

# STUDY TOUR REPORT NO. 7

C.P.U. NO. ~~329~~

COMMITTEE ON PUBLIC UNDERTAKINGS

2001 - 2002 )

( THIRTEENTH LOK SABHA )

STUDY TOUR REPORT

ON

GOA SHIPYARD LIMITED

Laid in the Lok Sabha on

Laid in the Rajya Sabha on

01/07/02

LOK SABHA SECRETARIAT

NEW DELHI

July, 2001 / ₹avana 1923 (S)

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**COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(2001-2002)**

**CHAIRMAN**

Prof. Vijay Kumar Malhotra

**MEMBERS**

**LOK SABHA**

2. Shri Prasanna Acharya
3. Shri Mani Shankar Aiyar
4. Prof. S.P.Singh Bagnel
5. Shri Sudio Bandyopachyay
6. Shri Ram Tahal Chaudhary
7. Shri Ajay Singh Chautala
8. Shri Shiv Raj Singh Chauhan
9. Shrimati Sangeeta Kumari Singh Deo
10. Shri C.K. Jaffer Sharief
11. Shri K E Krishnamurthy
12. Shri Vias Muttemwar
13. Shri Rajiv Pratap Rudy
14. Shri Tari Baran Topdar
15. Shri Dinesh Chandra Yadav

**RAJYA SABHA**

16. Shri Suresh Kalmadi
17. Shri K. Kalavenkata Rao
18. Shri Jiban Roy
19. Shri B.P.Singhal
20. Smt. Ambika Soni
21. Shri C.P.Thirunavukkerasu
22. Shri Ranjan Prasad Yadav

**SECRETARIAT**

- |    |                            |                 |
|----|----------------------------|-----------------|
| 1. | Shri. N. Rajagopalan Nair, | Joint Secretary |
| 2. | Shri S. Bal Shekar,        | Director        |
| 3. | Shri Raj Kumar             | Under Secretary |

## INTRODUCTION

In pursuance of the procedure adopted under Rule 2B1 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of Goa Shipyard Ltd.

2. The Committee held discussions with the officials at Goa on 10.10.2000. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on 15<sup>th</sup> May, 2001

4. The Committee wish to express their thanks to Goa Shipyard Ltd for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi  
28 MAY, 2001  
B JYAJSTHA, 1923(B)

PROF. VIJAY KUMAR MALHOTRA  
CHAIRMAN  
COMMITTEE ON PUBLIC UNDERTAKINGS

## **STUDY TOUR NOTES ON GOA SHIPYARD LIMITED**

### **DISCUSSION WITH THE OFFICERS OF GOA SHIPYARD LIMITED ON 10<sup>TH</sup> OCTOBER, 2000 AT GOA**

At the outset, the Chairman, Committee on Public Undertakings made opening remarks and welcomed CMD, Goa Shipyard Limited (GSL) and requested him to introduce himself and his colleagues to the Committee. The Chairman, COPU also requested the CMD, GSL to give a brief account on the working of GSL.

2. After the introduction of officers of GSL, CMD, GSL informed the Committee that the Company was originally established by the Portuguese as a small barge repair facility in 1957 under the name 'Estaleiros Navais De Goa'. Following the liberation of Goa in 1961, the Company was leased to Mazagon Dock Ltd. till October, 1967. From November, 1967, this Company has been functioning as a separate Company as 'Goa Shipyard Limited' with its own Board of Directors.

3. The CMD, GSL also informed the Committee that the main activities of the Company are (i) Construction of Ships; (ii) Ship Repairs; (iii) General Engineering Works; and (iv) Trading. The Company can design and build modern, medium size, special purpose vessels upto 105 metres in length, 1200 ton launch displacement with a draught of upto 4.5 metres. The product mix of the shipyard includes Fast Attack Crafts, Research and Survey Vessels, Torpedo Recovery Vessels, Oilers, Ferries and Yard Crafts, Sail Training Ships, Missile Crafts, Patrol Vessels, Landing Crafts / Ships, Power Barges and Extra Fast Attack Crafts for the Defence Sector and Supply Vessels, Passenger Vessels, Coastal Cargo Vessels, Barges and Yard Crafts, Dredgers, Fishing Vessels and Port Flotilla for the Civil

Sector. From January, 1988 to August, 2000 the Company has built and delivered 162 ships.

4. Over the years the Company has built up considerable capacity capability for ship repairs. Refits of Navy's Seaward Defence Boats, Missile Crafts, re-engining & refits of Coast Guard Vessels, Fitment of Aquamaster on Madras Port Trust tugs, repair/refit of deep sea trawlers of Fishery Survey of India, are some of the major works carried out in the past. GSL undertakes all types of annual repairs either at Marignogal Harbour or at anchorage. At present, the Company has docking facilities for vessels upto 700T and 4.5 metre draught. slipways have been renewed and enhanced facilities of a winch and other services are under implementation. With these, GSL can undertake repairs of large vessels upto 105 metre long, 2500 DWT and 4.5 metre draught i.e. Off-Shore Patrol Vessels, Advanced Off-shore Patrol Vessels, Survey Ships etc.

5. The Committee have been informed that Indian Navy, Indian Coast Guard, Port Trusts, ONGC and Andaman & Nicobar Administration are the major buyers of the Company's products and services. The Company has constructed and delivered the following sophisticated and important vessels

**For Indian Navy :**

Three nos. Missile Crafts  
One Sea Training Ship  
Two nos. Extra Fast Attack Crafts

**For Indian Coast Guard**

Two nos. Offshore Patrol Vessels  
Three nos. Advanced Offshore Patrol Vessels  
Three nos. Fast Patrol Vessels

For Andaman & Nicobar Admin :

One no. 300 Passenger Vessel to Andaman & Nicobar Admin.

5. The CMD. GSL apprised the Committee about the financial performance of the Company. The financial performance of the Company from 1997-98 to 1999-2000 is shown in the Table given below :-

YEAR	<u>Rs. In Crores</u>					
	<u>1997-98</u>		<u>1998-99</u>		<u>1999-2000</u>	
	TARGET	ACTUAL	TARGET	ACTUAL	TARGET	ACTUAL
VALUE OF PRODUCTION	200.00	111.31	200.00	78.85	165.00	88.21
SALES	59.75	27.24	190.58	44.87	197.29	108.09
PROFIT AFTER TAX	28.88	14.40	33.00	1.94	13.12	2.35

The delay in delivery of the Vessels has adversely affected the sales and profitability in the last few years. The operating loss incurred by the Company during the last three years is as follows :-

YEAR	(Rs. In Crores) AMOUNT
1997-99	4.67
1998-99	28.38
1999-2000	23.60

7. About the diversification, the Committee have been informed that the Company is planning diversification of its products such as manufacture of Stern Gear, Fin Stabilizer & Steering Gear, etc with foreign collaboration, repair of electronic equipments, manufacture of Hover Crafts/Surface Effect Ships/Catamarans and manufacture of Port Cranes & Floating Cranes

B. With regard to capacity utilisation, the Committee have been informed that based on the data of ships built till 1983-84, the ship building capacity of the yard was established as 5.24 standard ship units per year. This standard was based on the total effort required in terms of mandays for the construction of a standard ship such as SDB/Survey Craft. As the shipyard has undergone considerable upgradation in technology in the recent years, the augmentation of production facilities has resulted in higher work efficiency. The Company, therefore, considered it prudent to raise the capacity utilisation figures from 5.24 to 5.85 after taking into consideration the total mandays available for ship building as well as the number of days required for construction of Fast Patrol Vessel (FPV) type vessels. Capacity utilisation from 1996-97 to 2000-2001 (upto September) has been as under

1996-97	83.92%
1997-98	87.80%
1998-99	52.25%
1999-2000	77.49%
2000-2001 (upto September)	98.70%



Capacity utilisation has been low mainly due to low labour productivity because of strikes during 1996 and 1998.

9. About the specifications/modalities involved in managing the inventory holding/stock of materials required by the company, the Committee have been informed that with a view to have effective Inventory Management in the Company, the following specifications/modalities are adopted/involved in managing the inventory :-

The total Inventory in the Company is operated in two categories

**a) General stock inventory**

It is consisting of approx. 3000 items which are commonly used for all types of projects/ships under construction and are procured on Minimum Stock level basis and stocks are replenished on the consumption pattern of a particular item. This Inventory accounts for approximately 2 years value wise.

**b) Project items**

Total volume of Project items inventory is around 98%. These items are strictly procured as per planned requirements for a specific Project and are accounted for separately. This avoids excess procurement and holding of inventory is kept under control. On completion of each project/ship if any inventory is left out, the list of such items is prepared & is readily available to make use of left out inventory for future projects or ships under construction

The details of the inventory together with the details of the consumption and inventory holding as number of months of consumption for the last five years are indicated below

(Rs. In crores)

Inventories	1999-2000	1998-1999	1997-98	1996-97	1995-96
Total Inventories	152.45	161.11	117.94	89.88	75.44
Consumption of Materials	60.64	44.91	39.24	79.05	79.00
Inventories as number of Months of consumption	30	43	38	14	11

10. As per the Annual Report (1999-2000), the net value of outstanding work against orders received by the Company for ship construction amounted to Rs. 615 crore (approx.) at the close of the financial year 1999-2000. When asked about the performance of the Company in regard to production of various types of ships/vessels and providing allied general engineering/repair services in comparison to the international position in terms of technology, costs, manpower and time involved in the activities, the Committee have been informed that in terms of technology, GSL is at par with many developed countries though the Company still lag in certain aspects. However, GSL is in the process of adopting modular constructions technique of shipbuilding, which in turn will result in cost and time reduction. With regards to costs and time, the company is currently not competitive due to the generally low productivity of industry and lack of subsidy.

11. When asked about the orders for ship construction that have not been executed as per schedule along with the reasons attributable to the delay in executing the orders, the Committee have been informed that during the last 5 years following orders for ship construction have not been executed as per the schedule :-

Sr. No.	Ship description	Original Schedule date	Actual schedule date	Anticipated Delivery date	Major reasons for delay
1.	2.	3.	4.	5.	6.
1.	Advanced Offshore Patrol Vessel-I	May 93	Nov.95	-	Major modification required by owner during construction period. Delay in receipt of critical equipment like stern gear etc.
2.	Advanced Offshore Patrol Vessel-II	Feb.94	Mar.97	-	Strike & labour unrest. Space constraints due to delay in launching of 1 <sup>st</sup> vessel. Delay due to discrepancy in receipt of stern gear items.
3.	Advanced Offshore Patrol Vessel-III	Nov.94	May 98	-	Strike & labour unrest. Space constraints due to delay in completion of earlier vessels of same class. Delay in receipt of critical items/components like stern gear, fin Stabiliser etc.
4.	Missile Craft-III	Apr.96	Feb.97	-	Strike & labour unrest. Delay in receipt of propeller shafts. Delay in receipt of critical items from Russia and indigenous sources.
5.	Ball Training Ship	Apr.96	Nov.97	-	Strike & labour unrest. Delay in receipt of drawings from designer M/s Colin Mudge, UK.

					Extensive modification required to be carried out in implementing designers recommendations, being first time built indigenously. Delay due to modifications required by customer. Difficulty in procurement of good quality of seasoned teak wood for weather deck.
6.	Survey Vessel-I	Sept.97	-	Dec.00	Strike & labour unrest. Delay in receipt of imported steel and few major indigenous equipments like survey motor boats, winches etc.
7.	Survey Vessel-II	Mar.98	-	Jun.01	Strike & labour unrest. Consequent delay due to delay in completion of first Survey Vessel yard 1171.
8.	5.5T. Bollard Pull Tug	Nov.98	Mar.97	-	Strike & labour unrest.
9.	Extra Fast Attack Craft-II	May 98	May 99	-	Strike & labour unrest. Delay in receipt of drawings & material package from M/s IAI, Ramta, Israel.
10.	Crane-I	Apr.98	Mar.99	-	Strike & labour unrest. Delay in receipt of drawing and imported steel sections through the collaborator M/s. B.M.TITAN Belgium.

11.	Crane-II	Jul.98	-	-	- do -
12.	Fast Patrol Vessel-IV	Jun.99	-	Mar.01	Delay in receipt of steel. Space constraints due to delay in other projects. Delay in receipt of owner supply items for Main Engines.
13.	Advanced Offshore Patrol Vessel-IV	Mar.02	-	Mar.03	Space constraints due to delay in launching of 2 <sup>nd</sup> Survey Vessel yard 1172.
14.	Fast patrol Vessel-V	Mar.01	-	Jun.02	Delay in selection of equipments like Diesel Generator sets etc. delayed finalisation of critical drawings for want of binding data from supplier which subsequently delayed the production work.
15.	Fast patrol Vessel-VI	Mar.02	-	Oct.02	Consequential delay due to delay in construction of Vth vessel.
16.	Missile Craft-IV	Aug.01	-	Jun.02	Strike & labour unrest. Delay in receipt of drawings from Lead yard MDL. Delay in receipt of Aluminium pressed panels from Russia.

12. When asked whether the Company has been facing any problems / constraints in procuring orders for ship building and allied engineering / repair work services, the Committee have been informed that the Company has been facing problems in procuring orders for ship building due to the following reasons :-

- (i) Cost of the GSL product is higher as compared to private shipyards.
- (ii) Low productivity
- (iii) There is no governmental support in terms of shipbuilding subsidy as compared to other countries which give shipbuilding subsidy of the order of 30 to 35% for ship exports.

Remedial measures required to be taken / being taken to improve / optimize the performance of the Company are :-

- (i) Modernisation of the technology of shipbuilding / facilities; GSL is in the process of adopting Modular Construction Technique of shipbuilding which in turn will result in substantial reduction in cost and time.
- (ii) Training of GSL personnel for development of various skills which will result in improvement in productivity.

The Company is looking for Governmental support in terms of shipbuilding subsidy and simplification of existing procedures for obtaining the subsidy.

13. On the question of export targets and achievements made during the last three years, the Committee have been informed that the countries which have imported ships / products from GSL are :-

- (i) Government of Mozambique
- (ii) Government of Yemen
- (iii) Government of Iran
- (iv) Government of Maldives

Currently efforts / negotiations are on for export to Sri Lanka.

Details of the export in the last four years are as under :-

YEAR	VALUE OF EXPORT
1996-97	US \$ 1.20 MILLION
1997-98	NIL
1998-99	NIL
1999-2000	NIL

14. When asked to state the nature and content of materials, equipment and services that are presently being imported for shipbuilding, source of imports and percentage cost of imported components in building different types of ships / vessels, the Company furnished the following information :-

Sl. No.	Nature of equipments and materials	Source of import	Remarks
1.	<b>Engineering Items :</b> Main Propulsion, Machinery, Main Diesel Engine, Gas Turbine, Gearboxes and Shaft & propellers	Germany, France, Ukraine	These Imports are based on nomination of items by customers i.e. Indian Navy & Coast Guard or non availability from local sources.
2.	<b>Electrical Items :</b> Navigation, Communication And electronic equipment	UK, Germany, France, Switzerland, USA, Canada, Denmark & Netherlands	
3.	<b>Hull Items :</b> Special quality Shipbuilding Steel & Al. Alloy plates, Fin Stabilizer, Special purpose crane & deck machinery.	Japan, Germany, Netherlands, UK & Canada	
4.	<b>Services :</b> Services of experts During commissioning of various Equipments.	France, Germany, Russia, UK etc.	

The percentage cost of imported components in building different types of ships for the last 5 years are as follows :-

Particulars	Unit	1999-2000	1998-99	1997-98	1996-97	1995-96
Total material consumption	Rs. crore percentage	89.13 100%	41.04 100%	38.13 100%	79.00 100%	78.79 100%
Imported material content	Rs. crore percentage	28.21 36%	17.34 42%	27.17 71%	22.07 28%	33.99 43%
Indigenous material content	Rs. crore percentage	42.92 62%	23.70 58%	10.96 29%	56.93 72%	44.80 57%
<b>SOURCES OF INDIGENOUS MATERIALS</b>						
Defence psu's	Rs. crore	8.88	0.43	0.38	0.49	1.10
Other psu's & Govt companies	Rs. crore	0.57	13.7	0.28	1.66	0.40
Other private industries	Rs. crore	33.47	9.52	10.32	54.7	43.30
Total		42.92	23.70	10.96	56.83	44.80

15. When asked why there is inconsistency in the relationship among the value of production, sales and profit, the Committee have been informed that the production cycle time for a Shipbuilding Industry is between 3 to 5 years depending upon the size of the ship being built. Therefore, the sale / delivery of the ship would take place only on completion of the ship. In view, this sales would be lower in the years in which there is no delivery of high valued ship. However, in view of the execution of Repair jobs, supply of Base and Depot Spare and the CPP Spares, marginal sales get accounted for. With a view to measure the performance of the shipyard on a consistent basis, year after year, the Value of Production (that is the efforts put in by the yard in terms of material, labour and other efforts) is used as a



yardstick. On delivery of the vessel, the efforts put in the previous periods would get reflected in the form of sales. This would explain the wide gap between Sales and Value of Production in between the years.

With regard to profit, in respect of long term contract such as shipbuilding, as per the extant Accounting Standards, a percentage of proportionate profit of 90% is considered in the accounts in respect of actual work completed in excess 80% of the contracted work in each of the year(s). The remaining 10% profit is considered in the year of delivery of the vessel. Conversely, entire losses on vessels are considered in the initial stages itself.

In view of above and also in view of the fact that operating losses on the vessels which were taken up on Marginal Cost were accounted for during the period 1997-98 to 1999-2000 to the extent of Rs.4.57 crore in 1997-98, Rs.28.38 crore in 1998-99 and Rs.23.60 crore in 1999-2000, the profit figures are not and will not be in consonance with the Sales and Value of Production. Hence, the obvious distortion.

16. The Company's earning per share has reportedly come down from Rs.26.81 in 1996-97 to Re.1 in 1998-99. When asked the reasons for reduction in the earning per share, the Committee have been informed that one of the reasons for drop in Earning Per Share (EPS) from Rs.27.52 in 1996-97 to Rs.7.42 in 1997-98, Rs.1.00 in 1998-99 and Rs.1.21 in 1999-2000 is the issue of 64,66,875 Bonus Shares in the ratio of 1:2. This coupled with decline in profit in the years 1997-98 to 1999-2000 has led to decline in the EPS. With the improvement in performance during the current year 2000-2001, the profitability will improve and with a projection of Rs.13.51 crore as Profit After Tax for BE 2000-2001, it is expected that EPS for the year 2000-2001 would be Rs.6.96 and as per projections in the

Perspective Plan, the EPS for the years 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 would be Rs.8.78, Rs.9.22, Rs.7.81, Rs.9.32 and Rs.8.10 respectively.

17. On the one hand the Company is incurring operating losses and on the other hand it is making profits. When asked to clarify the position in the matter, the Committee have been informed that the Operating Loss is the loss incurred by the Company on the operations of Shipbuilding and Repairs, without taking into account the other income (that is the interest income earned on the deployment of surplus funds at the disposal of the Company and other miscellaneous receipts). Other income is considered to be not coming from the operations of the shipbuilding and repairs. Due to judicious and effective deployment of surplus funds, within the ambit of the extant guidelines of Department of Public Enterprise, the Company has been able to earn maximum interest on surplus funds and other miscellaneous receipts by effective Management to more than off-set the Operating loss, to earn Profit after Tax.

18. When asked about the percentage of imported material being used in each ship being constructed by the shipyard, the Committee have been informed that the percentage of imported material used for shipbuilding for the last 5 years is as follows :-

YEAR	PERCENTAGE	VALUE IN CRORE
1995-96	43%	33.99
1996-97	28%	22.07
1997-98	71%	27.17
1998-99	42%	17.34
1999-2000	38%	26.21

Average = 44%

Rs.25.37 crores

19. When enquired about the procedure for disposal of scrap by the Company, the Committee have been informed that in Goa Shipyard Limited, the scrap has been classified into three categories :-

- a) Ferrous scrap (MS Scrap)
- b) Non Ferrous scrap (generated during machining like boring & turning of non-ferrous materials)
- c) Obsolete items or surplus from completed projects and old yard equipment / machinery.

**a) Ferrous Scrap**

This type of scrap is generated from MS plates and other MS structural steel at various stages of construction of ships. Such scrap is collected from various points in the production bays and stocked in the scrap yard which is earmarked for storing the scrap for disposal.

**b) Non Ferrous Scrap**

This is also generated at different stages of shipbuilding mainly in the machine shop and is collected and stored at single point for disposal. Stores section after accumulation of certain quantity intimates the Purchase Section for disposal.

**c) Obsolete, non moving & redundant items**

A Committee is constituted to study the feasibility of future use of these items. Non-useful items out of these are recommended for disposal. This committee consist of members from all the disciplines (i.e. Design, Production, Planning, Finance & Commercial Departments) so as to ensure that best possible efforts are made to

see that maximum material is considered to put to alternate use prior to recommending for disposal.

### Disposal

Proper disposal proposals are made thereafter and once the particular proposal for disposal is approved by the management, the details are advertised in the leading newspapers and thereafter sold on "as is where is basis". Prior to sale EMD from the highest bidder is obtained and the material is sold against advance payment by Demand Draft.

20. When asked the reasons for continued strikes, unrest and disturbances in GSL, the Committee have been informed that the industrial relations in the shipbuilding industry as a whole in the country has been violent from the beginning. The Goa Shipyard Ltd. is not an exception and the same has percolated to this company also. In GSL, this was mostly because of intra union rivalry. Till 1997, Goa Shipyard had a single union. But all along there was power struggle within the union, which resulted in number of disturbances and violent incidents, inspite of the workers of GSL, being paid higher wages & given better welfare facilities / amenities when compared to other shipyards in public sectors or compared to private shipbuilding as well as other industries in Goa. After taking lessons from history, the Management of Goa Shipyard decided to induct CISF way back in 1992 itself, but could not do so due to resistance from workers. However, finally the Management implemented the induction of CISF in August 1998, which resulted in a 14 days strike, and subsequent go-slow tactics etc. Nevertheless, the Management stood firm, keeping the long term benefits in consideration. The object of the Management was to put down violence in the Yard

and to protect the staff which has been definitely achieved, as there has been no violent incident within the premises of the Company after induction of CISF since 1996. In 1997, the workers union (Shipyard Employees' Union, Goa) got divided and each group conducted elections for the union, claiming that the election conducted by each of them was valid. This went into litigation on the validity of the elections which was settled in court only in early 1999. In the meanwhile, another strike for payment of productivity incentive (without the Company being eligible) had been instigated by one of the factions of the union and the strike went on for 52 days. The Management stood firm on the issue and employees had to join after 52 days unconditionally.

After the strike, some of the employees became fed up with the frequent disturbances and the leadership style of their union. They split from the union and formed three separate unions / associations, one of Ministerial Staff (Goa Shipyard Administrative Staff Association), second of Supervisory Staff (Goa Shipyard Supervisory Staff Association) and third of the operative workers in the name of Goa Shipyard Kamgar Sangh. In the State of Goa, no code of discipline has been accepted by the unions, and so the concept of recognition of a majority union does not exist. All registered unions are legally entitled to discuss with the Management and settle issues including wage negotiations. In view of the above legal position, the Management advised the four unions and associations to set about formation of a Bargaining Council for discussions with the Management. One of the unions i.e. SEU(G) refused. So, the Management decided to discuss the revision of wages with all unions and enter into settlement before Conciliation Officer. Further, the Management is encouraging the participation of workers in issues concerning Production, Welfare etc. and arriving at decisions thro' Shop Councils and Joint

Councils. In view of the multi-union scenario, the Management further decided as a strategy adopting neutrality in dealing with unions, and also to adopt a fair and firm policy in its dealings with all unions / associations as its mantra, so that the Management is not caught in the crossfire of inter union rivalry.

21. The Committee were informed that the total workforce of the company against the sanctioned strength of 2399 was 2074 as on 30<sup>th</sup> September, 2000.

The break-up of skilled, unskilled and officers is as under :

Category	Sanctioned	Actual
Skilled	1505	1472
Unskilled	694	427
Officers	200	175
<b>TOTAL</b>	<b>2399</b>	<b>2074</b>

There is direction from the Board of Directors to rationalise the manpower requirement and the exercise is under process.

22. When enquired whether reservation policy is implemented in the case of OBC and women in the Company, the Committee have been informed that the Management of Goa Shipyard has strictly implemented the reservation policy for the entire reserved category including OBC. However, since no specific guidelines have been issued with regard to reservation for women, the women are given equal opportunity in their category in the recruitment. At present, Goa Shipyard has 89 number of women employees on the roll.

23. When asked to clarify whether antecedents of contract labourers working in GSL are verified as is done for regular employees, the Company informed the Committee that :-

- a) Antecedents of contract labourer are not verified, as majority of the contracts are of short duration.
- b) The contract labourers employed by the contractors are migratory labourers and they move with the contractor on certain types of contract. Hence, it is not practicable and could not be done so far. However, it is now decided to seek a certain authentication from the contractor himself with regard to antecedents of his labourers and it is proposed to make him accountable for his employees.

24. When asked the reasons for requiring the subsidy for Export orders, the Committee have been informed that Goa Shipyard requires subsidy for getting export orders for the following reasons :-

- a) GSL is competing in the international market with firms from countries such as UK, Australia, Japan, China, Korea, Taiwan etc. which avail substantial direct and indirect subsidy from their respective Governments.
- b) The direct and indirect subsidies normally consist of concessional financial grants, restructuring aids, financial programmes, scrap built aids, tax benefits, development aids etc.
- c) Indian Shipbuilders pay approximately 18.75% and 23.5% interest on bank overdrafts for working capital for rupees and FE respectively, whereas OECD countries pay 6 to 7%. In some cases, as in Japan and Korea, it is below 5% due to subsidy on Bank interest rates.
- d) If no Government assistance is given to neutralise the high cost of Indian Shipbuilding for the above reasons, Indian Shipyards will not be able to obtain any orders.

25. When asked to state the amount shipyard spends on R&D, the Committee have been informed that the Company do not earmark any amount towards R&D expenditure. However, after receipt of order of a ship, some amount towards design and development expenditure is spent and this is covered under the ship's

cost. While, on the production floor for introducing new techniques to improve efficiency / productivity needs for various tools / equipments are identified and separate provisions are made in the capital budget according to the specific requirements.

26. When asked the views about merger of PSU Shipyards, the Committee were informed that the step would be good from the point of view of ensuring optimum utilisation of resources of all three shipyards. However the competitiveness may reduce in the absence of any comparative bench-marking with regard to the construction period and other performance parameters. Presently, the three shipyards have to compete for securing the orders.

27. When asked why the Inventory worth more than Rs.90 crores is held during 1999-2000 and not liquidated and why the inventory holding is for more than 204 days, the Committee have been informed that for the year 1999-2000, the total Inventory holding is Rs. 152.45 crore and the consumption of material is Rs.60.64 crores thus leaving out an inventory of Rs.91.81 crores for the year (Rs. 152.45 crores minus Rs.60.64 crores). The Inventory worth Rs. 91.81 crores held during the year is not purchased for a particular year which is carried forward. This is the total inventory for all the ships which are under construction and are at various stages of completion. The increase in ongoing project inventory is also due to the receipt of material for 1241 RE Project, where a number of major items were received from Russia during 1996-97 for this project, the contract for the same was concluded only in December, 1997. The construction of the vessel commenced thereafter & these items will be utilised on board the ship now. In fact these items had been procured by Naval Headquarters directly under the existing Supplementary Agreement between Government of India & Russia and Goa



Shipyards Limited had just been the custodian of this inventory and has no control over the procurement whatsoever. This inventory itself amounts to around Rs.40-45 crores.

In shipbuilding, 60 to 65% is the material cost and 95% items are bought out items as per customer's specification and are special in nature. In the Indian market, there are only a few suppliers who are manufacturing major items for shipbuilding and the lead time of supply is more in case of foreign vendors and therefore to avoid production hold ups and for urgent or critical item, there is always a need to initiate procurement action well in advance. Holding of inventory for Shipbuilding Industry compared to Process Industry is entirely on a different footing. Ships which are under construction are not similar in nature, and every order is with different specifications requiring different equipments involving large number of inspection agencies. All this forces the management of a shipbuilding industry to have a large and specific product related inventory of very high value equipments both from foreign and indigenous vendors.

28. Expressing the views on disinvestments of PSUs, and transfer of control of management to strategic partners, the Company has informed that disinvestment of Public Undertakings will lead to greater efficiency and increased turnover. However, this particular PSU, being a Defence related enterprise and given the fact that our main customers remain the Indian Navy and Coast Guard, there are sound strategic reasons for Government control of this PSU to continue. In particular, the transfer of control of Management to a strategic partner in the case of Defence related shipyard would prove problematic.

## OBSERVATIONS OF THE COMMITTEE

### NEED FOR IMPROVEMENT IN PRODUCTIVITY

1. The Committee find that design modification, non-receipt of critical material, non-availability of long lead item in time, constraints due to existing facilities, low productivity, non-availability of reliable vendors, strike and labour unrest, inadequate ancillary support at Goa, etc. are the major factors responsible for the low production in the last few years in the Goa Shipyard Limited. They, therefore, desire that the management of the company should take corrective steps in the matter for achieving the production targets. They also desire that concrete measures should be taken to re-orient the workforce to adopt fast changing technologies in the field of shipbuilding and allied activities. The Committee also recommend that a suitable comprehensive strategy to deal with the constraints mentioned above should be evolved so that the construction period of the ships is reduced.

## REQUIREMENT OF SHIPBUILDING SUBSIDY FOR EXPORT ORDER

2. The Committee note that Goa Shipyard Limited is competing in the international market with the companies from countries such as U.K., Australia, Japan, China, Korea, Taiwan etc. for export orders. The Committee have informed that the companies abroad who build the ships are getting substantial direct and indirect subsidies from their Governments which normally consist of concessional financial grants, restructuring aids, financial programmes, scrap built aids, tax benefits, development aids, etc. They, therefore, recommend that the Government should examine the issue of grant of shipbuilding subsidy to the Goa Shipyards Limited to enable them to compete in the international market and to fetch more export orders. In order to encourage export to the Third World countries, the Committee are of the view that a corpus fund should be created to supply ships on liberal payment terms and coverage by Government. The Committee, in particular, recommend further that 30% subsidy for the export orders need to be made applicable for export of war ships irrespective of the size and type of the vessels. The Committee wish to be informed of the decision taken in these matters within three months from the date of presentation of this Report.

### AUTONOMY TO GSL'S BOARD

3. The Committee feel that there is need for conferring sufficient autonomy on the Board of Directors of the Company keeping in view the need for quick decision making in their business matters. The Committee are of the view that the powers of the Board are inadequate to function in a competitive scenario with adequate economic prudence and therefore recommend that sufficient powers should be conferred on the Board of Directors of the Company in order to realise its enormous potential to be a global player. They also desire that Board must be given adequate powers to structure and implement suitable schemes relating to Personnel and Human Resource Management.

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### ENCOURAGEMENT TO INDIGENOUS DESIGNS

4. The Committee note that foreign designs when prescribed for construction of a ship involves a lot of imports and also time-over run in the execution of the project. Since indigenisation is the key to cut down imports and cost of manufacturer, the Committee recommend that the government should encourage indigenisation efforts in the shipyards especially by giving preference to indigenous designs of ship over the foreign ones. In order to improve the order book position of the shipyards, the government should place orders first on the defence shipyards as a matter of policy and if only these shipyards are unable to accept the orders, the government should approach others.

### **RATIONALISATION OF MANPOWER**

5. The Committee note that in Goa Shipyard Limited, there is an exercise under way to rationalise the manpower requirements which has been undertaken at the instance of its Board of Directors. The Committee feel that urgent action should be taken on this matter, as efficiency and profitability depend on the size of the manpower. The Committee desire that this exercise should be completed and the status of its implementation should be intimated to the Committee within three months of presentation of this Report. The Committee further desire that the handling of industrial relations in the company should be accorded a high priority in the personnel policy and suitable training should be imparted to personnel handling industrial relations matter to nurture cordial relations.

TOUR PROGRAMME OF THE COMMITTEE ON PUBLIC UNDERTAKINGS  
TO GOA, BANGALORE AND CHENNAI FROM  
9<sup>TH</sup> OCTOBER TO 14<sup>TH</sup> OCTOBER, 2000.

( MEMBERS ASSEMBLED AT GOA )

DATE & DAY	TIME	VISIT & DISCUSSION
9.10.2000 (Monday)	1800 hrs	Informal discussion with the Officers of Life Insurance Corporation of India
( NIGHT HALT AT GOA )		
10.10.2000 (Tuesday)	0900 hrs	Visit Goa Shipyard Ltd and informal discussion with the officers of Goa Shipyard Ltd
( NIGHT HALT AT GOA )		
11.10.2000 (Wednesday)	1130 hrs	Departure for Bangalore by IC-917 ( 1320 hrs )
	1605 hrs	Arrival Bangalore
( NIGHT HALT AT BANGALORE )		
12.10.2000 (Thursday)	0800 hrs	Informal discussion with the Officers of Kudremukh Iron Ore Ltd.
	1100 hrs	Informal discussion with the Officers of ITI Ltd.
	1500 hrs	Departure for Chennai by Mysore-Chennai Shatabdi Express (1825 hrs)
	2145 hrs	Arrival Chennai
( NIGHT HALT AT CHENNAI )		
13.10.2000 (Friday)	1030 hrs	Informal discussion with the Officers of Steel Authority of India Ltd.
	1630 hrs	Informal discussion with the Officers of Hindustan Petroleum Corporation Ltd.
( NIGHT HALT AT CHENNAI )		

14.10.2000 (Saturday)	0900 hrs	Informal discussion with the Officers of Neyveli Lignite Corporation Ltd
	1100 hrs	Informal discussion with the Officers of United India Insurance Co.
	1400 hrs	Informal discussion with the Officers of Chennai Petroleum Corporation Ltd (Formerly known as Madras Refineries Ltd.)

DISPERSAL

ANNEXURE II

**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS  
WHICH VISITED GOA, BANGALORE AND CHENNAI  
FROM 9<sup>TH</sup> TO 14<sup>TH</sup> OCTOBER, 2000**

S.NO	NAME	DATE OF JOINING	OF	DATE OF LEAVING	OF
1.	Prof. Vijay Kumar Malhotra, Chairman	9.10.2000 Goa		14.10.2000 Chennai	
2.	Shri Prasanna Acharya	8.10.2000 Goa		15.10.2000 Chennai	
3.	Shri Sudip Bandyopadhyay	13.10.2000 Chennai		15.10.2000 Chennai	
4.	Shri Surinder Singh Barwala	8.10.2000 Goa 13.10.2000 Chennai		12.10.2000 Bangalore 15.10.2000 Chennai	
5.	Shri R L Bhatia	9.10.2000 Goa		13.10.2000 Chennai	
6.	Shri Shivraj Singh Chauhan	9.10.2000 Goa		12.10.2000 Bangalore	
7.	Maj. Gen. (Retd) BC Khanduri	9.10.2000 Goa		14.10.2000 Chennai	
8.	Shri K E Krishnamurthy	8.10.2000 Goa		12.10.2000 Bangalore	
9.	Shri Vilas Muttemwar	11.10.2000 Bangalore		14.10.2000 Chennai	
10.	Shri Dharam Raj Singh Patel	8.10.2000 Goa 12.10.2000 Chennai		10.10.2000 Goa 15.10.2000 Chennai	
11.	Shri R P Rudy	9.10.2000 Goa 12.10.2000 Chennai		11.10.2000 Goa 14.10.2000 Chennai	
12.	Shri Tarit Baran Topdar	9.10.2000 Goa		14.10.2000 Chennai	
13.	Shri Davendra Prasad Yadav	11.10.2000 Bangalore		14.10.2000 Chennai	
14.	Shri Jibon Roy	9.10.2000 Goa		14.10.2000 Chennai	
15.	Smt. Ambika soni	9.10.2000 Goa 12.10.2000 Bangalore		10.10.2000 Goa 14.10.2000 Chennai	



16.	Shri Ranjan Prasad Yadav	9.10.2000 Goa	14.10.2000 Chennai
17.	Shri K. Kalavenkata Rao	8.10.2000 Goa 12.10.2000 Chennai	11.10.2000 Goa 15.10.2000 Chennai
18.	Shri B P Singhal	9.10.2000 Goa	14.10.2000 Chennai
19.	Shri Satish Chandra Sitaram Pradhan	9.10.2000 Goa 13.10.2000 Chennai	10.10.2000 Goa 14.10.2000 Chennai

**SECRETARIAT**

1. Shri S Bal Shekar, Director
2. Shri Raj Kumar, Under Secretary
3. Shri T. G. Chandrasekhar, Asstt. Director

**ANNEXURE - III**

**LIST OF OFFICIALS OF GOA SHIPYARD LIMITED  
WHO WERE PRESENT DURING DISCUSSION WITH THE  
COMMITTEE ON PUBLIC UNDERTAKINGS AT GOA ON 10.10.2000.**

- |                             |                          |
|-----------------------------|--------------------------|
| 1. R. ADIA. SAMPATT PILLAI  | CHAIRMAN & M/G. DIRECTOR |
| 2. SHRI G. SATYANARAYAN     | DIRECTOR (F)             |
| 3. CDR. S. K. MUTRAJA       | CGM                      |
| 4. SHRI R. K. VAJJALU       | GM (P&A)                 |
| 5. CDR. H. C. GANDHI        | GM (PROD)                |
| 6. CMDR. J. P. S. BUCHELA   | GM (C)                   |
| 7. SHRI B. V. KRISHNAMURTHY | GM (F)                   |
| 8. COL. J. K. V. SINGH      | CVO                      |