

**46th
TR**

COMMITTEE ON PUBLIC UNDERTAKINGS

(2003-2004)

(THIRTEENTH LOK SABHA)

**FORTY-SIXTH
STUDY TOUR REPORT**

BHARAT HEAVY PLATE & VESSELS LIMITED

Laid in the Lok Sabha on 22.7.2003

Laid in the Rajya Sabha on 22.7.2003

LOK SABHA SECRETARIAT

NEW DELHI

July, 2003 /Asadha, 1925 (S)

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COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS
(2003 – 2004)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

2. Shri Mani Shankar Aiyar
3. Shri Ram Tahal Chaudhary
4. Smt. Reena Choudhary
5. Smt. Sangeeta Kumari Singh Deo
6. Shri C. K. Jaffer Sharief
7. Shri K. E. Krishnamurthy
8. Dr. Ramkrishna Kusmaria
9. Shri Vilas Muttemwar
10. Shri Shriniwas Patil
11. Shri Prabhat Samantray
12. Shri Tarit Baran Topdar
13. Prof. Rita Verma
14. Shri A.K.S. Vijayan
15. Shri Dinesh Chandra Yadav

RAJYA SABHA

16. Shri Suresh Kalmadi
17. Shri Lalitbhai Mehta
18. Shri Kalraj Mishra
19. Shri Satish Pradhan
20. Shri K. Kalavenkata Rao
21. Shri Jibon Roy
22. Smt. Ambika Soni

SECRETARIAT

- | | | |
|----|--------------------|----------------------|
| 1. | Shri John Joseph | Additional Secretary |
| 2. | Shri S. Bal Shekar | Director |
| 3. | Shri C.S.Joon | Deputy Secretary |
| 4. | Shri Raj Kumar | Under Secretary |
| 5. | Smt. Vidya Mohan | Executive Assistant |

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, the Chairman, Committee on Public Undertakings having been authorised by the Committee to lay the Study Tour Report on their behalf, lay this Forty-Sixth Study Tour Report of the Committee on their discussions with the officials of Bharat Heavy Plate & Vessels Limited.

2. The Committee held discussions with the officials at Visakhapatnam on 13.4.2003. A copy of the Tour Programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on 13.6.2003.

4. The Committee wish to express their thanks to Bharat Heavy Plate & Vessels Limited. 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;
July 18 , 2003
Asadha 27 , 1925(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 HEAVY PLATE AND VESSELS LIMITED AT VISAKHAPATNAM ON 13.4.2003

At the outset, the Chairman, Committee on Public Undertakings (COPU) made opening remarks and requested the Managing Director (MD), Bharat Heavy Plate and Vessels Limited (BHPV) to introduce himself and his colleagues to the Committee. The Chairman, COPU also requested him to give a brief account of the working of the Company.

2. After the introduction of officers of BHPV, the Committee have been informed that Bharat Heavy Plate and Vessels Limited was incorporated by Government of India in the year 1966 as a Public Sectors Undertaking with the objective of manufacturing equipment for process industries in the core sector such as Fertilizers, Petrochemicals, Oil Refineries, Chemicals, etc., with a technical know-how provided by M/s Skoda Export of Czechoslovakia through a collaboration agreement signed in 1968 at an initial project cost of Rs. 20.10 crore, including Rs. 2.78 crore spent on the township.

The Company started production in 1970. It entered into collaboration agreements to enter new areas. Realising the demand potential cryogenics, the Company entered into an agreement with L' Air Liquide, France during February 1971. It entered into a collaboration agreement with BHEL for manufacture of Industrial Boilers in the range of 50-200 TPH. The Company also entered into technical collaboration with BS&B, USA for entering the

area of Oil and Gas processing systems. The Company manufactures equipments required in the areas of Process Plants, Cryogenics and Combustion Systems and Systems. The Company was manufacturing only equipments till 1990's and entered into Systems concept from 1990 onwards. The Company executed turnkey projects like CSU at ONGC Gandhar, Oil Terminal at IOCL Kandla, Boiler Package at GAIL Pata and SRU and other packages for IOCL Panipat from 1992 to 1997.

The Company executed Vacuum Column System for IOCL Haldia in the year 1999-2000. From 2000 onwards the Company entered into LSTK market and is executing LSTK Projects for IOCL Barauni and IOCL Digboi. The Company also entered into new areas and developed Titanium Air Bottles and Missile Containers. The Company executed Simulation Chamber for ISRO Bangalore in 1986 and SAC Ahmedabad in 2002. The Company also developed Compact Heat Exchangers for ADA Projects.

. BHPV has been an independent entity till 31.3.1987. From 1.4.1987, it became a subsidiary of Bharat Yantra Nigam Ltd.

3. When enquired about the major achievements made by the Company, the Committee have been informed as under:

- BHPV is an ISO 9001 Company with accreditations such as "U1", "U2" and "S" stamps from ASME, "R" stamp from National Board of Boilers and Pressure Vessels, USA and recognition from Stami Carbon, Aramco, etc.
- BHPV has taken up 136 R&D projects including for Defence applications.
- BHPV has manufactured over 6000 Pressure Vessels, 4000 Heat Exchangers, 400 Air Fin Coolers, more than 100 Storage Spheres,

Hydro Cracker Reactors weighing more than 500 MT, 10 Urea Reactors, Ammonia Reactors, Primary Reformers, 200 Air Separation Plants with Max.900 TPD capacity, 450 Cryogenic Tanks, 25 Industrial Boilers, Oil and Gas Processing Systems for ONGC, LPG import terminal for IOCL etc.

- Execution of a most critical and complicated space simulation chamber for ISRO.
- Securing orders to the tune of Rs. 410 crore during 1999-2000.
- Manufacture of highest number of heat exchangers (240) during 1995-96.
- Introduction of multi product concept in the shops.
- Manufacture of heaviest equipment, weighing 560 MT in single piece.
- Confederation of Indian Industries (CII) award for the year 1992-93.
- The Federation of Andhra Pradesh Chambers of Commerce and Industry (FAPCCI) award for the best technological development in 1996.
- Vacuum brazing furnace for brazing stainless steel materials established.
- CCOE approval for spheres revamping.
- Approval from Defence Ministry for manufacture of Pressure Vessels, Containers, Cylinders, Industrial Boilers, Heavy Structural has been obtained.
- Action initiated with Central Boilers Board for undertaking Remnant Life Assessment (RLA) studies on boiler in use.

The Committee have further been informed that BHPV has become EPC Contractor and in this context, the following have been the achievements of the Company during the year 2002-03.

- Vacuum Column weighing 425 MT and 51 Mtrs. height with a maximum diameter of 9.5 Mtrs required for Vacuum Distillation Unit

of Refinery Modernisation Project of Messrs Bharat Petroleum Corporation Limited.

- Atmospheric Column of 74.55 Mtrs height, 5.75 Mtrs diameter, weighing 350 MT in weight required for Crude Distillation Unit of Refinery Modernisation Project of Messrs Bharat Petroleum Corporation Limited.
- Reactor and Stripper, a tall vertical equipment of 22 Mtrs. height with a maximum diameter of 2.62 mtrs in LAS+SS clad plate for Reactor portion, weighing 78 MT required for Indian Oil Corporation, Guwahati.

4. When asked which are the competitors of the Company in private and public sectors, the Committee have been informed that in the public sector, only BHEL is the competitor while in private sector, the competitors are namely (1) M/s. L&T; (2) Punj Lloyds; (3) GR Engineering; (4) DODSAL; (5) Air Liquid Indian (P) Ltd; (6) TEEMA; (7) Godrej; (8) ISSEC; (9) INOX; and (10) Petron Engineering.

5. When enquired whether merger of BHPV with BHEL will be helpful, it has been intimated to the Committee that the manufacturing line of BHPV is similar to that BHEL. The Industrial Boilers manufactured by BHPV is with BHEL technology. BHEL is having large volume of orders and pioneer in manufacturing sector. If the Company is merged with BHEL, the future of the Company will be bright.

6. As per information furnished to the Committee, the production performance of the Company from 1993-94 to 2002-2003 is given below:

	(Rs. In crore)	
	PRODUCTION	
<u>YEAR</u>	<u>TARGET</u>	<u>ACTUAL</u>
1993-94	171.00	177.44
1994-95.	210.00	231.77
1995-96	250.00	283.78
1996-97	320.00	305.68
1997-98	330.00	281.62
1998-99	300.00	209.58
1999-2000	320.00	140.01
2000-2001	370.00	264.26
2001-2002	330.00	223.18
2002-2003	330.00	224.00

7. When asked the reasons for shortfall in actual production in comparison to the targeted production, the Committee have been informed that the production programme is generally target based on the available load on hand at the beginning of the year and the anticipated orders during the year of operation, of short cycle time in nature which can be completed within the year. Due to non receipt of adequate orders during the year of operation, the targeted production was getting affected. In addition to the above, due to non receipt of material inputs in time due to various reasons from the supplier's end, the completion of the equipments planned for the year also got affected. Due to the above reasons, the main variance has been observed from the targeted to actual production. In addition to the above during the last 3 to 4 years of operation, the short fall has been because of non availability of adequate working capital, delay in receipt of customer payments and also inadequate order book position.

8. The order book position of the Company during the years from 2000-01 to 2002-03 is as under:

YEAR	Rs. IN CRORE
2000-01	65.00
2001-02	187.00
2002-03	22.00

9. When asked to state the reasons for low order booking during the year 2002-03, it has been intimated to the Committee that the Company's order book projections were based on materialization of projects for IOCL, Panipat expansion, ISRO, Bangalore, Space chamber, BPCL, expansion etc., These bids were not finalized before 31.03.2003. As a result of which, the Company is expected order inflow of Rs. 150 crore and above did not materialized. It is expected that these orders will materialize during first quarter of 2003-04.

10. When enquired whether any problems/constraints are being faced by the Company in securing orders, the Committee have been informed that the order book position of BHPV has been affected since 1996-97 very badly due to change in Government policies and global liberalisation. The customers also preferred in awarding contracts on lumpsum turnkey basis rather than in conventional way. Due to stipulation of condition of issuing the tenders to the parties who executed high value orders to the tune of Rs. 500 crore on single order basis, BHPV could not stand in the race for submitting the offers.

11. When asked about the efforts made by the Company to increase its order book position, the Committee have been informed that efforts were made to bid the various projects with a joint partner but this also could not

yield much results. In view of this, efforts are made now to get orders on nomination basis and BHPV need Government support to achieve this.

12. On the question of Export Orders, it has been informed to the Committee that the Company is expecting Export Orders from Oman, Iraq, etc. The Company has received an Export Order from Indo Oman project and planning to complete the same prior to the scheduled date. By proving quality, schedule commitments, the Company is expecting large volume of export orders.

13. The expected production performance of the Company for the next five years is as follows:

	(Rs. in crore)				
Details	2003-04	2004-05	2005-06	2006-07	2007-08
Order Book (O.B)	48	108	158	208	258
Orders Received	360	380	400	425	450
Production	300	330	350	375	400
Pending orders(C.B.)	108	158	208	258	308
Profit before Tax	1.21	1.80	2.46	3.30	4.00

14. When enquired whether there are any liquidity problems, it has been intimated to the Committee that during the last two years, the Company has been facing serious liquidity problems due to the following reasons:-

- (i) Being an Engineering Industry the Company's survival depends on the order book. In order to make the Company viable, an order book of Rs. 300 crore is required per annum. Due to sluggishness in the manufacture and other Core Sectors, no new projects, has come up to the expected level which resulted in a very low order book. :

- (ii) Due to severe competition and due to shrinkage in market segment for the product range, the Company had to book orders under severe competition with stringent delivery conditions with thin Profit margins and with tight cash flows.
- (iii) In addition to the above, two Bank guarantees amounting to Rs. 5.25 crore were encashed (DODSAL/MPISC), unlawfully by our Customers in the last three years which have been contested by the Company and the proceedings are in progress. The arbitration proceedings in the case of M/s DODSAL have been finalized in favour of BHPV and an amount of Rs. 3.5 crore has already been received. Arbitration proceedings in the case of M/s. MPISC are still pending.
- (iv) The Company's liabilities stood at Rs. 130 crore which need to be discharged. The details of these are as follows:

<u>Details</u>	<u>Rs. in crore</u>
1. Bank irregularities	60
2. Project Finance	27
3. Other liabilities	43

Total	130

Due to the above, there is a severe cash crunch and over flow of Bank Limits. The Company is experiencing the following problems with the Banks:-

1. Banks are not giving credit facility unless the accounts are regular.
2. L.Cs are not being opened for procurement of materials.
3. Company is facing lot of problems in paying statutory dues like Excise duty as bankers are insisting to clear the irregularity first.
4. Due to increase in liabilities suppliers are not giving competitive prices which is resulting higher material costs eroding profitability.

Unless the present liquidity problems improve, the Company will not be able to generate adequate confidence among the customers for new

orders. In order to clear the above liabilities and to make the Company viable, Government of India counter guarantee is requested for Rs. 130 crore and by using the Government of India Counter guarantee funds to the extent of Rs. 130 crore will be raised from the banks and financial institutions. The amount can be used for payment of statutory dues and existing liabilities and also in a position to execute the projects/orders that will be received in due course.

By the above process, the Company will be able to solve its liquidity problems and generate enough confidence among Customers, Suppliers and Banks and with concentration of high value added orders.

It has also been informed that the major machinery is 30 years old and needs replacement. The Company projected a requirement of Rs. 40 crore in the next 5 years for modernisation, replacement of crucial balancing facilities.

15. It has been stated in the Brief submitted to the Committee that the Company requires minimum order book of Rs. 300 crore to make the Company viable. The Company envisages the following order book plan for the next 5 years from the following areas:

1. Orders for shop items like, Columns, Vessels etc., for Panipat expansion
2. LPG systems to various Oil Refineries.
3. Defence orders like Titanium Air Bottles, Missile Containers from BDL and other Defence jobs.
4. New Simulation Chamber for ISRO, Bangalore.
5. New LCA Titanium Heat Exchangers and Fins.
6. Submarine piping structural works.
7. Equipment for NPCIL, Tarapur 7 & 8 Expansion.
8. Nitrogen Plants for Refineries.
9. Condensers, Columns, Heat Exchangers etc., for Refineries.
10. Engineering services and repair jobs.

11. Refurbishing jobs.
12. Engineering Consultancy.

Table indicating the projected order book position for the next five years is as follows:

(Rs. in crore)

Year	Shop	BOCs	Construction	Engineering	Total
2003-04	160	101	86	13	360
2004-05	157	100	108	15	380
2005-06	180	105	95	20	400
2006-07	175	120	100	30	425
2007-08	190	120	110	25	450

16. About the steps being taken to make the company viable, the Committee have been informed as under :

(1) Cost Control Management:

a) The Company has been implementing Voluntary Retirement Schemes for reducing the manpower. Due to this the Company's manpower strength has been reduced from 3800 in Jan. 2001 to 1972 as on date. Due to this, the salary bill which was around Rs. 48 crore per annum has come down to Rs. 36 crore per annum.

b) Steps has been taken to reduce the over head cost:

Power consumption:

Regulating Power consumption by switching off high cost equipment like Oxygen Plants etc. and monitoring of consumption in other areas regularly.

- Water:

- Installing water meters and also resorting to bore well water for testing purposes is reducing water consumption.

- (2) Timely deliveries of commitment of dates are being adhered to strictly by Micro level planning on a day to day basis, especially, for jobs like M/s. HFCL, SAC, BPCL, IOCL, Barauni and IOCL, Digboi. The schedule dates of these projects were reviewed and equipment dispatched as per scheduled commitments.
- (3) In the light of the above, Customer confidence is being built up where in jobs on nomination basis are expected from the premier customers like BHEL, NPCIL, Oil Sector and Defence.

17. As per information furnished by the Company to the Committee, the financial performance during the years from 1993-94 to 2002-03 is as follows:

(Rs. in crore)

YEAR	TURNOVER	BUDGETED PROFIT	PROFIT/LOSS	% TO TURNOVER
1993-94	185.97	2.50	2.59	1.39
1994-95	230.59	2.50	2.36	1.02
1995-96	282.39	2.60	(-)5.91	-2.09
1996-97	299.98	2.75	1.23	0.41
1997-98	291.60	3.00	1.31	0.45
1998-99	214.65	3.00	1.12	0.52
1999-2000	125.58	4.00	(-)20.36	-16.21
2000-2001	256.70	5.00	0.94	0.36
2001-2002	234.09	4.50	1.72	0.75
2002-2003	224.00	4.50	1.53	0.68

18. When asked to state the reasons for the loss incurred by the Company during the year 1999-2000, the Committee have been informed that the Company faced problems in the matter of order inflow. There had

been an industry slowdown in the industrial production due to non clearance of many anticipated projects and deferment of various expansion programmes. The Company, despite implementation of many measures which included submission of offers on highly competitive basis secured orders only during the month of March, 2001. Due to the reasons mentioned, the Company could achieve a production of Rs. 140 crore as against budgeted production of Rs. 320 crore and achieved a turnover of Rs. 125 crore as against target of Rs. 330 crore. Due to low turnover with the same level of fixed costs, the Company incurred loss during the year 1999-2000.

19. The Committee have also been informed that Government of India has cleared in principle, the proposal of Capital restructuring, and consequent waiver of interest with a condition that the Capital restructuring is applicable only in the event of JV formation. As JV formation will take considerable time, to ensure the viability of the Company, a request was made for waiver of JV clause in the Capital restructuring proposal. The proposal is pending with Department of Heavy Industry.

20. As intimated to the Committee, the following are the on-going projects of the Company:

1. IOCL, DIGBOI(LSTK)
2. IOCL, BARAUNI(LSTK)
3. BPCL, HEAT EXCHANGERS
4. BPCL, HPN AND HEATERS
5. CPCL, BOILER, CHENNAI
6. NPCIL, TARAPUR CONDENSOR PACKAGE.

21. When enquired whether any time/cost overrun involved is in their implementation, it has been informed to the Committee that time and cost overrun is involved in most of the LSTK Projects, which were scheduled for completion by 2001-02. Time overrun involved for these projects is one and half year apart from the cost overrun to the extent of Rs. 64 crore. This is on account of non-availability of site, inputs from customer, local industrial problems, etc. However customers have come to Company's rescue and given adequate advance to complete the projects.

22. About the modernisation activities undertaken by BHPV to update the technology and to modernize the manufacturing process, the Committee have been informed that to sustain in the competitive market, it is essential that BHPV should continue to acquire the latest technologies either internally through R&D activities or through technology transfer on case to case basis. In addition to the above, BHPV also sought the Government support for capital equipment budgetary support. On receipt of this, BHPV proposes to replace certain facilities with high tech in value.

It has been further informed that the Company had already developed in-house facilities for the following:

- Titanium welding and machining.
- TTP automatic welding for Heat Exchangers.
- Shell cladding.
- Internal bore cladding.
- Automatic fin welding for Boiler Water Wall Panel.
- CNC Flame cutting machine for profile cutting.

- Radio remote control system for 60 T EOT Crane.
- Duel fuel firing facility in the furnaces.

Efforts are made to develop technologies through in-house R&D considering BHPV requirements and based on the requests made from some customers. The following are the projects developed:

- Vacuum Brazed Compact Aluminium Heat Exchangers for LCA Project.
- Vacuum Brazing furnace for SS and nickel.
- Vacuum Brazing Technology for SS and nickel.
- Pressure drop testing facility.
- Anodation Plant.

BHPV proposes to commercialize these projects during the year 2003-04. To meet the customer short delivery requirements, certain facilities need updation with CNC machines. Government support is needed to provide budgetary support towards capital equipment modernisation to the tune of Rs. 12 crore.

23. The total expenditure incurred by the Company on R&D during the years from 1999-2000 to 2001-2002 is as follows:

(Rs. in lakh)

Year	Expenditure
1999-00	67.22
2000-01	139.61
2001-02	84.64

24. About the major achievements of R&D Unit during the last 3 years, the Committee have been informed as under:

- Establishment of Vacuum Brazing Furnace for brazing Stainless Steel/Nickel alloys.
- Establishment of Vacuum Brazing Technology for brazing Stainless Steel alloys.
- Establishment of Pressure Drop Facility for testing Compact Heat Exchangers used in LCA.
- Establishment of Anodisation facility of Anodizing Compact Heat Exchangers and OBOGS concentrator components of LCA.
- Successfully completed Pre-Flight Qualification tests on two of the LCA Heat Exchangers developed by R&D, namely:
- Hydraulic Oil-IDG Oil-Fuel cooler
- GBX Oil-Hydraulic Oil-Fuel cooler.

These tests included Heat transfer performance, shock, vibration and Pressure Cycling Endurance test for 1,50,000 cycles on each exchanger. These two heat exchangers have been accorded Limited Flight Clearance on board the LCA by the Center for Military Airworthiness and Certification (CEMILAC), Ministry of Defence.

- Successfully completed fabrication of 12 nos. Test units and supplied to IIT-Kharagpur. These units are required for experimentally generating heat transfer and pressure drop data on various fins used in LCA Heat Exchangers.
- Successfully fabricated 27 nos. compact heat exchangers of various types and supplied to ADA, Bangalore for the LCA project.
- Successfully completed machining of Titanium hemispheres and other components for 250 nos. Prithvi missiles and 24 nos. Trishul missiles.

25. The Committee have also been informed that the R&D Department in BHPV, by virtue of successful development of a number of new products and new technologies and by effecting import substitutions and savings in

foreign exchange has enabled Company to achieve good returns on R&D expenditures all through the last few decades thus justifying existence as well as the expenditures.

R&D has helped the Company to secure a prestigious development order worth Rs. 267.20 lakh from Aeronautical Development Authority (ADA), Bangalore in the year 1999-2000. Apart from this still more development and production orders worth about Rs. 200 lakh are expected shortly from ADA this year.

26. On the question of customer complaints, the Committee have been informed that 9 complaints of technical and product deficiencies were received from customers during the last three years. The customer complaints were resolved on top most priority. After receipt of complaints, they were studied thoroughly, rectification technology and action plan prepared with due approval from inspection agencies concerned. A team is deputed to site for rectification/modifications required. Corrective actions are taken by suitably modifying Technologies/QA plans to prevent recurrence of the same deficiencies.

27. As per the information furnished to the Committee, the Composition of the Board of Directors of BHPV is as under:

- | | | |
|-----|--------------------------------------------------------------------------------------------------------|------------------------------------------|
| (a) | Chairman & Managing Director
Bharat Yantra Nigam Ltd (BYN) | Chairman |
| (b) | Managing Director | |
| (c) | 2 Officials from the Deptt. of Heavy
Industry, Ministry of Heavy Industries &
Public Enterprises | Part-time
Official
Directors(Govt) |

(d)	2 Directors	Part-time Non-Official Directors
(e)	Director(Finance)BYN	Co-opted Member

There are no Financial Directors for the Company since its inception.

28. As intimated to the Committee, the manpower as on 31.3.2003 was 1953 comprising of 441 Executives, 231 Supervisors and 1281 workers and staff. The Company proposes to give VRS to 475 employees during the current year. With the natural separations, the manpower is likely to be around 1425.

29. When asked whether any steps have been taken to rationalize manpower in the Company, the Committee have been informed that the retirement age has been reduced from 60 to 58 years. For optimum utilization of manpower, job rotation is being explored and implemented. Manpower from areas where they are surplus are being redeployed depending on their skill sets, experience, suitability and aptitude. The services of employees from head office are being optimally utilized for construction and commissioning activities at the Company's erection sites.

After implementing VRS the manpower has been scaled down from 3800 to 1953 as on 1.4.2003 and with further reduction in surplus manpower through another VRS, the manpower will be 1478. In this connection it is pertinent to mention that various techniques have been introduced like job rotation, multi-trade, change of shift timings, etc., to ensure optimum utilization of manpower. However, the employees of BHPV are now having 1992 scales of pay and wage revision is due from 1.1.97. It is pertinent to mention that all other PSUs in Visakhapatnam have

implemented 1997 pay revision and BHPV is the only PSU in Visakhapatnam which needs to effect wage revision.

It is also pertinent to mention that the morale of the employees plays a significant factor in labour intensive industries like BHPV and to improve the morale of the employees, negotiations, were held with the Union. The Company had entered into wage agreement with the Union on 31.10.2001 and the same was approved by the Board on 26.2.2002 and forwarded the same to the Department of Heavy Industries on 13.3.2002. Final clearance is awaited from the Department of Heavy Industries.

30. When enquired further whether any study has been conducted to find out the adequacy of manpower requirement in the Company, it has been stated an internal study has been conducted by the Industrial Engineering Department of the Company to assess the adequacy of manpower requirements in the Company. Based on the study, surplus manpower has been identified and voluntary retirement scheme has been operated to reduce the surplus manpower.

31. When the Committee sought clarification on absorption of casual labour in the Company, it has been intimated to the Committee that the Company has been implementing various cost reduction measures for the viability of the Company. As a process of reducing cost, the Company has been implementing Voluntary Retirement Schemes from 1997 onwards. The manpower of the Company have been reduced from 4030 to 1953 (as on 31.03.2003) i.e. reduction of manpower by 52%. Further, the Company has the proposal for reducing manpower by another 400 employees for the

viability of the Company. In these circumstances, it is not possible to absorb/regularise of the casual labour.

32. When asked the views of the Company on disinvestment of PSUs, it has been intimated to the Committee that the Company prefer disinvestment to keep pace with liberalization and globalisation policies which require improvement in productivity.

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

MERGER OF BHPV WITH BHEL

The Committee note that the Bharat Heavy Plate & Vessels (BHPV) was an independent entity till March 31, 1987 and from April 1, 1987, it became a subsidiary of Bharat Yantra Nigam Limited (BYN). The Committee further note that apart from the competitors of BHPV in the private sector, Bharat Heavy Electricals Limited (BHEL), a Navratna Company, is the only competitor in the public sector in the type of business it handles. The manufacturing line of BHPV is similar to that of BHEL and the Industrial Boilers manufactured by BHPV is with the technology of BHEL. It has also been noticed by the Committee that due to liberalization and globalization, BHPV is facing severe competition and one of the main disadvantages to handle the competition is the limited size of the Company. The competition among the indigenous public sector enterprises themselves is resulting in-loss of orders either to the private sector or multi-national companies (MNCs). The Committee are, therefore, of the view that in order to synthesize and synergize the strengths of the public sector enterprises, it is necessary to merge BHPV with one of the big players like BHEL. The

Committee, therefore, recommend that the Government may examine the feasibility of merging BHPV with BHEL.

RECOMMENDATION NO. 2

NEED FOR GOVERNMENT COUNTER GUARANTEE FOR RS. 130 CRORE

The Committee note that Bharat Heavy Plate & Vessels Limited has been facing serious liquidity problems during the last few years due to various reasons such as low order book, severe competition, shrinkage in market segment, etc. The Committee further note that the Company's liabilities stood at Rs. 130 crore which inter-alia include Bank irregularities worth Rs. 60 crore; Project Finance worth Rs. 27 crore and other liabilities worth Rs. 43 crore. Due to severe cash crunch and overflow of Bank limits, the Company has been experiencing various problems with the Bank. It has been brought to the notice of the Committee that in order to clear these liabilities, the Company has requested for Guarantee from the Government of India to the tune of Rs. 130 crore with a view to meeting the immediate working capital requirements. To enable the Company to solve its liquidity problems and generate enough confidence among customers, suppliers and banks, the Committee recommend that the proposal of the Company for Government of India Guarantee amounting to Rs. 130 crore pending with the Department of Heavy Industry should be cleared at the earliest. The Committee desire that the Government should also provide budgetary support to the

Company for capital investment which will be used to modernize its plant and machinery to the extent of Rs. 40 crore in the Tenth Plan. They also recommend that the Government should take up the matter with the Bankers for providing Project Finance to the Company on a case-to-case basis for future projects.

RECOMMENDATION NO. 3

CAPITAL RESTRUCTURING

The Committee note that the Union Government have cleared in principle, the Capital Restructuring proposal of the Company and consequent waiver of interest with a condition that the Capital Restructuring is applicable only in the event of JV formation. The Committee are given to understand that the Company has made a request to the Department of Heavy Industry for waiver of JV clause in the Capital Restructuring proposal as JV formation will take considerable time. The proposal is stated to be pending with the Government. The Committee, therefore, recommend that the decision on the request for waiver of JV clause in the Capital Restructuring proposal should be expedited.

RECOMMENDATION NO. 4

NEED TO AWARD CONTRACTS ON NOMINATION BASIS

The Committee note that the Company expects orders from Defence, Space, IOCL, HPCL, BPCL, BHEL, NPCIL, etc. in the areas of their business. Due to severe competition and shrinkage in the market segment for their product range, the Company booked orders under severe competition with stringent delivery conditions. In order to ensure the viability of the Company, it needs minimum orders for Rs. 300 crore per annum. The Committee recommend that the Government should intervene in getting the orders for the Company on nomination basis from the Government Departments /public sector enterprises. They also recommend that the Company should be considered for awarding LSTK contracts by suitably reviewing the qualification criteria on nomination basis.

RECOMMENDATION NO. 5

WAGE REVISION

The Committee note that the Company's manpower has been reduced from 3800 in January, 2001 to 1953 as on 1st April, 2003 by implementing the Voluntary Retirement Scheme (VRS). The Company has further identified 475 surplus manpower and is planning to reduce its manpower through another VRS thereby bringing down the manpower to 1478. It has been brought to the notice of the Committee that the employees of the Company are getting their salaries on the basis of 1992 scales of pay and a wage revision is due from January 1, 1997. All the public sector undertakings except BHPV in Visakhapatnam have implemented 1997 wage revision. The Committee are given to understand that the Company had entered into wage agreement with the Union on October 31, 2001 and the same was approved by the Board of the Company on February 26, 2002. The Committee further note that the proposal of wage revision for BHPV employees has been pending with the Department of Heavy Industry for more than a year. The Committee are of the opinion that 'wages' is basically an industrial relations issue and any delay in wage revision implementation will adversely affect the morale of the employees. The Committee, therefore, recommend that the

proposal of the Company for wage revision should be cleared without any further delay. They also wish to be apprised of the decision taken in the matter.

RECOMMENDATION NO. 6

APPOINTMENT OF FUNCTIONAL DIRECTORS

As per the DPE's guidelines of March, 1992, the Board of Directors of a public sector enterprise consists of Functional Directors, Government Directors and Non-official Part-Time Directors. The number of Functional Directors on the Board of a Company should be 50% of the actual strength while the number of Government Directors should not exceed two (2). The number of Non-official Part-Time Directors on the Board should be at least one-third of its actual strength. The Committee note that though there are Government Directors and Non-official Part-Time Directors on the Board of Directors of Bharat Heavy Plate and Vessels Ltd., there are no Functional Directors on the Board of the Company since its inception. The Committee wish to point out that in the absence of any Functional Director on the Board, which should be actually 50% of the total strength, the Board of Directors of Bharat Heavy Plate and Vessels Ltd. could not get the appropriate inputs for decision making in such crucial areas as Personnel Management, Financial and Commercial Management on which the profitability of the Company definitely depend. The Committee, therefore, recommend that adequate number of Functional Directors on the Board of Directors of BHPV should be appointed within a

**definite time frame in accordance with the guidelines issued by
the Department of Public Enterprises in March, 1992.**

ANNEXURE-I

TOUR PROGRAMME OF THE COMMITTEE ON PUBLIC UNDERTAKINGS TO HYDERABAD, VISAKHAPATNAM AND CHENNAI FROM 12TH TO 15TH APRIL, 2003, AS ACTUALLY PERFORMED

(MEMBERS ASSEMBLED AT HYDERABAD)

DATE AND DAY	TIME	VISIT & DISCUSSION
12.04.2003 (SATURDAY)	1600 hrs	Discussion with the officers of RITES Ltd.
	1800 hrs	Discussion with the officers of Mishra Dhatu Nigam Ltd.

(NIGHT HALT AT HYDERABAD)

13.04.2003 (SUNDAY)	0615 hrs	Departure for Visakhapatnam by CD-7561 (0730 Hrs.)
	0830 hrs	Arrival at Visakhapatnam
	1030 hrs	Discussion with the officers of Rashtriya Ispat Nigam Ltd. (Audit Para Nos. 21.6.1 of C&AG's Report No. 3 of 2002)
	1200 hrs	Discussion with the officers of Bharat Heavy Plates & Vessels Ltd.

(NIGHT HALT AT VISAKHAPATNAM)

14.04.2003 (MONDAY)	0900 hrs	Discussion with the officers of Hindustan Shipyard Ltd.
	1015 hrs	Discussion with the officers of Dredging Corporation of India Ltd.
	1330 hrs	Departure for Chennai by CD 7477 (1505 hrs)
	1610 hrs	Arrival at Chennai
	1800 hrs	Discussion with the officers of Bharat Petroleum Corporation Ltd. (Audit Para Nos.16.1.1 & 16.1.2 of C&AG's Report No.3 of 2002)

(NIGHT HALT AT CHENNAI)

15.04.2003 (TUESDAY)	0900 hrs	Discussion with the officers of Chennai Petroleum Corporation Ltd. (Audit Para No.16.2.1 of C&AG's Report No.3 of 2002)
	1045 hrs	Discussion with the officers of Shipping Corporation of India Ltd.

DISPERSAL

ANNEXURE – II

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS WHICH VISITED HYDERABAD, VISAKHAPATNAM AND CHENNAI FROM 12TH TO 15TH APRIL, 2003

MEMBERS, LOK SABHA

1. Prof Vijay Kumar Malhotra, Chairman
2. Shri Ram Tahal Chaudhary
3. Shri K. E. Krishnamurthy
4. Dr. Prasanna Kumar Patasani
5. Shri Tarit Baran Topdar
6. Shri V. Vetriselvan

MEMBERS RAJYA SABHA

7. Sh. Kalraj Mishra
8. Shri Satish Pradhan
9. Sh. K.Kalavenkata Rao
10. Sh. Lalitbhai Mehta

SECRETARIAT

1. Shri S Bal Shekar, Director
2. Shri Raj Kumar, Under Secretary

ANNEXURE-III

**LIST OF OFFICIALS OF BHARAT HEAVY PLATE AND
VESSELS LIMITED WHO WERE PRESENT DURING
DISCUSSION WITH THE COMMITTEE ON PUBLIC
UNDERAKINGS AT VISAKHAPATNAM ON 13-4-2003**

S.NO	NAME	DESIGNATION
1.	Shri Shailendra N.Roy	Managing Director
2.	Shri I.S.S.S.Ganesh	General Manager(Fin)
3.	Shri D.N.Raju	General Manager(PP&E)
4.	Shri I.B.S.V.Rao	Head (Commercial)
5.	Shri V.Raghavendra Rao	Head(HR)
6.	Shri B.Kameswara Rao	D.G.M.(Project Management)
7.	Shri P.M.Gandhi	Head(Projects & Construction)