

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

BHARAT EARTH MOVERS LIMITED

STUDY TOUR REPORT NO.18

Laid in the Lok Sabha on 30 August, 2001

Laid in the Rajya Sabha on 31 August, 2001

LOK SABHA SECRETARIAT

NEW DELHI

August, 2001 / Bhadrapada 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 Baghel
5. Shri Sudip Bandyopadhyay
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 Vilas Muttemwar
13. Shri Rajiv Pratap Rudy
14. Shri Tarit Baran Topdar
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

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

SECRETARIAT

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

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INTRODUCTION

In pursuance of the procedure adopted under Rule 281 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 Bharat Earth Movers. Ltd.

2. The Committee held discussions with the officials at Mysore on 7.6.2001. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on 27th August, 2001.

4. The Committee wish to express their thanks to Bharat Earth Movers. 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 August, 2001

6 Bhadrapada, 1923(S)

PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS

**'STUDY TOUR NOTES' OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS'**

**DISCUSSION WITH THE OFFICIALS OF BHARAT EARTH
MOVERS LIMITED AT MYSORE ON 7TH JUNE, 2001.**

At the outset, the Chairman, Committee on Public Undertakings made opening remarks and Chairman and Managing Director, Bharat Earth Movers Limited (BEML) was requested to introduce himself and his colleagues to the Committee and also to give a brief account of the working of the Company.

Following the introduction of Officers, CMD, BEML informed the Committee that the Company was incorporated in May, 1964 and commenced its operation from 1st January, 1965. The main activities of the Company are manufacture and supply of wide range of construction and mining earth moving equipment, Railway and Defence Vehicles / aggregates including after sales services backed up with spare parts to various customers in Government/Private Sector in India and abroad. The total manpower of the Company as on 31.3.2001 was 14357 (officers – 2566 and employees 11791). The Company is managed by a Board of Directors that comprises of Directors headed by a Chairman and Managing Director. The Company has three manufacturing units established at Bangalore, Kolar Gold Fields (KGF) and Mysore-all in the state of Karnataka.

2. The Committee have been informed that the Bangalore Complex Production Unit manufactures various type of railway products such a Rail coaches, Tower Wagons, Rail bus, Treasury Vans, DC & AC EMUs, mill rail coaches and Wagons for Indian Railways and Ministry of Defence. It also manufactures defence vehicles and aggregates such a BEML-Tatra Heavy Duty Truck/its variants for tank transportation ground support vehicles for integrated guided missile development projects viz., Prithvi, Thrishul, etc. vehicles for radar mounting and Crash Fire Tender, Heavy Recovery Vehicles, PMs Bridges, Tank Transportation Trailers and Ejector & Air Cleaner Assemblies for supplies to defence sector.

The KGF Complex comprises of three manufacturing units viz- Equipment Division, Heaving Equipment Shop and Hydraulics and Powerline Division. The Equipment Division has been producing wide range of earthmoving equipments such as Crawler Mounted Bulldozers, Hydraulic Excavators, Wheel Loaders, Pipe Layers, Tyre Handlers and Hydraulic Cranes. The Heavy Equipment Shop has been manufacturing Heavy Earthmoving equipment like giant Walking Dragline, Electric Rope Shovel, Higher Capacity Excavators, Loaders and Dozers and other major welded structures required for varied applications. The Hydraulics and Powerline Division has been manufacturing Transmissions and Allied Assemblies required for defence vehicles. Also various Hydraulic and power line modules such as Hydraulic

Cylinders, Pumps, Control Valves, Suspensions and Transmissions, Final Drives, Axles are being manufactured to meet requirements of Original Equipment and spares.

The Truck Division was established in 1985-86 and produces different capacities of Earthmoving equipment such as off-the high-way Rear Dump Trucks, Motor Graders Water Sprinklers. In addition to these, Aircraft Towing Tractors are being produced. The Engine Division set-up in 1990-91 at Mysore manufactures different capacities of Diesel Engines required for Earthmoving equipment produced by BEML. Though the plant was set-up primarily to meet the captive requirement of BEML, action is on hand to identify markets outside.

3. It has also informed to the Committee that BEML has exclusively set up facilities to manufacture heavy duty BEML- Tatra Trucks and its variants. The Company had sent a proposal to the Services Headquarters to consider BEML as a modal agency for such vehicles but the proposal was not accepted.

4. The Committee have also been informed that the Earthmoving equipment and spare parts manufactured at KGF, Mysore and Bangalore complexes are supplied to major Coal, Cement, Iron & Steel, Power & Irrigation sectors, small size private contractors and other export markets such as at Bangladesh, Bhutan, Jordan, Nepal, Syria, Tunisia, UAE, South Africa.

5. The working capital of the Company has come down from Rs. 108655 lakhs in 1998-99 to Rs. 86838 lakhs in 1999-2000 and to Rs. 67379 lakhs in 2000-2001. When enquired about the reasons for decline in working capital of the Company, the Committee have been informed that the reduction in working capital is a good sign of performance for the business entity. Reduction gained in working capital was on account of:

- (a) Receipt of on account advance from customers;
- (b) Synergising collection;
- (c) Financial engineering, and
- (d) Reduction in inventory.

6. In regard to the marketing of BEML's products, the Committee have been informed that BEML's products are sold and serviced with spare parts backup, through its large marketing network comprising ten regional offices viz., Bangalore, Bilaspur, Calcutta, Hyderabad, Mumbai, Nagpur, New Delhi, Ranchi, Sambalpur and Singrauli located across the nation.

7. The production of major products of the Company from 1997-98 to 1999-2000 –2001 is as under:

Major Products	1999-2000	1998-99	1997-98
EM equipment	652	882	975
Railway equipment	243	264	235
BEML Tatra Trucks	310	141	108
50T Trailers	70	50	60

(In Nos.)

The major buyers are Ministry of Defence, Corporation of India Limited, HZL, DGBR, SAIL, NALCO, Indian Railways, etc.

Giving the reasons for decline in production of EM equipment during 1998-99 and 1999-2000 as compared to 1997-98, it was informed to the Committee that the production and sales of EM equipment mainly depend on the mining activities of the major customers like Coal India Limited, HZL, NLC etc., and their capital budget and production targets. There is a general decline / stagnation in the mining activities all over the country. Further, Coal India Limited have surrendered the loan received from World Bank under phase-II expansion which had the direct impact on off take of EM equipment manufactured by BEML.

When enquired the reasons for the decline in production of railway equipment during 1999-2000 in comparison to 1998-99, the Committee were informed that Indian Railways, the only customer for Railway equipment have totally disowned BEML and started procuring the Rail coaches only from its Department works RCF & ICF. Despite several requests made to Railway board at the highest level and intervention by Ministry of Defence, the Company did not receive any major orders for Railway equipment during 1999-2000. It was also informed to the Committee that the position further worsened in 2000-2001 when BEML did not receive any orders from Railway Board for coaches,

keeping the workforce idle. However the position slightly improved in 2001-2002. With the help of Ministry of Defence, the Company received some orders for Mill Rail Coaches and Mill Rail Wagons.

8. About BEML's contributions to Defence Sector, the Committee have been informed that as a leading manufacturer of conventional Earthmoving and construction equipment, the Company supplies almost all Earthmoving equipment like dozers, loaders, motor graders etc. to the Border Road Authorities. E-in-C and other agencies thus facilitating our Armed Forces to reach the vital areas of operations.

Apart from EM equipment, the Company is also directly involved in supplying the important support equipment to Army such as Tatra vehicles (of various combination like 8X8, 6x6 etc.), Tank Transportation Trailer (50T & 20T), Heavy Recovery Vehicles (HRV) etc., for timely mobilisation of resources (men & machines) and help our armed forces at different reaches.

During 2000-2001, BEML has supplied the following vital support equipment to the defence:

➤	Tatra 8x8 vehicles –	172 Nos.
➤	Tatra 6x6 vehicles	200 Nos.
➤	Tatra 4x4 vehicles	100 Nos.
➤	Tank Transportation Trailers (50T)	80 Nos.
➤	Heavy Recovery vehicles	37 Nos.
➤	Armoured Recovery Vehicle	12 Nos.

The Committee have also been informed that BEML has increased its share of turnover in defence sector year after year and has reached a level of 32% for defence sector in the year 2000-01. The details furnished by the Company in this regard are as follows:-

Year	Total turnover	Sales to defence sector	Percentage (%)
1995-96	1011.10	137.22	13.57
1996-97	1169.79	162.10	13.86
1997-98	1259.71	145.14	11.52
1998-99	1212.62	208.78	17.21
1999-2000	1317.09	304.86	23.14
2000-2001	1342.80	438.99	32.00
2001-2002 (plan)	1547.39	513.38	33.00

9. As per the information furnished by the Company, the profit earned by the company during the years 1993-94 to 2000-2001 are as follows:

(Rs. In lakhs)								
Year	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Profit	3953	1050	1446	1816	1065	62	1460	576

When asked to specify the reasons for low profit during the years 1994-95 to 2000-01 as compared to 1993-94 the Committee have been informed that the reasons for low profit during the said years are due to:

- i. 'NIL' orders in respect of Rail Coach for Bangalore Complex
- ii. Reduced off-take of Rail Coaches in the subsequent years and substantial reduction in the prices when compared to the prices prevailing during 1993-94.

When asked the reasons for the decline in the profits during 1998-99 and 2000-01 in comparison to their respective immediate previous years, the Committee have been informed that the reduction in profit in 1998-99 was mainly contributed by reduction in turnover and increase in employees related expenses and the reduction in profit in 2000-01 was mainly due to payment of Wages revision arrears due from 1.1.1997.

10. When asked what challenges the Company are expected to face with the opening up of the defence production sector for private sector, the Committee have been informed that the BEML has supplied around 2000 nos. Tatra Trucks and its variants to defence over the years and another 600 trucks are to be executed during current year. With the opening of defence purchases to private sector, many companies will enter into this market making it tough for BEML to stay in business. The strategy of the Company will be to develop these trucks indigenously and offer at most competitive rates to Ministry of Defence and other customers. As it is, BEML is starving for want of orders for Railcoaches from Railways and low off take of EM equipment due to entry of Multinational in the field. Under these circumstances BEML needs continued support from Govt. to stay ahead in the business. It is necessary for the Govt. to have a re-look at the policies and programmes to support the PSUs for their sustenance and growth in the prevailing market scenario.

11. About the reaction of the Employees/Trade Union in BEML towards Government decision about private participation in defence sector, the Committee have been informed that the Committee on Public Sector Trade Unions (CPSTU) held a national referendum among the PSUs Employees all over the country seeking support for effective long drawn direct action including strikes on the following issues :

- (i) Against all forms of privatisation or disinvestment
- (ii) Against non revival and closure of sick PSUs
- (iii) Against non payment of wages in some PSUs
- (iv) Against attack on trade union rights and labour laws.

The employees/Trade Unions of BEML have been strongly opposing private participation in the PSUs in general and defence sector in particular.

12. When asked about the BEML's capability to cope up with the challenges as also its strategies for survival, the Committee have been informed that with the opening up of infrastructure sector, the Company is confident of reviving the earthmoving sector and the Company has taken strategic decisions:

- (a) To switch its focus from bulk trade to retail trade;
- (b) Availability of spares and maintenance equipment during operations at the customer's site;
- (c) Thrust on road making equipment;
- (d) Advertising the product;
- (e) Contacting the contractors in close follow up.

13. On the question of merger of three Railcoach manufacturing units viz., ICF, RCF and BEML's RC Division as an independent public sector Company,

the Committee have been informed that the BEML has been pursuing the idea of combining the product capacities to be merged within one ownership. Keeping this in view it would be prudent to transfer railway equipment manufacturing capacity to end user i.e., Railway Board for captive utilisation along with ICF/RCF. In fact consultants have recommended to explore the possibility of formation of a separate company along with ICF/RCF under Railway Board.

14. When asked about the contribution/support extended by the BEML during the Kargil War, it was informed to the Committee that the BEML has supplied on priority basis the following equipments in emergency:

8x8 Tatra truck	155 nos.
4x4 Tatra trucks	100 nos.
Heavy Recovery Vehicles	10 nos.
Tank Transportation Trailers	70 nos.

In addition spare parts worth Rs. 40 crores were supplied for emergencies. The Company got letter of appreciation from Ministry of Defence for spontaneous response.

15. When asked about the reasons for not setting up any manufacturing division in the North by BEML, the Committee have been informed that with the reduction in the off take of earth moving equipments and delay in support in opening of infrastructure sector, the existing capacity in various units of the

Company are utilised at optimum level. However, the Company has established Regional/District Offices and Depots & Service Centres all over India for catering to the needs of the customers and is widely spread throughout the country.

16. The Committee have been informed that the Company is exporting its products to Middle East and African Countries. The Company is exporting its main products like bulldozers, excavators, dump trucks, motor graders, etc., which are working in various core sectors of economy in these countries. These products are being manufactured at Kolar Gold Fields and Mysore complex.

The details of exports including deemed export during the years from 1998-99 to 2000-2001 are as under:

Year	Physical Exports	(Rs. in Crores)	
		Deemed Exports	Total
1998-99	10.52	170.87	181.49
1999-2000	5.93	316.47	322.40
2000-2001	45.24	109.30	155.14

The Committee have been informed that there was reduction in physical exports during 1998-2000. However, during 2000-2001, the Company were able to reach export figure of 45.24 crores. The reasons for earlier shortfall in exports were as follows:

- (a) Delay in opening of letter of credit against the major contracts finalised by us with Syrians.

- (b) Loss of business due to our package price being higher in one of the major tenders in Tunisia.

The total foreign exchange earnings of the company during last five years from 1996-97 to 2000-2001 are as follows;

(Rs. in Crores)

Year	Foreign exchange Earnings
1996-1997	50.04
1997-1998	62.27
1998-1999	10.04
1999-2000	4.05
2000-2001	41.69

The Committee have been informed that the following steps have been contemplated by the Company to boost up the export performance (a) Developing new market in addition to sustaining existing markets; (b) introducing new product to meet customer's requirement; (c) Upgrading Company product mix to be in line with what is offered by other world renowned manufacturer.

BEML secured bulk orders for equipment and spares valuing Rs. 687 crores against stiff competition from international manufacturers on the global tenders issued by Coal India Limited under deemed export category. Bulk of the orders were executed during 1998-99 and 1999-2000. M/s. Coal India dropped the II Phase of procurement of equipment under world bank finance scheduled

during 2000-2001. Hence, there were no fresh contracts concluded by Corporation of India Limited during 2000-2001 for execution.

17. When asked whether BEML has been consulted by the Government about disinvestment in defence PSUs, the Committee have been informed that as the disinvestment process can happen only with the synergising efforts of both the Company and Government, there has been close interaction between the Government and BEML.

18. The Committee have also been informed that BEML is the domestic manufactures of capital goods but duty free import of Components and other inputs has not been extended to it whereas certain sectors such as road construction, power, petro-chemicals, etc. are given infrastructure status and they are also permitted duty free import of capital goods.

19. About the modernisation activities undertaken by BEML during the last 3 years to update technology and modernise the manufacturing process, the following information has been furnished by the Company to the Committee:-

Engine Plant at Mysore

During 1998-99 the Company added an important facility, i.e. Flexible Manufacturing System (FMS), to increase the productivity of the Cylinder Block machining. The Company have successfully commissioned and proved all its versatile operations to handle different cylinder block. The Company have added the new facility at a cost of Rs.

18 Crores and regular machining off all engine block to series 105, 125, 140 & 170 is in full swing, for the last 2 years.

Truck Division

- (a) Chamber type shot blasting machine has been installed during 1999-2000 to obtain better surface finish and painting quality of steel fabricated structures and sub-structures (Body, chassis, frames etc.,) of earthmoving equipment.
- (b) Extension of plate & Fabrication shop for better material storage / handling all structures keeping in view the safety handling of structure and avoid unnecessary movement of structures / casting etc. to shot blasting area.
- (c) New CNC and DNC machines have been introduced.

Bangalore Complex

BPR (Business Process Re-engineering) studies implemented during 1999-2000.

Modernisation of EM Division, KGF

Arc welding ROBOT system introduced in EM Division, KGF during 1998-99.

Modernisation of Hydraulic & Power Line Division.

Modern facility for manufacture of Hydraulic Cylinder's established in H & P division of KGF during 1998-99 and 1999-2000 is given below:-

- (i) Business Process Re-engineering studies introduced during 1998-99
- (ii). Economic Resources Planning Implementation during 1999-2000.
- (iii). Additional facilities like Hydraulic Cylinder test rigs, Multipurpose normalising furnace, Electrostatic filtration unit, Magnetic particle crack detector, Oil bath heating system, Variable frequency AC drive & Motor for testing

Tatra Transmission and Bearing chiller were introduced during last three years.

20. The total expenditure incurred on R&D by the Company during each of the last 3 years from 1997-98 to 1999-2000 is given below:

(Rs. in lakhs)

Year	Capital	Revenue	Percentage of turnover
1999-2000	237.41	1134.28	1.04
1998-1999	180.00	1013.67	0.98
1997-1998	5.09	1214.91	0.97

When enquired whether the expenditure incurred on R&D activities is commensurate with the achievements made, the Committee have been informed that expenditure on R&D has commensurated with the achievements made in respect of the projects namely BL54 wheeler loader (420 HP), BD335X and BE650 alternate hydraulic which have been successfully developed and undergone in-house trials. In addition, the company have made efforts towards value engineering, indigenisation, field failures, support services to production and marketing, testing and evaluation and other customer related developments.

21. When asked how much expenditure was spent on the social welfare measures under different heads viz., education, health, sport, road

development, etc., during each of the last three years, the Committee were informed as follows:

Year	(Rs. in lakhs)		
	1988-89	1999-2000	2000-01 (Provisional)
Health	1126.01	1321.13	1466.00
Education	160.01	201.91	205.00
Sports/ Social & Cultural Activities	13.74	17.93	14.00
Road Development etc. (township)	217.72	223.73	225.00

22. It was pointed out to the company that C&AG in its Reports No.3 of 2001(Commercial) has observed that “the Company offered the transmissions for inspection before the agreed delivery schedule which resulted in an avoidable loss of Rs. 1.52 crores.” When asked why the Company had incurred an avoidable loss of Rs. 1.52 crores by offering the transmissions for inspections before the agreed delivery schedule, the Committee were informed that BEML received orders from OF, Medak for supply of 236 Nos. of BMP transmissions @ Rs. 11.16 lakhs for the first 100 Nos. and @ Rs. 12.27 lakhs for the remaining 136 Nos. to be supplied during 1995-96 and 1996-97 respectively. As the inputs were available, the company went ahead with the manufacture of 236 Nos of transmissions and offered both the lots for inspection during Feb/March 1996 itself. At the time of despatch of items the company did not visualize that reduced rate will be applicable .if deliveries are preponed. This is only contract where the company encountered such an enforcement

Audit contended that by with the reduction in the off take of earth moving equipments and delay in support in opening of infrastructure sector, the existing capacity in various units of BEML are utilised at optimum level. However, BEML has established Regional/District Offices and Depots & Service Centres all over India for catering to the needs of the customers and is widely spread throughout the country. In view of the fact that the material was available in entirety and the items were ready after assembly and testing, the company took a commercially viable alternative of supplying the same. As such, by supplying the 236 Nos. of transmissions in 1995-96, the company did not suffer any loss on account of reduction in sale price was more than offset by the saving cost of inventory, utilisation of capacity besides realisation of dues.

23. Attention of the Company was drawn to another audit objection in C&AG Report No.3 of 2001 (Commercial) wherein its has been stated that BEML had incurred a loss of Rs. 92.23 lakhs due to non-payment of excise duty on axles / transmissions manufactured and supplied to Mysore Complex deprived it of MODVAT credit. When asked to specify the reasons for it, the Committee have been informed that H&P Division had despatched two batches of BH 36 axles to Mysore Division during 1994-95 without payment of excise duty. However, on realising the excigability, company paid excise duty during Feb 1997/Sept 1998 and sought permission of the department to avail Modvat credit at Mysore Complex. Instead of issuing certificate under Rule 57-E, the Department raised

the demand and issued show cause notice that the company had not paid excise duty by reasons of fraud/collusion/suppression of facts/contravention of Act or Rules, with intent to evade payment of duty in respect of both the cases on 28.9.1999. Also there are no time for remitting as well as availment of Modvat credit.

The issue regarding grant of permission to Mysore complex to avail Modvat credit to the extent of Rs. 92.23 lakh is pending before the Appellate authorities. The Ministry of Defence had also informed Audit to await the outcome of the Appellate authority, as there is no time limit for availing of Modvat credit. The Commissioner of Customs has since accepted the contention of BEML filed in the appeal and adjudicated the case without any stricture. Based on the Commissioner's order the department is being requested to grant certificate under Rule 57-E for availment of Modvat credit at Mysore Complex and thus BEML is confident of availing the subject Modvat credit.

RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE

MERGER OF RAIL COACHES MANUFACTURING UNITS

1. The Committee find that three manufacturing units namely Integral Coach Factory (ICF), Rail Coach Factory(RCF) of the Ministry of Railways and RC Division (Bangalore Complex) of Bharat Earth Movers Limited are engaged in manufacturing of rail Coaches. The Committee feel that there is need to merge the product capabilities and capacities of these units under one onwership with a view to achieve better economy in production and to have quicker technology upgradation by pooling in all the available talent. The Committee have been informed that the consultants have recommended to explore the possibility of formation of a separate independent public sector company by merging these rail coaches manufacturing units. They, therefore, desire that the recommendation of the consultants should be examined expeditiously and a quick decision in the matter should be taken.

PLACEMENT OF ORDERS FOR RAIL COACHES

2. The Committee note that one of the reasons for decline in profits of the company is lack of orders in respect of rail coaches for Bangalore Complex from the Indian Railways. The Committee have been informed that the Indian Railways, the only customer for railway equipment have totally disowned Bharat Earth Movers Limited and started procuring the rail coaches only from its own Departmental manufacturing units, namely, the Integral Coach Factory and Rail Coach Factory. The Committee also note that despite repeated requests made to the Railway Board, the Company did not receive major orders for Railway equipment during 1999-2000 and also during 2000-2001. Since BEML did not receive any orders for coaches the work force at the Bangalore complex is grossly under-utilised for want of orders from the Indian Railways. The Committee, therefore, recommend that BEML, the oldest manufacturer of rail coaches in the country, should be given purchase/price preference and treated at par with Integral Coach Factory (ICF) and Rail Coach Factory(RCF) in this matter and the Ministry of Railways (Railway Board) should place orders for adequate number of rail coaches on BEML every year on a

long term basis to enable the company to fully utilise the work force employed at the Bangalore Complex.

GRANT OF INFRASTRUCTURE STATUS TO BEML

3. The Committee note that certain sectors such as road construction, power, petro-chemicals etc. have been given infrastructure status and as such they have been permitted duty free import of capital goods. The Committee have been informed that though Bharat Earth Movers Ltd. is the domestic manufacturer in the infrastructure sector the facilities of duty free import of components and other capital goods have not been extended to the Company. The Committee have also been informed that the Ministry of Defence has written to the Finance Ministry for giving the status of a infrastructure company to BEML. The Committee, therefore, desire that the Ministry of Finance should consider the request of BEML favourably and it should be given the infrastructure Company status to ensure level playing field vis-à-vis the multinational companies outside India. The Committee wish to be informed of the decision taken in this matter within three months from the date of presentation of the Report to the Parliament.

PROPOSAL FOR CONSIDERATION OF NODAL AGENCY.

4. The Committee note that BEML has exclusively set up facilities to manufacture heavy duty BEML-Tatra truck and its variants. They also note that the proposal to identify BEML as a nodal agency for such vehicles has not been accepted by the Services Headquarters. The Committee, therefore, desire that the matter should be re-examined and BEML should be considered as a nodal agency for such vehicles as is being done in the case of other defence PSUs. In this connection, the Committee wish the Ministry of Defence to recall the yeomen service rendered by BEML during the emergency situation created at the time of the Kargil War by supplying the required Tatra trucks and Heavy Recovery Vehicles and Trailers and the supply of spares for them, as spontaneous response. Therefore, it is in the best interests of the defence of this nation, the Committee recommend that the Ministry of Defence should have a re-look at the whole matter with a view to sustain undertakings of significant strategic importance.

DECLINE IN EXPORTS BY BEML

5. The Committee find that in the recent years, the export performance of the Company has declined sharply and one of the reasons for the decline during 1999-2001 was due to the delay in opening L C against major contracts finalised by BEML with Syrians. Besides this, the Committee have been informed that a major contract was lost to Tunisia due to the package pricing of BEML being higher in one of the major tenders. The Committee desire that BEML should make more efforts to secure orders abroad by suitably developing market intelligence about overseas markets, as the domestic demand for their products especially in the rail coach sector has dwindled and they should also tone up their system of working in regard to exports to ensure timely opening of LCs and to take care of such other procedural matters. The Committee wish to point out that any laxity in these matters will cost the organisation dearly and will affect its very survival and sustainability and therefore, urgent action should be initiated by the company and to boost up their export performance by suitably drawing up a special action plan on the matter.

ANNEXURE - I

**TOUR PROGRAMME ACTUALLY PERFORMED BY THE
COMMITTEE ON PUBLIC UNDERTAKINGS TO
PUNE, BANGALORE, MYSORE AND OOTACAMUND
FROM 4TH JUNE, 2001 TO 11TH JUNE, 2001
(MEMBERS ASSEMBLED AT PUNE)**

DATE & DAY	TIME	VISIT & DISCUSSION
4.6.2001 (Monday)	1000 hrs	Discussion with the Officers of New India Assurance Co. Ltd.
	1200 hrs	Discussion with the Officers of Hindustan Antibiotics Ltd.
	1400 hrs	Discussion with the Officers of Export Credit Guarantee Corpn. (I) Ltd. (NIGHT HALT AT PUNE)
5.6.2001 (Tuesday)	1315 hrs	Departure for Bangalore by IC-917
	1615 hrs	Arrival Bangalore (NIGHT HALT AT BANGALORE)
6.6.2001 (Wednesday)	1000 hrs	Discussion with the Officers of Hindustan Teleprinters Ltd. (HTL Ltd)
	1430 hrs	Departure for Mysore by Road (Approx. 140 km)
	1800 hrs	Arrival Mysore (NIGHT HALT AT MYSORE)
7.6.2001 (Thursday)	0930 hrs	Discussion with the Officers of Indian Tourism Devp. Corpn. (ITDC)
	1200 hrs	Discussion with the Officers of Bharat Earth Movers Ltd. (NIGHT HALT AT MYSORE)
8.6.2001 (Friday)	0900 hrs	Departure for Ootacamund by Road (Approx 120 km)
	1500 hrs	Arrival Ootacamund
	1745 hrs	Discussion with the Officers of NTC (TN&P) Ltd. (NIGHT HALT AT OOTACAMUND)

9.6.2001 (Saturday)	0930 hrs	Discussion with the Officers of Hindustan Photofilms Mfg. Corpn. Ltd.
	1200 hrs	Discussion with the Officers of Food Corporation of India Ltd.
		(NIGHT HALT AT OOTACAMUND)
10.6.2001 (Sunday)	0900 hrs	Departure for Bangalore by Road
	1800 hrs	Arrival Bangalore
		(NIGHT HALT AT BANGALORE)
11.6.2001 (Monday)	0930 hrs	Discussion with the Officers of Rashtriya Chemicals & Fertilizers Ltd.

DISPERSAL

ANNEXURE – II

**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED PUNE, BANGALORE, MYSORE AND OOTACAMUND
FROM 4TH TO 11TH JUNE, 2001**

S. NO.	NAME	DATE OF JOINING	DATE OF LEAVING
1.	Prof Vijay Kumar Malhotra, Chairman	5.6.2001 Bangalore	11.6.2001 Bangalore
2.	Prof. S. P. Singh Baghel	4.6.2001 Pune	9.6.2001 Ootacamund
3.	Shri Sudip Bandyopadhyay	3.6.2001 Pune	12.6.2001 Bangalore
4.	Shri Ram Tahal Chaudhary	3.6.2001 Pune	11.6.2001 Bangalore
5.	Shri C K Jaffer Sharief	6.6.2001 Bangalore	6.6.2001 Bangalore
6.	Shri Rajiv Pratap Rudy	5.6.2001 Bangalore	6.6.2001 Bangalore
7.	Shri Tarit Baran Topdar	5.6.2001 Bangalore	11.6.2001 Bangalore
8.	Shri Suresh Kalmadi	3.6.2001 Pune	4.6.2001 Pune
9.	Shri K. Kalavenkata Rao	7.6.2001 Mysore	11.6.2001 Bangalore
10.	Shri Jibon Roy	3.6.2001 Pune	7/8.6.2001 Mysore / Bangalore
11.	Smt Ambika Soni	3.6.2001 Pune 6.6.2001 Bangalore	4.6.2001 Pune 9.6.2001 Ootacamund
12.	Shri Ranjan Prasad Yadav	3.6.2001 Pune	6.6.2001 Bangalore
	<u>SECRETARIAT</u>		
1.	Shri S Bal Shekar,	Director	
2.	Shri L. N. Gaur,	Under Secretary	
3.	Shri Raj Kumar,	Under Secretary	
4.	Shri Tirthankar Das,	Sr Executive Asstt	

ANNEXURE III**List of officials of Bharat Earth Movers Limited who were present during discussion with the Committee on Public Undertakings at Mysore on 7.6.2001.**

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|----|------------------------|------------------------------|
| 1. | Dr K. Aprameyan, | Chairman & Managing Director |
| 2. | Sh. J.B.Diwale, | Director (Finance) |
| 3. | V.L.Varma, | Director (Production) |
| 4. | Sh. B.V.Ramanna, | Director (HR) |
| 5. | Sh. V.S.Venkatanathan, | Director (R&D) |
| 6. | Sh. K.B.Sehgal, | Executive Dir (Mktg) |
| 7. | Sh. V.Shivakumar, | Executive Dir(HR) |
| 8. | Sh. H R Subramanya | Executive Dir (Audit) |