tools, watches, bearings, as well as one subsidiary which has been incorporated as the exclusive export arm for all the products manufactured by the company and also for taking up overseas projects and services and trading activities. In the 1990s when the Government of India launched a series of regulatory measures aimed at ushering in a freer economy and welcoming the flow of foreign capital, the performance of the company declined as it could not change quickly in accordance with the new economic environment. The decline in performance was mainly on account of vertically integrated manufacturing plants, widespread manufacturing units and assembly ancillaries which have been established in line with earlier trends and policies.

Other factors like increase in social overhead cost, ageing plant and machinery, surplus manpower and high interest cost took high toll on the performance leading to considerable erosion of network. Further the perennially loss-making units like lamp manufacturing units at Hyderabad and watch factory at Ranibagh continues to erode resources. With a view to turn around this performance, the company prepared a plan during 1998, aimed at addressing the issues through organizational restructuring, manpower restructuring as well as financial and debt restructuring which was approved and implemented by the Government of India in August 2000.

Though these activities were completed as per plan, the financial position did not improve due to factors like constraints in working capital experienced by various units, unaddressed liabilities to the extent of Rs. 374 crore, non-fructification of efforts for sale of NPAs, sale of stake to JV partner, as envisaged in the turnaround plan and inability to address issues relating to product development, diversification, technology upgradation and plant modernization due to resource crunch. The

disinvestments process, initiated in respect of HMT Machine Tools Ltd., HMT Watches, HMT Chinara and HMT Bearings during 2002-03, attracted sufficient response, but the process could not be completed as the requisite go-aheads were not received from the Disinvestment Department of the Government.

The above factors resulted in heavy losses in the operations and necessitated the formulation of revival plans for the company and its subsidiaries. The company and its subsidiaries have formulated and submitted a comprehensive restructuring and revival plans to effectively meet the current market demand and operate efficiently in the changed business environment. The revival plans of HMT Bearings and Praga Tools and HMT Machine Tools have been approved by the Government and the same are under implementation; in these companies activities pertaining to financial aspects have been completed while the activities related to CAPEX are under progress. The revival plans of HMT Ltd. and Chinara are under consideration of the Government while in respect of HMT Watches, the company appointed a consultant as per the direction of the Ministry to examine all relevant points and validate the plans as formulated.

I would like to inform that during June 2008, BIFR issued orders for the merger of Praga Tools with HMT Machine Tools Ltd., as per the approved revival plan of HMT Machine Tools Ltd. With this, Praga Tools have been merged with Machine Tools and Praga Tools have now become one among the manufacturing units of the HMT Machine Tools Ltd. The activities in respect of merger process including employee-related issues are being addressed. In respect of HMT Bearing, the Company has made several efforts through various banks to raise funds against the Government of India guarantee, as envisaged in the approved revival plans. But the banks were not forthcoming with funds. Canara Bank sought additional guarantee to make these funds available, against the Government of India guarantee and also asked for a higher rate of interest. The matter was put up to the Ministry, who finally agreed for the terms and provided the guarantee. By this time, over two years had elapsed; and the company was unable to sustain its operations due to non-availability of working capital and went into further losses and is under reference to BIFR again. Salaries have not been paid to the employees since August, 2008.”

30. The representative of the Ministry of Finance also appeared before the Committee and stated:

“We have fully supported the revival of HMT. We consider that it is a very core sector, very important for further subsequent industrialization. So, almost Rs. 450 crore of cash support has been sanctioned and recommended by the Finance Ministry. The only issue is the payment of

the kind of financing of this plant. We believe that the company has almost Rs. 617 crore of surplus land and also is very much over-staffed. The third point that we had was that the company is a multi-product and to be entirely competitive in these times, and perhaps they may subject themselves to a fewer products where they have advantage in terms of technology as well as being the first in the field.

With these measures, we hope that if the business plan is properly formulated, as the Secretary, Heavy Industry, has put it right in the beginning, we are very emphatic that a rationale business plan will be in place, along with the rationalization of the employees and getting the talent wherever required, preventing attrition, etc., we would be happy to completely support this sector because we believe that it is a core sector with great spin-off effects.”

31. The Committee during their visit to Bangalore interacted with the representatives of the various Trade Unions who informed the Committee that thousands of HMT employees were sent home by way of VRS and many of the employees were transferred to other units keeping them away from their families and aged parents. The employees whoever opted to work are still working on 14 year old salaries, leaving two Wage Revisions behind. They also submitted their Charter of Demands which is as under:-

- (i) Merging of HMT Machine Tools Unit with BHEL/Defence Organisations, for survival and useful to the organizations for their achievements requirements.
- (ii) Implementation of wage revision, pending since 1997 and the new wage scale to workers on par with public sector officers as decided by Union Cabinet.
- (iii) Retaining the age of superannuating as 60 years (reduced to 58 from 60 years), on par with other Central Government Public Sector Undertakings.
- (iv) Merger of 50% D.A. in the basic pay on par with other Public Sector Undertakings.
- (v) Payment of 1992 wage arrears for the employees presently on the rolls of HMT.
- (vi) Implementation of HRA applicable for “A” class cities, by lifting/extending ceiling.
- (vii) To strengthen the tractor project at Hyderabad to meet the heavy demand of South India Market.
- (viii) Waiver of training period for junior employees.
- (ix) Renewal of exemption granted to HMT from provision of ESI Act 1948, from 01.10.2008.
- (x) Enhancement of conveyance allowance on par with PS cadre employees.

- (xi) Transfer of Ex-LMH employees back to Hyderabad, who are working in various locations of HMT.

32. The Committee were also apprised by the representative of the Trade Unions that for the last 4 decades HMT has earned and paid dividends to the Government of India and our Prime Minister Late Shri Pandit Jawaharlal Nehru designated HMT as "JEWEL OF THE NATION". Even today HMT is competing tooth & nail in the world market and providing employment to lakhs of people directly/indirectly. As on date the senior workers of such a glorious Public Sector Undertaking are the poorest paid employees among the Government. Even the Teachers, a Lower Division Clerks working in the Central/State Government are drawing much more than HMT employees, because of non-implementation of Pay Revisions. Other Bangalore based Public Sectors such as HAL, BEML, ITI & BHEL, BEL etc., are already implemented 1997 Pay Revision for their employees long back. HMT deprived its employees on the pretext of losses and performance. HMT Machine Tools Limited, Hyderabad is manufacturing and marketing High Speed Machining Centres in India. The fact involves manufacture of Machining Centre for both domestic and overseas market. These Machining Centres have wide Applications in strategic sectors and automotives.

Revival Plan for various units of HMT

33. The following is the revival plan of the Government for the various units of HMT as submitted by the representatives of the Trade Unions:

HMT Machine Tool Limited (subsidiary)

- The Government of India (GOI) has approved a revival package for the subsidiary wherein it has recommended for the implementation of wage/pay revision to its employees. On the contrary, so far the Government of India has not accorded the approval for implementation.

HMT (international Limited) (subsidiary)

- HMT (I) Ltd. is a Mini Ratna company.
- HMT (I) Ltd. is posting profits consistently for the past 33 years.
- The Government of India in its policy has recommended wage/pay revision as well as to increase the retirement age from 58 to 60 years to the employees of this subsidiary. Unfortunately, for the last 17 years the holding company has not accorded permission to implement wage/pay revision for 1997 and 2007 to the employees of this subsidiary.

HMT Bearings Ltd. (subsidiary)

- This company has also a profit making company and was a Mini Ratna upto 2002.

- Though the employees of this subsidiary were eligible to have their wage/pay revision for 1997 (as per the Government guidelines), the holding company did not give approval for the implementation of wage/pay revision for 1997.

HMT Holding Company and HMT Watches Ltd. (subsidiary)

- The Government of India is actively processing revival package for both these groups.
- The component of wage/pay revision should also be included in the revival package for implementation inline with the other HMT subsidiaries.

34. The representatives of the HMT Officers' Association who appeared before the Committee, stated the following regarding the company:

“The plight of HMT officers who are working on 16 years old stagnated salaries. Although the government of India has already disbursed/sanctioned revival package to HMT Machine Tools Limited, the long outstanding demand of pay revision has not been considered favorably so far despite a circulate dated 2nd May, 2006 from Secretary (HI&PE) that the new pay scales can be considered where ever revival package has been provided. With the 16 years old stagnated salaries the HMT employees are perhaps least paid employees in the organized sector in the whole country.

Also all other four Bangalore based PSUs viz., HAL, BEL, BEML and ITI have implemented 1997 pay revision and is in the verge of going for revision of pay scale w.e.f. from 01.01.2007. The employees of HMT are finding it very difficult to meet the basic needs in the highly inflated cities like Bangalore, Hyderabad, etc., and I understand that because of the above situation there has been a continuous drain of skilled work force from the company. The most of the newly recruited Engineers during last 4-5 years have left the company seeking better opportunities. The non-revision of pay scale, which is due since 1997 has made HMT, the poaching ground of skilled work force for Private Sector Companies.

Most of the officers of HMT are not drawing their annual increments because of stagnation of basic pay. On the contrary workmen are drawing annual increments on percentage basis and due to this officers up to Asst. General Manager are drawing less than their own subordinates in the working cadre which has resulted in disparities of pay structure. If the trend is allowed to continue like this there is no wonder if the workmen draw more than the top executives of the company. Discrimination of Officers against workmen has badly shattered the confidence and moral of the Officers. This is an issue of

very serious nature because self respect of Officers is at stake. If the company has the resources to pay higher package for the workmen the motive behind non payment of the same to Officers is not understood. This kind of discriminatory attitude of the HMT Management has led to unrest among Officers and may reach its flash point any time.”

Submission from other Trade Unions:

35. Since from the year 2002, the salaries are not paid regularly to the employees, once in six months the Government sanctions the salaries in the form of budgetary support, rest of the months the employees have to undergo lot of financial difficulties, mental agony and finding very difficult to cater the needs for their day to day livelihood. The total strength of the employees of our unit is around 415, all these employees are in the average age group 54-56 years. These senior employees have to perform social obligations like children education, marriage of their children, planning for their future livelihood etc. In the prevailing critical conditions all the employees are demoralized, frustrated and totally directionless. Maximum number of employees have approached us and are requesting for the introduction of Voluntary Retirement Scheme, in our opinion 60 to 70% of the employees have shown their willingness to opt for AVRS.

Problems of workers in HMT units

36. The Committee note that HMT was set up in 1953 for manufacture of machine tools in collaboration with a Swiss company named OERLIKON. Over the years, the company diversified its products into various kinds of machine tools, watches, printing machinery, presses, tractors, bearings and food processing machinery. As of now, the company has subsidiaries of machine tools, watches, bearings, HMT International and Praga Tools under the ambit of holding company, HMT Limited. At present the company has 8873 permanent employees and 1700 contract workers in its different units. The Committee find that the company is plagued with various problems which are having direct bearing on the workforce of the company. They vary from inharmonious industrial relations to lower wages and inhospitable working conditions. This has significantly eroded not only the confidence of the workforce but their numerical strength also. The inept handling on the part of the Government and management of the company has done irreparable damage to the interest of the workers and to the future of the company as well. Lack of foresight in the implementation of VRS resulted in substantial depletion of staff strength leading to non-availability of even bare minimum staff to manage the affairs of the company. Needless to say, the VRS of such a magnitude drained the much-needed finance which could otherwise have been made use of in a more meaningful way for the sustenance and growth of the company. Ironically, those who opted for VRS are at an advantageous position as they are being paid 150% of their remuneration whereas those who are working are not getting the revised wages. Even the arrears arising out of 1992 wage revision have not been paid to the workers who are working in different units of the company. The Committee, therefore, strongly recommend that issues regarding problems of workers be immediately addressed with specific attention to revision of wages, payment of arrears following wage revision of 1992 and suitable career avenues be charted out for the workers of HMT.

Harmonious industrial relations

37. The Committee note that the industrial atmosphere in the units of HMT is far from being congenial. The harmonious relationship between the management and workers is the touchstone for purposeful working and peaceful existence of any industrial unit. In reply to a question whether any discussions on industrial relations took place at the Board Meetings or at Ministerial Meeting during the last three years, the Ministry of Heavy Industries and Public Enterprises conceded that no such discussion took place in any of the meetings. Regarding review of industrial relations machinery in HMT organization during the last three years, it has been evasively stated that consequent to formation of subsidiary companies, the IR machinery got reviewed and reorganized in the company. On being asked the reasons for not discussing the issues at board meeting, it has been replied that most of the IR issues are sorted out at the unit level. The left over issues are ultimately solved at the subsidiary company's level. The Committee feel that perhaps this is a unique case wherein no issues regarding industrial relations have been discussed during the last three years. The Committee were apprised by the representatives of the various trade unions about the prevailing industrial atmosphere in the HMT organization. Inaccessibility of the top management and consequent lack of interaction between the management and workers' representatives were cited as the primary reasons for many avoidable and small problems of the workers. Undoubtedly, such a strained relationship between the management and workers is bound to impair invariably the efficiency and smooth functioning of any organization more so of one which is sick and struggling for its survival. Obviously, the responsibility for creating cordial climate of working relations in any industrial unit lies more on the management than on the workers. The Committee, therefore, strongly recommend that, despite demarcated and distinct responsibilities assigned to management and workers, it is incumbent upon both the sides, with a far greater responsibility on the management, to preserve and promote harmonious industrial relations in the larger interest of the workers, management, company and the nation as a whole. The Committee hope all out efforts would be made by the Government in right earnest to achieve the objective.

Low morale of existing depleted staff and need for corrective measures

38. The Committee observe that the morale of the workers of the HMT organization is at its lowest ebb. The major contributory factor in this regard is the issue of pending wage revision since January 1997. With low wages and uncertain future of the company, workers are demotivated as they are more preoccupied with the economic costs and social status vis-à-vis their peers in the society. Educated and skilled workers with appropriate age profile desert the organisation the moment they find greener pastures elsewhere. It is only the employees of higher age group who are forced to continue with their jobs with no or little option left. Such circumstances in their entirety take a heavy toll on the spirit and working capacity of the worker ultimately affecting the utilization of productive capacity and overall efficiency of the organization. Asked about the reasons for non-revision of wages, the Ministry replied that the issue of wage revision is pending since 1.1.1997 but further informed that various proposals have been submitted to the Government for consideration. Distressingly, till date, the issue has not been resolved due to non-fulfilment of Department of Public Enterprises (DPE) guidelines and other reasons varying from unit to unit of HMT organization. Consequently, not only the workers but the executives are also not getting the wages that are due to them. To arrest further deterioration, emergent steps are the need of the hour to bail out the workable units of HMT. Moreover, there is no reason as to why the viable and profit making unit of the organization is not being given proper attention. The Committee, therefore, strongly recommend that an urgent, effective and time bound action plan be drawn up for implementation so that not only the morale of the staff is restored but the functional and financial viability of all the units is guaranteed through such measures.

Reasons for sickness

39. The Committee note that HMT was established in 1953 with a view to meet our machine tool requirements and to manufacture and supply high precision automatic and hand wound mechanical watches to domestic and international markets. For five decades, HMT had achieved its objective and was the market leader for a long time earning the title of 'Jewel in the Crown' and remained a brand in the country for long. HMT also contributed significantly to national exchequer with its profits and made forays in diverse fields of production/manufacturing. The Company also served in other critical and strategic areas like Defence, Railways, Aero space, Nuclear science, Automobile and General Engineering Industries. Even today, the organization has the capability to serve the nation in specialized fields particularly in the areas of space and atomic energy. However, due to lack of foresightedness and unimaginative handling of the situation, HMT continuously kept yielding its ground to their competitors in the private sector. On being asked about the reasons for present state of affairs of the organization, the Government replied that with the setting in of liberalization in 1990, HMT units faced a lot of problems which included lack of upgradation in plant and machinery, problems in marketing of products, excess manpower, etc. Liberalisation, opening of global boundaries and import of second hand machinery are the other contributory factors, statedly, for the present status of HMT units. Lack of orders and non-adherence to time schedule coupled with inability of the company to acclimatize itself quickly in accordance with the new economic environment led to the decline in the fortunes of the company. Besides, vertically integrated and widespread manufacturing plants and assembly ancillaries have also contributed significantly to the current position of the organisation. Other factors like increase in social overhead costs, high interests have also added considerably to the erosion of the company's worth. In view of the stiff competition from the market in the backdrop of liberalization and open economy, the company became unviable following its products becoming uncompetitive and non-remunerative. In this state of affairs, it became increasingly difficult to attract fresh talents to infuse competitiveness, quality production and aggressive market strategy to keep the company's presence felt in the market in a significant manner. The Committee, therefore, strongly recommend that in order to make the company viable, it would be essential to integrate the various units of the organization with the other establishments of the Government of India like BHEL, HAL, NTPC, Railways, IAF, etc. wherein the technical requirements of these establishments are first invariably met by the products of HMT paving the way for strengthening HMT as an organization and also ensuring supply of high quality implements to the various wings of the Government of India.

Need for revival

40. The Committee note that the HMT used to be the 'Jewel of the nation' and it performed so well for about five decades as per its brand image. However, deterioration set in due to several reasons which is recorded elsewhere in this report. The diversified activities of the organization touch upon the significant sphere of our industry including Railways, Defence, Space and other strategic areas. Prudence, therefore, demands that Government take essential and urgent steps for effecting a successful turnaround in the fortunes of all the units of HMT. The company prepared a plan during 1998 which tried to address the issues through organization restructuring, manpower streamlining, ensuring financial health of the company, etc. The Government of India approved and implemented the plan in August 2000. The Committee are inclined to infer that this plan was a skewed one as it could not help in improving the finances of the company. Constraints like lack of working capital, unaddressed liabilities to the extent of Rs.374 crores, non-fructification of efforts for sale of NPAs, sale of stake to joint venture partner, inability to address issues relating to product development, diversification, technology upgradation and plant modernization, resource crunch remained as nagging as before. The disinvestments process initiated in respect of HMT Machine Tools Limited, HMT watches, HMT Chinar and HMT bearings during 2002-03 could not be completed as requisite go ahead was not received from the concerned quarter of the Government.

The above reasons led to heavy losses and necessitated revival plans for the company and its subsidiaries. A restructuring package is currently under consideration of the Government. The Committee find that even this plan is not comprehensive being laden with piecemeal approach. Instead of addressing the problems of HMT as an organization, a unit-wise revival plan will only delay the achievement of desired target. Inter se segregation of the various units of HMT for the purpose of revival will adversely impact the welfare of workers and sustenance of the company as a whole. Even the revival package cannot be contingent and will have to be encumbrance free. No contingencies like loans from banks, raising of internal resources, sale of surplus assets, etc. should be the part of revival scheme. These are the negative appendices and smack lack of will power on the part of the Government to move seriously in the direction of revival. In the considered view of the Committee, the plan should be comprehensive for all the units of HMT and should inter-alia consist of working capital for each unit wherever necessary, retrospective wage revision of employees, payment of arrears, liquidation of liabilities, transparent methodology for infusion of fresh and skilled talent into the organization, a clear and well defined marketing strategy and firm tie up with other Government departments. The Committee are pained to note that revival plans are not time bound in nature and their implementation procrastinate indefinitely making revival plan a mockery. HMT bearings is a glaring instance of this kind of exercise wherein the company was

referred to BIFR again due to the long time taken in the completion of various stages of activities regarding its revival. The Government is also not taking the revival plan in the proper perspective. Till the revival plan is formulated and approved by the Government, the support in terms of wages and statutory dues provided for every quarter. Money is provided to those PSUs which have not been given the revival plan but PSUs which have already undertaken the revival plan are supposed to stand on their own and have their internal generation of resources to support their activities. Consequently, the revival plan is not wholesome and one or the other aspects in the entire process goes out of tune crippling the revival plan altogether. Of late, the Government is infusing hundreds of thousands of crores in uncertain and grey areas in the name of reviving economy. The Committee feel that lacing the proposal of revival of HMT with impractical conditions for releasing a few hundred crores, particularly when the organization has paid handsome dividend to the nation continuously for five decades, amounts to self-defeat and leaving the workers in the lurch. The Committee, therefore, strongly recommend that a wholesome revival package for all the units of HMT be released immediately for being executed in a time bound manner so that not only the interest of the workers are well taken care of but the glory of the HMT organization is reinstated and it again becomes a pioneer in its activities.

Other issues of importance

41. The Committee, further recommend that in addition to the above recommendations, the following steps may also be taken urgently for fulfilling the aspirations of the workers and the health of the organization.

- (i) Merging of HMT Machine Tools unit with BHEL/Defence organizations.**
- (ii) Retaining age of superannuation as 60 years.**
- (iii) Merger of 50% DA in the basic pay on par with other PSUs.**
- (iv) Implementation of HRA applicable for "A" class cities by lifting or extending the ceiling.**
- (v) Strengthen the tractor project at Hyderabad to meet the heavy demand of South India.**
- (vi) Waiver of training period for junior employees, who worked for few years earlier and underwent training.**
- (vii) Enhancement of conveyance allowance on par with PS cadre employees.**
- (viii) Revision of pension scheme.**
- (ix) Transfer of Ex-LMH employees back to Hyderabad who are working in various locations of HMT.**

**Labour problems in various establishments of Government of
India**

42. The Committee observe that of late, most of the establishments (PSUs) of the Government of India are facing various kinds of problems relating to the workforce. Outsourcing of jobs, engagement of contract labour, drastic down sizing of staff, violation of social security statutes etc. have become rampant. Units of Defence, Telecommunications, Railways, Heavy Industries, Road Transport and Highways, Coal & Steel, etc. with whom the Committee have had interaction during various study tours undertaken by the Committee, have been found lagging in fulfilment of their statutory obligations towards the workforce. The Committee feel that the Ministry of Labour and Employment should play a strong proactive role in identification and rectification of the problems of workforce in Government Sector. The Committee, therefore, strongly recommend that the Ministry of Labour and Employment should devise a strategy wherein all the PSUs of the Government of India are brought within the labour scanner of the Ministry so that the problems of workers are identified before hand and necessary corrective measures applied in right earnest and direction.

NEW DELHI;

24th February, 2009
5 Phalguna, 1930 (Saka)

SURAVARAM SUDHAKAR REDDY,
Chairman,
Standing Committee on Labour.

**MINUTES OF THE ELEVENTH SITTING OF THE STANDING COMMITTEE ON
LABOUR HELD ON MONDAY, THE 5TH JANUARY, 2008**

The Committee met from 1100 hours to 1400 hours in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy - CHAIRMAN

MEMBERS

LOK SABHA

2. Shri Subrata Bose
3. Shri Santasri Chatterjee
4. Shri Thawar Chand Gehlot
5. Shri Virendra Kumar
6. Shri Basangouda R. Patil
7. Shri Rajesh Kumar Manjhi
8. Shri Devidas Pingle
9. Shri Chandra Dev Prasad Rajbhar
10. Shri Mohan Rawale
11. Smt. C.S. Sujatha
12. Shri Parasnath Yadav

RAJYA SABHA

13. Shri Rudra Narayan Pany
14. Shri Narayan Singh Kesari
15. Shri K. Chandran Pillai

SECRETARIAT

- | | | | |
|----|-------------------|---|------------------|
| 1. | Shri Brahm Dutt | - | Joint Secretary |
| 2. | Shri R.K. Bajaj | - | Director |
| 3. | Shri N. K. Pandey | - | Deputy Secretary |

REPRESENTATIVES OF THE MINISTRY OF LABOUR AND EMPLOYMENT

1. Smt. Sudha Pillai, Secretary
2. Shri S. Krishnan, Special Secretary
3. Shri K.M. Gupta, Economic Advisor
4. Shri N.K. Prasad, Deputy CLC (C)

REPRESENTATIVES OF THE MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES

1. Dr. S.N. Dash, Secretary
2. Dr. Amit Sahay, Director

REPRESENTATIVES OF THE HINDUSTAN MACHINE TOOLS LIMITED (HMT)

1. Shri A.V. Kamat, CMD
2. Shri A.K. Sharma, DGM (Liaison)
3. Shri Hemchandra Babu, MD
4. Shri S. Paulraj, MD, HMT Watches Ltd.
5. Shri S.K. Kampasi, Director (Finance)
6. Shri S.G. Sridhar, Director Operation
7. Shri B.K. Panda, GM (HR)

2.		XX		XX		XX
3.	XX		XX		XX	
4.	XX		XX		XX	

5. The Chairman welcomed the representatives of the Ministries of Labour and Employment, Finance, Heavy Industries & Public Enterprises and the Chairman and Officers of HMT Ltd and invited their attention to the provisions contained in Direction 55 (1) of the Directions by the Speaker, Lok Sabha.

6. **Among the various points which were deliberated upon regarding the revival of HMT Limited the following were the main issues discussed during the meeting:-**

- (a) Preparation of a comprehensive revival package.
- (b) Attracting new recruits/talents into the organization.
- (c) Revision of pay scales of employees in HMT with immediate effect.
- (d) Extending VRS to those employees who seek retirement.
- (e) Ensuring workers' participation in management.
- (f) Ensuring participation of trade unions in the decision making process of the company.
- (g) New business plan and marketing techniques to be chalked out and implemented for enhancing production and profit of the organization.
- (h) Need for technological upgradation in the various units of HMT.
- (i) Expediting sale of surplus land of HMT.
- (j) Finding alternate proposal to gather funds for the organization.

B.

7. The representatives of the Ministries Labour, Heavy Industries & Public Enterprises, Finance and Chairman, HMT Limited then responded to the aforesaid queries. The Chairman requested the Ministry of Heavy Industries & Public Enterprises and Chairman, HMT to send written replies of those questions whose replies were not readily available within ten days to the Committee.

(The witnesses then withdrew).

8. XX XX XX

9. A verbatim record of the proceedings has been kept.

The Committee then adjourned.

MINUTES OF THE SIXTEENTH SITTING OF THE STANDING COMMITTEE ON LABOUR HELD ON TUESDAY, 24TH FEBRUARY 2009

The Committee met from 1500 hours to 1600 hours in Committee Room `C', Parliament House Annexe, New Delhi to consider and adopt draft Fortieth Report on the 'Problems being faced by workers due to sickness of HMT Units'.

PRESENT

Shri Suravaram Sudhakar Reddy – CHAIRMAN**A. MEMBERS****LOK SABHA**

2. Shri Ramdas Bandu Athawale
3. Shri Subrata Bose
4. Shri Santasri Chatterjee
5. Shri Thawar Chand Gehlot
6. Shri Virendra Kumar
7. Shri Basangouda R. Patil
8. Shri Devidas Pingle
9. Shri Chandra Dev Prasad Rajbhar
10. Smt. C.S. Sujatha

RAJYA SABHA

11. Shri K. Chandran Pillai
12. Smt. Renubala Pradhan
13. Shri.Mohammed Adeeb

SECRETARIAT

- | | | | |
|----|---------------------|---|------------------|
| 1. | Shri Devender Singh | - | Joint Secretary |
| 2. | Shri R.K. Bajaj | - | Director |
| 3. | Shri.N.K.Pandey | - | Deputy Secretary |
| 4. | Shri A.S. Sajwan | - | Deputy Secretary |

2. At the outset, the Chairman welcomed the Members and apprised them about the draft Fortieth Report on 'Problems being faced by workers due to sickness of HMT units.'
3. The Committee, then, took up the draft Report for consideration and adopted the same with some amendments/modifications.
4. **The Committee then authorized the Chairman to finalise the Report and present the same to the Parliament on 25th February 2009.**

The Committee then adjourned.