

# ESTIMATES COMMITTEE (1969-70)

(FOURTH LOK SABHA)

## HUNDRED AND FOURTEENTH REPORT

MINISTRY OF INDUSTRIAL DEVELOPMENT,  
INTERNAL TRADE AND COMPANY AFFAIRS

**Action taken by Government on the recommendations contained in the Eighty-Fifth Report of Estimates Committee (Fourth Lok Sabha) on the Ministry of Industrial Development, Internal Trade & Company Affairs—Recognition of additional capacity in the Barrel Industry in spite of its being on the banned list.**



LOK SABHA SECRETARIAT  
NEW DELHI

April, 1970/Chaitra 1892 (Saka)

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## ESTIMATES COMMITTEE

(1969-70)

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Shri B. B. Tewari—*Deputy Secretary.*

Shri Y. Sahai—*Under Secretary.*

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\*Elected w.e.f. 22.12.69 vice Shri G. G. Swell resigned.

(iii)

**STUDY GROUP 'E' OF ESTIMATES COMMITTEE  
(1969-70)**

**CONVENER**

**Shri Arangil Sreedharan**

**MEMBERS**

2. Shri S. A. Agadi
3. Shri R. S. Arumugam
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6. Shri Bhanudas Ramchandra Kavade
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12. Shri Zulfiqar Ali Khan\*
13. Shri Gunanand Thakur
14. Shri Tula Ram
15. Shri Ramesh Chandra Vyas

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\*Nominated on 29.12.69 vice Shri G.G. Swell resigned.

## INTRODUCTION

1, the Chairman of the Estimates Committee having been authorised by the Committee, present this Hundred and Fourteenth Report of the Estimates Committee on the action taken by Government on the recommendations contained in the 85th Report of the Estimates Committee (Fourth Lok Sabha) on the Ministry of Industrial Development, Internal Trade and Company Affairs—Recognition of additional capacity in the Barrel Industry in spite of its being on the banned list.

2. The 85th Report was presented to Lok Sabha on the 30th April, 1969. Government started furnishing their replies, indicating action taken on the recommendations contained in the Report, from the 27th October, 1969, and the additional information called for by the Committee on some of the replies were furnished by the 5th March, 1970. The replies were examined by the Study Group 'E' of the Estimates Committee (1969-70) at their sittings held on the 22nd December, 1969 and 30th January, 1970. The draft Report was adopted by the Estimates Committee (1969-70) on the 2nd April, 1970.

3. The Report has been divided into the following Chapters :

- I. Report.
- II. Recommendations which have been accepted by the Government.
- III. Recommendations which the Committee do not desire to pursue in view of the Government's reply.
- IV. Recommendations in respect of which replies of Government have not been accepted by the Committee.

4. An analysis of the action taken by Government on the recommendations contained in the 85th Report of the Estimates Committee (Fourth Lok Sabha) is given at Appendix II. It would be observed therefrom that out of 31 recommendations made in the Report, 14 recommendations, *i.e.* 45.16 per cent have been accepted by Government and the Committee do not desire to pursue 7 recommendations, *i.e.* 22.58 per cent in view of Government's reply. Reply of Government in respect of 10 recommendations, *i.e.* 32.26 per cent have not been accepted by the Committee.

NEW DELHI;  
April 8, 1970.  
Chaitra 18, 1892(S).

M. THIRUMALA RAO,  
Chairman,  
Estimates Committee.

## CHAPTER I

### REPORT

*Considerable increase in the licensed capacities by the Commercial Barrel Fabricators without prior permission of Government (S. Nos. 7, 8, 10 to 16 and 29).*

The Committee had observed that from the material available to the Committee and the evidence tendered before them by representatives of the Ministry of Industrial Development and Company Affairs, Petroleum and Chemicals and Director General of Technical Development, it had been revealed that the licensed capacities were increased very considerably and fresh capacities created by the Commercial fabricators without the prior permission of the Government as required under the Industries (Development and Regulation) Act, 1951. Instead of proceeding against the fabricators for the various irregularities and violations of the Act, the Government condoned the contraventions of the Act and even recognised their unauthorised capacity as assessed in 1963-64 and started allocating raw material to these firms on that basis. The Committee felt that all this was irregular and should not have been done as it encouraged further violations of the Act by fabricators. In fact this recognition of 1963-64 assessed capacity seemed to have encouraged the barrel fabricators to expand their capacities further with the result that during the reassessment of 1965 the capacities of the various fabricators were found to have increased from 67,778 tonnes in 1963-64 to 90,450 tonnes in 1965. The Committee recommended that a comprehensive enquiry should be held to fix responsibility on the part of concerned officers who failed to initiate penal action against violations of the Act by the fabricators as soon as the same were detected. At the same time, the Committee urged that action should be initiated against the Fabricators for violations of the various provisions of the Act and the rules. Effective action was also to be taken to ensure that those who had contravened and circumvented the regulations did not derive any benefit therefrom. This was necessary to bring home to the law breakers that violation of the Act did not ultimately pay.

2. The Government in their reply have stated that "The observations of the Estimates Committee have been carefully considered by the Government. It has already been explained to the Estimates Committee that the assessment of capacity in the barrel industry has been unique in the sense that the reassessment of assessed capacity became necessary not only on account of the representations received from some of the fabricators, but also the need for meeting the growing requirements of lubricating oil barrels as indicated by the Ministry of Petroleum & Chemicals. The present assessment of 1963-64 have been accepted by the Government for the purpose of raw material allocation. These capacities are on a single shift basis. It would be noted that recognition of these capacities for the purpose of raw material allocation was given after consideration at an inter-Ministerial meeting and also after obtaining higher approval. It would also be noted that even with regard to the licensed capacity, factors like actual establishment of the capacity, capacity of the fabricators for the onsumption of steel, etc., etc., would

be very relevant factors affecting the allocation of raw material. The Estimates Committee have made a very important suggestion in recommendation No. 17, about limiting the allocation of raw material in the Industry to the licensed capacity. This particular recommendation has been examined in consultation with the Law Ministry and a reply has already been forwarded to the Estimates Committee stating *inter alia* that it would not be possible to disturb the present scheme of distribution of raw material in view of the Delhi High Court Injunction in this regard.

While the capacities based on 1963-64 Inspection have been accepted by Government, the capacities indicated as a result of inspection during 1965 have not so far been recognised. Government will keep in view the suggestions of the Committee that effective steps should be taken to ensure that those who have increased their capacity without due authority are not allowed to derive benefit from such increase. The question of prosecution of the fabricators as recommended by the Estimates Committee has been examined in consultation with the Law Ministry. A reply has been sent to the Estimates Committee stating, *inter alia*, that it would not be useful to pursue the question of prosecution for violations upto the 1963-64 assessment, while prosecution in respect of the further violations during 1965 may be feasible in the light of the general decision to be taken by Government on the ILPIC Report about excess production in some of the licensed units in various industries.

As mentioned earlier, the various factors leading to the recognition of the 1963-64 assessment have been set out in the reply to the Estimates Committee both in the form of written material and in oral evidence. There is unlikely to be any information of importance which has not been placed before the Estimates Committee for consideration. The entire matter was, however, again examined exhaustively with reference to all record and documents in the light of Estimates Committee's recommendation No. 29. As decisions in this regard have been considered and taken from time to time inter-ministerially and with approval at a high level keeping in view all the aspects of the matter, it is felt that action aimed at fixing responsibility on the part of the officers concerned would not be worth the effort considering the likely final result."

**3. The Committee have examined the reply of the Government and given their earnest consideration to it. They are not able to accept the reply of Government and they reiterate their earlier recommendations.**



## CHAPTER II

### RECOMMENDATIONS THAT HAVE BEEN ACCEPTED

#### BY THE GOVERNMENT

##### Recommendation (Serial No. 1 Para No. 2.32)

The Committee note that the Drum and Barrel Industry was placed on the banned list in March, 1960 when the capacity of the barrel fabricators was 36,940 tonnes only. This capacity increased to 67,778 tonnes in 1963-64 and to 90,450 tonnes in 1965. Between 1960 and 1965 the capacity of M/s. Bharat Barrels had increased from 18,300 tonnes to 38,000 tonnes, of M/s. Standard Drums from 3,700 tonnes to 17,900 tonnes, of M/s. Steel Containers, Bombay from 5,860 tonnes to 9,450 tonnes, of M/s. Industrial Containers, Calcutta from 6,000 tonnes to 11,000 tonnes while a new capacity of 10,260 tonnes was created by M/s. Hind Galvanising and Engineering Co. Calcutta. The increase in capacities has generally been due to additions of plant and machinery by the fabricators. The various irregularities and malpractices indulged in by the individual barrel fabricators in increasing their capacity has been dealt with in Section F of Chapter-II.

##### Reply of Government

The observations of the Estimates Committee have been noted by the Government.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), dated the 28th October, 1969]

##### Recommendation (Serial No. 2 Para No. 2.33)

The Committee observe that assessment of capacities in this industry has been made by Government twice *i.e.* in 1963-64 and 1965 without taking the industry out of the banned list. The Committee further note that the capacities assessed in 1963-64 have also been recognised for the purpose of allocation of raw materials. The Committee are unable to share the view of the Ministry of Industrial Development, Internal Trade and Company Affairs that it was not necessary to take this industry out of the banned list before allowing increased capacity in this industry. The Committee consider that since the policy governing Industrial—Licensing is announced periodically in the form of two lists *viz.* 'list of banned industries' and the 'merit list', normally no applications are to be considered by the Licensing Committee for the grant of industrial licences in respect of the industries in the banned list and intending entrepreneurs would naturally keep away from submitting applications for industrial licence in such industries. The Committee do not also agree with the contention of the Ministry of Industrial Licensing is announced periodically in the form of that applications in the banned industries may be considered on account of exceptional features. They note that these exceptional features have not been laid down by the Licensing Committee which is consulted in the preparation of 'banned list' and is

the main body which processes applications for industrial licences. It is really disquieting that in this case neither this industry was taken out of the 'banned list', nor was prior approval of the Licensing Committee taken before undertaking assessment of the capacity of barrel manufacturers in 1963-64 and 1965. What is more surprising is that the reassessed capacities of 1963-64 were approved at an Inter-Ministerial meeting in June, 1964, and raw material began to be allotted on the basis of these capacities without prior approval of the Licensing Committee. This approval was taken after over two years i.e. in September, 1966 although the Licensing Committee meets once every fortnight.

#### **Reply of Government**

Government have noted the views of the Estimates Committee. It is, however, pointed out that in the recent past the policy of the Government has been not to grant any licence for an industry figuring in the banned list unless for adequate and justifiable reasons it is decided to remove the item from the banned list, so that every entrepreneur has equal chance to apply for licence in the industry in question. It has already been pointed out to the Committee that the banned list of industries which is prepared periodically is only an illustrative list of industries in which applications for industrial licences may ordinarily be rejected without reference to the Licensing Committee.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), dated the 28th October, 1969]

#### **Recommendation (Serial No. 4 Para No. 2.35)**

The Committee feel that the assessment and reassessment of capacities of the barrel fabricators has been done in an irregular manner. They consider that the normal course which should have been adopted in this case was first to take this industry out of the banned list so that any new entrepreneur interested to enter this profitable industry would have got a fair chance to do so. This apart additional/new capacities should have been further recognised only after the approval of the Licensing Committee and the Government as required under the Act.

#### **Reply of Government**

The observations of the Committee have been noted by the Government. The Committee may, however, kindly note that it is now the policy of the Government not to grant an industrial licence for an industry figuring in the banned list unless the industry in question is removed from the banned list for justifiable reasons so that the entrepreneurs may be well aware of the change in the licensing policy of the Government with regard to the particular industry.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), dated the 28th October, 1969]

#### **Recommendation (Serial No. 5 Para No. 2.43)**

The Committee note that the Defence requirements of oil barrels are met from the Ordnance Factory, Bhusawal. However, the lubricating oil supplied by the oil companies in barrels to Defence is stated to be supplied

in trade barrels. The Committee are surprised that in assessing increased Defence requirements of oil barrels, the Ministry of Industrial Development, Internal Trade & Company Affairs relied on the information supplied by the manufacturers and did not care to verify it from the Ministry of Defence or the DGS&D. They consider that in such cases, the Ministry/Department concerned should have been consulted in order to obtain accurate facts. This has not been done in the present case. The Committee consider it a serious lapse.

### Reply of Government

The Government have noted the views of the Committee.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), dated the 28th October, 1969]

### Further Information called for by the Committee

Please indicate as to what follow up action has been taken in regard to the recommendation at S. No. 5, Para No. 2.43.

[Lok Sabha Sectt. O.M. No. 4/26(1)ECI/68, dated 26-12-1969]

### Reply of Government

It was earlier intimated to the Estimates Committee that this recommendation of the Committee has been noted by the Government.

The Lok Sabha Secretariat has since enquired about the follow-up action taken on this particular recommendation. In this connection attention is also invited to recommendation No. (14) in which, *inter-alia*, it has been stated that the firm has contravened the provisions of the Industries (Development & Regulation) Act and also committed certain irregularities, among which, one is that the firm claimed to have supplied oil barrels to Defence Departments, which was not corroborated by the Defence authorities.

While tendering evidence before the Estimates Committee, it was explained that it was not strictly necessary or easily possible to verify this supply reported to have been made by the firm to the Defence Departments. It was also pointed out that an attempt was made in the Ministry to check the facts from the D.G.S.&D., but no information was forthcoming from that Department. In the meantime the question of recognition of their oil barrel manufacturing capacity was considered and discussed at an inter-Ministerial meeting and decisions were taken in that regard.

Again attention in this connection is invited to pages 46-47 of the Report of the Estimates Committee, which indicates the list of parties to whom the firm have supplied oil barrels during 1962 to 1964. Among the parties mentioned, M/s. Chief Engineer's Project, M/s. Major Chief Engineers Pvt. Dentok and M/s. Officers' Command were taken to be the Defence Departments. With a view to verifying the matter further, the firm was addressed to supply relevant particulars of the customers in question. On receipt of the particulars, the matter was also referred to the Ministry of Defence, Department of Defence Production for checking up the accuracy of the facts furnished by the firm. The Ministry of Defence have furnished their comments along with a statement (Appendix-I) indicating the position in regard to the supplies made by the firm to various parties. The Ministry of

Defence, however, have commented that the purchases made by M/s. Major Chief Engineers Pvt. Dentok related to the Director General of Border Roads, who are financed from the Transport Ministry's budget. As regards the purchases made by the Air Force Units, they were done under the financial powers of Headquarters Maintenance Command. The purchases pertaining to Gun and Shell Factory, Cossipore, were made by the General Manager within his financial powers and not with the previous concurrence of the Department of Defence Production. The Ministry of Defence have pointed out that none of these purchases made were within the knowledge of the Defence Ministry. Although the position is technically correct, the fact remains that these supplies were made towards meeting Defence requirements directly or indirectly and this position was also emphasised by the Secretary, Industrial Development during his evidence before the Estimates Committee in September, 1968.

It would be observed that there is nothing substantially wrong in the firm's contention and it is also felt that no *mala fide* misrepresentation was involved. It is, however, agreed that the necessary verification with the concerned Department like the DGS&D was not obtained before this could be argued in support of the decision for recognition of their oil barrel manufacturing capacity.

[Min. of I.D.I.T. & C.A. O.M. No. 1(39)/69-LEI(B), dated 20th January 1970]

#### **Recommendation (Serial No. 6 Para No. 2.44)**

The Committee would also like the Ministries of Industrial Development, Internal Trade and Company Affairs and of Petroleum and Chemicals to take note of the spare capacity available with the Ordnance Factory, Bhusawal with a view to utilise the same in consultation with the Ministry of Defence.

#### **Reply of Government**

The position has been noted and the concerned authorities have also been advised of the spare capacity available with the Ordnance Factory.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

#### **Recommendation No. (Serial No. 19 Para No. 2.121)**

The Committee are unhappy to note that the Ministry of Industrial Development and Company Affairs have not thought of exercising any control over the price of lube barrels supplied by fabricators to the oil companies which has resulted in great hardship to the oil companies. They feel that if scarce raw material is allocated to the fabricators by DGTD and is supplied to them, at the prescribed rates by the steel companies, there should be a corresponding obligation on them to supply their products to the oil companies on reasonable rates. The Committee suggest that the Ministry of Industrial Development and Company Affairs may consider this matter and take an early decision.

### Reply of Government

It is pointed out that there is at present no statutory control over the price or distribution of steel sheets. The allocation of steel sheets is now the responsibility of the Joint Plant Committee and allocation is being done by them at prescribed rates and there is no question of controlling the prices of the steel sheets. In this context the question of controlling the prices of barrels is being examined further. The feasibility of allocating sheets directly to the oil companies, which can be considered after receipt of Court's orders (referred to in Reply to Recommendation No. 18) will also be taken into account in this connection.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

### Comments of the Committee

The Committee had recommended that as scarce raw materials for barrel manufacture were being allocated to the fabricators by D.G.T.D. at prescribed rate, Government should consider as to how the corresponding obligations on the fabricators to supply the oil barrels to the oil companies at reasonable rates should be given effect to. Government have stated in reply that "the question of controlling the prices of barrels was being examined further." The Committee would like to stress the need to take an early decision by Government in the matter so that the oil companies get barrels at reasonable rates.

### Recommendation (Serial No. 20, Para No. 2.122)

The Committee note that after the decontrol of steel, the barrel fabricators are not furnishing the oil companies information regarding the quantity of steel sheets received by them and the oil barrels manufactured for the oil companies out of this quantity. They have been informed that in the production returns, submitted by the oil fabricators to the D.G.T.D., the fabricators are not required to specify the names of customers to whom the barrels are supplied by them. The Committee feel that since the steel sheets are scarce items and are allocated to the oil fabricators for supplying barrels to the oil industry who are their main consumer, it should be made obligatory on the fabricators to indicate in their production returns, the quantity of steel sheets received by them, the number of oil barrel produced, the names of customers to whom the oil barrels have been sold so as to ensure that the steel sheets have been utilised by the fabricators for the purpose for which the allocations had been made. The oil Companies should simultaneously be required to furnish information regarding the oil barrels received by them from the fabricators so as to verify the correctness of the information furnished by the fabricators. The Committee would like the D.G.T.D. to critically scrutinise the returns before allocating steel sheets for the rest quarter.

### Reply of Government

The D.G.T.D. have been advised to evolve in consultation with the Ministry of Petroleum & Chemicals and Mines & Metals, a suitable proforma for collecting and checking up the information furnished by the fabricators, as recommended by the Estimates Committee.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th November, 1969]

### Comments of the Committee

The Committee regret to note that while Government accept the recommendation of the Committee, they have not so far evolved a suitable procedure and devised a proforma for collecting and checking the information furnished by the fabricators. The Committee strongly feel that not only the procedure in this regard should have been evolved but the recommendation implemented by Government, by now, even though the Report was presented on 30-4-1969.

#### Recommendation (Serial No. 22, Para No. 3.13)

The Committee are concerned to note that in the present case the very persons who are operating this industry in the large sector at Calcutta have set up this unit in the small scale sector. This amounts to circumventing the ban on this industry in the large scale sector. The Secretary of the Ministry of Industrial Development, Internal Trade and Company Affairs himself admitted that "the question of entry of the large scale industrialist into the small scale field is now posing a definite problem for the Government". Since the small scale sector is meant for small entrepreneur of limited means the Committee would urge the Government to examine the whole matter with a view to prevent the entry of large scale industrialists in the small scale sector.

#### Reply of Government

It is true that persons owning large scale units or having large financial interests therein are found to have set up units which are covered by the definition of a small scale industries and seek to avail themselves of the facilities and advantages provided for the small scale industries. Government have, therefore, decided that the following criteria should be applied to distinguish such units from genuine small scale industries—

- (i) where the unit is a subsidiary or associate of a company which does not come within the definition of a small scale industry;
- (ii) where a sizeable portion of the capital of the unit is held by one or more firms which do not come within the definition of a small scale unit;
- (iii) where the financial statement of the unit reveals considerable inter-locking of capital and loan funds between one or more concerns under the same management and where the loans finance only these transactions but not production of the units;  
or
- (iv) where an advance has been guaranteed to the unit by big industrial units or persons possessing large means.

In case any of the criteria mentioned above is attracted, the unit concerned shall not be entitled to any special assistance under the small scale industries programme of the Government. However if such units come under the definition of small scale industries, they may register themselves with the Director of Industries of the State provided they have a separate legal entity but they will not be entitled to any of the special assistance to which genuine small scale units are entitled.

[Ministry of Industrial Development, Internal Trade & Company Affairs,  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

**Recommendation (Serial No. 24 Para No. 4.11)**

The Committee regret to note that the industrial licence application of Indian Oil Corporation for the setting up of a plant for the manufacture of drums and barrels at their Madras Refinery, has been rejected by Government.

**Reply of Government**

Please see reply to Recommendation No. 27.

[Ministry of Industrial Development, Internal Trade & Company Affairs,  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

**Recommendation (Serial No. 25, Para No. 4.12)**

In the course of evidence the Committee were informed by the Secretary, Ministry of Industrial Development, Internal Trade and Company Affairs that the following points for and against the application of the Indian Oil Corporation were under consideration of Government.

Points against :—

- (i) The capacity for the manufacture of drums and barrels existing in the country was considered adequate to meet the requirements of the Oil Industry and therefore creation of fresh capacity by Indian Oil Corporation would mean fresh investment which on broader economic considerations may not be justified.
- (ii) There was considerable under-utilisation of capacity in this industry due to scarcity of raw material.

Points for :

- (i) A part of the manufacturing capacity for drums and barrels had admittedly come into existence in an unauthorised manner.
- (ii) The record of the principal manufacturing firms concerned did not inspire a great deal of confidence that there will be complete fairplay in their dealings with the Indian Oil Corporation.

**Reply of Government**

Please see reply to Recommendation No. 27.

[Ministry of Industrial Development, Internal Trade & Company Affairs,  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

**Recommendation (Serial No. 26 Para No. 4.13)**

It appears that in rejecting the industrial licence application of the Indian Oil Corporation, Government have given greater weight to the existence of the manufacturing capacity in the country and avoidance of fresh investment. The Committee are unable to agree with the decision of the Government for the following reasons :—

- (i) This industry was placed on the banned list in 1960 when the total capacity of all the barrel fabricators was 36,940 tonnes. Since then, all the fabricators have increased their capacity con-

siderably in an unauthorised and irregular way and in clear violation of the Industries (Development & Regulation) Act, 1951. The result is that the assessed capacity of the fabricators in 1965 was 90,450 tonnes *i.e.*, near about 245 per cent over the 1960 capacity. Even the assessed capacity of 1965 is being challenged by some of the fabricators who claim the existence of still higher capacities. It is thus evident that the major portion of the existing capacity of the barrel fabricators has been created in an unauthorised manner. It is also noticed that the barrel fabricating industry is at present monopolised by a few firms only. The denial of the captive plant to the Indian Oil Corporation would thus amount to rewarding the very persons who have committed a violation of the Act and is therefore likely to encourage further violations of the Act by other industries also. The Committee have already commented on the surreptitious increased of capacities by these fabricators in Section F of Chapter II of this report. The Committee consider that on this ground alone the application of the Indian Oil Corporation needs reconsideration by Government. They would like it to be well understood by all concerned that breach of law does not pay.

- (ii) The various consumer oil companies as well as the Indian Oil Corporation have adversely commented on the dealings of the Drum and Barrel fabricators which has been referred to in Section G of Chapter II of the report. This has also been corroborated by the Secretary, Ministry of Industrial Development and Company Affairs during evidence. The denial of the plant to the Indian Oil Corporation would therefore amount to giving a premium to unfair dealings of these companies and leaving the Corporation at the mercy of these companies.
- (iii) The drum and barrel fabrication industry is a highly profitable industry. According to the figures given by the Indian Oil Corporation their savings as a result of the setting up of this plant, would amount to about Rs. 45 lakhs, apart from a saving of Rs. 2.5 lakhs on transportation charges, annually on a total Investment of about Rs. 25 lakhs only. Moreover, no expenditure of foreign exchange will be involved in the setting up of the plant by the Indian Oil Corporation since all the fabricating machines for drums and barrels are now manufactured indigenously. There is no reason why this public sector company should be deprived from effecting savings to the tune of about Rs. 48 lakhs per annum which will ultimately accrue to the public exchequer.
- (iv) The setting up of the captive plant by the Indian Oil Corporation at Madras would not in any way affect the existing business of the fabricators as the Indian Oil Corporation will utilise the capacity for packaging the lubricating oils, to be produced by them in their Madras Refinery.
- (v) The setting up of barrel manufacturing plant by the Indian Oil Corporation would enable production, filling, storage and despatch of lubricating oils under the same roof.



### Reply of Government

Please see reply to Recommendation No. 27.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

### Recommendation (Serial No. 27, Para No. 4.14)

Having regard to the consideration enumerated above, the Committee feel that the application of the Indian Oil Corporation to set up their own captive plant at Madras should be reconsidered by Government.

### Reply of Government

The fresh application of M/s. Indian Oil Corporation for an industrial licence for setting up of a plant for the manufacture of drums and barrels at their Madras refinery has been considered by Government and an industrial licence is being issued to them.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

### Recommendation (Serial No. 28, Para No. 5.1)

The Drum and Barrel Industry came under the purview of the Industries (Development & Regulation) Act, 1951, on the 1st October, 1953. In March, 1960, the industry was placed on the banned list as adequate capacity had been set up/licensed there being no scope for creation of additional capacity. At the time of inclusion of the industry in the banned list, there were only 5 firms (namely M/s. Bharat Barrel & Drum Manufacturing Company, Bombay, Standard Drum & Barrel Manufacturing Company, Bombay, Steel Containers Limited, Bombay, Industrial Containers, Calcutta and M/s. Assam Oil Company, Digboi (who are consumer fabricators) engaged in the manufacture of 40/45 gallon capacity lube barrels. The total licensed capacity of the aforesaid 5 firms in March, 1960 was 36,940 tonnes. Though the Drum and Barrel Industry continues to remain in the banned list even to this day, yet the capacity of the barrel fabricators was assessed by Government during 1963-64 on account of pressure from the fabricators. It was found that the total capacity had increased to 67,778 tonnes by then. This capacity was found to have increased further to 90,450 tonnes the very next year when there was, a further re-assessment. Not only the capacity of all the existing plant was expanded substantially during the period but two new units namely, M/s. Bharat Barrel and Drum Manufacturing Company, Calcutta and M/s. Hind Galvanising & Engineering Company, Calcutta had been set up and were recognised by Government as fresh entrants in 40/45 gallons barrel manufacturing field for allocation of raw material. It is regrettable that all this happened while the industry was in the banned list.

### Reply of Government

The Government have noted the observations of the Committee which will be kept in mind with a view to avoiding recurrence of similar situations in future.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

**Recommendation (Serial No. 30, Para No. 5.3)**

It is also significant to note that barrel fabrication industry, is now monopolised by a few firms only and that one of the firms holds as much as 40 per cent of the total licensed capacity in this industry even today. In this context the Committee would particularly like to draw the attention of the Government to the continuing shortage of raw material *i.e.*, 18-G steel sheets. They have already commented on the existence of unutilised capacity in the steel mills on the one hand and non-availability of steel sheets on the other. The Committee are convinced that all these difficulties would not have arisen if the supply position of raw material was comfortable. In view of the chronic shortage of 18-G steel sheets there has been, as it were, a race among fabricators to increase their installed capacity by any means so as to be able to get hold of more raw material which is allocated on a prorata basis of the assessed capacity. In this connection, the Committee are concerned to note that the fabricators are stated to have charged exorbitant prices for oil barrels from the oil companies while the raw material was made available to them at prescribed rates. This underlines the need to regulate the prices of oil barrels by Government so as to ensure that the interest of the consumer and user industry are also properly protected.

**Reply of Government**

Please see reply to Recommendation No. 31 which outlines the present position in regard to the production of 18 gauge steel sheets. As explained in replies to recommendation No. 18 and 19, the regulation of the prices of oil barrels by the Government is being examined further in view of there being at present no statutory control in regard to price and distribution of steel. If a satisfactory arrangement for direct allocation to the oil companies can be evolved after the Court's orders are received, the problem of high prices of barrels reportedly charged by the fabricators will to a great extent have been solved.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

## CHAPTER III

### RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLY

#### Recommendation (Serial No. 3, Para No. 2.34)

The Committee regret to note that the re-assessment of the capacities in 1963-64 and 1965 was made mainly as a result of the representations made by the barrel fabricators. The plea that the assessment in 1963-64 was made because increased demand by the Petroleum industries for oil barrels does not hold good inasmuch as the communication from the Ministry of Petroleum and Chemicals was received in June, 1964, while the physical inspection of the units and assessment of capacities had been made during December, 1963 to February, 1964.

#### Reply of Government

It is pointed out that although the formal communication from the Ministry of Petroleum and Chemicals was received only in June, 1964, this Ministry was aware of the need for reassessment of fabricating capacity in the oil barrel industry. At the meeting of the Oil Companies and the Oil Barrel Manufacturers held on 21st September, 1963, convened by the Ministry of Petroleum & Chemicals when a representative of the DGTD was also present, the need for re-assessing capacities was discussed in view of the growing demand for lube barrels. Again at the meeting held on 27th December, 1963, of the Oil Companies and the Barrel Manufacturers convened by the Ministry of Petroleum & Chemicals when DGTD's representative was also present, it was agreed that a reassessment of the barrel fabricating capacity was required to be done. Although the fabricators had been representing to the Government for reassessment of their installed capacities and action was taken to have these capacities assessed by technical officers, the increasing requirements of oil barrels was kept in view and the need for reassessing capacity in this industry was also appreciated. This position has been brought to the notice of the Estimates Committee and a foot note to this effect has been made at page 18 of the 85th Report of the Estimates Committee.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O. M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

#### Recommendation (Serial No. 9 Para No. 2.56)

The Committee regret to note that various irregularities alleged to have been committed by this firm are under scrutiny since 1966 and that comprehensive investigation and report on this case is still awaited. The Committee are concerned at this inordinate delay and recommend that urgent action should be taken to expedite the investigations so as to reach a final decision in this matter without further delay.

### Reply of Government

The entire matter has been examined in consultation with the Ministry of Steel & Heavy Engineering, who have since advised the Iron & Steel Controller to lodge a complaint with the C.B.I. in the matter.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28 November, 1969]

### FURTHER INFORMATION CALLED FOR BY THE COMMITTEE

**Please indicate as to what follow up action has been taken in regard to the recommendation at S. No. 9, Para No. 2.56.**

[Lok Sabha Sectt. O.M. No. 4/26(1)ECI/68, Dated 26-12-1969]

### Reply of Government

It was earlier intimated to the Estimates Committee that the Iron & Steel Controller has been advised by the Ministry of Steel & Heavy Engineering to lodge a complaint with the C.B.I.

2. The Iron & Steel Controller has since lodged the complaint on the 3rd December 1969 with the Superintendent of Police, C.B.I., Calcutta.

The investigation by the C.B.I. is likely to take some time and efforts are being made to expedite their report.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 20th January, 1970]

### Recommendation (Serial No. 17 Para No. 2.119)

The Committee note that even since the introduction of steel control in 1946-47, allocation of steel sheets ex-S.P.I. quota is being made to the barrel fabricators on the basis of assessed capacity. This practice is stated to have been followed in the steel processing industry only. The Committee consider that after the application of the Industries (Development & Regulation) Act, 1951, to the drum and barrel industry, allocation of raw material to this industry should have been made on the basis of assessed capacity, subject to a maximum admissible on the licensed capacity of the units. In the opinion of the Committee, the allocation of steel sheets on the basis of assessed capacity which is more than the licensed capacity in this industry, has been mainly responsible for irregular expansion of capacities by the various barrel fabricators. The Committee recommend that immediate steps should be taken to limit the allocation of raw material in this industry upto the licensed capacities of the units. The Committee feel that this will have a salutary effect on the barrel fabricators not to indulge in mal-practices.

### Reply of Government

These recommendations of the Committee are being examined further, having regard to the circumstances obtaining in similar steel consuming industries and also keeping in view the orders of the Delhi High Court against disturbing the present scheme of distribution of iron and steel.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28 November, 1969]

### Further information called for by the Committee

Please indicate as to what follow up action has been taken in regard to the recommendation at S. No. 17, Para No. 2.119.

[Lok Sabha Secretariat O.M. No. 4/26(1)ECI/68, dated 26-12-1969]

### Reply of Government

It was earlier indicated to the Estimates Committee that their recommendations are being examined further. Government were on the point of accepting the recommendations of the Committee in this regard but on consultation with the Ministry of Law, it was observed that it would not be possible to adopt any system of allocation different from the basis which has been adopted by the D.G.T.D. prior to the grant of the interim injunction. Since the legal advice is to the effect that the interim injunction granted by Delhi High Court on a petition by one of the manufacturers prevents Government from accepting the recommendation of the Estimates Committee in this connection till the writ petition pending before the Court is finally disposed of, the matter will be reconsidered as soon as decision of the Delhi High Court on the petition is known.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 30th December, 1969]

### Recommendation (Serial No. 18 Para No. 2.120)

The Committee note that the oil barrel requirements of oil companies, who are their main users, are met to the extent of about 60 per cent due to the shortage of steel sheets in the country. The balance of requirement are stated to be met by the oil companies by using second hand drums which, apart from payment of higher prices, results in loss of products through leakage, dissatisfaction of customers, etc. The shortage of steel sheets has also resulted in the charging of high prices for oil barrels by the fabricators from the oil companies. The Committee in para 4.4 of their Eighty-Sixth Report on the Ministry of Petroleum and Chemicals—purchase of oil barrels by I.O.C. during 1966 against Tender No. OP/Ten-7/65, have already commented on the existence of unutilised capacity in the Hindustan Steel Limited on the one hand and shortage of steel sheets in the country on the other and have recommended the need to step up the production of steel sheets in the country.

The Committee further recommend that till the shortage of steel sheets continues, the question of allocation of steel sheets to the oil companies *vis-a-vis* the barrel fabricators, may be reconsidered by Government in all its aspect and in consultation with the Ministry of Law in view of the pending Court case in this regard. In this connection the point to be considered is that the oil barrels are mainly required by the oil companies and have a vital bearing on the working of their plants. Thus whatever arrangement is finally decided upon by Government in this regard, should be such as would ensure that the barrels are supplied by the fabricators to the oil companies on reasonable rates, in required quantities and in time so as to ensure uninterrupted supplies to the ultimate users of lube oil.

### Reply of Government

The Ministry of Steel & Heavy Engineering have stated that there is actually no usable capacity which is lying idle in Hindustan Steel Limited and in this context it is not correct to say that there is unutilised capacity in the Hindustan Steel Limited. The question of stepping up the production of scarce categories including 18 gauge sheets is constantly engaging the attention of that Ministry. Please see in this connection reply to Recommendation No. 31.

The suggestion of the Estimates Committee about allocation of steel sheets to the oil companies *vis-a-vis* the barrel fabricators has been examined by this Ministry in consultation with the Ministries/Departments concerned. With a view to ensuring a satisfactory arrangement in regard to the supply of barrels by the fabricators to the oil companies, there had been, in 1967, a proposal to make allotment of drum sheets to the oil companies who could get the barrels fabricated from the manufacturers. However, one of the barrel fabricators *i.e.* Messrs. Bharat Barrel & Drum Manufacturing Company Private Limited, Bombay subsequently obtained an interim injunction from the Delhi High Court which has ordered that the present practices of distribution of iron and steel should not be disturbed and that this could be considered alongwith the main petition filed by the same company which is still under the consideration of the Delhi High Court. In view of this decision, it is felt that it would not be possible to make any further move for suggesting the arrangement for supply of sheets to the oil companies so that they could have the barrels made from the fabricators. The appropriate course, it is considered, would be to get either the interim injunction vacated or have the main petition brought up before the Court of an early date so that a view could thereafter be taken on a satisfactory mode of allocation of sheets either to the oil companies or to the fabricators. With the lifting of control since May, 1967, the responsibility for the allocation of sheets to the fabricators rests with the Joint Plant Committee and any change in the present system of allocating the sheets could only be done after the orders of the Courts are received in regard to injunction as well as the main petition still to come up before the Delhi High Court. In view of this, further action to change the system of allocation of sheets in favour of the oil companies has to be kept in abeyance.

As regards prices, please see replies to Recommendation No. 19 and 30.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969].

### Recommendation (Serial No. 21 Para No. 3.12)

The Committee note that a drum and barrel manufacturing unit has been set up in the small scale sector at Visakhapatnam in spite of this industry figuring on the "banned list" in the large scale sector. They learn that this unit is an associate company of Messrs Hind Galvanising and Engineering Co., Calcutta. The Committee have been informed that under the existing orders there is no bar to the coming up of industries in the small scale sector even though that industry might have been banned in the large scale sector. The Committee consider the present position as anomalous. According to

the Government, the industries are placed in the banned list either because adequate capacity has been created in that industry or there is scarcity of raw material. In that case, it would appear to be logical that when an industry has been put on the banned list in the large scale sector, the ban should be made operative to that industry in the small scale sector also. The Committee do not view with favour the recent decision of Government that on regional or other special considerations, the State Directors of Industries may sponsor new units in banned industries with the approval of the Development Commissioner, Small Scale Industries. The proper course would appear to be that where it is considered that an industry which has been banned in the large scale sector, may be at all allowed to be set up in the small scale sector it should be exclusively reserved for development in the small scale sector and the decision made public so that all intending entrepreneurs have a fair and equal chance of entering that field.

### Reply of Government

The lists of banned industries announced by the Government every year are for the purpose of industrial licensing under the Industries (Development & Regulation) Act, 1951. The lists of banned items are in respect of industries in which sufficient capacity has already been established/licensed and which are reserved for small scale sector in which the large scale sector is not allowed to enter. Ordinarily, the Directors of Industries do not encourage the establishment of small scale units in the banned industries. But since the small scale sector is a free sector and there is no legal sanction for banning small scale units from coming up in the restricted lines, such units had come up on their own in the banned industries, when especially they do not require any assistance from the Central or the State Governments either in the shape of imported or indigenous scarce raw material or foreign exchange for machinery.

In so far as the small scale sector is concerned the Development Commissioner, Small Scale Industries has no legal powers to enforce the banned list for the purpose of industrial licensing rigidly. Since many of the Directors of Industries of States were critical of the banned list for the small scale sector, a concession was allowed that for rectification of regional imbalances, small scale industries in the restricted lines might be set up but with the concurrence of the DC SSI. Unless a statutory provision is made to enforce the banned list in the small scale sector, the position is not likely to alter materially and the small scale units may continue to come up in the restricted lines particularly when they do not require any governmental assistance.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

### Recommendation (Serial No. 23 Para No. 3.14)

The Committee are surprised that the Development Commissioner, Small Scale Industry who is supposed to assist and guide in the formulation of policies for the planning of small sector industry in the country in consultation with State Governments should be unaware of what is happening in this field in the States. It is imperative that he keeps himself posted with the latest developments and keeps the Ministry informed in so far as scheduled

industries are concerned. The Committee regret that there is lack of co-ordination between the Ministry and the Development Commissioner, Small Scale Industry in this regard. In this connection, the Committee would like to reiterate the recommendations made by them in their 9th Report (Fourth Lok Sabha) 1967-68 on industrial licensing that :

“There should be effective coordination between the two wings of the Ministry of Industrial Development and Company Affairs dealing with the scheduled industries and small scale sector so as to ensure optimum utilization of resources in both the sectors.”

### Reply of Government

The Development Commissioner, Small Scale Industries who is to assist and guide in the formulation of policies for planning small scale industries in the country in consultation with the State Governments is in close and constant touch with the State Directors of Industries on the one hand and the Ministry on the other. The industrial policies and programmes of the Government of India relating to the small scale sector and their implementation at the State level are discussed with the State Directors of Industries by the Development Commissioner once in every three months so as to coordinate the implementation of the small scale industries programme in all the States. The Development Commissioner is also in close touch with the Ministry of Industrial Development, Internal Trade & Company Affairs and presents the point of view of small-scale industries in the meetings of the Licensing Committee and other Committees.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

### Recommendation (Serial No. 31 Para No. 5.4)

The Committee would further like the Government to take energetic steps to step up production of 18 gauge steel sheets in the Rourkela and other Steel Plants to meet adequately the present and the growing demand of the oil industry.

### Reply of Government

The Ministry of Steel & Heavy Engineering who are concerned with the industry have informed that the question of augmenting production of scarce categories of steel including 18 gauge steel is constantly engaging their attention. They have also, furnished detailed production programme of the various units as follows :—

Sheets above 14 gauge are cold rolled in Hindustan Steel Limited and production of 18 gauge steel sheets is estimated at 2500 tonnes per month or 30,000 tonnes per annum. The total production of sheets at Hindustan Steel Limited for 1969-70 is estimated as under :—

Hot rolled sheets and coils—2,00,000 tonnes.

Cold rolled sheets & coils—1,65,000 tonnes.



Production from Hindustan Steel Limited is expected to increase to 3,000 tonnes to 3,200 tonnes per mensem of 18 gauge sheets from next year by which time the existing difficulties of the picking line of Hindustan Steel Limited, Rourkela, it is expected, would be over. Production at this rate is likely to continue in the Fourth Plan period.

Apart from Hindustan Steel Limited, Indian Iron & Steel Company Limited, also produces 18 gauge sheets. Its production is about 1,200 tonnes to 1,300 tonnes per mensem at present. Supplies at this level are expected to continue in the Fourth Plan period.

The Bokaro steel plant is expected to produce 4,25,000 tonnes of cold rolled sheets and strips per annum and it is expected to go into production in 1972-73.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated 28th October, 1969]

## CHAPTER IV

### RECOMMENDATIONS IN RESPECT OF WHICH REPLY OF GOVERNMENT HAS NOT BEEN ACCEPTED BY THE COMMITTEE

#### **Recommendation (Serial No. 7, Para No. 2.54)**

The Committee note that M/s. Bharat Barrel and Drums Manufacturing Company shifted a part of their plant and machinery for the manufacture of oil barrels from Bombay to Calcutta in 1962 without prior permission of the Government. This firm also effected substantial expansion of their factories at Calcutta and Bombay illegally and unauthorisedly without prior permission of Government and during the period when the industry was on the banned list. Apart from the other irregularities alleged to have been committed by this firm, it has committed a violation of section 13(1) of the Industries (Development & Regulation) Act, 1951 read with Rule 7 of the Registration and Licensing of Industrial Undertaking Rules, 1952, issued under the Act, and thus has rendered itself liable to action under section 24 of the Act.

#### **Reply of Government**

\*Please see reply to recommendation No. 8.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

#### **Comments of the Committee**

Please see comments in para 3 of chapter I of the Report.

#### **Recommendation (Serial No. 8, Para No. 2.55)**

The Committee regret to note that the shifting of a part of the plant and machinery by this firm from Bombay to Calcutta was condoned by Government in 1962. The Committee feel that had the provisions of the Act been enforced strictly, various malpractices and irregularities alleged to have been committed by this firm and others would not have been committed. The Committee recommend that suitable action should now be taken for the strict enforcement of the provisions of the Act in this case.

#### **Reply of Government**

\*The entire matter is under examination in consultation with the Ministry of Law. On receipt of their advice, further appropriate action will be taken.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

#### **Comments of the Committee**

Please see comments in para 3 of chapter I of the Report.

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\*Please see further information furnished by Government at S.No. 16.

### **Recommendation (Serial No. 10, Para No. 2.69)**

The Committee note that M/s. Standard Drum and Barrel Manufacturing Company, Bombay was granted a licence for a provisional capacity of 4,200 tonnes per annum out of which 3,700 tonnes per annum was recognised for the manufacture of 40/45 gallon oil barrels. The provisional capacity which was subject to re-assessment, was re-assessed in 1961 at 6,100 tonnes per annum *i.e.* after a lapse of 3 years, during which time this industry had been placed on the banned list. Again the capacity of the firm was re-assessed in 1964 along with that of other barrel manufacturers, and was found to have increased to 14,538 tonnes. At the re-assessment of capacities in 1965, the capacity of the firm was found to have further increased to 17,900 tonnes. Thus during the period from 1958 to 1965 the capacity of the firm for oil barrel manufacture increased from 3,700 tonnes to 17,900 tonnes *i.e.* an increase of about 480 per cent. All this happened when the industry was on the banned list and no new capacity or expansion of the old capacity could be permitted. According to the reports of the Inspecting Officers, the firm had installed both indigenous and imported machines in replacement of old machines as well as for balancing purposes.

### **Reply of Government**

\*Please see reply to recommendation No. 12.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

### **Comments of the Committee**

Please see comments in para 3 of Chapter I of the Report.

### **Recommendation (Serial No. 11, Para No. 2.70)**

The Committee are unhappy at the grant of licence for a provisional capacity to this firm in 1958 when its capacity was based on its past performance. The Committee has been informed that this is the only case where provisional capacity has been granted. Further the capacity of the firm had been assessed in 1954 at 3,200 tonnes only after a Time and Motion Study. Even if the provisional capacity had been granted, the same should have normally been finalised soon after 1958 but not after three years *i.e.* 1961 when this industry had been placed on the banned list. The Committee are unable to understand how the capacity of this firm was found to have increased so much after each assessment when every time the assessment was made on a Time and Motion Study.

### **Reply of Government**

\*Please see reply to Recommendation No. 12.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

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\*Please see further information furnished by Government at S. No. 16.

### Comments of the Committee

Please see comments in para 3 of Chapter I of the Report.

#### Recommendation (Serial No. 12, Para No. 2.71)

The Committee feel that this abnormal expansion of capacity by the firm is in contravention of the provisions of the Industries (Development & Regulation) Act, 1951 and therefore attracts the penal provisions of the Act and should be dealt with accordingly.

#### Reply of Government

\*The whole matter is under examination in consultation with the Ministry of Law. On receipt of their advice, further appropriate action will be taken.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

### Comments of the Committee

Please see comments in para 3 of Chapter I of the Report.

#### Recommendation (Serial No. 13, Para No. 2.89)

The Committee are perturbed to note that M/s. Hind Galvanising and Engineering Co., which was registered for the manufacture of small drums, has been recognised for the manufacture of oil barrels since 1964 for a capacity of 6,000 tonnes without a time and motion study although this industry has been on the banned list since 1960. The capacity of this firm has been found to have increased from 6,000 tonnes in 1964 to 10,260 tonnes during the assessment of 1965 *i.e.* by about 70 per cent during one year. It is also significant to note that although in December 1963, this firm applied for a capacity of 1,600 tonnes for the manufacture of oil barrels but in January 1964, it requested for a capacity of 9,000 tonnes. The Committee note that this firm tried for a licence for the manufacture of oil barrels in 1961 and for the import of machinery for the same purpose in 1963. Having failed in its attempt to secure the necessary licences from the Government to set up the oil barrel plant, the firm appears to have gone ahead with the setting up of such a plant by installing substantial additional machinery for the manufacture of oil barrels by purchasing the same from an established importer and by producing oil barrels in February, 1962 and supplying the same to various customers.

#### Reply of Government

\*Please see reply to recommendation No. 15.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

### Comments of the Committee

Please see comments in para 3 of Chapter I of the Report.

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\*Please see further information furnished by Government at S.No. 16.

**Recommendation (Serial No. 14, Para No. 2.90)**

The Committee are, however, concerned that the Government should have inspected the factory of this firm to assess their capacity for the manufacture of oil barrels in 1963 and recognised the same in 1964 under the plea that the assets of the firm were less than Rs. 25 lakhs. The Committee feel that the setting up of an industry, in the medium sector, which is on the banned list in the large scale sector, amounts to circumventing the Industries (Development & Regulation) Act, 1951 and the Rules made thereunder and does not appear to be permissible. In the opinion of the Committee, this firm has contravened the provisions of the Industries (Development & Regulation) Act, 1951 and has committed the following irregularities :—

- (i) It installed additional machinery for the manufacture of oil barrels by purchasing the same from established importers without prior approval of Government.
- (ii) It started manufacture of oil barrels—a new article without prior approval of Government in 1962.
- (iii) It utilised the quota of 16 to 25 gauge steel sheets given to it in 1963-64 for the manufacture of oil barrels instead of small drums without Government's approval.
- (iv) It claimed to have supplied oil barrels to Defence Department which was not corroborated by Defence authorities.
- (v) It increased its capacity for the manufacture of oil barrels by about 70 per cent between 1964-65 without Government's approval.

**Reply of Government**

\*Please see reply to recommendation No. 15.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

**Comments of the Committee**

Please see comments in para 3 of Chapter I of the Report.

**Recommendation (Serial No. 15, Para No. 2.91)**

The Committee feel that the above irregularities of this firm would attract the penal provisions of the Industries (Development & Regulation) Act, 1951, and recommend that action may be taken accordingly.

**Reply of Government**

\*The entire matter is under examination in consultation with the Ministry of Law. On receipt of their advice, further appropriate action will be taken.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

\*Please see further information furnished by Government at S. No. 16.

### Comments of the Committee

Please see comments in para 3 of Chapter I of the Report.

#### Recommendation (Serial No. 16, Para No. 2.98)

The Committee note that the capacity of M/s. Industrial Containers, Calcutta which was licensed for 6,000 tonnes in 1959, was assessed at 7,900 tonnes in 1964 and at 11,000 tonnes in 1965 *i.e.* an overall increase of about 83 per cent over licensed capacity. Similarly the capacity of M/s. Steel Containers Ltd., Bombay which was licensed for 5,860 tonnes in 1959, was assessed at 8,300 tonnes in 1964 and 9,450 tonnes in 1965 *i.e.* an overall increase of over 60 per cent over licensed capacity. The increase in the capacity of both these firms obviously amounts to substantial expansion which appears to have been effected without prior approval of Government. These cases would therefore also appear to attract the panel provisions of the Industries (Development and Regulation) Act, 1951.

#### Reply of Government

Appropriate action will be taken on receipt of advice from the Ministry of Law, in consultation with whom the entire matter is being examined.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), Dated the 28th November, 1969]

#### Further information called for by the Committee

Please indicate as to what follow up action has been taken in regard to the recommendations at S. Nos. 7, 8, and 10 to 16.

[Lok Sabha Secretariat O.M. No. 4/26(1)ECI/68, dated 26-12-1969]

#### \*Reply of Government

It was earlier intimated to the Estimates Committee that the recommendations suggesting penal action against the firms are being examined in consultation with the Ministry of Law.

The Estimates Committee have recommended that the manufacturers of Barrels who have contravened the provisions of the Industries (Dev. & Reg.) Act either by shifting of location or by establishing substantial expansion without the prior approval of the Government should be proceeded against according to the provisions indicated under Section 24 of the Ind. (D&R) Act. The Estimates Committee are already aware of the circumstances in which M/s. Bharat Barrel and Drum Manufacturing Co. Pvt. Ltd. had shifted machinery from Bombay to Calcutta and the ultimate decision of the Government to recognise the factory set up by the firm at Calcutta for the purpose of allocation of raw material. The other cases of expansion of capacity by M/s. Standard Drum & Barrel Manufacturing Co., M/s. Hind Galvanising and Engineering Co. Pvt. Ltd., M/s. Steel Containers Limited and M/s. Industrial Containers Ltd. have also been explained at length to the Estimates Committee. It was also set out in the replies to the Com-

\*This is a Composite reply to the recommendations at S. Nos. 7, 8 and 10 to 16.

mittee that the allocation of raw materials for the manufacture of barrels has all along been on the basis of assessed capacity and the basis of assessment at present is the assessed capacity accepted as a result of inspection undertaken during 1963-64. The capacities arrived at as a result of 1963-64 inspection/assessment have been invariably higher than the licensed capacities permitted in favour of these firms earlier. The fact also remains that the assessed capacities have been accepted by the Government and communications have also been sent to the various parties confirming these assessments of 1964.

The matter was explained to the Ministry of Law, furnishing the full background leading to the approval of these cases which contravene the provisions of the I.D.R. Act for which necessary penal action was to be initiated. The Ministry of Law have confirmed that in so far as the contravention of the provisions of the Act is concerned, the parties are liable to be prosecuted under Section 24 of the Act. The Ministry of Law have, however, opined that while it may be open to the Government to refrain launching a prosecution against these parties, there is no power expressly or by implication conferred on the Government by the Act to condone the breaches thereof. They have further pointed out that the fact of Government having condoned the breaches of the Act would by itself not constitute a defence to a prosecution, even though it may be a belated one. The penalty prescribed by Section 24 for the contravention of Section 13 is imprisonment which may extend to six months or fine which may extend to 5,000 rupees or both. In addition, if there is continuing contravention, which is continuing after the first conviction, an additional fine which may extend to five hundred rupees for every day of such contravention may be imposed.

The Ministry of Law have expressed a view further that if a prosecution is launched, in view of the delay and the fact that Government has itself issued letters purporting to regularise the action of the parties, a court will not impose a sentence of imprisonment and it is also unlikely that the maximum fine would be imposed. According to them, a token fine may be imposed in the case of the shifting of the factory of the Bharat Barrel and Drum Manufacturing Company Pvt. Limited from Bombay to Calcutta and in other cases of expansion/installation of excess capacity, in all probability the court would not impose the maximum fine in view of the fact that Government's approval from time to time could be pleaded in mitigation by the parties concerned.

The Ministry of Law have also stated that a smaller fine, in other words, a token punishment would not have any deterrent effect and in any case the expenses in connection with the prosecution are likely to be more. They have left to the administrative Ministry to come to a decision, as to whether, in the circumstances, it is at all worth while going through the process of a prosecution to achieve the result which is not likely to be substantial. The Ministry of Law have also stated that in some of the cases such as that of the Standard Drum and Barrel Manufacturing Co., it would appear that after the capacity had been re-assessed in 1964, there has been a further un-authorised increase in capacity. If this has been done by the installation of new machinery amounting to a substantial expansion, as distinct from improving productive capacity of the existing machinery by increased efficiency, then it may perhaps be worth-while to examine the possibility of prosecution in this and similar cases.

In the light of the views expressed by the Ministry of Law, the matter has been further considered in this Ministry and it has been felt that while penal action as recommended by the Estimates Committee is eminently desirable, the purpose would not be adequately served in relation to violations up to 1963-64 assessment which were at some time or other subsequently regularised by Government, since the expenses in launching a prosecution in relation to that violation are expected to be substantial and the resultant punishment to the parties may be only nominal. Nevertheless, since the 1965 assessment showed further substantial increases in capacities which have at no time been recognised or regularised by Government, Government are considering prosecution of these parties for their post 1963-64 violations in the light of the general decisions which are now being taken in connection with the recommendations made by the Licensing Policy Inquiry Committee regarding creation of excess un-authorized capacity. Further, Government would also keep in view the various acts of omission and commission on the part of the parties and take such other administrative decisions as may be necessary e.g. whether a ban should be imposed against any further expansion by these parties. As regards the suspected mis-use of raw materials, the Central Bureau of Investigation have been entrusted with the investigation by the Ministry of Steel and Heavy Engineering.

[Ministry of Industrial Development, Internal Trade and Company Affairs  
O.M. No. 1(39)/69-LEI(B), dated the 20th January, 1970]

### **Comments of the Committee**

Please see comments in para 3 of Chapter I of the Report.

### **Recommendation (Serial No. 29, Para No. 5.2)**

From the material made available to the Committee and the evidence tendered before them by representatives of the Ministries of Industrial Development and Company Affairs, Petroleum and Chemicals and Director-General of Technical Development, it has been revealed that the licensed capacities were increased very considerably and fresh capacities created by the commercial fabricators without the prior permission of the Government as required under the Industrial (Development and Regulation) Act, 1951. Instead of proceeding against the fabricators for the various irregularities and violations of the Act, the Government condoned the contraventions of the Act and even recognised their unauthorised capacity as assessed in 1963-64 and started allocating raw material to these firms on that basis. The Committee feel that all this was irregular and should not have been done as it encouraged further violations of the Act by fabricators. In fact this recognition of 1963-64 assessed capacity seems to have encouraged the barrel fabricators to expand their capacities further with the result that during the reassessment of 1965 the capacities of the various fabricators were found to have increased from 67,778 tonnes in 1963-64 to 90,450 tonnes in 1965. The committee recommend that a comprehensive enquiry should be held to fix responsibility on the part of concerned officers who failed to initiate penal action against violations of the Act by the fabricators as soon as the same were detected. At the same time, the Committee urge that action should be initiated against the Fabricators for violations of the various provisions of the Act and the rules. Effective action should also be taken to



ensure that those who have contravened and circumvented the regulations do not derive any benefit therefrom. This is necessary to bring home to the law breakers that violation of the Act do not ultimately pay.

### Reply of Government

The observations of the Estimates Committee have been carefully considered by the Government. It has already been explained to the Estimates Committee that the assessment of capacity in the barrel industry has been unique in the sense that the reassessment of assessed capacity became necessary not only on account of the representations received from some of the fabricators, but also the need for meeting the growing requirements of lubricating oil barrels as indicated by the Ministry of Petroleum & Chemicals. The present position is that these capacities based on the assessment of 1963-64 have been accepted by the Government for the purpose of raw material allocation. These capacities are on a single shift basis. It would be noted that recognition of these capacities for the purpose of raw material allocation was given after consideration at an inter-Ministerial meeting and also after obtaining higher approval. It would also be noted that even with regard to the licensed capacity, factors like actual establishment of the capacity, capacity of the fabricators for the consumption of steel, etc. etc., would be very relevant factors affecting the allocation of raw material. The Estimates Committee have made a very important suggestion in recommendation No. 17, about limiting the allocation of raw material in the Industry to the licensed capacity. This particular recommendation has been examined in consultation with the Law Ministry and a reply has already been forwarded to the Estimates Committee stating *inter-alia* that it would not be possible to disturb the present scheme of distribution of raw material in view of the Delhi High Court Injunction in this regard.

While the capacities based on 1963-64 Inspection have been accepted by Government, the capacities indicated as a result of inspection during 1965 have not so far been recognised. Government will keep in view the suggestions of the Committee that effective steps should be taken to ensure that those who have increased their capacity without due authority are not allowed to derive benefit from such increase. The question of prosecution of the fabricators as recommended by the Estimates Committee has been examined in consultation with the Law Ministry. A reply has been sent to the Estimates Committee stating, *inter-alia*, that it would not be useful to pursue the question of prosecution for violations up to the 1963-64 assessment, while prosecution in respect of the further violations during 1965 may be feasible in the light of the general decision to be taken by Government on the ILPIC Report about excess production in some of the licensed units in various industries.

As mentioned earlier, the various factors leading to the recognition of the 1963-64 assessment have been set out in the reply to the Estimates Committee both in the form of written material and in oral evidence. There is unlikely to be any information of importance which has not been placed before the Estimates Committee for consideration. The entire matter was however again examined exhaustively with reference to all record and documents in the light of Estimates Committee's recommendation No. 29. As decisions in this regard have been considered and taken from time to time inter-ministerially and with approval at a high level keeping in view all the

aspects of the matter, it is felt that action aimed at fixing responsibility on the part of the officers concerned would not be worth the effort considering the likely final result.

[M. of I.D.I.T. & C.A. No. 1(39)/69-LEI(B), dated 5th March, 1970].

**Comments of the Committee**

**Please see comments in para 3 of chapter I of the Report.**

NEW DELHI;  
*April 8, 1970.*  
*Chaitra 18, 1892(S).*

M. THIRUMALA RAO,  
*Chairman,*  
*Estimates Committee.*

## APPENDIX 1

*Statement showing the position in regard to the supplies made by M/s. Galvanising and Engineering Company Pvt. Ltd. to the various parties*

(See further reply by Government to recommendation at S. No. 5)

Purchase Order No.	Quantity	Destination	Quantity	Despatch particulars R/R & date	particulars R/R No.
1	2	3	4	5	
	Nos.		Nos.		
1. 3017/Caj-27/E3, dt. 20-3-1962	500	The Chief Engineer (P) Dantak, Advance Base Depot, Bangaigaon (Assam)	140 140 140 80	A 719404, dt. 19-6-1962 GA 720149, dt. 21-6-1962 G 722528, dt. 23-6-1962 GA 775283F, dt. 15-9-1962	
2. 3017-Caj-28/E3, dt. 20-3-1962	500	O. C. 351 Wks & P. K. Coy c/o RTO Ran-giya Jn. (Assam)	140 140 140 80	GA 719492 F, dt. 20-6-1962 GA721303F, dt. 22-6-1962 G721251F, dt. 24-6-1962 GA775284F, dt. 15-9-1962	
3. 3055, dt. 27-8-63	135	O.C. No. 3 E.D. Air Force Station, Avadi.	135	P 281122, dt. 3-1-1963 (freight paid <i>vide</i> MC Note No. E- 281470, dt. 28-8-1963 issued by OC, Air Force Station, Avadi).	
2084, dt. 4-1-63	70	OC No. 3 ED. Air Force Station, Avadi.		Parcel way Bill No. 940650 dt. 12-2-1963 Freight paid <i>vide</i> MC Note. 969384 dt. 5-1-63 issued by OC Air Frce Station, Avadi.	
5. 2064/PV, dt. 19-9-63	50	General Manager, Gun and Shell Factory Cossipore.]		Challan No. 5283, dt. 23-9-63 Inspection Certificate No. V-6/A dated 27-12-1963.	

## APPENDIX II

(Vide Introduction)

*Analysis of the action taken by the Government on the recommendations contained in the 85th Report of the Estimates Committee (Fourth Lok Sabha).*

I.	Total number of recommendations .. .. .	31
II.	Recommendations which have been accepted by Government ( <i>Vide</i> recommendations at Sl. Nos. 1, 2, 4, 5, 6, 19, 20, 22, 24, 25, 26, 27, 28, and 30) .. .. .	
	Number .. .. .	14
	Percentage of total .. .. .	45.16
III.	Recommendations which the Committee do not desire to pursue in view of Government's reply ( <i>vide</i> -recommendations at Sl. Nos. 3, 9, 17, 18, 21, 23, and 31) .. .. .	
	Number .. .. .	7
	Percentage to total .. .. .	22.58
IV.	Recommendation in respect of which reply of Government has not been accepted by the Committee ( <i>vide</i> -recommendations at Sl. Nos. 7, 8, 10, 11, 12, 13, 14, 15, 16, and 29) .. .. .	
	Number .. .. .	10
	Percentage to total .. .. .	32.26

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