

STUDY TOUR REPORT NO. 26

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

INSTRUMENTATION LIMITED

Laid in the Lok Sabha on 21 March .2002

Laid in the Rajya Sabha on 21 March .2002

LOK SABHA SECRETARIAT

NEW DELHI

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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. B.P. Singh Baghel
5. Shri Sudia 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 Vitas Muthumwar
- *13. Shri C.P. Radhakrishnan
14. Shri Tant Earan Topdar
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kelmeji
17. Shri K. Kalyanaswami Rao
18. Shri Jagan Roy
18. Shri B.P. Singhal
20. Smt. Ambika Soni
21. Shri C.P. Thirunavukarasu
22. Shri Ranjan Prasad Yadav

SECRETARIAT

1. Shri John Joseph, Additional Secretary
2. Shri S. Bal Shreek, Director
3. Shri T.G. Chandrasekhar, Assistant Director
4. Shri Tirthankar Das, Sr. Executive Assistant

* Elected w.e.f. 23rd November, 2001 vice Shri Rajiv Pratap Rudy ceased to be Member of the Committee consequent upon his appointment as Minister w.e.f. 01.8.2001.

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 Instrumentation Ltd.

2. The Committee held discussions with the officials at Jaipur on 4.10.2001. A copy of the tour programme is annexed (Annexure-I).
3. The Committee considered and approved the Report at their sitting held on 24th April, 2002.
4. The Committee wish to express their thanks to Instrumentation 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
19 March, 2002
28 Phalguna, 1923(S)

PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS

STUDY TOUR NOTES OF THE COMMITTEE ON PUBLIC UNDERTAKINGS

DISCUSSION WITH THE REPRESENTATIVES OF INSTRUMENTATION LTD. AT JAIPUR ON 4.10.2001

A. INTRODUCTORY

1 At the outset, the Chairman, Committee on Public Undertakings, made opening remarks and then requested the Chairman & Managing Director, Instrumentation Ltd. to introduce himself and his colleagues to the Committee. The Chairman, COPU also requested the CMD, Instrumentation Ltd. to give a brief account of the working of Instrumentation Ltd.

1.1 After introduction of officials of the Company, the CMD, Instrumentation Ltd. stated that Instrumentation Ltd. was set up in 1964 to achieve self-reliance for the country in the field of Process Control Instrumentation. The Company achieved 'market leadership' through customer orientation by way of supply of high quality products and services. The company has been providing complete control & instrumentation (C&I) systems on 'turn-key' basis covering design, engineering, manufacturing, supply, erection and commissioning at project sites. The present range of products of the Company comprise sophisticated Digital Distributed Control Systems, high performance electronic transmitters, desk/panel mounted indicators/recorders and other hardware, liquid & gas analysers, panels, instrument cabinets & racks, control valves & actuators, Telecommunication

Systems, Defence Electronics, Railway Signalling systems, Uninterrupted Power Supply Systems (UPS), Solar Dusk Dawn Systems (SDSS) etc.

1.2 The CMD also informed that the well equipped manufacturing infrastructure and the well versed, highly competent, experienced and qualified team of technocrats are the inherent strengths of the company. The Company has absorbed technologies of various generations of Control & Instrumentation in various fields which include Telecommunications, Defence products, Railway Signalling, Power Electronics and allied fields. The well-organised System Design and Project Management Infrastructure enables the Company to undertake 'Consultancy Services' as well in the stated areas. The CMD also stated that the Company had achieved ISO 9000 accreditation for all the three manufacturing units at Palakhad, Jaipur and Kota in respect of quality methods.

B. OBJECTIVES

2. Instrumentation Ltd. (IL) was initially set up with Soviet technical collaboration and the Company's product range includes Electrical, Electronic & Pneumatic process control instrumentation. The Company's corporate aim has been to have self-reliance in the field of process control instrumentation through manufacture, supply, installation and commissioning of latest systems for core sector industries with maximum indigenous contents. IL maintains leadership in turn-key execution of Control Instrumentation System for power sector and other allied industries. IL has also entered into areas

like Oil Well Instrumentation, Marine Instrumentation, Microprocessor-based applications and other new products for manufacture to ensure the Company's growth. The Company's growth rate has kept pace with the industrial development in the country. The technology absorption and adaptation has been the forte of IL imparting state-of-the-art status to its products. Continued diversification into allied industrial electronics has enabled IL to retain undisputed leadership in the chosen sphere of control & instrumentation.

2.1 On the major achievements made by Instrumentation Ltd.(IL) in meeting the designated objectives, the Committee were informed as under in a written reply :-

"Since inception in 1964 till about 1990, Control & Instrumentation (C&I) has been IL's main business area. Three main process sector enterprises namely 'Thermal Power', 'Refineries' and 'Steel' have been majority of our business areas and we dominated these sectors for about two decades. Competition was limited and IL had complete and proven products, which customers preferred.

However, during the period after 1980 several private sector enterprises were granted manufacturing license resulting into a situation of oversupply and consequent squeezed margins particularly after 1990. Companies like ABB, Fisher Rosemount, Tata Honeywell, Thermax-Fuji, Yokogawa-Blue Star – to name a few, came into existence not only with the latest technology and brand image but also with much less number of quality manpower and automated infrastructure. The situation put IL into difficulty in terms of fast changing technology, competition, brand equity and manpower. The C&I business started declining.

Incidentally, during the same period, there was a national thrust for improving the telecommunication sector in a major way. IL

management, having foreseen the requirement, entered into agreement with C-DOT (the national and nodal agency for development of technology in telecom sector) and procured technology from C-DOT for manufacturing of varying capacities of telecom exchanges like RAX, SBM, MAX-L, MAX-XL etc., Necessary infrastructure was developed at our Kota Works for manufacturing these exchanges in expectation of substantial orders. The decision turned out to be correct and 1990 onwards or so telecom exchanges became a major product of the company as compared to conventional C&I, an area in which procuring orders became more and more difficult, as stated above. Parallely, a few Defence products were undertaken for development with assistance and help of Ordnance Factories and Defence establishments. Though self-reliance in C&I could be greatly achieved by way of collaboration / tie-ups with renowned international manufacturers, indigenisation, import substitution, etc., this achievement could not be fruitfully sustained because of severe competition particularly from several private sector enterprises, who were also able to bring new technology and good products at competitive prices, with their added advantage of later entry in this fast changing area of C&I products.

IL has successfully achieved self reliance in production of defence products as well as telecom exchanges besides maintaining a reasonable status as a leading turnkey executor of C&I projects."

2.2 When the Committee enquired about the major competitors of IL, both in the private and the public sector, the following information was furnished by the Company :-

PRIVATE SECTOR

ABB

Tata Honeywell

Fisher Rosemount

Yokogawa Bluestar

Bells Controls, etc.,

PUBLIC SECTOR

BHEL

ECIL

C. BOARD OF DIRECTORS

3. The Company was managed - as on 3rd September, 2001 - by a Board of Directors, whose composition is as stated below :-

1. Shri Niranjan Sinha, Chairman-cum-Mg Director,
2. Shri V K Mutreja, Adviser (Tech), Ministry of Heavy Industries & Public Enterprises (HI&PE).
3. Shri C R Sundaramuni, Chief Controller of Accounts, M/O HI&PE
4. Shri S P Sharma, Director (Commercial)
5. Shri Suresh S Kharabe, Non-Official Director

It was further informed that Shri S L Sharma of Paradeep Phosphate Ltd.(PPL) was selected to serve as Director (Finance) on the Board of Instrumentation Ltd. in August, 2000. However, his appointment letter could be issued only on 29th August, 2001, after a period of one year and that Shri Sharma joined the Company on 21.9.2001.

The Company also informed that in view of the increased load on different manufacturing facilities and likely placement of telecom orders, which will result in manifold increase in production activities, it has become quite necessary to fill-up the post of Director (Production), which is presently vacant and in connection with which a request has been made by the Company in April, 2001.

3.1 Giving details about the post of Director (Production) which had fallen vacant, the Company stated in a written reply as under :-

"The post of Director (Production) has not been filled up till now. The post fell vacant in the month of November, 1997. The CMD and Director (Commercial) of the Company have been able to oversee the functions of Director (Production) during the intervening period. However, since the company is expecting substantial orders particularly from BSNL, calling for substantial increase in production activities, the need of Director (Production) as a full time Functional Director has arisen and necessary formalities in this direction has been initiated. The post is likely to be filled up in the next few months."

D. PRODUCTION PERFORMANCE

4. The production performance of Instrumentation Ltd. for the past 10 years is as shown below :-

YEAR	TURNOVER	
	TARGET	ACTUAL
1991-92	15620	12721
1992-93	17050	14826
1993-94	21000	14886
1994-95	18000	11337
1995-96	13500	10612
1996-97	12000	12328
1997-98	12700	13082
1998-99	13500	12688
1999-2000	14500	12448
2000-2001	12500	10673

4.1 When the Committee enquired about the efforts made by Instrumentation Ltd to overcome the constraints to improve the production performance, the Company in a written reply, stated as follows :-

"With a view to enhancing order booking, the Company has been constantly trying to sell its 'concept-to-commissioning' abilities to various core sectors of Thermal Power and Steel. Though some success (in terms of challenging time bound projects like Santhaldih) has been achieved, it is far from expectations in the C&I area. We have been approaching various Steel Plants, Electricity Boards at administration as well as Government levels to secure jobs on nomination basis at competitive prices.

In the other major area of Telecommunications, we have sought Government intervention for reservation of orders alongwith reasonable advance payment and very recently decision has been taken by the Government to ensure placement of orders to the tune of about Rs.100 crore per year for 3 years by BSNL for their requirement of telecom exchanges

In the Defence sector also, we have enhanced our efforts for obtaining/ procuring more orders and met with limited success.

Main constraints to improve production have been liquidity problem. At present the requirement is met by the support of GOI and by sacrifice of employees, who are taking partial advance against salaries and wages."

4.2 About the methods followed in fixing the targets for production, the Company stated as follows :-

"It may be appreciated that there has been severe industrial recession particularly in the later part of last decade and our main business area of Thermal Power and Steel had virtually frozen in terms of expansion or new projects. Due to this, business opportunities in conventional C&I area have declined considerably, more so in view of over supply position. On the other side, financial constraints, which the company started facing since 1992 have attributed to the delay in execution of orders in hand, thereby resulting into penalty / liquidated damages by our customers, notwithstanding their dissatisfaction to some extent.

In view of above, targets are fixed on the basis of business scenario."

4.3 Informing the Committee about the degree of viability of its products, the Company stated as follows :-

"Majority of products manufactured at our Palakkad Plant are economically viable and the company remains a market leader in the products like control valves etc., Defence products and Telecom products are also economically viable, if delivered in time. By this we mean that infrastructure and other abilities are available to undertake large volumes of production in reasonable time, but for the difficulty in working capital. Some of the products in C&I area have been found to be somewhat lagging behind in technology, and with the over supply position from other manufacturers, are not economically viable. Fresh investments for these products have not been made and substitutes are being cautiously explored, though in a particularly uncertain overall economic / industrial environment.

In a limited way, new areas like Fibre Optic based technology products and services are being explored, since it is felt that in future such products and services will assume magnitude with good profit. A few internationally famous manufacturers / service providers have been contacted / short listed and exercise is in progress at our R&D establishment. We are also contemplating to make use of unprofitable works of our Complex to use for manufacturing viable products of Telecom and Defence so that the unprofitable works / units (a) contribute to producing larger volumes and (b) try to reduce losses and ultimately make profit."

4.4 Detailing the reasons for the technological superiority and low cost of the products offered by other companies, the Company placed before the Committee the following information :-

"Some of the products like defence products are technically superior and reasonably priced, but this is a small area in terms of our total activity. These products, many a time, have been found to be cheaper. In the other major areas of C&I, competitors are apparently better placed for the time being so far as the products are concerned.

The competitors can manage to price their produces low mainly because of the following reasons :-

- a) qualified and well paid technical manpower.
- b) latest technology.
- c) brand image with good collaborations.
- d) ultra modern automated works and establishments.
- e) much less manpower having entered the field later.
- f) solid technical and financial support of the Principals at the time of need.
- g) flexibility in administration and functions.

4.5 When the Committee enquired about the steps contemplated to tackle the problem of product obsolescence, the following was stated by the Company in a written reply :-

"With obsolescence of a product, the obvious task is to explore a product of the latest technology and to try for a meaningful collaboration after considering commercial and technical aspects on a long term perspective, the company's infrastructure, abilities etc. However, as explained earlier, most of the multinational brands have established themselves in India through other partners and because of our financial weakness international companies are reluctant to come along with us. We feel unless we become financially strong by pursuing our thrust areas, it will be difficult to obtain a good partner / technology for replacing the obsolete products."

E. FINANCIAL PERFORMANCE

5 The financial performance of the Company during 1991-92 to 2000-01 is given below :-

(Rs. in lakhs)

YEAR	NET PROFIT / LOSS
1991-92	-1687
1992-93	-1180
1993-94	-1513
1994-95	-2086
1995-96	-3384
1996-97	-3354
1997-98	-3792
1998-99	-1335
1999-2000	-2835
2000-2001	-3451

5.1 Outlining the reasons for losses, the Company stated as follows in a written reply :-

"In the financial year 1998-99, the quantum of loss has come down to Rs.13.35 crore because excess liability of Rs.34 crore was written back as per Revival Scheme sanctioned by BIFR in March, 1999. In spite of lower turnover in the year 1999-2000 onwards the losses could not be contained due to fixed charges like employees remuneration, administrative expenses, depreciation and interest remaining at the same level. With the increase in turnover, the losses would reduce."

5.2 When the Committee enquired about the interim measures taken to overcome the immediate problem of shortage of working capital, the Company informed as under in a written reply:-

"The Interim measures are:-

- (i) Reservation of Telecom orders with advance
- (ii) Manpower rationalization commensurate with business potential
- (iii) JV formation of Palakkad Unit.

The above measures have already been approved by the Government and are likely to be implemented soon. Regarding JV formation of Palakkad Unit, QIPs have already undertaken due diligence at Palakkad. The parties would now submit financial bids."

5.3 As regards, the issue of outstanding dues owed to the Company from various State Electricity Boards, the following details were furnished to the Committee :-

	<u>(Rs. in lakh)</u>
1. APSEB	29
2. ASEB	12
3. BSEB	24
4. GEB	38
5. HSEB	62
6. MPEB	69
7. MSEB	45
8. PSEB	24
9. RSEB	150
10. UPSEB	560
11. WBSEB	90
<u>Total</u>	<u>1093</u>

It was also stated that the Company was continuously following up with State Electricity Boards for early release of payments. Intervention of the Administrative Ministry (Ministry of Heavy Industries and Public Enterprises) has also been sought on this count from time to time.

5.4 It was also brought to the notice of the Committee that due to acute shortage of working capital all 'sections' of employees have been sacrificing

by not taking full salary for the last many years and foregoing their fringe benefits, thereby ploughing the funds in production and day to day operations of the company.

5.5 When the Committee enquired as to how the Company propose to compensate the employees after regaining the financial strength, the Company replied as below:

"We propose to compensate employees by the implementing latest pay-revisions (at present 1992 pay scale) and better perquisites.

F. ORDER BOOK POSITION

6. In spite of the acute competition, the difficult business climate and the difficulties faced by the Company in the year 1999-2000, the Company had been successful in maintaining its market foot-hold through sustained efforts backed up by quality products and services. The Company had secured order booking of Rs. 109.21 crore during 1999-2000. However, there was a reduction in the order booking for the year 2000-2001 and the actual orders during the year were only for Rs.83 crore.

6.1 About the reasons for reduction in orders from existing customers, the Company informed as under in a written reply :-

"The reasons for reduction in orders from existing customers are following:-

- a) General recession in Core sectors of Power and Steel
- b) Delay in implementation of revival plan
- c) Lack of working capital

- d) Delay in delivery to BSNL against their telecom orders
- e) Not being able to find a suitable joint venture partners for DDC unit at Kota and UPS unit at Jaipur"

6.2 The following remedial measures were being taken by the Company in this connection:-

- a) Approached various Electricity Boards and respective State Governments to place orders on nomination basis at negotiated prices.
- b) Appealed to GOI to reserve orders for telecom exchanges against requirement of BSNL. GOI have extended full co-operation for action in this direction.
- c) Approached GOI for budgetary support to meet plan and non-plan expenditure etc. on various scores. Most of them have been considered and approved in terms of revival plan and some additional support given from time to time.
- d) Exploring for technology partners continuously to bring new and latest products. Recently the Company entered into an agreement with Siemens for DDC products of Power Sector.

6.3 Outlining the efforts made by the Company in ensuring increase in the order booking, Company stated as follows in a written reply:-

'Within constraints we are continuously trying to improve customer satisfaction in the areas of delivery, quality, prices and after sales support. This is a continuous exercise and we are pursuing the same.

In the absence of technology partners, we have taken a 'consortium' approach and are successful in executing a few orders for ONGC Offshore.

Further we are regularly implementing quality standards of ISO 9000 in our works at Kota, Palakkad and Jaipur, pursuing the same regularly and have been obtaining revalidation from the concerned authorities. Incidentally these requirements are being mentioned as pre-condition for some of the jobs. Customer contacts have been enhanced at all levels including the Functional Director and CMD.

In the process, we have been approaching not only customers at senior level but also various State Governments and Government of India to seek their intervention from time to time to enhance order booking.

We have approached some of the local bodies / Municipalities and other industries having large colonies / works for Solar switching system for street lighting. Some of these are Scooter India Ltd., Lucknow, Bharat Pumps and Compressors, Naini, Bharat Heavy Plate & Vessels Ltd., Burn Standard Co. Ltd., Sodam, Nagar Panchayat, Laknadon (MP); Nagar Palika, Nahar Panchayat, Satwas; Nagar Palika Nigam, Durg; Delhi Vidyut Board etc. However, the products are under experimental observation and decision process is slow."

G. EXPORT PERFORMANCE

7. It has been stated in the Annual Report (1999-2000) that the company achieved an export turnover of Rs. 149.81 lakh including deemed export. The Company has exported its products and services abroad to the total satisfaction of the consumers.

7.1 Giving details of the foreign exchange earned during the last 3 years, the Company furnished the following information :-

<u>YEAR</u>	<u>Rs. in lakhs</u>
1998-99	12.81
1999-00	9.83
2000-01	80.32

7.2 When the Committee enquired about the efforts made to improve the Company's export performance, the following information was furnished in a written reply :-

"For exports a well organised and well thought-of strategic action is required, which inter-alia demands detailed study of market potential, repeated interaction with possible customers by frequent visits at suitable levels of the organisation and government, notwithstanding reasonably good product base. Our export efforts could not be fully pursued as above. Control valves are one of our products, with their quality and price parameters, can be exported. For majority of the remaining products either in C&I or Telecom or possibly Defence, either the international market is dominated by multinationals or there has been saturation in the core sectors of power and steel almost all over the globe. Besides, for exploring exports, extensive publicity and attending the international trade fairs are required in a routine way. In the present situation our efforts get limited."

H. REVIVAL STRATEGY

8. The Committee were informed that despite the company's poor financial position, it had the necessary inherent strength to revive and become profitable once again.

Broadly, the revival plan for improving the financial position of the Company consist the following :

- Corporate and financial restructuring with JV formation/subsidiarisation of DDC Unit, Kota, UPS Unit, Jaipur and Control Valve Unit at Palakkad.
- Cost reduction through manpower rationalisation and improvement in working capital management.
- Technology upgradation by way of participation by technology leaders in Joint Ventures.
- Raising funds through sale of surplus land at Kota.

8.1 Detailing the outcome of the remedial measures taken so far to minimise the losses, the Company stated as follows :-

"The restructuring of Palakkad Unit is in progress as QIPs (Qualified Interested Parties) have undertaken a study. As no expression of interest has been shown for the remaining units, these units will be involved in execution of orders from BSNL and conventional C&I orders.

Manpower rationalization has been completed to a great extent, but it is a continuous process and further rationalization is required and the process is on.

The raising of funds through sale of surplus land at Kota has not been achieved so far but the Company is making continuous efforts with the Government of Rajasthan to expedite the sale.

Therefore, a visible reduction of losses can be seen only after some progress has been made in the above fronts.'

8.2 It was also stated by the Company that the situation was not satisfactory in a very fast changing market and the Company is continuously evaluating the situation and taking steps to be able to meet the market requirements.

I. MANPOWER

9. It has been stated that the total manpower strength of the Company in the year 1990-91 was at its peak level of 4264, which has since been reduced and brought down to the level of 2302 as on 1st September, 2001. Continuous obsolescence of old technology and automation and upgradation in technology have resulted in reduced requirement of manpower.

9.1 Outlining the mode of assessment of manpower requirements, the Company stated as follows in a written reply :-

'As stated earlier, the Company became sick in the year 1994 and from this period the Company undertook a detailed study through a consultant for manpower analysis. With the progress of the time and keeping in view the recommendation of the Consultant, the Company has been rationalising manpower from time to time. The VRS scheme is being implemented based on the scientific reasons and study reveals that the manpower should be below 1800 employees. For our type of industry the expenditure towards manpower should be kept below 15% of the turnover.'

9.2 It was stated that the Company had undertaken various programmes to train the employees to develop their skills. Outlining the major outcome of the training programmes pursued, the Company stated as follows -

“As a corporate policy the company undertakes training of the employees from time to time as per requirement. In addition to training the employees are also encouraged to attend specific seminars and trade fairs as relevant to the business.

We have four types of training programmes :-

- a) Inhouse training
- b) On the job training
- c) Training within India
- d) Training Abroad

With the above training programme, the following major outcomes have been achieved.

- (i) Our people have been trained on Computers in the inhouse training as well as trained at outside company's premises at different Computer Education Centres. As a result our Finance, Planning, Inventory and other activities are now completely on Computer and most of our employees are able to work on the same.
- (ii) A number of training programmes were organised on ISO-9000 systems. As a result our company have achieved the ISO-9002 certification for our major production areas of Telecom Products, Railway Relays and UPS systems etc.
- (iii) The training programmes on the manufacturing and Testing of particular products we field in India as well as abroad. These were very useful and successful. As the outcome of this

we have successfully indigenised and productionised the various products like Telecom exchanges, Zirconia Probe Analysers, Railway Signalling Relays etc.

- (iv) Many a time on the job training is given to the employees on the related products and subsequently the employees pick up and start contributing to the production and planning activities."

9.3 The training expenditure during the last 3 years has been as follows:-

<u>Year</u>	<u>Rs.</u>
1998-99	84,580/-
1999-00	16,070/-
2000-01	55,985/-

The percentage of expenditure on training out of the total expenditure is negligible. However, it is to be noted that several training courses / seminars have been made free by the sponsors / organisers on account of Company's membership of Chambers of Commerce, or the training has been a part of technology transfer package / product cost i.e., without a separate identity of the training charges. The training courses are quite useful and the expenditure is commensurate with the achievements.

9.4 When the Committee wanted to know the reasons for low training expenses, Instrumentation Ltd. stated in its Post Tour Reply, as follows :-

"The Company was not financially strong enough to impart mass-scale foreign training to its various employees unless it was most essential and unavoidable. However, there is a well organised inhouse training department, which not only organises training for its employees but also organises well-structured and

dedicated training programmes to its esteemed customers, who belong to various sections of process industries. This apart, in course of various collaborations the company had in past, training is received by the Company's employees for products as well as engineering / system design and this has been a regular feature since its inception. In addition, on the job training inside the Company is also regularly imparted. While the Company sincerely desires to expose its employees to the State-of-art domestic as well as foreign trainings on various matters, it is badly handicapped for lack of funds, which it uses in more needy areas of production "

J. RESTRUCTURING

10. The Government of India has appointed IDBI Corporate Advisory Services Department as Consultants for restructuring and JV formation of Kota, Jaipur and Palakkad Unit. The Board of Directors of Instrumentation Ltd. have approved the necessary resolution for creation of Subsidiary Companies and Article of Memorandum of Association of these Subsidiary Companies have been framed and vetted by the Consultants. These three Subsidiary Companies have been incorporated and registered with Registrar of Companies of Rajasthan and Kerala respectively.

Expression of Interest were invited for these three Units but response was received only for Palakkad Unit. The due diligence by one of the Qualified Interested Parties (QIPs) for Palakkad Unit have been organised with support of local administration, through there was a lot of resistance from the employees of the Unit. The visit by the second QIP will take place in September, 2001. Regarding other two Units of Kota and Jaipur, the Department of Disinvestment and Department of Heavy Industry, Ministry of

Heavy Industries & Public Enterprises, has advised integration of these units with Kota Unit.

10.1 Outlining the present status of the proposed restructuring, the Company stated as follows before the Committee :-

Due to delay in implementation of sanctioned revival scheme, the Company has incurred additional cash losses and suffered badly in terms of business due to acute shortage of working capital. The Company has, therefore, submitted a proposal for consideration to the Administrative Ministry. It was also stated that the Administrative Ministry considered following proposals for consideration of the Cabinet

- Reservation of orders by BSNL to the extent of 3.5 lakh MAX-XL Telephone lines each year for a period of 3 years alongwith advance
- Reimbursement of cash losses to the tune of Rs.28 crore
- Funds of Rs.35 crore for VRS for 500 employees
- Additional funds of Rs.10 crore for employees already separated under VRS

It was stated that the Committee of Ministers recommended the proposal for consideration of the Cabinet in its meeting held on 11th July, 2001. The proposal recommended by the Committee of Ministers was put up to the Cabinet for consideration which was likely to be tabled in the third week of September, 2001.

The recommendations of the Committee of Ministers were for reservation of orders by BSNL for 3.5 lakh lines of MAX-XL Telephone Exchanges with 50% advance for a period of 3 years. Government Guarantees for raising funds from Banks / Financial Institutions towards reimbursement of cash losses, funds for VRS and steps for JV formation of holding units.

The Company also stated that the Cabinet approval of the proposal will enable the Company to utilise its manufacturing capacity, infrastructure, manpower and get over the working capital shortage. Funds for VRS will ensure rationalisation of manpower commensurate with the business potential. Reimbursement of cash losses will enable the Company in bridging the working capital deficit. JV formation is expected to provide technology, marketing and finance inputs to the Company for its long term viability.

K. SALE OF SURPLUS LAND

11. The progress in the sale of surplus land at Kota is delayed due to administrative reasons. Of late, bids have been invited by the Government of Rajasthan and principle approval for issue of letter of intent to the successful bidder has been concurred in September, 2001. The money to be received from the sale of surplus land could be gainfully utilised to repay the high interest bearing debts to various creditors including financial institutions. The balance of sale proceeds could be utilised by the Company to augment the working capital position in their unit/mills.

11.1 In this connection, the Company also stated that the surplus land identified for disposal is approximately 90 acres which has not been sold so far. The Company does not have full free hold title over this land as it was leased by the Government of Rajasthan at the time of setting up the Company. Hence the necessity of selling the same through Government of Rajasthan. The exact time of receiving the proceeds cannot be ascertained at the moment. The Company also informed that it has been constantly pursuing the matter with the Government of Rajasthan to get the proceeds as quickly as possible.

RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

NEED FOR ASSURED ORDERS FROM PSUs/ SEBs ON NOMINATION BASIS AT NEGOTIATED PRICE.

The Committee note that with a view to enhance the order booking position, which has shown a continuous trend of decline since 1997-98, Instrumentation Limited has been trying to sell its 'concept-to- commissioning' abilities to various core sectors such as Thermal Power and Steel. The Committee have been informed that the Company has approached various Steel Plants, Electricity Boards as well as the Government to secure jobs on nomination basis at competitive prices. The Committee feel that the company has to secure orders necessarily from the Government sector, so that it can sustain itself. The Committee, therefore, recommend that the Government should render every possible assistance to the Company in securing assured business in the field of control and instrumentation, Uninterrupted Power Supply Systems, Control Valves and Allied products at competitive prices from PSUs such as BHEL, NTPC, SAIL, Defence Production Units, Railways and other similarly placed organisations. The Committee are also of the view that a strong presence of PSUs in the bidding process would help in controlling the price levels and prevent the possibility of

formation of cartels by the private sector enterprises, mainly multinationals, in controlling the price levels. The Committee also urge upon the Government to render assistance to the Company in securing assured business from SEBs on nomination basis at negotiated prices. The Committee would also like to be informed of the action taken in the matter.

RECOMMENDATION NO.2

REVIVAL SCHEME FOR INSTRUMENTATION LIMITED

The Committee note that Instrumentation Limited was referred to BIFR in 1993 and a revival package was sanctioned by BIFR in March, 1999. The Committee have been informed that due to delay in the implementation of the sanctioned revival scheme, the company had incurred additional cash losses and the business of the company suffered badly due to acute shortage of working capital. The Committee now have learnt that the government has decided to help out the company by taking the following decisions:

- (i) reservation of orders by BSNL to the extent of 10% of their requirement MAX - XL Telephone lines each year for a period of three years alongwith an advance to the tune of 50% of the order value.
- (ii) sanction of Rs. 35 crore for giving VRS to 500 employees for rationalisation of manpower to achieve cost reduction in its operations.
- (iii) furnishing of additional counter guarantee for raising Rs. 28 crore from the market to bridge the additional working capital deficit upto March, 2001.

The Committee are happy to note the positive and timely decision taken by the Government in this matter. However, they

feel that the original request of the Company for the reimbursement of cash losses to the tune of Rs. 28 crore deserve a compassionate consideration from the Government, keeping in view the difficult financial condition of the Company. The Committee, therefore, recommend that the Government should grant the company the reimbursement of cash losses to the tune of Rs. 28 crore. The Committee also recommend that the request of the company for sanction of Rs. 10 crore as additional funds for employees separated already under VRS may also be considered favourably. The Committee desire that all the decisions already taken by the Government as indicated above may be implemented forthwith without any loss of time, as any delay in their implementation would adversely affect the company which is already in a precarious condition. The Committee also wish to place on record their deep appreciation of the positive attitude adopted by the employees of the company who have volunteered to forego their fringe benefits and to take home only a part of their salary for the last many years to help the company tide over the financial crisis. The Committee desire that the Government should reciprocate this gesture by taking suitable ameliorative measures. They desire that the government should seek to reserve the orders of BSNL for Max-XL Telephone lines even beyond the current period of three years and recommend

that this reservation should continue till the company is fully
revived.

RECOMMENDATION No.3

NEED FOR OBTAINING FUNDS AT AN EARLY DATE FROM BANKS / FINANCIAL INSTITUTIONS AND THROUGH SALE OF SURPLUS LAND

Yet another issue that has come to the notice of the Committee is the difficulties the Company has been facing in securing funds from Banks / Financial institutions for which the Government too has agreed to stand guarantee. The Committee are of the view that early release of funds from Banks / Financial Institutions would go a long way in mitigating the cash losses the Company has been facing and meeting the working capital requirements. The Committee, therefore, recommend that the nodal Ministry viz., Ministry of Heavy Industries and Public Enterprises should render every possible assistance to the Company in securing funds from Banks / Financial Institutions. The Committee also understand that a substantial amount is expected to be realised by Instrumentation Ltd. through sale of about 90 acres of surplus land which was leased out by the Government of Rajasthan. The Committee expect the Union Government to effectively intervene to pursue the matter with the Government of Rajasthan in the right earnest at the highest political level so that the much needed funds could be realised at an early date.

RECOMMENDATION NO.-4

NEED TO RECOVER OUTSTANDINGS FROM STATE ELECTRICITY BOARDS

The Committee are constrained to note that approximately an amount of Rs.1083 lakh remains outstanding to be recovered by the Company from eleven State Electricity Boards (SEBs). A bulk of the outstandings appear to be from the Uttar Pradesh State Electricity Board and Rajasthan State Electricity Board. The Committee feel that the steps taken by Instrumentation Ltd. to recover the outstandings have not yielded the desired results. The Committee expect the Ministry of Heavy Industries and Public Enterprises to intervene in the matter urgently to render every possible assistance to the Company in recovering the outstandings. The Committee desire that a separate factual note may be submitted to the Committee about the steps taken in this regard and the results achieved within three months of date of presentation of this Report.

RECOMMENDATION NO. 5

NEED FOR FILLING UP BOARD LEVEL POSTS IN A TIMELY MANNER

The Committee note that the post of Director (Production) in Instrumentation Ltd. has been vacant since November, 1997. In the absence of a full time functionary to discharge the duties of Director (Production), the CMD and Director (Commercial) of the Company have been overseeing the related functions for the last three years. The Committee are of the view that the post of Director (Production) is of key importance in any company, and more so in a production - specific concern like Instrumentation Ltd. Also, as per the Company's own submission, a substantial number of work orders are expected in the near future, mainly from BSNL, which would lead to substantial increase in production activities. The Committee, therefore urge upon the Government to act expeditiously in the matter of filling up the vacant post of Director (Production) in the Company.

**TOUR PROGRAMME OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS TO JAIPUR, JODHPUR, UDAIPUR AND MUMBAI
FROM 4TH TO 9TH OCTOBER, 2001 AS ACTUALLY PERFORMED**

(MEMBERS ASSEMBLED AT JAIPUR)

DATE & DAY	TIME	VISIT & DISCUSSION
4.10.2001 (Thursday)	1200 hrs	Discussion with the Officers of Gas Authority of India Ltd.
	1600 hrs	Discussion with the Officers of Hindustan Salts Ltd.
	1730 hrs	Discussion with the Officers of Instrumentation Ltd.
(NIGHT HALT AT JAIPUR)		
5.10.2001 (Friday)	0530 hrs	Departure for Jodhpur by CD-7471
	0800 hrs	Arrival Jodhpur
	1100 hrs	Discussion with the Officers of National Mineral Dev. Corp.
(NIGHT HALT AT JODHPUR)		
6.10.2001 (Saturday)	0700 hrs	Departure for Udaipur by CD-7471
	0920 hrs	Arrival Udaipur
	1600 hrs	Discussion with the Officers of Hindustan Zinc Ltd.
(NIGHT HALT AT UDAIPUR)		
7.10.2001 (Sunday)	0900 hrs	Visit to Zawar Mines / Smelter Units of Hindustan Zinc Ltd.
	(NIGHT HALT AT UDAIPUR)	
8.10.2001 (Monday)	0800 hrs	Departure for Mumbai by CD-7471
	1050 hrs	Arrival Mumbai
	1500 hrs	Discussion with the Officers of Videsh Sanchar Nigam Ltd.
	1630 hrs	Discussion with the Officers of General Insurance Company Ltd.
(NIGHT HALT AT MUMBAI)		
9.10.2001 (Tuesday)	0900 hrs	Discussion with the Officers of Indian Petro Chemicals Ltd.

DISPERSAL

ANNEXURE – II

**COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS
WHICH VISITED JAIPUR, JODHPUR, UDAIPUR AND MUMBAI
FROM 4TH TO 9TH OCTOBER, 2001**

MEMBERS, LOK SABHA

1. Prof Vijay Kumar Malhotra, Chairman
2. Shri Prasanna Acharya
3. Prof. S. P. Singh Baghel
4. Shri Sudip Bandyopadhyay
5. Shri Ram Tahal Chaudhary
6. Shri K. E. Krishnamurthy
7. Shri Vilas Muttemwar
8. Shri Tarit Baran Topdar

MEMBERS, RAJYA SABHA

9. Shri K. Kalavenkata Rao
10. Shri Jibon Roy
11. Shri B P Singhal
12. Smt Ambika Soni
13. Shri C. P. Thirunavukkarasu
14. Shri Ranjan Prasad Yadav

SECRETARIAT

1. Shri S Bal Shekar, Director
2. Shri T G Chandrasekhar, Assistant Director
3. Shri P N Mishra, Pvt. Secretary
4. Shri Tirthankar Das, Sr Executive Asstt

**LIST OF OFFICIALS OF INSTRUMENTATION LIMITED WHO WERE PRESENT
DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC UNDERTAKINGS AT
JAIPUR ON 04.10.2001**

- | | |
|------------------------------|---------------------------------------|
| 1. Shri Nirajan Sinha | Chairman and Managing Director |
| 2. Shri S.P.Sharma | Director (C) |
| 3. Shri K.N.Mishra, | General Manager (Mktg.) |
| 4. Dr. D.K.De, | General Manager (PC) |
| 5. Shri G.C.Nair | Addl. General Manager, |