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ITI LIMITED

MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)

COMMITTEE ON PUBLIC UNDERTAKINGS
1998-99

SIXTH REPORT

TWELFTH LOK SABHA

K SABHA SECRETARIAT
NEW DELHI

SIXTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1998-99)

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ITI LIMITED

MINISTRY OF COMMUNICATIONS
(DEPARTMENT OF TELECOMMUNICATIONS)

[Action Taken by Government on the recommendations contained in 10th Report of the Committee on Public Undertakings (Eleventh Lok Sabha)]

Presented to Speaker on 26.4.1999
Laid in Lok Sabha on..........
Laid in Rajya Sabha on.......

LOK SABHA SECRETARIAT
NEW DELHI

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3. Dr. S. Venugopalachary
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5. Shri Chittubhai D. Gamit
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3. Shri P.K. Grover	—	*DeputySecretary*
4. Shri R.C. Kakkar	—	*UnderSecretary*

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Sixth Report (Twelfth Lok Sabha) on action Taken by Government on the recommendations contained in the Tenth Report of the Committee on Public Undertakings ~~(Tenth~~ 11th Lok Sabha) on ITI Limited.

2. The Tenth Report of the Committee on Public Undertakings was presented to Lok Sabha on 30.4.1997. Complete replies of the Government to the recommendations contained in the Report were received on 18.3.1998. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 26th April, 1999.

3. An Analysis of the Action Taken by Government on the recommendations contained in the Tenth Report (Eleventh Lok Sabha) of the Committee is given in Appendix-III.

NEW DELHI;
April 26, 1999
Vaisakha 6, 1921 (S)

MANBENDRA SHAH,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Tenth Report (Eleventh Lok Sabha) of the Committee on Public Undertakings (1996-97) on ITI Limited which was presented to Lok Sabha on 30th April, 1997 (laid in Rajya Sabha on 2nd May, 1997).

2. Action Taken notes have been received from Government in respect of all 29 recommendations contained in the Report. They have been categorised as follows:

(i) Recommendations/observations which have been accepted by the Government (Chapter II)

Sl. Nos. 1, 2, 6, 8, 9, 13—15, 19—24, 26—28

(Total 17)

(ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government's replies (Chapter III)

Sl. Nos. 7, 10, 11, 12, 25

(Total 5)

(iii) Recommendations in respect of which replies of Government have not been accepted by the Committee (Chapter IV)

Sl. Nos. 3, 4, 5, 16, 17, 18, 29

(Total 7)

(iv) Recommendations in respect of which final replies of Government are still awaited (Chapter V)

Sl. Nos. Nil (Total NIL)

3. The Committee will now deal with the action taken by Government on some of their recommendations.

MOU Obligations

Recommendation (Sl. Nos. 3 & 4)

4. The Committee were informed by the Company that Ministry's obligations like inadequate budget outlays, delay in settlement of outstanding dues, failure in timely freezing of specifications for equipment indicated in Purchase Orders, delay in clearance of project proposals recorded in the MOU were not being fulfilled. The Committee, therefore, desired the Ministry to implement their obligations as set out in MOU

more scrupulously. While, the Committee expected the Ministry to fulfil its MOU obligations with all the sincerity, they were of the view that merely taking into account, the failure of the Ministry to discharge its obligations under the MOU while evaluating the PSU's performance would not have served the purpose since it only amounted to giving some concessions to the undertaking due to non-performance of the Ministry. They had, therefore, recommended that a system by evolved whereby reasons for the failure of the administrative Ministry to fulfil its obligations under MOU be analysed and responsibility fixed.

5. The Ministry in their reply have stated that they have been making all possible efforts in order to fulfil the obligations as provided in the MOUs. The Ministry, however, further stated that MOU is fairly new concept in the field of management and Department of Public Enterprises (DPE) is continuing to make efforts to improve the system. Since the focus of the MOU is not to fix responsibility as such on the Govt., any failure on the part of the Govt. to fulfil any promised assistance is generally taken into account in assessing the performance of the PSU. The Adhoc Task Force appointed by the DPE to evaluate the performance under MOU, also analyses the reasons and the extent to which the two parties of the MOU have been able to fulfil their obligations. The Ministry have assured that all possible efforts would be made to fulfil its obligations.

6. **While observing the failure on the part of the Ministry in fulfilling certain MOU obligations, the Committee had desired that a system be evolved whereby reasons for the failure of the administrative Ministry to fulfil its obligations recorded under MOU be analysed and responsibility fixed. The Committee are not convinced with the evasive reply of the Ministry which states that the focus of the MOU is not to fix the responsibility on the Government and, any failure on the part of the Government to fulfil any promised assistance is generally taken into account in assessing the performance of the PSU. The Adhoc Task Force appointed by the DPE to evaluate the performance under MOU does not meet the requirements of the Committee's recommendations. The Committee, therefore, reiterate their earlier recommendations and desire the Government to evolve a system whereby reasons for the failure of the Ministry in fulfilling the obligations under MOU be analysed and responsibility fixed. It should be ensured that the failure of the Ministry in fulfilling their obligations does not adversely affect the MOU rating obtained by the undertaking.**

Delegation of Powers

Recommendation (Sl. No. 5)

7. The Committee were surprised to learn that while other MOU signing companies did not require the approval of the administrative Ministry to depute any of their officers on foreign tour except for CMD, power to depute any of these officers was not given to ITI's CMD even though the

MoU for 1995-96 envisaged promoting ITI as a global player. According to the Company this was seriously affecting the Company's business opportunities. The Committee did not agree with the contention of the Ministry that this power was not delegated in order to economise the expenditure. They, had therefore, desired the Ministry to bring the Company at par with other MoU signing companies without further delay.

8. In their reply the Ministry have stated that the proposal from the Company to depute their officers on foreign tour having adequate justification are processed expeditiously. The matter regarding delegation of powers for deputing the Company's officers on foreign tours will be reviewed to make it in tune with the requirements of the Company.

9. The Committee had expressed surprise to note that CMD of ITI was not given power to depute any of their officers on foreign tour while other MoU signing companies did not require the approval of the administrative Ministry in deputing their officers on foreign tour except for CMD. They had desired the Ministry to bring the Company at par with other MoU signing companies without further delay. The Committee are dismayed to find that no concrete steps have been taken by the Government in implementing the recommendation of the Committee even after a lapse of more than one year since this Report was presented to the Parliament. Instead, the Government has submitted evasive reply saying that the matter regarding the delegation of powers for deputing the Company's officers on foreign tours will be reviewed to make it in tune with the requirements of the Company. The Committee cannot but express their displeasure over this casual approach of the Government and desire the Government to take concrete steps without further delay in this regard so that the company is delegated powers to depute officers on foreign tours like other MoU signing companies.

Participation in basic services sector

Recommendation (Sl. No. 16)

10. The Committee were astonished to observe that ITI could not enter into the basic services sector since the public sector companies were precluded from participating in the tender. The Committee did not agree with the argument that apart from the constraints on public resources, giving permission to Government companies for operating basic services would have led to a situation where DoT as an operator would be competing with Government company. The Committee had also expressed their unhappiness over the fact that Cabinet approval was not taken for precluding public sector companies from the basic service sector. The Committee, had therefore, recommended that the policy in regard to basic service sector be reviewed by the Government and public sector companies be allowed to participate in tenders to be floated in future.

11. The Ministry in their reply has stated that the Public Sector Companies were not allowed to participate directly in the tenders for Basic

Services owing to paucity of resources with them. The PSU could, however, participate by way of becoming a partner of any bidder company. As desired by the Committee, their recommendations with regard to allowing public sector companies to participate directly in basic service sector shall be processed for consideration by appropriate authority.

12. The Committee were surprised to note that ITI could not enter into the basic services sector since the public sector companies were precluded from participating in the tender. They, had desired the Government to review the policy in regard to basic service sector and allow the public sector companies to participate in tenders to be floated in future. The Committee are dismayed to note that reply of the Government is silent about any concrete measures taken by the Government for a review of policy as was recommended by the Committee. Instead, the Government has furnished an evasive and vague reply stating that the recommendations of the Committee with regard to allowing public sector companies to participate directly in basic service sector shall be processed for consideration by appropriate authority. The Committee cannot but deplore the lackadaisical attitude of the Government in not implementing the well considered recommendation of the Committee on such an important aspect. The Committee, therefore, reiterate their earlier recommendation and desire the Government to expeditiously take a decision on this issue. The Committee would like to be informed of the action taken in this regard within three months from the presentation of the report.

Enhancement of equity base

Recommendation (Sl. No. 17)

13. The Committee were informed that the company had requested the Government to increase its equity base by Rs. 200 crores from the existing Rs. 100 crores and also a soft loan of Rs. 150 crores which was stated to be under process in the Ministry of Communications. The Committee had recommended that in view of the crisis through which the company was passing, the request of the company deserved immediate attention and therefore a decision in this regard should be taken at the earliest.

14. In their reply the Ministry has stated that the revised proposal of ITI Ltd. to increase the equity held by the Government by Rs. 200 crores and reimbursement of Rs. 49.77 crores for expenditure already incurred by the company on VRS payments is under consideration of the Ministry of Communications.

15. The Committee express their strong displeasure over the inordinate delay in taking a decision in regard to the increase in the equity held by the Government by Rs. 200 crores and reimbursement of Rs. 49.77 crores to the Company for expenditure already incurred by it on VRS payments. The Committee are of the opinion that such delays in taking decisions in

regard to financial matters defeat the very purpose desired to be achieved. They, therefore, recommend that a decision in this regard should now be taken forth with under intimation to them.

R&D Set UP

Recommendation (Sl. No. 26)

16. The Committee were informed that the ITI had one of the best R&D set up in the country located at Bangalore and Naini. The Committee were concerned to note that while in the past the Company could achieve its R&D by introducton of new project developed by it, the position had changed for the worse. Some of the projects of the company could not be productionised owing to longer time taken in the R&D and obsolescence of technology. The Committee had, therefore, desired that R&D set up in the company be strengthened to meet the new challenges. While taking up project for R&D, the commercial viability and all such other factors should be taken into account well in advance so that the efforts should not result in sheer wastage of money and manpower.

17. In their reply the Ministry has stated that the Company has been directed to take necessary action to strengthen the R&D set up of the Company. ITI has requested for budgetary support for R&D which is under examination in the Ministry.

18. The Committee were constrained to note that the projects of the company could not be productionised owing to longer time taken in the R&D and obsolescence of technology. Realising the importance of research and development in an area like telecom where technologies were changing fast, the Committee had urged that R&D set up in the company be strengthened to meet the new challenges. The Committee are not at all convinced with the vague reply of the Government. The Committee regret to note that the Government had not enumerated any concrete steps taken by the Government/Company in this regard. The Committee, therefore, desire the Government/Company to take concrete and suitable steps for strengthening the R&D set up in the Company without further delay under intimation to the Committee. Budgetary support for this purpose, if necessary should also be given to the Company. Action taken in this regard should be intimated to the Committee within three months.

Appointment of High Level Committee to examine causes of debacle of the Company

Recommendation (Sl. Nos. 19 & 29)

19. The Committee had observed that the Company which was earning profits till 1993-94 suddenly started incurring huge losses from the year 1994-95. Company had incurred a loss of Rs. 81.91 crores during 1994-95 and Rs. 283.96 crores during 1995-96. The reasons attributed by the Ministry for this sudden downfall were reduction in prices of telecom, equipment, low orders, huge interest burden, opening of telecom

sector and increase in manpower cost of the company. The Committee were informed about the measures taken by the Company like diversification into new areas, exploitation of market potential in other segments *viz.* Railways, Defence, exports etc., reduction in cost of production, strengthening their marketing set up etc.

20. The Committee had also bserved that there was lack of manpower planning and proper cost control in ITI. They had also found that ITI was being treated just like any other supplier by the Ministry. The MOU obligations on the part of the Ministry were not being fulfilled. Huge liquidated damages were inflicted on the Company. The Company was left to face unhealthy competition due to unreasonable prices offered by some multinationals. Even it was debarred along with other public sector companies to enter into the basic service sector. The Committee, after taking into consideration above factors had, desired that a high level committee be set up to examine the exact causes of debacle of the Company and to recommend suitable measures for revival of the Company. The Committee had also desired that it should also look into the effect on ITI of all relevant Government policies and remedial action taken in this regard so that ITI, the premier public sector undertaking could be saved from becoming sick and be able to face the competition from multinational companies and private companies.

21. The Ministry has stated in their reply that as a result of various steps taken by the Company and the help extended by the Ministry, the performance of the Company during 1996-97 has shown marked improvement in comparison to their performance in 1995-96. As regards the revival of the Company the Government has received the recommendations of the Disinvestment Commission. The DOT is approaching the Government with certain proposals regarding future of the Company. These proposals are discussed in high level committees. Once the policy issues are decided the question of appointment of high level committee will be considered.

22. The Committee are deeply constrained over the failure of Government to constitute the high level committee recommended by them to examine the exact causes of debacle of the Company on the plea that the Government have received recommendations of the Disinvestment Commission with regard to revival of the Company and DOT is approaching the Government with certain propsoals regarding the future of the Company. The Committee strongly deprecate the stand taken by the Government that appointment of high level committee will be considered once policy issues are decided. They cannot but express their displeasure over the casual approach taken by the Government is not implementing the well considered recommendation of the Committee. The Committee, therefore, reiterate that earlier recommendation and desire the Government to appoint a high level committee without further delay to examine the causes of debacle to enable the Government to take corrective measures for the revival of the Company. The Committee would like to be informed of the action taken by the Government on the findings of the high powered Committee within three months of the presentation of this Report.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Serial No. 1)

I.T.I. Limited was established in July, 1948 as a departmental undertaking of the Government of India. It was formed into a company in January, 1950 with an authorised capital of Rs. 2.50 crores. At the end of March, 1996, the authorised capital stood at Rs. 100 crores and the paid up capital at Rs. 88 crores. The company has seven manufacturing units located at Bangalore (2) in Karnataka, Naini, Rae Bareli and Mankapur in Uttar Pradesh, Palakkad in Kerala and Srinagar in Jammu and Kashmir. Presently the Telephone instruments are produced at Bangalore, Naini and Srinagar. Transmission equipment at Bangalore, Naini and Rae Bareli. Small Electronic and Digital Trunk Automatic Exchanges and Switching Equipment at Palakkad Electronic Switching System (ESS) and special products at Bangalore and Electronic Digital Switching Equipment at Mankapur and Bangalore. On the basis of their examination the Committee have made a number of suggestions which are contained in succeeding paragraphs.

The Company is under the administrative control of the Ministry of Communications (Department of Telecommunications). According to the Secretary, DOT the Ministry have a dual relationship with ITI—one as an Administrative Ministry and the other as a principal customer. The Committee are astonished to learn that as a Ministry they would like to take a particular view of ITI whereas as a customer they will have a different perspective. In fact from the examination of the subject the Committee have received an impression that Deptt. of Telecommunications are treating the Company only as a mere supplier instead of sincerely helping it as an administrative department. The Committee are very much perturbed over such an attitude of Department of Telecommunications towards ITI especially when the Department itself concedes the historic contribution made by ITI. in Telephone Industry in the past and wants a strong presence of the public sector as a counterweight or as a balancing factor against private companies in view of the changed scenario when the production in telecom. industry according to their own admission has gone up a level of Rs. 7,000 crores from Rs. 3,000 crores four years ago. They therefore, strongly desire the DOT to provide every possible help to ITI in order to bring the company out of red and to enable it to face the challenges from multinational/Indian private companies in the telecom. sector.

Reply of the Government

It is submitted that Ministry is not treating ITI as a mere supplier. Since ITI is one of the important PSUs of Ministry of Communications. Ministry is extending all possible help to the Company to improve its performance. As a result of various steps taken by the Ministry, the Company has been able to perform much better during the year 1996-97 as compared to the year 1995-96 and the turnover of the Company has increased to Rs. 1021 crores during 1996-97 as compared to the turnover of Rs. 782.62 crores during the previous year. The loss has also been only of the order of Rs. 51 crores as compared to Rs. 283.96 crores during the previous year. The Ministry has thus been able to save the Company from being referred to BIFR. The details of the steps taken by the Ministry to help ITI during 1996-97 are indicated at Appendix—I.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of the Audit

Net loss incurred by the Company during 1996-97 was Rs. 87.66 crores as against Rs. 283.96 crores incurred in 1995-96. Reduction in loss was mainly on account of:

(a) Waiver of liquidated damages relating to previous years by DoT/ MTNL Rs. 125.72 crores. Against this, the Company has received an amount of Rs. 115.28 crores as *ad hoc* payment as on 31.3.1997 and also.

(b) Compensation received against an old claim relating to supply of cross bar exchanges Rs. 9.82 crores against the claim for Rs. 27 crores.

(c) Improvement in the selling prices of certain products like OCB 283 and E10 B exchanges. Thus though the action taken by the Ministry has no doubt helped the Company during 1996-97, continued assistance of the Ministry is a must for bringing the Company out of the red. The assistance required is in respect of sufficient order to utilise the available capacity, remunerative, price for its products, expeditious settlement of dues etc. Presently the Company has orders valued at Rs. 1250 crores, on hand.

Further Reply of the Government

The details of the steps taken by the Ministry to help ITI during 1997-98 have also been included in Appendix-I.

Recommendation (Serial No. 2)

The Committee are constrained to observe that the Memorandum of Understanding which the Company started signing with Government from 1991-92 onwards has never been entered into in time. The MoU was being signed 3 to 9 months after the commencement of the respective financial year. In the context of MoU for the year 1995-96 having been signed on 30th November, 1995. Secretary, DoT had agreed with the Committee that the MoU must be signed before the beginning of the year. However, it is disquieting to note that the MoU for the year 1996-97 was again inordinately delayed and signed only on 12th November, 1996. The Committee have been emphasising the need of timely signing of MoUs since long. They understand that the Department of Public Enterprises have recently issued guidelines for expediting the process of entering into MoUs. The Committee desire that these guidelines should be followed in letter and spirit in order to ensure that such delays do not recur in future.

Reply of the Government

As indicated earlier, there are a number of stages to be completed before the MoU can be signed between the Company and the Ministry. The delay in signing the MoUs during the years 1995-96 and 1996-97 is regretted.

It is informed that the MoU for the year 1997-98 between the Ministry and ITI was signed on 28.4.97. As desired by the Committee all efforts will be made in future to sign the MoU well in time.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of Audit

No remarks.

Recommendation (Serial No. 6)

Chief Executive of a Company occupies a pivotal role in as much as all major decisions emanate and get implemented under his leadership and direction. It is in this context that the Committee have been recommending from time to time in thier various reports that the post of Chief Executive of any undertaking should not be kept vacant for long. They are However, constrained to observe that the post of CMD of ITI remained vacant from 1.6.1995 to 19.9.1996 at a time when the profitability of the company was sharply eroding. The Committee strongly recommend the Government to take advance action in this regard and ensure that the post of Chief Executive of an undertaking is filled up as and when it falls vacant.

Reply of the Government

The case for filling up the post of CMD, ITI was taken up well in advance *i.e.* in January 95. However, despite two interviews conducted by the PESB on 31.3.95 and 6.9.95, no suitable person could be selected for the post. Subsequently the post was advertised in the newspapers from 11 to 18.12.95 and interview was held in February '96. It was in this background that the post of CMD, ITI Ltd., remained vacant for so long.

Since the Nodal agency for selection and filling up of the Board level posts in the PSUs is PESB, the above recommendations of the Committee have also been forwarded to them. Ministry of Communications on its part would like to assure the Committee that every possible effort will be made to ensure that there is no delay on its part.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of Audit

No remarks.

Recommendation (Sl. No. 8)

Expansion of cross-bar capacity from 60,000 lines to 75,000 lines at Bangalore at a cost of Rs. 3.05 crores was taken up in May, 1979. The expansion which was to be completed by February 1983 was actually achieved by 1983-84. The contemplated saving of Rs. 10.5 lakhs per annum in Nickel and Silver could also not be realised because of non-commissioning of contact welding machines procured at a cost of Rs. 1.21 crore from M/s. Inter Modern, a West German Firm. The supplier's technicians installed the machines but there were problems during trial runs for which the technicians gave various reasons. According to the Company the attitude of the suppliers was non helping and the responsibility rested with them. Subsequent to the technological advancement, cross-bar technology itself was phased out, rendering the machines obsolete and the amount incurred on their procurement infructuous. The Committee are not convinced by the claim of the Company that sincere efforts were made by the Company/Ministry to get the machines commissioned since at no stage any legal action was initiated against the supplier. What is more surprising is the fact that the supplier company has not been blacklisted so far although ITI has claimed not to have entered into further commercial dealings with this company. The Committee recommend the Company to be more cautious while making such deals in future. The Committee have been informed that one portion *i.e.* press unit of the machine has since been disposed off. They desire that the other portion *i.e.* the welding unit may also be disposed off at the earliest under intimation to them.

Reply of the Government

The Company has been advised to be more cautious while making procurements of the machines required for their production units in future. As indicated earlier to the Committee, the press unit of the Contact Welding Machine was disposed off by the Company on 29.11.96. The Company has now informed that the other portion *i.e.* the Welding Units have also been disposed off in January, 1997 for Rs. 1.87 lakhs.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of Audit

The machine has since been disposed off. The reply does not mention that whether M/s. Inter Modern has been blacklisted or not.

Further Reply of the Government

Though ITI has not entered into further commercial dealings with M/s. Inter Modern, they have been advised to blacklist the vendor.

Recommendation (Sl. No. 9)

The Committee note that the switching equipment manufacturing factory at Palakkad which was conceived in 1974 underwent expansion in three phases. It is disquieting to find that although Rs. 98.58 lakhs was incurred on expansion, only 23,325 to 33,883 lines per annum were produced from 1981-82 to 1985-86 against estimate of 60,000 lines per annum. Similarly against 3,75,000 lines of DTAX, EPABX and RAX equipment to be produced from 1986-87 to 1989-90 only 2,42,863 lines could be produced. What is more surprising is the conflicting reasons advanced by the company and the Ministry for the lower production. The Committee were informed by the CMD, ITI Limited during evidence that shortfall in production was because the DoT did not place orders to the extent of the projections made by them. On the other hand the DoT have informed the Committee that they did not place the orders as per feasibility report of ITI on account of lack of well proven design for general use and obsolescence of technology. The Committee need hardly emphasis such differences in perception ought to have been avoided with better communication between the Company and the DoT. They earnestly desire the Company and the Government to work in harmonious manner for the betterment of the Company.

Reply of the Government

Purchase orders are placed by DoT based on the assessment of realistic demand. As and when the requirement of the equipment is firmed up. purchase orders are placed on the companies including ITI. As regards the specific case of non-placement or orders by DoT on Palakkad Unit for Small EPABXs and Digital Trunk Automatic Exchange Equipment during the above year, it is intimated that the orders could not be placed since the Company took a lot of time in productionising the equipmnet and inspite of the long time taken by them the equipment was not of proven design. Meanwhile, the technology had become obsolete. The observation of the Committee that the Company and the Ministry should work in harmonious manner has been noted.

[Ministry of Communications, Deptt. of Telecommunications) O.M. No. U-55015/2-96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

Palakkad Unit is now producing only OCB 283 core exchanges. No other remarks.

Further Reply of the Government

Present product range being manfuactured at Palakkad Unit is OCB 283 local exchange core equipment. OCB 283 interconnecting equipment, OCB 283 TAX and Tandem equipment and E10B DTAXs.

Recommendation (Sl. No. 13)

The Committee observe that the production in the company was not spread uniformly over the year. While in the half year ended September it ranged between 25.5% to 36.5% it was in the range of 38.9% to 53% in the last quarter during the years 1986-87 to 1994-95. According to Audit. an improvement of even 10% in the production in the first nine months of the year would speed up the funds inflow resulting in a saving of Rs. 3 crores on interest charges apart from other benefits. Though the Ministry have also been emphasising the importance of spreading the production uniformly during the year the CMD, ITI Ltd. was candid in admitting before the Committee that it was the fault of the company since the production in the earlier months of the year was affected due to high incidence of absenteeism. The Committee strongly recommend that ITI should make serious efforts to achieve uniform production during the year. They would like to be informed of the specific steps taken in this direction.

Reply of the Government

More vigorous efforts are being made to achieve uniform production during the year. Various steps taken in this regard are as follows:—

(i) The Company is now placing greater emphasis on advance planning. For example, for manfuacture of equipment during the first quarter of 1997-98, the production plans were cleared as early as in October 96.

(ii) The Company is making more vigorous efforts to get their APOs converted to POs expeditiously.

(iii) In order to help the funds position of the Company and advance planning for production activities, besides the system of advance payment with purchase orders. DoT has started giving 25% advance payment against the Advance Purchase Orders.

In view of the steps taken as above, the Company has been able to achieve double the production during the first quarter of 1997-98 as compared to the previous year. It is anticipated that the production during the subsequent quarters would also improve and the Company will achieve better uniform production in the four quarters of the year.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-66015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

The production target of the Company for 1997-98 is Rs. 1200 crores (MoU). Production actually achieved upto the end of September 1997 was Rs. 416.80 crores i.e. 34.70% of the target. Uniform production, is not yet achieved by the Company. However, there was remarkable improvement during the current year when compared to previous years. Availability of sufficient orders well in advance could improve the position.

Recommendation (Sl. No. 14)

The Committee regret to note that the quality manuals issued by ITI from time to time have not been implemented fully in Bangalore, Naini, Rae Bareli and Srinagar units. Subsequently, ISO 9000 implementation process was formally launched in April, 1991. Electronic city unit, Bangalore and Palakkad unit achieved ISO 9002 certification in April, 1993 and September, 1993 respectively. The Telephone and Transmission Divisions of Naini Unit also obtained ISO 9001 certification in December, 1994. Till now 25 products of the company have achieved self-certification status from DoT. According to the Company's plans all the divisions and the units had to be covered under ISO 9000 certification by the end of the year 1996. The Committee are pained to observe that this target has not been achieved so far. They recommend that serious efforts be made to ensure that all divisions and the units of the company are covered under ISO certification at the earliest under intimation to them. The Committee also desire that the quality control system in the company should be suitably strengthened in the present age of competition.

Reply of the Government

The Company has informed that it continues to meet the commitments towards Total Quality and Customer Satisfaction. Electronic Switching Unit, Bangalore and Palakkad Unit achieved recertification for ISO-9000 during the year 1996-97 and the New Products Division and Telephone Division of Bangalore Complex achieved ISO-9000 certification during the year 1996-97. The Company also achieved 'Level-I' (the best in 5 point scale) in the evaluation for quality by achieving the target fixed in the MoU. ITI has also achieved self-certification for E-10B products.

The Company has informed that all units of ITI are expected to achieve ISO-9000 certification by March, 1998.

[Ministry of Communications Deptt. of Telecommunications O.M. No. 55105/2/96-FAC (Vol. II) dated 29.10.1997]

Remarks of Audit

No Remarks

Further Information Called for by the Committee

Whether all the units of ITI have received ISO-9000 certification so far? If not, reasons therefor.

[Lok Sabha Secretariat O.M. No. 111/2(1)-PU/96 dated 16.7.98]

Further Reply of the Government

All the manufacturing units of ITI, except Srinagar Plant, have received ISO-9000 QMS Certification. Beacuse of Law and Order problem in Jammu & Kashmir Valley, Srinagar Plant could not make reasonable progress in achieving ISO-9000 certification.

[Ministry of Communications, O.M. NO. U-55015/2/98-FAC dated 31.8.98.]

Recommendation (Sl. No. 15)

The Committee have been informed that ITI has been supplying Telecom equipment to Railways, Defence etc. In order to utilise its obsolete machines and surplus manpower it has now taken up service areas like turn-key-jobs, installation and commission, of telecom projects and establishing repair centers. A Committee has also been formed to study the feasibility of taking up part assemblies on components in the areas of agriculture, automobile, power sector equipments etc. with minimum investment. The Committee desire that this study should be completed expeditiously and a time bound programme prepared for diversification into new areas so identified under intimation to them.

Reply of the Government

The Company is taking efforts to broaden its customer base to manufacture equipments for Railways, Defence, Police, Power and Oil Sectors etc. In addition, the Company has started undertaking installation and commissioning work and Annual Maintenance Contract of E-10B Switching Equipment and MARR equipment to have better utilisation of its manpower. The Company is having a dialogue with various firms for undertaking contract work for better utilisation of its spare capacities. The turnover of the Company in respect of non-DoT customers increased from Rs. 93.35 crores in 1995-96 to 149.90 crores in 1996-97.

The Company has been directed to expedite the study being done by their internal committee and draw a time bound programme for diversification into new areas as desired by the COPU.

[Ministry of Communications Deptt. of Telecommunications O.M. No. 55015/2/96-FAC (Vol. II) dated 29.10.1997.]

Remarks of Audit

No Remarks

Further Information Called for by the Committee

Whether the study for diversification into new areas of agriculture, automobile, power sector equipments with minimum investment has since been completed? If so, when? Has any time bound programme been prepared in this regard?

[Lok Sabha Secretariat O.M. No. 111/2(1)-PU/96 dated 16.7.98]

Further Reply of the Government

The Company has investigated the possibility of manufacture of Agricultural implements inclusive of Floriculture, besides Power Equipments like Relays, Switches, Gear Panels etc. in Power Sector. The Agricultural Implements were found to be unviable to be manufactured at ITI.

[Ministry of Communications O.M. No. U-55015/2–98-FAC dated 31.8.98]

Recommendation (Sl. No. 19)

The Committee note with concern that the Company's sale to non-DoT customers has been abysmally low from the very beginning. The Company's sale to non-DoT customers which was 12 percent of the total sales in 1988-89 came down to as low as 4.7 percent during 1993-94 though it increased to 11.9% during 1995-96. The Committee are of the firm view that this over dependence of the company on DoT is one of the major reasons for its poor performance. Though various steps are stated to have been taken by the Company to increase its sales to non-DoT customers the Committee feel that these steps are not adequate in the current fast changing scenario in the telecom. Sector. They also wish to emphasisethat unless the company is able to check the cost of its products (which is admittedly on the higher side) it will not be in a position to compete in the market. The areas which need particular attention are labour cost and overhead costs. The company should also lay greater emphasis on technology updation and overall improvement in efficiency besides strengthening the marketing system.

Reply of the Government

The Ministry fully endorses the view of the Committee that over dependence of ITI on DoT is one of the major reasons for its poor performance. In order to give boost to non-DoT sales, the Company has restructured their marketing se.-up by way of bringing all the marketing groups under one officer *viz.* Executive Director (Marketing) at Corporate Office. An additional General Manager level officer has been appointed especially to concentrate on non-DoT market. It is also proposed to convene a meeting at the level of Chairman (Telecom Commission), where

Secretaries of other Deptts. requiring telecom equipment would be invited in order to explore the possibility of enhancement of non-DoT orders on ITI.

As regards reduction in labour cost, the Company has taken steps to reduce their manpower by way of introduction of Voluntary Retirement Scheme (VRS). A total number of 4400 employees have availed of VRS and the Company plans to reduce its manpower by another 7,000 over a period of next 5 years. The Ministry has been helping the Company by way of providing funds for VRS from NRF.

The Company is attaching special importance for reduction of overhead costs and the steps being taken include better utilisation of existing capacities, stoppage of getting the components from the market in case the same could be produced in-house, reduction in interest cost from 20 to 15% of production, improving the products through R&D etc.

Regarding technology updation, the Company has informed that it is continuously trying to keep itself abreast with the latest technology and is not lagging behind.

[Ministry of Communications, Deptt. of Telecommunications)
O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

Against a total payment of Rs. 59.27 crores VRS, Government has reimbursed only Rs. 10.50 crores. Government released Rs. 17 crores during 1997-98 for this purpose.

Comments of the Committee

(Please *see* paragraph 22 of Chapter I of the Report)

Recommendation (Sl. No. 20)

The Committee have been informed by the Company that it had to pay liquidated damages amounting to Rs. 49.35 crores on supplies made to DoT during 1987-88 to 1991-92 and Rs. 105.97 crores from 1991-92 to 1993-94. The Committee are constrained to observe that though DoT does not pay anything to the Company for the delayed payments, the Company is penalised for the delayed delivery for which DoT is also responsible to some extent. The Committee disapprove such attitude to the Ministry and recommend that when there is a provision for liquidated damages to be paid by ITI, a provision should also be made in the agreement for payment of penal interest of ITI for delayed payments from DoT. The Committee have also been informed that a Commitee had been constituted by DoT to examine cases of payment of liquidated damages by ITI and in most of the cases that Committee had recommended refund of the liquidated damages to ITI. They desire that examination of all such cases should be completed expeditiously and the amount due to ITI refunded to the Company within three months.

Reply of the Government

A departmental Committee was set up for examining the issue of refund of LD charges levied by the DoT. Based on the general inputs that the Committee gave and also keeping in view the observations of COPU and other relevant factors. Telecom. Commission decided to waive off LD as a one time measure. Accordingly, an amount of Rs. 115.28 crores has been reimbursed to the Company by waiving off LD upto, 1995-96. The case of waiving off the LD levied during 1996-97 is also being considered. Further, an adhoc payment of Rs. 47 crore has also been made to the company against certain other financial pricing issues pending since long.

[Ministry of Communications. Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

Outstanding Sundry debtors continues to be very high. Out of Rs. 623.04 crores outstanding as on 31.3.1997, Rs. 207.20 crores was outstanding for more than one year. Though DoT purchase Orders stipulate payment terms of 90-95% on despatch of equipment and balance on acceptance, the payment terms are rarely adhered to resulting in heavy outstanding dues. Delay in finalisation of rates by DoT also affects the working capital management of the Company.

Recommendation (Sl. No. 21)

The Committee note with concern that the exports of the Company are showing a declining trend. During 1995-96, the Company could achieve exports of only Rs. 141.63 lakhs against Rs. 276.43 lakhs for the previous year. This is despite the fact that the MoU for the year 1995-96 contained a provision for presenting ITI as a global player in the field of telecom. Needless to say concerted efforts are needed on the part of the company as well as the Government for boosting the exports. The Committee therefore, recommend that the company should submit a concrete action plan in this regard to Government who on their part should render all possible assistance required by the Company to increase its exports.

Reply of the Government

The Export achievement of ITI during 1996-97 was Rs. 331 lakhs as against Rs. 141.6 lakhs during 1995-96. As desired by the Committee, the Company has been directed to submit a concrete action plan to the Ministry about enhancing their exports. The Ministry on its part shall render all possible assistance required by the Company in this regard.

[Ministry of Communications. Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

Action plan for enhancing export sales is yet to be finalised and submitted to the Ministry.

Further Reply of the Government

The Company has sent an Action Plan prepared by them for enhancing their exports. The same is under examination and the Company will be given all possible assistance in the matter. CMD, ITI along with DDG (Prodn.) of the DoT have recently visited certain countries in Africa to promote ITI's products. More such efforts will be made in future to boost exports.

Recommendation (Sl. No. 22)

The Committee are dismayed to find that the percentage of sundry debts in ITI increased from 59.1 in 1992-93 to 72.47 in 1995-96. The Committee have been given to understand that one of the main reasons for such high percentage of sundry debts is the supplies not being spread evenly over the year and heavy year end billing by the Company. The Committee desire that earnest efforts should be made by the Company to raise the bills in time in order to avoid accumulation of sundry debts. The Committee also find it strange to note that though the sale from ITI to DoT has been increasing from year to year but the provision in DoT budget for payment to ITI is not being increased proportionately. The Company have also informed the Committee that there were ad-hoc deductions and unilateral decisions taken by DoT which resulted in long outstanding dues. The Committee desire that such instances should be avoided in future and adequate provisions made in the DoT budget for payment to ITI. Besides, the Company should take appropriate measures to streamline its machinery for recovery of outstanding dues.

Reply of the Government

The steps taken by the Ministry and the Company for speedy realisation of sundry debtors are as follows:—

(a) Most of the financial issues which were outstanding between ITI and DoT/MTNL for long have since been settled in March '97 and the steps are being taken by the Company to liquidate the sundry debtors.

(b) A system to centralised payment of supply bills of the Company by the CPAO, Bangalore and by the PAOs located in various Units of ITI has been introduced instead of payment by various circles.

(c) ITI has especially instructed their Regional Offices to follow up more vigorously to realise the payments in respect of the amounts to be realised from Circles/Non-DoT customers.

(d) Action has been taken to ensure more even production throughout the year. For example Company's production plan for the 1st Quarter of 1997-98 was cleared well in time. It is also submitted that production during first quarter of 1997-98 has been more than what it was during first three months of 1996-97.

(e) Internal system for bills has been streamlined by the Company to expedite the preparation of bills and realisation.

It is submitted that sundry debtors as at the end of 1996-97 stands at 60.15% as against 72.47% of 1995-96. As indicated earlier, the payment of bills in respect of most of the supplies made by the Company is already centralised and made by the Chief Pay and Accounts Officer of DoT at Bangalore. In order to avoid delays funds are placed in advance with the CPAO. Bangalore. The payments made by the CPAO, Bangalore to ITI during 1994-95 was Rs. 889.96 crores, during 1995-96 Rs. 561.99 crores and during 1996-97 Rs. 509.08 crores. Now, the system of payment of advance to ITI upto 75% of the value of purchase orders placed on them outside the tender is also in vogue. For this purpose also, sufficient funds are placed at the disposal of CPAO, Bangalore.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997.]

Remarks of Audit

Remarks as against recommendation No. 21 and No. 14 may please be referred to.

No specific reply has been given by Government on the issues relating to the shrinking of DoT's budget for payment to ITI in the context of increasing sales by ITI to DoT, and the need to avoid ad-hoc deductions and unilateral decisions taken by DoT resulting in long outstanding dues to ITI.

Further Reply of the Government

It is submitted that payments to ITI have not remained pending on account of less budget provisions. Provisions for sufficient funds are made in the Budget. It is also submitted that sometimes ad-hoc decisions become necessary since suppliers do not furnish complete information/documents within the prescribed time schedules.

The total payment made to M/s ITI Ltd. during 1996-97 was Rs. 509.08 crores, whereas during the current year, upto January '98, the payment made is Rs. 742.24 crores.

Recommendation (Sl. No. 23)

The Committee have been informed that the manpower strength of the company as on 31st March, 1996 was 26,272. Though there is admittedly surplus manpower in the Company and a Voluntary Retirement Scheme has also been introduced, the Committee observe that no scientific study has been conducted to assess actual manpower requirement in each of the units of the company. The Committee recommend that such study should be done at the earliest so that the exact quantum of surplus manpower could be identified and remedial steps taken to reduce the surplus staff. They also desire that with a view to have qualitative improvement of manpower, more regular training programmes for executives as well as non-executives should be conducted. The Committee also recommend that apart from recruitment from IITs, there should be regular recruitment system in the Company by advertisements in various newspapers etc. so that the company could have talented personnel from all parts of the country.

Reply of the Government

In consonance with the Govt. policies, plans and industrial development, the Company had started and expanded its Units. Recruitments were made for the labour intensive electromechanical technologies. Subsequently, the change of technology rendered a lot of manpower surplus.

The Company has informed that a study has been conducted and the extent of surplus manpower assessed. To reduce surplus manpower, VR Scheme has been introduced. So far 4400 employees have taken voluntary retirement under the Scheme. The manpower has been reduced to 25.300 in 1996-97 from 32.447 in 1987-88.

The Company has a fullfledged HRD Department at the Corporate Headquarters & Training Centres in each of the manufacturing Units. Training needs are identified in areas covering knowledge, skill and aptitude. Need-based training programmes are organised for officers and staff to meet the challenges of the competitive environment.

The Company has a regular recruitment system for induction of Executives in Engineering. Finance and Personnel disciplines on all India basis through campus recruitment from premier Institutions like IITs, IISc, Regional Engineering Colleges all over the country and professional institutions like Institute of Chartered Accountants of India, Institute of Costs & Works Accountants of India and also through advertisements in leading Newspapers. Keeping in view the surplus manpower of the company, recruitment is now restricted to specialised areas only, besides direct recruitment of vacancy based Grade-2 officers.

[Ministry of Communications Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997.]

Remarks of Audit

The manpower strength as on 31st March, 1997 was 25915.

Further information called for by the Committee

What is the extent of surplus manpower identified as a result of the study conducted by the Company and the follow-up action taken in this regard?

[Lok Sabha Secretariat O.M. No. 111/2(1)-PU/96 dated 16.7.98]

Further reply of the Government

Through a study conducted by ITI, the Company identified surplus manpower to the extent of around 10000.

In order to reduce the surplus manpower, Voluntary Retirement Scheme (VRS) was introduced in the Company from 1991-92 onwards and 4963 employees have availed this scheme so far. The Company proposes to cover the remaining excess manpower under VRS within the next four years approximately. Further the following schemes are also introduced to reduce the surplus manpower:

— Ex-gratia payment to employees retiring on medical grounds.

— "Lien Scheme" introduced permitting the employees to keep Lien for a maximum period of 5 years.

— Exploring the possibility of lending manpower to other PSUs/sister concern.

— The Company has taken up a proposal with DOT to consider ITI as an extended arm in utilising its surplus manpower gainfully.

ITI has put up a proposal to Telecom Commission for allotment to PCOs to ITI employees taking VRS.

[Ministry of Communications O.M. No. U-55015/2/98-FAC dated 31.8.98.]

Recommendation (Sl. No. 24)

The Committee have been informed by the Company that there is heavy outflow of technical personnel recruited by the Company. While in the second year the outflow was about 10—15 percent after four years the left over was about 10—15 percent. The Committee feel that better service conditions, adequate promotional avenues and creation of such conditions which are conducive to job satisfaction in the Company could be the only solution to the problem. They, therefore, desire that every earnest effort should be made in order to arrest the exodus of talented skilled and technically qualified staff from the Company.

Reply of the Government

Consequent of the policy of Govt. of India concerning liberalisation of industrial activity and opening up of Telecom services to the private sector, there has been an increased demand for experienced technical personnel in Electronics/Telecommunication industry. Since there is an increase in demand for experienced technical personnel, some employees feel tempted to accept offers from the private sector carrying a higher salary range and other perquisites. However, efforts are on to arrest the talent-flight by counselling/introducing schemes to reward high-fliers and deserving engineers etc.

Company's efforts to arrest exodus of technically qualified staff by way of diversifying into various new projects and updating their technologies are also continuing. The Company has also been directed to introduce better service conditions and environment so as to provide job satisfaction to the talented staff.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of Audit

No remarks.

Recommendation (Sl. No. 26)

Research & Development is of utmost importance in an area like telecom where technologies are changing fast. The Committee have been informed that ITI has one of the best R&D set up in the country located at Bangalore and Naini. But it is a matter of concern to note that while in the past the company could achieve the objectives of its R&D by introduction of new project developed by it. The position has changed now for the worse. In the changed scenario where the telecom sector has been opened up, some of the products cannot be productionised owing to longer time taken in R&D and obsolescence of technology in the intervening period. The flight of skilled manpower is also a problem. The Committee, therefore, urge that the R&D set up in the company should be strengthened to meet the new challenges. At the same time care has to be taken that while taking up projects for R&D the commercial viability and all such other factors are taken into account well in advance so that the efforts do not result in sheer wastage of money and manpower.

Reply of the Government

The Company has been directed to take necessary action to strengthen the R&D set up of the Company as desired by the Committee. ITI has, however, requested for budgetary support for R&D and the same is under examination in the Ministry.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of Audit

No remarks.

Recommendation (Sl. No. 27)

The Committee have been informed by ITI that the Company is facing unhealthy competition due to unreasonable prices offered by some multinational companies. According to the Company earlier the prices were fixed by Bureau of Industrial Costs and Prices (BICP) but after the introduction of tender system, BICP prices were not given to the Company. Though the DoT does not agree with the contention of ITI that the prices quoted by some private companies were dumping prices, the Committee have come to the conclusion that ITI was being put at a loss on the pricing front after introduction of the tender system. They, therefore, recommend that the Government should extend to ITI all necessary help in order to enable them to attain cost-effectiveness so that they are in a position to compete with the private as well as multinational companies in the Telecom Sector.

Reply of the Government

The Company is taking various steps to reduce the cost of production and attain cost-effectiveness so that they are in a position to compete with the private as well as multinational companies. The steps being taken include reduction in labour cost by way of reduction of their manpower. The Company has introduced a Voluntary Retirement Scheme and 4,400 employees have availed of VRS and the Company plans to reduce their manpower by another 7,000 over a period of next five years. Ministry has been helping the Company by way of providing funds for VRS from NRF.

For reduction of overhead costs, the Company is taking steps for better utilisation of existing capacities, stoppage of getting the components from the market in case the same could be produced in-house, reduction in interest cost from 20 to 15% of production, improving the products through R&D etc.

As compared to MNCs and other private sector vendors, DoT, PSUs *viz.* ITI and HTL are given preferential treatment in respect of bid security, performance guarantee and also by way of advance payment with APOs/POs.

The Ministry would extend further help as needed by the Company in its endeavour to attain cost-effectiveness.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of Audit

No remarks.

Recommendation (Sl. No. 28)

In a tender for purchase of SBM 512P equipments M/s Telematics had quoted the lowest and was given advance purchase order (APO) on 18.9.1995. Later on the Company backed out from the tender and bid security amount of Rs. 20 lakhs which was the ceiling at that time in such cases was forfeited. However, it is strange to observe that the party was not blacklisted. It was only when the Committee took up examination of this matter that the DoT started examining whether the Company should be blacklisted. The Committee are shocked to find that while floating a tender, the DoT does not assess the estimated price of the tender. The tender is given to the lowest bidder irrespective of the fact whether the prices quoted by the tenderer are feasible or not. Though the ceiling of Rs. 20 lakhs as earnest money has since been removed and the bid security is now equal to 2% of the estimated value of the minimum quanity proposed to be procured from the compliant L-1 bidder, the Committee feel that this alone is not sufficient. They recommend that the provision should also be made to blacklist a party in case it fails to honour its bid without sufficient grounds.

Reply of the Government

The prices of DOT are totally governed as per open tender and as such it cannot be considered that prices are unrealistic. In case the bidder who has quoted lowest prices (L1 bidder) backs out to supply at its quoted prices, counter offer is given to other eligible bidders. In case counter offer prices are also not accepted, prices either quoted by L2 bidder or as found reasonable by Department are counter offered to eligible bidders. The same procedure has been adopted in the SBM Tender where M/s Telematics backed out of the tender. The case to ban business activities with M/s Telematics has been initiated.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dt. 29th October, 1997]

Remarks of Audit

The reply does not cover the concern of the Committee regarding desirability of making strict provision of blacklisting. A part of the order was diverted to ITI also at L1 prices resulting in heavy loss to the company.

Further Reply of the Government

(a) The business dealings of Department of Telecommunications with M/s. Telematics have since been banned for a period of three years with effect from 29.9.97.

(b) Purchase orders of SBM equipment were placed on M/s. ITI only at L2 rates and not at L1 rate. L2 rates were quite reasonable and the same were accepted by the Company and Purchase Orders were executed by them.

(c) Desirability of making a strict provision of blacklisting a party if it fails to honour its bid without sufficient grounds is also being examined by the Department.

CHAPTER III

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

Recommendation (Sl. No. 7)

The Strowger Switching Equipment at Rae Bareli which envisaged manufacture of 1 lakh lines of Strowger Equipment by May 1978 at a cost of Rs. 16.08 crores could reach the capacity of 80,886 lines only and that too by March, 1983. The Committee were informed that the reasons for delay included delay in construction of factory building, non-development of ancillaries, delay in setting up of in-house facilities, lack of infrastructural facilities etc. The Committee are of the opinion that although lack of infrastructural facilities might have contributed to the delay to some extent, but delay in construction of factory building and setting up of in-house facilities are factors which could definitely have been avoided by better management and foresight. They, therefore, desire that the factors responsible for the delay should be probed indepth and responsibility fixed therefore under intimation to the Committee.

Reply of the Government

As desired by the Committee the factors responsible for the delay in achieving targetted capacity have again been probed in consultation with the Company.

As per the Feasibility Report, the production of complete equipment was to start at the end of four years from April, 1974. However, the production was started during 1975-76 in temporary sheds with the help of Bangalore plant *i.e.* much earlier than Feasibility Report estimate. As and when the buildings and infrastructure were to get completed, the production was also to increase proportionately.

It is submitted that construction of the factory building was entrusted to M/s. HSCL (a PSU) with the help of architect M/s. NIDC (a PSU). The construction Company i.e. M/s HSCL delayed the construction by 15 months and on the advice of M/s NIDC, the contractor for civil works was changed and the work was completed during 1978. Though the Strowger Project at Rae Bareli was approved with a capital of Rs. 1608 lakh to manufacture 1 lakh lines, during June, 1978 the project cost was proposed to be revised to Rs. 1823 lakhs owing to price escalation due to oil crisis in the country. However, the revised estimate was approved by the Government only for 1757 lakh in 1979 as increasing the investment to Rs. 1823 lakh.

Subsequently, during September, 1983 a Task Force Committee was set up to study the capacity aspect. The Committee studied that due to change in technology requirement, the ordering pattern had been changed with a mix of MAX-I—60% and MAX-II—40% and therefore, the Task Force Committee felt that the earlier targeted capacity of 1 lakh lines could be achieved but only after some investment. As in the meantime, the crossbar technology was introduced it had to be decided not to make further investment in strowger manufacturing which at that time could prove infructous.

From the above mentioned position it may be kindly seen that several factors beyond the control of management of the company were responsible for non-achievement of the targetted capacity in time.

It is submitted that switching project at Rae Bareli was the first of its kind in that belt. The experience gained was utilised for setting up other switching projects. Many of the officers/staff connected with the project are no longer in service to facilitate discussions and have their views on the subject. It is also explained that on phasing out of strowger products, the Rae Bareli Unit has utilised its available infrastructure with nominal investment to manufacture C-DOT products to the level of 3 lakh lines per annum.

In the above submitted circumstances, it would be difficult to pinpoint any individual for any lapses at this stage. However, the serious concern expressed by the Committee has been noted for guidance in future.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II), Dt. 29th October, 1997]

Remarks of Audit

No remarks.

Recommendation (Sl. No. 10)

The Committee have been informed by ITI that it had proposals in 1982 to set up a project at Bangalore for manufacturing 5 lakh lines of Electronic Switching Systems at a cost of Rs. 149.19 crores. However, the Government decided in 1984 to set up the project at Mankapur at a cost of Rs. 177.02 crores with the basic objective to develop Mankapur which is a backward area. In March, 1990, the cost went upto Rs. 219.35 crores. The Company had also to incur an extra expenditure of Rs. 1.78 crores on flood control and prevention measures. In the process the Company's idea to utilise the excess labour at Bangalore was defeated with the change in location. The Committee express their unhappiness over the change in location of the project.

Reply of the Government

As informed earlier, the project was located at Mankapur, keeping in view the policy of the Govt. for upliftment of industrially backward areas. The setting up of a unit of ITI at Mankapur has brought about a good social and economic improvement in the region.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II), Dt. 29th October, 1997]

Remarks of Audit

The reply does not respond to the Committee's observation that the Company's idea to utilise the excess labour at Bangalore was defeated.

Further Reply of the Government

Though the change of location to Mankapur resulted into non-utilisation of the excess labour at Bangalore to certain extent but the change of location also resulted into development of an industrially backward area. ITI has been trying to tackle its surplus manpower problem in Bangalore complex and other units through certain special measures like diversification and voluntary retirement scheme etc.

Recommendation (Sl. No. 11

The Committee note with concern that the performance of the company in respect of products manufactured at Bangalore complex has been showing a declining trend. The percentage of achievements to targets in terms of standard man hours during 1994-95 was 39.33 for Strowger equipment, 58.35 for telephone, 68.14 for transmission and 15.34 for electronic switching. The losses incurred by the Bangalore Complex have increased from Rs. 38.60 lakhs in 1993-94 to Rs. 93.93 lakhs in 1994-95 and to Rs. 110.89 lakhs in 1995-96. The reasons for such poor performance has been stated to be lack of orders even after introduction of new technology. The Committee desire the matter should be examined by the DOT at the highest level with a view to solve the problem of inadequate orders for Bangalore Complex and bring the unit out of red.

Reply of the Government

The orders are placed by the DOT on the basis of open tenders and ranking of various bidders. ITI is also permitted to participate in the tenders and orders are placed on then as per their ranking in the tender. It is also informed that orders are placed on the Company as a whole and distribution of orders to various units is done by the ITI Management themselves. In addition, to utilise the infrastructure of the Company, 20 to 30% DOT orders are kept reserved for ITI outside the tender.

Performance of the Company during the year 1996-97 *vis-a-vis* 1995-96 is given below:

Particulars	1995-96	1996-97	%Improvement
Sales	783	1021	30
PAT	−284	−51	82
Borrowings	962	955	1

The production achievement of the company during the year 1996-97 in physical quantities has been the highest so far especially since the order book position of the company was also better during 1996-97.

It is also submitted that turnover of Bangalore Complex Unit increased to Rs. 234.47 crores in 1996-97 as against Rs. 195.15 crores during 1995-96.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II), Dt. 29th October, 1997]

Remarks of Audit

Net loss incurred by Bangalore Complex of ITI Limited was Rs. 38.60 crores, Rs. 93.94 crores and Rs. 100.89 crores during 1993-94, 1994-95 and 1995-96 respectively and not Rs. 38.60 lakhs, 93.93 lakhs and 110.89 lakhs mentioned in the recommendation.

Recommendation (Sl. No. 12

The Committee regret to note that production of Multi Access Rural Radio (MARR) system at Naini was 71% in 1992-93 and 45% in 1993-94 of the capacity. The reason for under utilisation of capacity was stated to be that in case of MARR. ITI had developed a particular design and they were going ahead based on projections given by the DOT. However, in between specifications were issued by DOT for a new design while the Committee do not disagree that there are frequent changes in the technologies but they are of the firm view that such changes should be anticipated well in advance so that the company is not put to a loss. The Committee have also been informed that DOT had agreed to place orders on ITI for 20 per cent of the total requirement for MARR each year. However, they are distressed to find that orders placed on ITI were 2% during 1994-95, nil during 1995-96 and 10% during 1996-97. The Committee recommend that Government should ensure that orders on ITI are placed in future at least to the extent agreed to.

Reply of the Government

MARR System (VHF): A tender for procurement of 4300 Nos. of 2/15 MARR systems was opened on 5.5.94. M/s ITI was not found eligible for placement of orders against the tender but being DOT PSU a quantity of 575 systems was earmarked for M/s. ITI outside the tender. Since M/s ITI

were to supply 2/15 MARR equipment for the first time and the performance of their 4/30 MARR system was not considered quite upto the mark. It was considered desirable that the bulk orders may not be placed on them. Accordingly, a Purchase Order for 50 systems was issued on
M/s. ITI on 22.11.94 with a delivery period of 2 months. M/s ITI was also asked to instal and successfully commission these systems in another two months time before any other orders are placed on them. The firm could not supply 50 Nos. of MARR systems within the delivery period and asked for extension in delivery period time and again. Extension in delivery period was last time granted on 6.2.96 upto 31.3.96 and the company supplied the 50 systems ordered on them.

MARR System (UHF): A tender for procurement of 1125 Nos. each of 2/15 UHF and 4/36 UHF systems was opened on 20.6.95. The tender was invited from the firms having type approval of the product at that time. Since M/s. ITI were not having type approval of the product they were not considered for placement of orders against the tender. However, M/s ITI, being DOT PSU, a quantity of 225 Nos. each of 2/15 UHF and 4/36 UHF was reserved for them outside the tendered quantity. M/s ITI could get the type approval on 16.8.96 and accordingly Advance Purchase Order for 225 Nos. each of 2/15 UHF and 4/36 systems had been placed on them on 25.9.96. Purchase Orders on M/s ITI for 225 Nos. each of 2/15 UHF and 4/36 UHF have since been issued on 6.1.97 with delivery period of 4 months. However, no equipments have been supplied so far.

Thus it would be seen that orders for higher quantity equipment in these cases were not placed on ITI as their infrastructure for productionising these equipments was not stabilised.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II), Dt. 29th October, 1997]

Remarks of Audit

At present the Company has firm orders for 225 Nos. each of 2/15 and 4/36 MARR equipment. Advance purchase order for 388 Nos. of 2/15 and 300 Nos. of 4/36 have also been received. These orders are under execution. The installed capacity for MARR equipment is 2000 Nos. Production during 1996-97 was 50 Nos.

The reasons for not meeting the delivery schedule despite substantial capacity need to be analysed by the company and remedial action taken.

Further Reply of the Government

The Company has been advised to study and analyse the reasons for not meeting the delivery schedules despite substantial capacity available, for taking remedial action.

Recommendation (Sl. No. 25)

The Committee find that the inventories for work in progress, finished goods and the total inventory was very much in excess compared to norms during 1994-95 and 1995-96. Stating the reason for this excess inventory the company have informed the Committee that the higher inventory is due to limited lead time available for delivery and the need to be in readiness to supply the material in time. The Committee are not convinced with this contention of the company. Had it been so, the norms of inventory could have been suitably revised. Moreover, according to DoT, the lead time is not less in all the cases. The Committee, therefore, desire that the company should improve its inventory management in order to keep the inventory within the norms. The Committee find that due to this excess inventory the company had to write off an amount of Rs. 40.61 crores due to obsolescence of technology. The Committee desire that suitable measures should be taken in order to avoid recurrence of such incidents in future.

Reply of the Government

The Company has informed that they are taking steps to contain the inventories within the norms. Corporate Management also monitors the inventories at the production plants for various items, like raw materials, production stores, work-in-progress and finished goods etc. An internal Committee, headed by an Executive Director, has also been appointed by the Company to conduct an indepth study of the various problems faced and to give recommendations for remedial action.

It is submitted that inventory in terms of number of months of value of production in 1996-97 has been 6.5 as compared to 9.18 and 7.75 relating to the years 1995-96 and 1994-95 respectively.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II), Dt. 29th October, 1997]

Remarks of Audit

Overall inventory holdings at the end of March, 1997 has incurred by 3.22% when compared with the previous year. Major increase was in work-in-progress (18.47%) and in materials-in-transit (61.77%).

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Sl. No. 3)

During the evidence the Committee were informed by the Company that the Ministry's obligations which were recorded in the MoU were not being fulfilled. The Company had cited many examples like inadequate budget outlays, delay in settlement of outstanding dues, failure in timely freezing of specifications for equipment indicated in purchase orders, delay in clearance of project proposals, inadequate reimbursement of VRS payment and compensation for Srinagar Unit's operational cost where the Government reportedly had failed to fulfil the MoU obligations. Though the Ministry have claimed that the required assistance has always been provided to the Company but for which the Company would not have obtained excellent rating but the fact that many obligations have remained unfulfilled in the past leave the Committee with an unmistakable impression that the assistance provided to the Company by DoT has not at all been adequate and timely and this alone has contributed to the Company's difficulties in facing the changed environment. Besides, they would like to point out that the company could only get 'Fair' rating for both the years 1994-95 and 1995-96. They would therefore, like the Ministry to implement their obligations as set out in MoU more scrupulously and also to consider the requirements of the company sympathetically to enable it to meet the new challenges brought about by liberalisation.

Reply of the Government

Ministry has been making all possible efforts in order to fulfil its obligations as provided in the MOUs. The Company's performance during the years 1994-95 and 1995-96 was affected mainly on account of stiff competition from a number of private companies, steep fall in the prices of telecom equipment and heavy interest burden on account of large borrowings. Since the gross margin as also the profitability of the Company suffered during the above years and the MoU rating is mainly based on these parameters, the Company could get only "Fair' rating. As desired by the Committee during the oral evidence of the representatives of the Ministry, apart from taking greater care in fulfilling its obligations as stated in the MOUs, the Ministry has taken several special steps *viz.* centralised payment of supply bills by the CPAO, Bangalore by Pay and Accounts

Offices located in various units of ITI, enhancement of the quantum of advance to 75% on purchase orders, settlement of pending financial issues, waiving of Liquidated Damages levied by the Deptt. and enhancement of percentage of reservation component in switching equipment from 20 to 25% etc. As a result of these measures as also certain steps taken by the Company's Management, it has been possible to reduce the losses of the company during 1996-97 and save it from being referred to BIFR.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

MoU for 1996-97 was signed on 12th November, 1996. Against the MoU sales target of Rs. 1470 crores orders received during 1996-97 was only Rs. 1133 crores out of which orders for Rs. 117 crores were received in the last quarter of the year. Apart from inadequate availability of orders to utilise the capacity available, uneven flow of orders, delay in settlement of dues also affected the working of the Company. Inspite of certain action taken by the Ministry to settle outstanding issues, Sundry debtors outstanding at the end of March 1997 were Rs. 623.04 crores of which Rs. 207.20 crores was outstanding for more than one year.

Comments of the Committee

(Please *see* paragraph 6 of Chapter I of the Report)

Recommendation (Sl. No. 4)

While the Committee expect the Ministry to fulfil its MoU obligation with all the sincerity, they are of the opinion that merely taking into account the failure of the Ministry to discharge its obligations under the MoU while evaluating the PSU's performance would not serve the purpose since it only amounts to giving some concessions to the undertaking due to non-performance of the Ministry. They, therefore, recommend that a system should be evolved whereby the reasons for the failure of administrative Ministry to fulfil its obligations under MoU should be analysed and responsibility fixed.

Reply of the Government

As indicated earlier, MoU is a fairly new concept in the field of management and Deptt. of Public Enterprises (DPE) is continuing to make efforts to improve the system. Since the focus of the MOU is not to fix responsibility as such on the Govt., any failure on the part of the Govt. to fulfil any promised assistance is generally taken into account in assessing the performance of the PSU. It is submitted that the Adhoc Task Force appointed by the DPE to evaluate the performance under MoU, also analyses the reasons and the extent to which the two parties of the MoU have been able to fulfil their obligations. The Ministry would like to assure the Committee that all possible efforts would be made to fulfil its obligations.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

No remarks.

Comments of the Committee

(Please *see* paragraph 6 of Chapter I of the Report)

Recommendation (Sl. No. 5)

The Committee are surprised to learn that while the other MoU signing companies do not require the approval of the administrative Ministry to depute any of their officers on foreign tour except for CMD, these powers have not been given to ITI's CMD even though the MoU for 1995-96 envisages promoting ITI as a global player. According to the company this is seriously affecting the Company's business opportunities. The Committee do not agree with the contention of the Ministry that this power has not been delegated in order to economise the expenditure and that the proposals from the company which have adequate justification are processed and considered promptly. They are unable to understand as to why a particular policy should not be followed uniformly and how a distinction in regard to exercise of a particular power can be made amongst the MoU signing companies. They, therefore, desire the Ministry to bring the company at par with other MoU signing companies without further delay.

Reply of the Government

It is submitted that the proposals from Company to depute their officers on foreign tour having adequate justification are processed expeditiously. As suggested by the Committee the matter regarding delegation of powers for deputing the Company's officers on foreign tours will be reviewed to make it in tune with the requirements of the Company.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

The powers have not been delegated so far. Even now the Company requires the approval of the Ministry to depute officers abroad.

Comments of the Committee

(Please *see* paragraph 9 of Chapter I of the Report)

Recommendation (Sl. No. 16)

The Committee are astonished to observe that ITI could not enter into the basic service sector since the public sector companies were precluded from participating in the tender. The justification given for not allowing the public sector companies to enter into this area was that two operators were envisaged in every State — a Government operator and one more operator. Apart from the constraint on Public resources, giving permission to Government companies for operating basic services would have led to a situation where DoT as an operator would be competing with a Government company. The Committee do not agree with this argument put forward by the Ministry of Communications. It is further disquieting to note that even Cabinet approval was not considered necessary for precluding public sector companies from basic service sector. The Committee recommend that the policy in regard to the basic service sector should be reviewed by Government and for tenders to be floated in future, public sector companies should be allowed to participate.

Reply of the Government

The Public Sector Companies were not allowed to participate directly in the tenders for Basic Services owing to paucity of resources with them. The PSUs could, however, participate by way of becoming a partner of any bidder company.

As desired by the Committee their recommendations with regard to allowing public sector companies to participate directly in basic service tender shall be processed for consideration by appropriate authority.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

No remarks.

Comments of the Committee

(Please *see* paragraph 12 of Chapter I of the Report)

Recommendation (Sl. No. 17)

The Committee have been informed that the company had requested the Government to increase its equity base to Rs. 288 crores from the existing Rs. 100 crores and a soft loan of Rs. 150 crores. The requests of the Company were stated to be under process in the Ministry of Communications. The Committee would like to be informed about the decision taken by the Government in this regard. They feel that in view of the crisis through which the Company is passing, the request of the Company deserves immediate attention of the Government and desire that a decision in this regard be taken at the earliest under intimation to the Committee.

Reply of the Government

The proposal of the Company for increase in the equity held by the Govt. by 200 crores and grant of long term soft loan of Rs. 150 crores is under process in the Ministry in consultation with other concerned Govt. Departments and after being firmed up the proposal will be submitted to the Govt. for consideration.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

Government's decision regarding increase in equity base from the existing Rs. 100 crores to Rs. 288 crores and granting of soft loan of Rs. 150 crores is yet to be received.

Further Reply of the Government

The proposal of the Company for increase in the paid up equity held by the Government by Rs. 200 crores and for grant of long term soft loan of Rs. 150 crores and other measures to support ITI has since been processed in the Ministry in consultation with other concerned Govt. Departments and the same has been submitted to Govt. for consideration and decision.

Further Information called for by the Committee

Whether any decision regarding the increase in equity base held by Government by Rs. 200 crores and granting of soft loan of Rs. 150 crores has since been taken? If so, the follow up action taken in this regard.

[Lok Sabha Secretariat O.M. No. 111/2(1)-PU/96, dated 16.7.1998]

Further Reply of the Government

The revised proposal of ITI Limited to increase the equity held by the Government by Rs. 200 crores and reimbursement of Rs. 49.77 crores for expenditure already incurred by the company on VRS payments is under consideration of the Ministry of Communications.

[Ministry of Communications, O.M. No. U-55015/2/98-FAC, dated 31.8.1998]

Comments of the Committee

(Please *see* paragraph 15 of Chapter I of the Report)

Recommendation (Sl. No. 18)

The Committee observe that the Company which was earning profits till 1993-94 suddenly started incurring huge losses from the year 1994-95. Against a net profit of Rs. 84.33 crores earned during 1993-94, the Company incurred a loss of Rs. 81.91 crores during 1994-95 and Rs. 283.95 crores during 1995-96. The main reasons attributed by the Ministry for this sudden downfall are reduction in prices of telecom, equipment, low orders, huge interest burden, opening of telecom. sector and increase in manpower cost of the company. Various corrective measures have been stated to be taken up by the company such as diversification into new areas, exploitation of market potential in other segments *viz.* Railways, Defence, exports etc. reduction in cost of production, strengthening their marketing set up etc. While the Committee would like to be informed about the improvements effected in the functioning of the Company as a result of these measures, they desire that an in-depth study of the company should be conducted by a high level Committee to examine the exact causes of debacle of the company and to recommend suitable measures for the revival of the company. The outcome of such study should also be intimated to the Committee.

Reply of the Government

As a result of various steps taken by the Company and the help extended by the Ministry, the performance of the Company during the year 1996-97 has shown marked improvement in comparison to their performance in 1995-96. The details in this regard are given below:—

(Rs. in crores)

	1995-96	1996-97	% improvement
Sales	783	1021	30
PAT	−284	−51	82
Borrowings	962	955	1

The production achievement of the Company during the year 1996-97 in physical quantities has been the highest so far.

As regards the revival of the Company, the Government have received the recommendations of the Disinvestment Commission. The DoT is approaching the Government with certain proposals regarding the future of the Company. These proposals are discussed in high level Committees. Once the policy issues are decided the question of appointing a high level Committee will be considered.

[Ministry of Communications, Deptt. of Telecommunications O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

Loss incurred by the Company during 1996-97 was Rs. 87.66 crores as against Rs. 283.96 crores in 1995-96. The High level Committee to examine the exact reasons for the debacle of the Company during last three years as recommended by COPU is not yet set up. Government decisions on disinvestment Commission's recommendations are not received yet.

Recommendation (Sl. No. 29)

The observations and conclusions of the Committee contained in the earlier paragraphs show that ITI is a typical example of how a public undertaking has to suffer because of the apathetic attitude of Government. Although the Committee agree that there is lack of manpower planning and proper cost control in ITI, they have received an unmistakable impression that the company could have been prevented from the situation in which it find itself today, had the necessary and timely assistance been forthcoming from the Ministry. On the contrary, what they have found is that ITI has been treated just like any other supplier. MoU obligations on the part of the Ministry have not been fulfilled, huge liquidated damages have been inflicted on it which later turned out to be unjustified, the Company has been left to face unhealthy competition due to unreasonable prices offered by some multinationals, and it has even been debarred along with other public sector companies to enter the basic service sector. The Committee, therefore desire that the high level committee recommended to be set up in paragraph 19 should also look into effect on ITI of all such policies and remedial action taken in this regard so that ITI the premier public sector undertaking could be saved from becoming sick and be able to face the competition from MNCs and private companies.

Reply of the Government

As stated in the Action Taken Note against para .No. 2 and 19, as a result of various steps taken by the Company and the help extended by the Ministry, the performance of the Company during the year 1996-97 has shown marked improvement in comparison to their performance in 1995-96.

As regards the revival of the Company, the Government have received the recommendations of the Disinvestment Commission. The DoT is approaching the Government with certain proposals regarding the future of the Company. These proposals are discussed in high level Committees. Once the policy issues are decided the question of appointing a high level Committee will be considered.

[Ministry of Communications, Deptt. of Telecommunications,
O.M. No. U-55015/2/96-FAC (Vol. II) dated 29th October, 1997]

Remarks of Audit

Remarks against recommendation Nos. 1 to 29 may please be referred to.

Comments of the Committee

(Please *see* paragraph 22 of Chapter I of the Report)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

—NIL—

NEW DELHI;
April 26, 1999

Vaisakha 6, 1921 *(Saka)*

MANBENDRA SHAH,
Chairman,
Committee on Public Undertakings.

APPENDIX I

Vide Recommendation Sl. No. 1 of Chapter II of the Report

Steps Taken to Help ITI During 1996-97

1. *Reservation of orders*

20% to 30% of DoT orders outside the tender are kept reserved for ITI.

2. *Advances against orders*

The quantum of advance payment to ITI in purchase orders placed by DoT was enhanced from 35% to 50% in August 1996. This was further enhanced to 75% for a period upto 31.3.97.

3. *Expeditious payments*

To facilitate making payments to the company expeditiously, arrangements were made for making the payments through the Pay and Accounts Offices located in the company itself.

4. *Payment of Rs. 47 crores*

An adhoc amount of Rs. 47 crores was released to the company against certain financial and pricing issues pending with DoT for finalisation.

5. *Reimbursement and waiver of L.D. Charges*

An amount of Rs. 115.28 crores has been reimbursed to the company by waiving off the liquidated damages.

6. *Compensation for losses of Srinagar (J&K) Unit*

An amount of Rs. 2.05 crores has been paid to the company during 1996-97 for the losses suffered by the company in running their Srinagar Unit. The total amount paid so far is Rs. 11.35 crores.

7. *Payment for Voluntary Retirement Scheme*

An amount of Rs. 5.5 crores has been paid to the Company during the year 1996-97 from N.R.F. for their Voluntary Retirement Scheme. The total amount paid for VRS so far is Rs. 10.5 crores.

8. *Enhancement of equity and grant of soft loan*

A proposal for enhancement of equity of the company by Rs. 200 crores and soft loan of Rs. 150 crores is being processed in consultation with the concerned Ministries/Departments.

9. *Govt. guarantee for bonds*

Govt. guarantee for bonds Govt. guarantee extended for issue of bonds aggregating to Rs. 100 crores by the company.

10. *Setting up of a Committee for compensation towards social costs.*

A Committee was set up to examine the proposal of ITI for compensation towards social costs incurred by them due to location of some of their units in backward/hilly areas. Further action will be taken on receipt of the recommendations of the Committee.

Further Steps Taken to Help ITI During 1997-98

1. *Reservation of orders*

Being continued in 1997-98.

2. *Advances against orders*

25% of the advance payment is now being made alongwith Advance Purchase Orders and balance 50% with Purchase Orders.

3. *Expeditious payments*

Same arrangements being continued.

4. *Reimbursement & waiver of L.D. Charges*

A decision has been taken to waive off and reimburse the L.D. Charges received from ITI during 1996-97.

5. *Payment. for Voluntary Retirement Scheme*

An amount of Rs. 17 crore has been paid to the Company during 1997-98 from National Renewal Fund for their Voluntary Retirement Scheme.

6. *Enhancement of equity and grant of soft loan*

The proposal for enhancement of equity of the Company by Rs. 200 crores and grant of a soft loan of Rs. 150 crores was finalised and sent to the Govt. for decision.

7. *Govt. guarantee for bonds*

Govt. guarantee extended for issue of bonds aggregating to Rs. 150 crores by the Company during 1997-98.

APPENDIX II

MINUTES OF 21ST SITTING OF COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 26TH APRIL, 1999

The Committee sat from 15.00 hrs. to 15.30 hrs.

PRESENT

Shri Manbendra Shah—*Chairman*

MEMBERS

2. Shri Chittubhai D. Gamit
3. Smt. Sheela Gautam
4. Shri Vinod Khanna
5. Smt. Geeta Mukherjee
6. Shri Vilas Muttemwar
7. Shri R. Sambasiva Rao
8. Shri P.R. Kyndiah
9. Shri Gopalsinh G. Solanki
10. Shri Jitendra Prasada
11. Shri Jibon Roy

SECRETARIAT

1. Shri G.C. Malhotra — *Additional Secretary*
2. Shri Joginder Singh — *Joint Secretary*
3. Shri P.K. Grover — *Deputy Secretary*
4. Shri R.C. Kakkar — *Under Secretary*
5. Shri Cyril John — *Assistant Director*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Shri B.B. Pandit — *Principal Director*

2. **** **** **** ****

3. The Officers from the office of Comptroller & Auditor General of India then joined the meeting.

4. Thereafter, Committee considered the draft report on Action Taken by Government on the recommendations contained in 10th Report (Eleventh Lok Sabha) of Committee on Public Undertakings on ITI Limited and adopted the same.

5. The Committee authorised the Chairman to present these Reports to the Hon. Speaker. They desired that the Hon. Speaker may be requested to order the printing, publication and circulation of the above mentioned Reports of the Committee. The Committee further desired that the Hon. Speaker may be requested to direct that matters of factual nature or patent

errors may be corrected in these Reports under Direction 71A(4) before publication and circulation.

6. The Chairman thanked the Members of the Committee and the officers of the Secretariat for their co-operation.

The Committee then adjourned.

APPENDIX III

(*Vide* Para 3 of Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 10th Report (11th Lok Sabha) of the Committee on Public Undertakings (1996-97) on ITI Limited

I.	Total number of Recommendations	29
II.	Recommendations/Observations that have been accepted by the Government (*vide* recommendations at Sl. Nos. 1, 2, 6, 8, 9, 13—15, 19—24, 26—28)	17
	Percentage to total	58.6%
III.	Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies (*vide* recommendations at Sl. Nos. 7, 10, 11, 12, 25)	5
	Percentage to total	17.3%
IV.	Recommendations/Observations in respect of which reply of Government have not been accepted by the Committee (*vide* recommendation at Sl. Nos. 3, 4, 5, 16, 17, 18, 29)	7
	Percentage to total	24.1%
V.	Recommendations/Observations in respect of which final replies of Government are still awaited	NIL
	Percentage to total	0%