

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

TWENTY-SEVENTH REPORT

**[Action taken by Government on the recom-
mendations contained in the Eighty-eighth Report of
the Committee on Public Undertakings
(Fifth Lok Sabha)]**

**ON
HINDUSTAN ZINC LIMITED
MINISTRY OF STEEL AND MINES
(DEPARTMENT OF MINES)**

*Presented in Lok Sabha and
Laid in Rajya Sabha on 28-3-1979*



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Twenty Seventh Report of the Committee on
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Ministry of Steel and Mines (Deptt. of Mines)
Presented in Lok Sabha and Laid down in Rajya
Sabha on 28.3.1978

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
2	5	14	causes	causes
2	6	14	he	the
6	16	3	stat	stated
7	18	11	prorogative	prerogative
7	19	15	government	government
7	19	21	reurrence	recurrence
18	11.2.5	3	oonected	connected
19	2	1	extend	extent
21	Sl.No.12 Para 2.58 to 2.60	15	a	an
23	11.3.1 (IV)	4	experence	experience
25	11.3.3	6	epeated	repeated
26	Reply of Govt.	5	uon	soon
28	3	4	auitable	suitable
29	Further reply of the Govt.	8	limit	limit
35	4	1	oe	be
36	Reply of Govt.	2	Thi	Tidi
46	4	2	Fully	Fully
46	Recommendations Sl.No.29, Para 4.22 & 4.23	1	delete 'the'	before 'note'
46	-	23	comon proframme	common programme
46	-	25	priorities	priorities
46	-	36	meaning-ful	meaningful
51	-	2	sulphate	sulphate
54	-	33	aut-omised	automised
64	-	16	blende	Blend
80	-	6	product n	production

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
80	-	14	add 'in' before the word 'regard'	
85	-	26	resul	result
91	-	24	infrom	inform
96	-	34	produc	production
102	-	18	delete 'a' before 'appeared'	
108	-	1	stadily	steadily
116	-	30	a	at
130	-	20	revison	revision
143	-	21	l fe	life
144			substitute second sentence - the company----available etc. by 'The company has partly attributed this to the non- availability of adequate quantiti of concentrates, heavy interrup- tions and power failures, fluctuations in the grade of concentrate feed actually avai- lable etc.'	
146	-	36	Zludge	sludge
147	-	4	star-up	start-up
147	-	5	margina	marginal
166	-	22	cos	cost
168	-	28	shortomings	shortcomings
170	-	21	prpared	prepared
205	-	13	civi	civil
205	-	26	manpowe	manpower
205	-	27	und	undertaken
206	-	15	entneprises	enterprises
210	-	21	ye	yet
217	-	4	abanormal	abnormal
226	-	9	RRth	88th
234	-	11	znc	zinc
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COMMITTEE ON PUBLIC UNDERTAKINGS
(1978-79)

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3. Shri Maganti Ankineedu
4. Shrimati Chandravati
5. Shri Tridib Chaudhuri
6. Shri Hitendra Desai
7. Shri Anant Ram Jaiswal
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20. Shri Era Sezhiyan
21. Shri Viren J. Shah
22. Shri Sultan Singh*

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1. Shri H. G. Paranjpe—*Joint Secretary.*
2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri T. N. Khanna—*Senior Financial Committee Officer.*

* Elected w.e.f. 26-12-1978 *vice* Shri Deorao Patil died.

**SUB-COMMITTEE ON ACTION TAKEN OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS
(1978-79)**

1. Shri Jyotirmoy Bosu—*Chairman*
2. Shri O. V. Alagesan—*Convener*
3. Shri Tridib Chaudhuri
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7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Twenty-seventh Report on Action Taken by Government on the recommendations contained in the Eighty eighth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Hindustan Zinc Ltd.

2. The Eighty-eighth Report of the Committee on Public Undertakings (1975-76) was presented to Lok Sabha on the 29th April, 1976. Replies to all the 106 recommendations contained in the said Report were received in batches from the Ministry of Steel and Mines (Department of Mines) and the last batch was received on 30th November, 1976. Replies duly vetted by Audit were received in batches by 22nd August, 1977. Further information in respect of 20 recommendations was called for from the Ministry on 23rd March, 1977, and the same was furnished by the Ministry by the 31st October, 1977.

As the replies received from the Ministry in respect of certain recommendations required updating, the Ministry were requested on 3rd January, 1978 to furnish updated replies with latest information in respect of 22 recommendations and the same were received from the Ministry in batches by 10th February, 1978.

3. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and this Report adopted by them at their sitting held on the 15th March, 1979. The Report was finally adopted by the Committee on Public Undertakings on the 19th March, 1979.

4. An analysis of the Action Taken by Government on the recommendations contained in the Eighty-eighth Report (1975-76) of the Committee is given in Appendix XLVII.

NEW DELHI;
March 21, 1979.
Phalguna 30, 1900 (S).

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the 88th Report of the Committee on Public Undertakings (5th Lok Sabha)—1975-76 on Hindustan Zinc Ltd. which was presented to Lok Sabha on the 29th April, 1976.

2. Action taken notes have been received from Government in respect of all the 106 recommendations contained in the said Report. These have been categorised as follows:—

- (i) *Recommendations|Observations that have been accepted by Government.*

Serial Nos. 1, 5, 6, 7, 8, 9, 11, 12, 13, 14, 16, 17, 19, 20, 22, 23, 24, 26, 27, 28, 29, 33, 34, 35, 36, 37, 39, 40, 42, 43, 44, 46, 48, 49, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 96, 97, 98, 100, 101, 102, 103, 104, 105, and 106,

- (ii) *Recommendations|Observations which the Committee do not desire to pursue.*

Serial Nos. 2, 3, 4, 10, 15, 18, 25, 30, 32, 38, 41, 45, 50, and 99,

- (iii) *Recommendations|observations in respect of which replies of Government have not been accepted by the Committee.*

Serial Nos. 47, 73 and 95.

- (iv) *Recommendations|Observations to which final replies of Government are still awaited.*

Serial Nos. 22 and 31.

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

A. Melting Furnace of West Germany

Recommendation (Serial No. 47) (Paragraphs 5.130 to 5.134)

4. The Committee observed that the recovery of metal from Zinc Cathode was 92.84 per cent, 92.41 per cent, 94.70 per cent, 93.05 per cent, 94.52 per cent and 91.97 per cent during the years 1968-69, 1969-70, 1970-71, 1971-72, 1972-73 and 1973-74 respectively as against 95 per cent indicated by the consultants. The value of shortfall calculated at the selling price prevalent in the respective years worked

out at Rs. 36.4 lakhs. It had been stated that the low melting recovery was due to non-treatment of metallic dross on account of difficulties faced in the Melting Furnace.

5. The Committee were informed that the Melting Furnace suffered a break-down in 1969 which was in the nature of "an electrical accident caused as a result of careless maintenance and inadequate fore-thought." It was stated that the management had "coped with this breakdown in an efficient manner." The second major break-down occurred in January, 1971 when certain repairs were carried out to put back the furnace into working order although with a truncated capacity and this was what, it was stated, "could have been done under the circumstances". The furnace, however, broke down completely in February, 1973. One of the Directors of the Hindustan Zinc Ltd. who made a detailed and intensive study of the working of the furnace and related problems observed in his report (May, 1973) that "although it would be difficult to pin-point the exact cause or causes of the breakdowns in 1971 and 1973, it is most likely that these failures were caused by running the furnace without specified demineralised water cooling system."

6. The Committee noted with regret that though the enquiry report of the Director was given by the Ministry to the DGTD, no action had been taken by the Ministry/Undertaking in the light of the aforesaid report. The Committee were informed that the DGTD could not conduct the enquiries because of the highly specialised nature of the work. The Committee failed to understand why the report could not have been considered by the Management/Board and suitable action initiated. The Committee recommended that this aspect should be investigated and the Committee informed of the results. The Committee were informed that a "top engineer of Demag of Germany who had specialised in furnaces" had since looked into the matter. The Committee recommended that the Ministry/Undertaking should without delay examine in depth the question of break-down of the old furnace in the light of the findings in the Directors Report and the suggestions which might have been made by the German Engineer and take all possible measures to rectify the defects of the furnace, improve the standard of supervision and reorganise and tone up the management at all levels so as to ensure that not only the furnace is re-started at the earliest but it is also maintained in good working condition.

7. In reply to the above recommendation, the Ministry of Steel & Mines have stated as follows:—

"The reference to the DGTD on the breakdown of the melting furnace of Hindustan Zinc Ltd. has been looked into and it is seen

that the enquiry report of the Director on the breakdown of the furnace as such was sent to the DGTD. The study of the breakdown of the furnace undertaken by the Director in April, 1973 was at the instance of the management, based on the discussions between the Chairman-cum-Managing Director, Hindustan Zinc Ltd. and the Director on 23-3-73.

Not being aware of the above, the Ministry requested the Director General, Technical Development on 5-4-73 to depute one of his officers to Udaipur to (i) look into the causes of the break-down of the furnace and (ii) suggest the steps that could be taken for its quick repair. The DGTD desired detailed information on the furnace and sent a questionnaire. The required information was furnished on 14-5-73 to the DGTD, who replied on 28-6-73 that they had studied the details of the furnace and other related information furnished by Hindustan Zinc Ltd. and found the furnace to be very specialised one. Therefore, the DGTD felt the need to associate one or two experts from the industry along with their officer to study the break-down of the furnace.

In the meanwhile, the report of the Director of Hindustan Zinc Ltd. on his study of the break-down of the melting furnace was available which had brought out *inter alia* the reasons for the break-down. Action had also been taken to get a foreign expert to repair the melting furnace. Study of the break-down of the furnace by the DGTD was not then pursued as the purpose had already been served by the report of the Director which, *inter alia*, indicated the reasons for the break-down of the furnace.

The report of the Director of Hindustan Zinc Ltd. was examined in the Ministry and the Chairman-cum-Managing Director, Hindustan Zinc Ltd. addressed on 18-6-73 to furnish his comments particularly on points like re-organisation of the top management of the smelter, placement of a competent General Manager at the smelter and cutting out dead wood. The matter was considered by the Board of Hindustan Zinc Ltd. at its 53rd and 54th meeting held on 20-6-73 and 28-8-73. Based on the Board's decision, the following action was taken by the company on the recommendations contained in the report:

- (i) The senior technical and managerial personnel in the smelter were replaced.
- (ii) A more experienced Mechanical Engineer was posted in the smelter in place of the previous Chief Engineer.
- (iii) A senior metallurgist was inducted in December, 1973 to head the smelter.

- (iv) The water cooling circulation pipes were replaced and demineralised water circulation system introduced.
- (v) For better and effective cooling, one more blower was installed parallel to the existing blower.

The furnace was repaired by a foreign expert in October, 1973 but could not be operated successfully due to the quality of the indigenous ramming mass. The Engineer of Demag mainly looked into the repairs which the furnace needed. The Company has also stated that the relining of the furnace will be taken up immediately on receipt of certain material (viz. Micanite sheets) which is being procured indigenously. The work is likely to take about three months after the receipts of the required material".

8. The Committee take a serious note of the fact that contradictory statements have been made in regard to the enquiries held into the working of the Melting Furnace. They were earlier informed that one of the Directors of the Company made a detailed and intensive study of the working of the furnace and his report was forwarded to the Ministry which in turn gave the Report to DGTD in order to go into "finer specific reasons" for the break-down. It has now been stated that "the enquiry report of the Director on the break-down of the furnace as such was not sent to DGTD" and that the Ministry were not even aware that the Management had already asked one of its Directors to conduct an enquiry. The Committee are informed that the Ministry on their own had requested DGTD to look into the causes of the break-down of the furnace and suggest steps that could be taken for its quick repair. Both the enquiries—one by the Company and the other by the Ministry—were ordered in the same month i.e. April, 1973.

9. The Committee fail to understand as to why the factual inaccuracy was not rectified even when the Report as finalised by the Committee was forwarded to the Ministry/Undertaking for factual verification. They cannot but express their unhappiness at the casual manner in which their report was treated both by the Ministry and the Undertaking at the factual verification stage and would recommend that the matter may be looked into and that such serious mistakes should be avoided in future.

10. The Committee are surprised to note that there was no co-ordination between the Ministry and the Undertaking in the matter of holding an enquiry into the break-down of the furnace. They need hardly stress that the Ministry and the Undertaking should learn a lesson from this incident and ensure that there should be perfect coordination and liaison between them in all important mat-

ters. The Committee also recommend that the Bureau of Public Enterprises may examine this aspect and issue necessary guidelines to avoid the type of situation that arose in this case.

11. The Committee further note that although the furnace was repaired by a foreign expert in October, 1973, it could not be operated successfully due to the quality of the indigenous ramming mass. It has also been stated that the relining of the furnace would be taken up immediately on receipt of certain material which is being procured indigenously. They would like to reiterate that the Management should take all possible measures to rectify the defects of the furnace so as to re-start the furnace at the earliest and ensure that it is maintained in good working condition.

B. Cost of Mining of Ore

Recommendation Serial No. 73 (Paragraph 7.53)

12. The Committee noted that there had been a gradual increase in the cost of mining of ore, production of concentrates, zinc ingots and refined lead except in the case of zinc ingots during 1974-75 when the cost was less than that in the previous year and in 1969-70 and 1970-71. Though the study team of the Bureau of Public Enterprises had observed as far back as 1969 that the cost of raising and milling the ore was *prima-facie* high and it was necessary for the HZL to carry out a special and detailed study of its mining cost so as to bring it down as early as possible, the Committee were surprised to find that no such study had been carried out and the Management had felt that the observation of the Study Team was somewhat general in nature and the increase in cost had also been on account of the fall in the metal content of the ore. The Committee desired to know as to how without making any study, the Management came to the conclusion that increase in cost was mainly due to fall in the metal content of the ore.

13. In reply, the Ministry of Steel and Mines have stated as follows:—

“Though no specific detailed study of the cost of raising and milling of ore was undertaken by the Hindustan Zinc Ltd. pursuant to the observations of the Bureau of Public Enterprises Study Team in their 1969 report, the reasons for the increase in costs of production, *inter alia*, of ore and concentrate during the year 1973-74 *vis-a-vis* those in 1971-72 and 1972-73, were looked into and analysed in detail by the Management in 1974. This revealed that:—

- (i) The metal content in the ore had been falling and the ore to concentrate ratio of 13.59 in 1971-72 rose to 14.92 in 1972-73 in stages and was controlled at 13.91 in 1973-74

- (the ore to concentrate ratio during 1966-67, 1967-68 and 1968-69 was approximately 10.5, 11.6 and 13 respectively);
- (ii) There had been substantial increases in salary and wages due to annual increments and increase in CLI (Cost of Living Index). In respect of ore production, the wage bill had gone up to about 78 lakhs in 1973-74 from Rs. 42 lakhs in 1971-72; and
- (iii) The purchase prices of stores had gone up while the value of stores consumed during 1971-72 was Rs. 22 lakhs, those consumed in 1973-74 had gone upto Rs. 39 lakhs."

14. The Committee regret to note that the Ministry/Management have not given any reason as to why no specific and detailed study of the cost of raising and milling of ore as categorically desired by the bureau of Public Enterprises Study Team in their report submitted in 1969 was undertaken by HZL.

15. The Committee feel that important suggestions made by expert bodies like the Bureau of Public Enterprises and their Study Teams should not be viewed casually. They would like the Undertaking to ensure that such lapses do not recur in future.

C. Appointment of an Officer on Special Duty

Recommendation Serial No. 95 (Paragraphs 10.17 to 10.19)

16. The Committee observed that an Officer on Special Duty (Mines Development) was appointed during 1969-70. It had been stated by the Bureau of Public Enterprises that the Department of Mines sought his transfer from Hindustan Zinc Ltd. in October, 1971 on the ground that HZL would not be able to employ him usefully any longer. He was relieved of his duties in January, 1972, when he was on leave and the Ministry placed his services at the disposal of the Bureau of Public Enterprises for further posting.

17. In the absence of any orders from the Bureau of Public Enterprises and at the suggestion of the Ministry the Officer was allowed to join, on the expiry of leave in February, 1972, the Delhi Office of HZL.

18. The Committee were surprise to note that the said officer who was appointed in 1969-70 on the basis of his qualifications and mining experience could not be usefully employed from February, 1972 onwards and continued to be there without any work assigned to him and the Undertaking had been incurring an expenditure of Rs. 3,700 per month on the Officer i.e., Rs. 44,400 per annum from the aforesaid date. It had been stated by the Ministry that it was not within the competence of HZL/Department of Mines to dispense

with his services, because he belonged to the Industrial Management Pool. That cadre authority could reappoint him somewhere or dispense with his services, if the law permitting it. The Bureau of Public Enterprises, however, stated that the cadre authority had no authorised posts under its administrative control either in Government or in Public Sector Enterprises. The Public Sector Enterprises had earlier been delegated powers to make all appointments below the Board level and below the level of General Managers of constituent units. Under the managerial personnel policy announced in August, 1974, further powers had been delegated and Government had retained the prerogative of appointments only at the Board's level. Government should have considered the question of placement of officers of the Industrial Management Pool, like the one in the present case in finalising the managerial personnel policy for public undertakings and announcing it in August, 1974.

19. It had been added that efforts were, however, made to sponsor the officer concerned for posts in various Government companies/organisations. Unfortunately these efforts did not bear fruit. The Bureau had stated that it had since been decided that the officer might be accommodated for some time in the BPE against a post of Deputy Adviser (Production) and this would be a temporary arrangement. The Committee were surprised that it had not been possible for the Government to usefully employ the officer who was recruited on the basis of high qualifications and mining experience in other mining industries. The Committee failed to understand if the officer's services had not been useful because of other reasons why suitable action could not be taken against him under the Rules. The Committee recommended that the matter should be examined in depth in order to review the entire procedure and authority of Government/Public Undertakings in regard to appointments and termination of services of officers when these were no longer required so as to avoid recurrence of such cases. The Committee recommended that the whole matter regarding the appointment of the officer as well as his continuance at the Delhi Office of HZL, without any work, thereby causing avoidable expenditure of about Rs. 1.8 lakhs should be investigated and responsibility fixed and lessons learnt for future.

20. In reply the Ministry of Steel and Mines have stated that the Ministry of Finance (BPE) who are the cadre authority for the Industrial Management Pool were requested to consider the observa-

tions|recommendations of the Committee. The Bureau of Public Enterprises have stated as under:—

“The matter has been examined with reference to the existing position in regard to the powers of Government and Public Undertakings in respect of appointments and termination of services of officers employed by them. In the Government, rules provide for terminating the services of those whose integrity is questioned and whose performance is found to be poor. On all matter involving integrity, the Central Vigilance Commission have laid down detailed procedure for enquiry and penalties to deal with such cases, which are being followed. Similarly, there are rules for dealing with officers whose performance is found to be unsatisfactory. A review is undertaken to weed out dead wood when the Government Officers attain the age of 50 years and 55 years. It is felt that these rules which apply to Government servants whose integrity is questioned and whose performance is poor, are adequate.

In the case of employees of Public enterprises whose integrity is questioned, the enterprises have framed rules, in consultation with the Central Vigilance Commission, to take appropriate action. The Central Vigilance Commission also assist the enterprises in such cases. The public enterprises are also empowered to terminate the services of their employees whose performance is found inadequate by giving suitable notice, which is normally three months. These powers of the public enterprises to deal with vigilance and disciplinary matters are found to be adequate.”

21. It has been added that this particular case has arisen due to the peculiar difficulties relating to the IMP where there are no authorised posts with the Cadre Authority, for the posting of Pool Officers. The new Managerial Personnel Policy and the proposals under consideration in regard to the future of the IMP will, no doubt, try to eliminate these difficulties arising in future.

22. The Committee are informed that the Government have examined the circumstances which led to the particular case of appointment of the Officer on Special Duty and have been assured that the observations of the Committee will be kept in mind if such cases, particularly in regard to Industrial Management Pool (IMP) officers, arise in future. They have stated that this particular case had arisen due to the peculiar difficulties relating to the IMP where there are no authorised posts with the cadre authority for the posting of pool officers and that the new managerial personnel policy and the proposals under consideration in regard to the future of the

IMP will try to eliminate these difficulties arising in future. The Committee are, however, not satisfied with the reply given by the Ministry as they have not explained as to why suitable action could not be taken against the officer concerned if his services were not considered to be useful. They would like to reiterate that the whole matter regarding the appointment of the officer as well as his continuance at the Delhi Office of HZL without any work should be investigated and responsibility fixed.

23 The Committee would stress that the new managerial personnel policy should be finalised expeditiously and implemented in order to eliminate such difficulties arising in future.

D. Recommendations Serial Nos. 22 & 31 (Paragraphs Nos. 3.49—3.51 & 3.56—3.58 and Paragraphs Nos. 4.41—4.45)

24. In the recommendations at Serial Nos. 8, 12, 13, 14, 15, 16, 22 and 31 the Committee on Public Undertakings (1975-76) recommended that the matters referred to therein should be thoroughly investigated. In reply to these recommendations, the Ministry stated that Government have constituted an Expert Committee. The Expert Committee submitted its Report in July 1977.

The action taken by Government on the recommendations| conclusions|observations of the Expert Committee in respect of recommendations Nos. 8, 12, 13, 14, 15 and 16 has been communicated by the Ministry on 8 February, 1978.

25. However, in respect of recommendations Nos. 22 and 31 it has been stated:—

“...the Expert Committee has been requested to examine the matter further and fix responsibility for the lapses identified in their report.”

26. The Committee desire that further examination in the matter should be done expeditiously in order to fix responsibility for the lapses identified in the Expert Committee's Report and to avoid recurrence of such lapses.

E. Implementation of Recommendations

27. The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by Government. They would, therefore, urge that Government should keep a close watch so as to ensure expeditious implementation of the recommendations accepted by them.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (S. No. 1, Paragraphs 1.13 & 1.14)

The Committee note that the Metal Corporation of India a public limited company was acquired by the Government of India under the Metal Corporation of India (Acquisition of Undertaking) Act of 1966. and a Tribunal was appointed in November, 1971 to determine the amount of compensation payable to the Corporation because of a disagreement between the Government of India and the Corporation on the amount of Rs. 1.98 crores offered as compensation by the Government of India. Though the Tribunal was required to submit the report within a period of 8 months it was only in April, 1974, after about 3 years, that the Metal Corporation finally filed its claim of Rs. 101.80 crores towards compensation with the result that the date of submission of the report was extended first up to December, 1973 and later up to December, 1975. It has been now further extended to 28th February, 1977. Too long a time has been taken in coming to any final decision in regard to the amount of compensation to be paid.

The Committee note that according to Section 11(4) of the Metal Corporation of India (Acquisition of Undertaking) Act, 1966, the one-man Tribunal which is considering the question of the amount of compensation payable to the Metal Corporation on India has the power to regulate its own procedure and decide all matters within its competence and may review any of its decisions in the event of there being a mistake etc., but subject thereto "the decision of the Tribunal on any matter within its jurisdiction shall be final and conclusive."

Reply of Government

The Government noted the observation made by the Committee that too long a time has been taken by the Tribunal constituted under the Metal Corporation of India (Acquisition of Undertakings) Act, 1966, for giving its award on the amount of compensation payable to the Metal Corporation of India. This had already been causing concern to the Government and an Ordinance, namely the Metal Corporation (Nationalisation and Miscellaneous Provisions) Ordinance, 1976 (No. 12 of 1976) has been promulgated by the President on 2-8-76.

2. The Ordinance repeals the Metal Corporation of India (Acquisition of Undertaking) Act, 1966 and, *inter-alia*, provides for payment of a specified amount to the Metal Corporation for acquisition of its undertaking. With the repeal of the 1966 Act, the Tribunal stands abolished with effect from 2-8-76.

3. The Ordinance has been replaced by an Act namely the Metal Corporation (Nationalisation and Miscellaneous Provisions) Act, 1976.

4. A total amount of Rs. 320.79 lakhs has been paid to the Metal Corporation of India in terms of Sections 10 and 11 of the said Act.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1) | 76-Met.II dated 4-11-1976]

Recommendation (S. No. 5, Paragraphs 2.11 & 2.12)

The Committee find that Government sanctioned an estimate of Rs. 947.22 lakhs in August, 1970 for the integrated scheme exclusive of the value of assets taken over from MCI. The actual expenditure on the scheme to end of March, 1975, however, amounted to Rs. 951.38 lakhs exclusive of the value of assets taken over. The Committee regret to note that although the integrated scheme is stated to have been completed as far back as April, 1973, the revised project estimate was approved by Government only in October, 1975 i.e. after more than two years of completion of the project.

The Committee do not see any justification for the delay of over 2 years in the sanction of revised estimates even after completion of the project. The Committee feel that revised estimates should not

serve the purpose of a completion report of the project but should be prepared as soon as excesses are anticipated under any or different heads of the project or when there is a material deviation from the original project estimate so that it may serve as an instrument for financial control and should not be taken up/sanctioned after the completion of the project and thus become a *fait accompli*. They recommend that the reasons for delay in approval of the final estimate should be investigated in order to pinpoint lapses, if any, and avoid recurrence in future.

Reply of Government

The increase in the cost of the integrated scheme of Hindustan Zinc Ltd. over the estimates approved by the Government, in August, 1970, was mainly in respect of two components of the Mochia Mine—namely, the shaft sinking and the construction of dam across the Tidi River.

2. The increase in the cost of these components was brought to the notice of the Board of Directors, and the Ministry, by Hindustan Zinc Ltd. in 1971.

3. The increase in respect of the cost of the shaft sinking was examined, in detail, in consultation with the then Technical Wing of the Ministry, after getting clarifications on a number of points from Hindustan Zinc Ltd. and the reasons given by the Hindustan Zinc Ltd. were finally accepted in October, 1973.

4. As regard the Tidi Dam, the reference from Hindustan Zinc Ltd. was examined in consultation with the Ministry of Irrigation and Power/Central Water and Power Commission and in the meanwhile the payments by HZL to the Govt. of Rajasthan, to whom the work was entrusted were authorised against actual expenditure incurred.

5. Final processing of sanction of the revised costs of these components, could be done only after knowing the overall cost of the integrated scheme. That was necessary, also, so as to decide whether the revision required was of such order as could be approved by the administrative Ministry itself, in consultation with Ministry of Finance or whether the approval of the PIB/Cabinet was also required to be obtained.

6. In the instant case, the increase in the overall cost was only Rs. 4.16 lakhs or less than 1 per cent. However, as the increase in respect of two components (shaft sinking and Tidi Dam) was beyond 10 per cent, the revised cost was required to be approved by the administrative Ministry in consultation with the Finance. For that purpose, Hindustan Zinc Ltd. was requested on 27-10-73 to let the Ministry know the actual expenditure on the scheme as a whole vis-a-vis the sanctioned estimate.

7. Thereafter, there was admittedly a time-lag of as much as two years before the revised cost estimates were finally sanctioned on 10-10-75. Examination of the records show that the main reasons for this time-lag were:

- (a) Though the revised cost estimates of the project as a whole, were received from Hindustan Zinc Ltd. on 24-11-73, Hindustan Zinc Ltd. had to be addressed several times for certain clarifications and additional information; and
- (b) a point raise, regarding change in the scope of the project, took about five months to be sorted out.

8. Notwithstanding the above cited reasons, Government agree that, in the result, in the instant case the final sanction of the revised estimates chronologically almost coincided with the completion report (of the project). There has been, however, no lapse as such in the processing of this case. In order that sanction of revised cost estimates of projects, are not delayed so much in future, suitable instructions have been issued to all concerned (Appendix I).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Recommendation (S. No. 6, Paragraph 2.13)

In the opinion of the Committee it is not correct that approval of the revised estimate or closure of the estimate should await the award of Tribunal. Any change in the Capital Cost on account of the decision of the Tribunal should be suitably explained in the final completion report of the project.

Reply of Government

The Government has noted the above observation of the Committee. The Hindustan Zinc Ltd. has reported that the estimates of the integrated scheme for production of 2,000 tonnes of ore per day, with

matching beneficiation facilities, have been closed on receipt of Government approval of the revised cost estimates of the scheme.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 7, Paragraphs 2.26 to 2.28)

The Committee find that after the Hindustan Zinc Ltd. had taken over the NCI fresh contract was entered into with M/s. Cementation (a private company) in September, 1966 for shaft sinking upto 321 metres for an estimated cost of Rs. 40.62 lakhs. The value of the contract was revised to Rs. 78.83 lakhs in July, 1971 mainly because the quantities for certain items had not been accurately estimated earlier and because the expenditure on certain other items for which an *ad hoc* provision had been stipulated in the contract had increased. The HZL approached the Ministry in August, 1971 for approval of increase in contract value.

The Committee also note that against the original sanctioned estimate of Rs. 73.72 lakhs which included Rs. 40.62 lakhs for shaft sinking, the total expenditure on the work as a whole amounted to Rs. 114.84 lakhs. Accordingly the estimate for shaft sinking and furnishing was revised to Rs. 114.84 lakhs in October, 1971 when a major part of the work was completed. The revised estimate included an expenditure of Rs. 76.16 lakhs for shaft sinking work as against the original estimate provision of Rs. 40.62 lakhs.

The Committee regret to note that though the Ministry were satisfied about the justification for increase in cost estimates, they did not sanction the revised estimate but decided in October, 1973, after a lapse of 2 years that the revised estimate would be considered along with the revised project estimates for the integrated scheme. The Committee are informed that the revised estimate for the whole project was sanctioned only in October, 1975, after a further delay of two more years. The Committee feel that Government should not have deferred the approval of the estimates/sub-estimates of the work till the consideration of the scheme estimate as a whole. The Committee have already commented about the approval of the estimates by Government long after the completion of the projects.

Reply of Government

The Hindustan Zinc Ltd. approached the Government on 28-8-71 for approval of the revised cost estimates of the shaft sinking work

amounting to Rs. 78.83 lakhs. During the period of September, 1971 to August, 1972, the Company was addressed a number of times for additional information and clarification of certain points raised during the examination of the revised estimates in consultation with the Technical Wing of the Department. Final reply on these points was received from the Company on 15-1-73. Thereafter, the reasons for increase in the cost estimates were gone into detail in consultation with the Mining Adviser and it was decided in October, 1973 to accept the same. At this point of time it was felt that the final processing/sanction of the revised cost estimates of this component of the project could be done only after knowing the overall cost of the integrated scheme. This was considered necessary to decide whether the revision was of an order which could be approved by the Administrative Ministry itself, in consultation with the Ministry of Finance, or whether the approval of the Public Investment Board/Cabinet was required.

2. Government agrees with the observation of the Committee that the revised cost estimates of the shaft sinking work could have been formally sanctioned after it was decided to accept the justification given by the Company for increase in the cost estimates. This will be followed in future.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met.II dated 4.11.1976].

Recommendation (S. No. 8, Paragraph 2.31)

The Committee feel that since HZL was not unaware of the work already done and the nature of work remaining to be completed, it should have been possible for HZL to tie up the organisational arrangements, procurement of materials etc. well in time and fixed a realistic and firm schedule for completion of the work in the contract instead of having a vague stipulation that a time schedule would be prepared from time to time. The Committee regret to note that even after a schedule was prepared it could not be adhered to and there was a delay of 2 years in the completion of the work. The Committee recommend that the reasons for delay in the completion of work should be investigated in order to find out the extent to which each of the factors contributing the delay could have been avoided with proper planning and foresight.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-

Met. II, dated 12th November, 1976 (Appendix II). The results of the inquiry|investigation by the Expert Committee, will be submitted to the Committee soon after same are received.

[Ministry of Steel and Mines—Department of Mines
OM No. 54012(1)/76-Met.II dated 8-12-76].

Further Information called for by the Committee

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state:

- (a) When was the Committee required to submit the Report?
- (b) Has the Report been submitted by the due date? If not, what are the reasons for the same?
- (c) When is the report likely to be submitted?
- (d) In case the Report has been submitted by the Committee, please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further reply of Government

(a) to (e). The Committee was to submit its Report within a period of six months i.e. by the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examination and also because the Member Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended upto 31-7-1977.

Further Information called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further Reply of Government

As recommended by the Committee on Public Undertakings the matter was referred to the Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)|76-Met. II dated 12-11-1976. (Appendix II).

2. The recommendations/conclusions/observations made by the Expert Committee are reproduced below:—

11.2.1. Delay in Head Gear Fabrication

The conclusions of the Expert Committee on the delay in Head Gear fabrication are as below:

- (i) Non-availability of certain steel sections due to rationalisation was taken to HZL in April/May 1966 i.e. 4/5 months before signing of the contract with M/s. Cementation. However, action to obtain services of a structural engineer for modifying the drawing was initiated only in May, 1967 i.e. after a lapse of one year.
- (ii) Though the request was made in May, 1967, the engineer arrived at site only in April, 1968. Considering that Head Gear erection was a critical activity, HZL should have pursued the matter more vigorously for obtaining the services of the structural engineer.
- (iii) With proper planning and foresight, it should have been possible to reduce the delays considerably.

11.2.2. Damage to Mining Equipment

The Expert Committee has considered the circumstances narrated in paras 2.6.1. to 2.6.8. about the machinery that had arrived at Bombay Docks and subsequently got damaged due to exposure etc. The Expert Committee accepted the contention of HZL that this was due to reasons beyond their control.

11.2.3. Burning of Control Panels etc. of Winding Equipment while in transit

In the opinion of the Expert Committee, considering the magnitude of the problems in identifying the items to be imported and getting major items repaired indigenously, the delays that have taken place for import|reconditioning of damaged items cannot be regarded as unreasonable.

11.2.4. Loss of Important Items of Winder during transit

The items procured from M/s. Balmer Lawrie were the parts of suspension gear. Procurement of these items by January|February, 1970 did not result in any delay on installation of the cage winder which was completed by 28-2-1970. In the Expert Committee's view,

since the suspension gear was required only on completion of the installation of the winder, delay in procurement of these items could not have caused any setback in the installation and commissioning of the winder.

11.2.5. Shortage of Detonators

The Expert Committee is of the view that shortage of explosives and detonators would have caused delays in underground development activities connected with the Main Shaft work, though it is difficult to quantify the same. The delays caused on this account were beyond the control of HZL.

3. The findings of the Expert Committee have been considered by the Government and the same conclusion of the Committee on the delay in Head Gear Fabrication communicated to the Hindustan Zinc Ltd. vide letter No. 54012(35)|76-Met. II dated 6-2-1978 (Appendix III) for avoiding recurrence in future.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met. II dated 8-2-1978].

Comments of the Committee

The Committee agree with the view expressed by the Expert Committee that with proper planning and foresight, it should have been possible to reduce the delays in Head Gear Fabrication considerably and hope that such lapses would be avoided in future.

Recommendation (S. No. 9, Paragraph 2.37)

The Committee are surprised to note that although the Ball Mill was installed in September, 1966 to feed the Zinc Smelter at Debari, the smelter was commissioned only in nearly 1978. They are informed that "even if the Ball Mill had been put into operation and concentrates produced, the same could not have been smelted to produce zinc metal". The Committee are also informed that "by not starting the Ball Mill there was hardly any loss as there was not enough ore available for treatment in the Mill". The Committee have commented elsewhere in the Report about the lack of synchronisation of the different activities taken up in connection with the implementation of the integrated scheme.

Reply of Government

Government agrees with the observation of the Committee that there was lack of synchronisation of the different activities taken up

in connection with the implementation of the integrated scheme of the Hindustan Zinc Ltd.

2. This was to some extent inherited from the Metal Corporation of India. In the case of the 500 tonnes Ball Mill, order for the same was placed by the Metal Corporation of India as early as 1962. The Mill equipment had already been imported and was lying in the Bombay port due to the inability of the Metal Corporation of India to pay the customs duty.

3. After the acquisition of the undertaking, Hindustan Zinc Ltd. got the mill released from the Port and installed the same. Trial run of the Mill was taken up in September, 1966 but it could not be commissioned till about December 1967 on account of inadequate power supply from the RSEB.

4. The question of power supply for the Hindustan Zinc Ltd. was taken up with the Rajasthan State Government at the highest level but due to inadequate power availability from the Chambal Project and delay in the commissioning of the Ranapratapsagar Power Project, adequate power could be obtained only in December, 1967.

5. The attention of the Hindustan Zinc Ltd. has been drawn to the need for aiming at optimum synchronisation of its different activities vide copy of letter No. 54012(47)-Met. II dated 30th August, 1976 (Appendix IV).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met. II dated 4-11-1976].

Recommendation (S. No. 11 Paragraphs 2.46 & 2.47)

The Committee regret to note that the scheme of renovation envisaging additions and modifications to the existing Ball Mill at a cost of Rs. 17.19 lakhs including balancing equipment for Rs. 4.60 lakhs which was expected to be completed by December, 1970 was actually completed in August, 1971 after a delay of 8 months and that too without the balancing equipment. The Management admitted that the delay was due to managerial lapse and necessary action was taken.

The Committee find that though the scheme included provision of balancing equipment and the scheme was to be completed in December 1970, the equipment for renovation was ordered only in July, 1970. The Committee regret to note that despatch instructions for the equipment which were ready for supply as early as October, 1970 were actually given only in December, 1970 resulting

in payment of bonus of Rs. 46,000. The Committee are informed that the delay was on account of consideration of the economics of rail *vs.* road transport and ultimately the negotiations for road transport took considerable time. It has been contended that even if the equipment had arrived earlier, payment of bonus would have been attracted according to the terms of the agreement. The Committee see no reason why the comparative economic and feasibility of the rail *vs.* road transport should not have been assessed even before placing order for the equipment required for the renovation of the existing Ball Mills instead of waiting till the equipment was ready. The Committee are not convinced of the reason that even if the equipment had arrived earlier, payment of bonus would have been attracted. The Committee need hardly stress that recurrence of such lapses should be avoided in future with proper planning and fore-sight.

Reply of Government

The Government accepts the recommendation of the Committee that recurrence of lapses of the nature brought out in paras 2.46—2.47 should be avoided in future with proper planning and foresight. Instruction in this regard have been issued to the Company *vide* letter No. 54012(31)/76-Met. II dated 16-8-1976 (Appendix V).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976].

Recommendation (S. No. 12 Paragraphs 2.58 to 2.60)

The Committee are surprised to note that before taking any final decision about the capacity of the new Ball Mill the Hindustan Zinc Ltd. sent to Government in January, 1968 a proposal to install a new Mill of the capacity of 2000 tonnes per day and without waiting for the approval of Government went ahead with calling for alternative quotations in April, 1968 in respect of capacities of 1000 and 2000 tonnes Ball Mills respectively. It was only in December, 1968 that the Board of Directors decided that installation of the 2000 tonnes Ball Mill need alone be taken up. The Committee find that the Board of Directors decided in February, 1969 to appoint a sub-Committee which recommended invitation of revised quotations in March, 1969 which were received in May, 1969. Approval of the Government for the Project was conveyed only after the Management had already awarded the contract for the work on 31st July, 1969. Even thereafter, it took almost one year for the Undertaking to communicate its formal acceptance of the offer to the contractor

which was done only in May, 1970. The Committee are distressed to note that as admitted by the Management, reckoning upto the date of issue of letter of intent i.e. 31-7-1969, the Company took little more than 2 years to take a decision for awarding the contract; such a gap between the decision to put up essential milling capacity (March, 1967) and decision to award the contract (July, 1969) cannot be fully justified.

The Committee were also informed that in the successful tender, which was the lowest, many operationally essential items were not included. The Committee are led to conclude that the system of scrutiny of tenders has not been proper.

The Committee recommend that the entire matter regarding the award of the contract and the delay on the part of the Ministry and the undertaking in taking a final decision about the setting up of the Mill should be thoroughly investigated by a expert committee in order to pinpoint lapses and fix responsibility. The Expert committee should also examine whether it would not have been better to launch a short-term scheme for the development of the mill capacity to 1000 tonnes in the first instance as was recommended by the Consultant originally in 1961 before the Company was taken over by Government and whether it would not have been advisable to award the contract on the basis of the tenders originally received instead of calling fresh tenders.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met. II dated 12-11-1976 (Appendix II). The results of the inquiry/investigation by the Expert Committee, will be submitted to the Committee soon after the same are received.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976].

Further Information called for by the Committee

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state—

- (a) When was the Committee required to submit the Report.
- (b) Has the Report been submitted by the due date? If not, what are the reason for the same?

- (c) When is the report likely to be submitted?
- (d) In case the Report has been submitted by the Committee, please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further Reply of Government

(a) to (e). The Committee was to submit its Report within a period of six months i.e. by the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examination and also because the Member-Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended upto 31-7-1977.

Further Information called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further Reply of Government

As recommended by the Committee on Public Undertakings, the matter was referred to the Expert Committee constituted by the Government vide Memorandum No. 54012(7)/76-Met. II dated 12-11-1976. (Appendix II).

2. The conclusions/observations made by the Committee are reproduced below:—

11.3.1 Award of Contract

- (i) The Board of Directors took a decision in March 1967 to put up a mill of capacity of 2000 tpd for treatment of lead-zinc ores from Central Mochia. However, the letter of intent for the installation of the mill was awarded only in July 1969 after a lapse of over two years. It is noticed from the chronology of events narrated above that about a year (March 1967 to April 1968) was taken by HZL for working out the detailed specifications for the various mill equipment, civil works, services and utilities etc. their estimation, and preparation of tender documents; 4

to 5 months May, 1968 September, 1968 by various indigenous firms to submit their offers; 8 to 9 months (October 1968 to July 1969) by HZL in scrutiny of tenders, discussions, obtaining clarifications and revised tenders from the firms and their further scrutiny etc.

- (ii) On an analysis of the course of events, it emerges that lack of adequate expertise and previous experience in processing a project of this kind and magnitude contributed to a major extent to the delay. The mill was indeed a major investment centre and comprised of numerous machinery and equipment manufactured by different companies in India and some abroad, as well as of civil structurals, foundations, electricals, water layout etc. Moreover, a plant of this magnitude for beneficiation of lead and zinc was the first of its kind in India. The company undertook this task with the available expertise and limited experience. They tried to work out the requirements of machinery, civil specifications electrical and water requirements etc. and took the assistance of some external technical experts in the country. Nevertheless, repeated discussions had to be held with the various firms to obtain clarifications and fresh and revised tenders were called to overcome the inadequacies. The company also seemed to have proceeded with much caution to ensure that the various factors were taken into account. Thus, considerable time was lost. The tenders on the other hand also were not having adequate experience in construction of a project of this kind in as much as the tenders came up to expectations only after repeated discussions and clarifications.
- (iii) HZL also vacillated for some time in taking a decision to go in either for a 1000 tpd plant in first instance or for a 2000 tpd plant. But this did not result in any undue delay as they took the precaution of calling for tenders for both simultaneously.
- (iv) The Expert Committee is therefore led to conclude that the unduly long time taken for award of contract for the mill was generally on account of inadequacy of expertise and experience available at that time for a project of this kind and the delays were not due to negligence or lack of efforts on the part of HZL/Ministry.

11.3.2. Capacity of the Mill

The Expert Committee agree that the decision to install a 2000 tpd mill is justified, for the following reasons:—

- (a) The new mill of 2000 tpd capacity was recommended by the French Consultant to match the production of 2090 tpd of ore envisaged from the Mochia mine as well as the requirements of concentrates for the smelter designed for 18000 tpd metal.
- (b) It would have been considerably more expensive to go in for the 1000 tpd plant in the first instance and for another 1000 tpd plant at a later stage. Further, installation of a 1000 tpd mill might not have resulted in any substantial saving in time.
- (c) If the new mill capacity had been restricted to 1000 tpd in the first instance, the mill could have been utilised to treat upto 300000 tonnes of ore per annum. For any production levels in excess of this quantity, it would have been necessary to have milling capacity in excess of 1000 tpd. As borns out from the following table, while a 1000 tpd mill could have been adequate upto 1973-74, beyond this period, a larger capacity would have been necessary for treating the additional quantities of ore arising from the mines. Further, it would not have yielded, under the prevalent conditions, adequate quantities of concentrates to meet the requirements of the smelter. Moreover, as noted by HZL, if any, excess concentrates became available from the 2000 tpd mill, they could have been easily sold to Cominco Binani, whose plant is based on imported concentrates.

Unit : Tonnes

	Ore treated		Zinc Concentrates produced		Total Consumption of Debari Smelter	
	2000 tpd mill	Old mill	2000 tpd. mill	Old Mill		
1972-73	60993	290580	2708	15308	18516	28721
1973-74	263827	195446	12911	12164	25075	23631
1974-75	356835	271755	16780	14533	31313	34343
1975-76	431414	283650	24196	16647	40843	36927
1976-77	504700	303800	26110	17278	43388	43247

11.3.3. Need for revised tenders

The original tenders for the ball mill were received on 3-10-1968 and the revised final tenders were received by 30-4-1969. The time interval between them was about seven months. It is apparent that during the above period of almost seven months, modifications in technical and commercial specification were done by the company and repeated clarifications and revised quotations were obtained from different firms. The initial tenders were not complete enough in all respects to enable a decision to be taken to award the contract. The Expert Committee is, therefore, of the opinion that it was not feasible to award the contract on the basis of the tenders initially received.

3. The Government accept the findings of the Expert Committee.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met. II dated 8-2-1978].

Recommendation (Serial No. 13)

Recommendation (S. No. 13 Paragraphs 2.66 to 2.68)

The Committee find that after issue of the letter of intent in July, 1969 M/s. McNally Bird Engineering Company were to complete the work regarding erection of 2000 tonnes Ball Mill by October, 1971. Subject to the condition that the firm would *inter alia*, get the import licence from Government within 90 days of submission of the application and that the undertaking would assist the firm in obtaining quotas etc. for controlled items, particularly steel. The erection of the entire plant was, however, completed in April, 1973. The delay in the erection of the Mill has been attributed to the difficulty encountered by the firm in obtaining the import licence and in procuring steel.

The Committee note that immediately after receipt of the letter of intent in July, 1969 the firm approached the Joint Plant Committee for the procurement of steel plants and sheets and sought the assistance of HZL who in turn reported the matter to the Department of Mines. It was only in December, 1970, that the Department of Mines informed HZL that the supply position from indigenous sources was bad. Formal clearance of the Department of Steel to import about 1686 tonnes of steel plates was obtained in March, 1971.

The Committee have earlier recommended the appointment of an Expert Committee to investigate the delay in taking decision about the erection of the Mill. They would like that the further delay caused in the erection of the mill due to non-availability of

essential items like steel should also be investigated by the Expert Committee in order to find out the extent to which delays could have been avoided with proper planning and foresight.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met. II dated 12-11-1976 (Appendix II). The results of the inquiry/investigation by the Expert Committee, will be submitted to the Committee soon after the same are received.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 8-12-1976].

Further Information called for by the Committee

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state—

- (a) When was the Committee required to submit the Report.
- (b) Has the Report been submitted by the due date? If not, what the reason for the same?
- (c) When is the report likely to be submitted?
- (d) In case the Report has been submitted by the Committee, please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further Reply of Government

(a) to (e). The Committee was to submit its Report within a period of six months i.e. by the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examination and also because the Member-Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended upto 31-7-1977.

Further Information called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further Reply of Government

As recommended by the Committee on Public Undertakings, the matter was referred to the Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met. II dated 12-11-1976. (Appendix II).

2. The conclusions/observations made by the Expert Committee are reproduced below:—

11.4.1. Foreign exchange release and Import Licence for Equipment

About 5 months (August 1969 to January 1970) were taken in working out the details of specifications etc. of the imported units on the part of HZL and MBE. About 6 months (February, 1970 to July, 1970) were taken in submitting the proposals as desired by DGTD. No explanation for this delay was available from HZL. The Expert Committee is of the view that with proper planning and adequate follow-up action much of this time could have been curtailed.

There has been some delay, about 3 months (February 1971 to May 1971), on the part of HZL to ascertain the procedural formalities to be adopted. There was a delay of about 2 months on the part of MBE after receipt of the sanction of foreign exchange release only to enquire about the mode of payment. The State Bank of Bikaner and Jaipur took about 3½ months (15-6-1971 to 28-9-1971) to provide a draft for Rs. 2 lakhs in Foreign Exchange. The Expert Committee is of the view that with proper planning and adequate follow up action, much of this time could have been curtailed.

11.4.2. Procurement of Steel

There was acute shortage of steel during 1970-72 and the Ministry and HZL made lot of efforts towards obtaining priority allocation of steel for the project through Steel Priority Committee but without much tangible timely results. The priorities granted in different periods were much less than the quantities applied for and the company actually received still less quantities than the priorities allocated. Considerable amount of steel as available in the open market was also purchased by MBE. The steel plates essential for ball mill had to be imported after efforts to procure them indigenously failed. The Expert Committee is led to conclude that the scarcity of steel was a major contributing factor to the delay in erection of the mill and that there was no major lapse on the part of HZL and Ministry and under the then prevailing uncertainties in respect of availability of steel, any normal planning might have gone out of gear.

3. The observations of the Committee have been considered by the Government and the same communicated to the company *vide* letter No. 54012(112)/76-Met. II dated 6-2-1978 (Appendix VI) to enable them to take suitable measures to avoid such delays in future.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 3-2-1978]

Recommendation (S. No. 14, Paragraphs 2.75 & 2.76)

The Committee find that the French expert from M/s. Pennarroya who submitted a report in December, 1966 expected that the new mill of 2000 tonnes per day capacity would be commissioned in January, 1970 and that the full production from Central Mochia Mine to feed the new mill would come up in January, 1972 thereby indicating a gap of about two years between the commissioning of the mill and the commencement of full production from the mine. The mill was, however, completed in April, 1973 and the development of the mine was completed in 1974. During evidence the representative of the Ministry stated that "the Ball Mill was a part of the whole thing and till the Ball Mill was completed, the mine development could not go on beyond a point".

The Committee have already recommended the setting up of an Expert Committee to go into the whole question of delay in regard to the erection of the 2000 tonnes per day Mill. They recommend that Government should examine the case critically to find out whether the delay could have been avoided and the Committee informed of the results.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met. II dated 12-11-1976, Appendix II. The results of the inquiry/investigation by the Expert Committee, will be submitted to the Committee soon after the same are received.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 8-12-1976]

Further Information called for by the Committee

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state—

(a) When was the Committee required to submit the Report?

- (b) Has the Report been submitted by the due date? If not, what are the reasons for the same?
- (c) When is the report likely to be submitted?
- (d) In case the Report has been submitted by the Committee, please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further Reply of Government

(a) to (e) The Committee was to submit its Report within a period of six months i.e. by the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examination and also because the Member-Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended up to 31-7-1977.

Further Information called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further Reply of Government

As recommended by the Committee on Public Undertakings, the matter was referred to the Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met. II, dated the 12th November, 1976. (Appendix II)

2. The conclusions/observations made by the Expert Committee are reproduced below:—

- (i) There was a delay of 35 months in the completion of 'assembling of skip hoist and loading station', which was critical to the production of ore from the levels below the 4th level. The slippages in the Main Shaft commissioning caused delays in the completion of the inter-dependent activities which could not be taken up for implementation in parallel.

- (ii) The schedule drawn up by Mr. Gratacap in 1966 clearly envisaged synchronisation of the Main Shaft skip operation with the commissioning of the new mill to achieve the production build up from 1000 tpd to 2000 tpd. Although the skip hoist was ready for operation on 31-12-1971, it was actually commissioned on 1-9-1972, after a delay of eight months. The Expert Committee attributes this time lag to the delay in the completion of 2,000 tpd new mill, the first phase (1000 tpd) of which was commissioned in July, 1972 and achieved stabilised operation in October, 1972.
- (iii) As regards underground development activity (including auxiliary shaft and stoping) the Expert Committee noted that HZL had taken steps to minimise the delay in the underground development by departing from the sequence of operations visualised by Mr. Gratacap and implementing certain sub-activities without waiting for the completion of the Main Shaft. But for these departures, the construction of the mine would have been further delayed. Yet, HZL took 27 months to reach the full production level of the mine from the time the skip went to operation as compared with the time schedule of 3½ months projected by Mr. Gratacap. The Expert Committee are of the view that considering the delays in the fulfilment of the essential pre-conditions laid down in Mr. Gratacap's schedule of production, especially in respect of delays in the procurement of equipment, delays in the commissioning of auxiliary shaft, shortage of water and frequent power interruptions, the slippage in the underground mine construction schedule was inevitable. The Expert Committee also noted that paucity of technical officers with requisite expertise and certain natural calamities such as floods in 1973 also contributed to the delays.
- (iv) The Expert Committee observed that although the management considered in August, 1966 that it would be possible to reach the production level of 2000 tpd only in July, 1973 they had accepted the time schedule drawn up by Mr. Gratacap in 1968 which envisaged a crashing of the production build-up period (1000 tpd to 2000 tpd) to 23½ months. Further, even in March, 1971, the HZL indicated to the Ministry of the possibility of not only achieving the production target as scheduled but of even further crashing the target date by as much as six months by following the PERT/CPM techniques recommended by BPE. Later,

implementation of the network schedules drawn up by the National Productivity Council in consultation with the Management were dropped as they were considered unrealistic.

3. The findings of the Expert Committee have been considered by the Government and the same have been communicated to the Hindustan Zinc Ltd. vide letter No. 54012(111)/76-Met. II dated 6-2-1978 (Appendix VII) for guidance.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 8-2-1978]

Recommendation (Serial No. 16, Paragraphs 2.91 & 2.92)

The Committee find that the study team of the Bureau of Public Enterprises recommended as far back as in 1969 that the development of mines and mills needed to be speeded up and its progress watched and controlled so that it was completed by December, 1971, the target fixed by HZL. The BPE also recommended that planning progressing and monitoring functions be conducted through PERT. In the mean time certain short term improvements were essential to raise the production of concentrates to the maximum and reduce the dependence on imported concentrates for achieving efficiency of zinc smelter. The Committee are not sure whether the short term measures were put into operation so as to cut down the import of concentrates.

The Committee have already commentend upon the delay in the development of mining and milling capacity and recommended investigation of the delays on the part of the Management and Ministry at various stages. The Committee would like that responsibility for the huge national loss due to these lapses should be fixed and Committee informed.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government vide Memorandum No. 54012(73)/76-Met. II dated 12-11-1976 (Appendix II). The results of the inquiry/investigation by the Expert Committee, will be submitted to the Committee soon after the same are received.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 8-2-1976]

Further Information Called for by the Committee

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state—

- (a) When was the Committee required to submit the Report.
- (b) Has the Report been submitted by the due date? If not, what are the reason for the same?
- (c) When is the report likely to be submitted?
- (d) In case the Report has been submitted by the Committee please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further Reply of Government

(a) to (e). The Committee was to submit its Report within a period of six month i.e. by the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examination and also because the Member-Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended upto 31-7-1977.

Further Information Called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further Reply of Government

As recommended by the Committee on Public Undertakings, the matter was referred to the Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met. II dated 12-11-1976. (Appendix II).

2. The recommendations/conclusions/observations made by the Expert Committee are reproduced below:—

- (a) Although the BPE made 18 recommendations in their report, they have not specifically indicated the Short Term Measures. To this extent HZL is justified in stating that

they are not aware of any recommendations towards implementing Short Term Measures. Nevertheless, it is apparent from the recommendations of the BPE that they wanted action to be taken on several of their recommendations within a short span of 2-3 months. In some cases, immediate action was also recommended. For example, some of the measures recommended for early action by BPE are as follows:—

- (i) Completion of preparation of PERT/CPM schedules within 2-3 months.
 - (ii) Effecting improvements in the separation and management in the beneficiation plant, in maintenance of equipment and in providing balancing items.
 - (iii) Finalisation of plans for developing East and West Mochia and Balaria Mines within 1-2 months and taking up implementation without any loss of time.
 - (iv) The organisation chart bringing out clearly the structural relationship, demarcating the lines of authority and the channel of reporting for efficient management should be finalised without delay.
- (b) The Expert Committee is satisfied that HZL had taken action to implement the various measures recommended for early action by BPE. Nevertheless, the Expert Committee felt that HZL should have pursued with PERT/CPM methods for more effective monitoring and better synchronisation in the implementation of various activities under mining and milling.

3. The findings of the Expert Committee have been considered by the Government and the same communicated to the Hindustan Zinc Ltd. *vide* letter No. 54012(110)/76-Met. II dated 6-2-1978. (Appendix VIII).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 8-2-1978]

Recommendation (Serial No. 17, Paragraph 2.110)

The Committee find that the estimated cost of the Tidi Dam entrusted by HZL to the Rajasthan Government for construction had been revised from Rs. 60.42 lakhs in October, 1969 to Rs. 67.42 lakhs in April, 1971 and finally to Rs. 85.07 lakhs in April, 1972 for a height

of 1376 ft. MSL. in April 1972 the State Government further revised the estimate to Rs. 99.69 lakhs for a height of 1,407 ft. MSL. The State Government were asked to stop the work at 1376 ft. MSL and the dam is now being completed by HZL upto a height of 1407 ft. MSL at the estimated cost of Rs. 112.25 lakhs. According to HZL "the estimate of Rs. 99.69 lakhs framed by the State Government for the full height of the Dam was very unrealistic" in as much as even for completing the dam upto 1376 ft. MSL level, the expenditure would have touched Rs. 90 lakhs. They would like the Ministry to examine as to how for the revised estimate of Rs. 112.25 lakhs was reasonable and why the work could not have been got completed by the State Government as was done earlier. The Committee would like to be informed of the results.

Reply of Government

As desired by the Committee, the entire matter regarding cost of the Tidi Dam and why the work could not have been got completed by the State Government has been looked into and it is seen as follows:—

2. As stated in para 2.110 of the Report, the Rajasthan Government had revised in April 1972 the cost of the Dam to Rs. 85.07 lakhs (for 1376 ft. height) and Rs. 99.69 lakhs (for 1407 ft. height). On receipt of the comments of the Central Water and Power Commission on the revised cost estimates, the Hindustan Zinc Ltd. reviewed the matter in April 1973 and it was found that the cost of construction of the dam would exceed the April 1972 estimates of the State Government for the height upto 1376 ft. By their letter dated 30-3-73 the State Government had demanded a further sum of Rs. 5.11 lakhs for completing the dam upto 1376 ft. level. This plus the expenditure of about Rs. 84.25 lakhs already stated to have been incurred by the State Government, meant that the cost of the dam upto 1376 ft. would go upto Rs. 89.36 lakhs. The Company was, therefore, doubtful if the State Government would complete the dam upto 1407 ft. MSL within the revised estimate cost of Rs. 99.69 lakhs i.e. raising the height of the dam by 31 ft. at a cost of Rs. 10.33 lakhs.

3. It was also found that the water stored in the dam (to the extent already completed) would take care of the requirements of the company upto 1977. If the dam was completed to the full height immediately, the chances of the company being asked to supply unutilised water for irrigation purposes could not be ruled and once this practice was started it would be difficult to stop the same when the company's own requirements increased.

4. In view of the above and having regard to the views expressed by the Central Water and Power Commission in regard to the over-

all availability of water, Hindustan Zinc Ltd. felt that it would be desirable to collect adequate hydraulic data before deciding to build the dam upto the full height of 1407 ft. and necessary approval of the Board was obtained in June 1973.

5. The decision to complete the dam upto the full height was taken by the Board of the company in December 1974 on consideration of a note of the management after studying the behaviour of the catchment area of Udaipur which revealed that if there were two consecutive years of drought, there would be serious water problem. The work was taken up by the company and completed in 1975-76.

6. Against the revised cost estimates of Rs. 112.25 lakhs the actual expenditure has been Rs. 102.13 lakhs which includes payment of Rs. 77.13 lakhs made to the State Government for the work done by them and balance of Rs. 25 lakhs for the work done by the company.

7. Regarding reasonableness of the revised estimate of Rs. 112.25 lakhs it may be stated that the revised estimates of the State Government (April 1972) amounting to Rs. 99.69 lakhs for a height of 1407 ft. were examined by the Central Water and Power Commission in 1972 and found to be reasonable. The subsequent estimate of Hindustan Zinc Ltd. of Rs. 28.00 lakhs for raising the height of the dam from 1376 ft. to 1407 ft. been examined in consultation with the Central Water Commission and the Commission has found the same generally in order on 25-11-76. The company has, in fact, been able to complete the work at a cost of Rs. 25 lakhs as against its estimate of Rs. 28 lakhs.

8. It is seen that in view of its past experience of frequent revision in the cost estimates and stoppages of work on the part of the State Government, Hindustan Zinc Ltd. did not entrust the work of raising the height of the dam to the full height to the Rajasthan Government.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 2-4-1977]

Recommendation (S. No. 19, Paragraph 2.112)

The Committee also note that out of the total claim of State Government for Rs. 84.25 lakhs a sum of Rs. 77.13 lakhs has been paid by Hindustan Zinc Ltd. The Committee would like to be informed about the settlement of the balance.

Reply of Government

The Hindustan Zinc Ltd. has informed that in addition to the amount of Rs. 77.13 lakhs paid to the Rajasthan Government, a sum of Rs. 7.12 lakhs (which was subsequently revised to Rs. 5.62 lakhs) was asked for by the State Government. The cost estimates of the State Government had, in fact, included a sum of Rs. 5.016 lakhs towards overheads which was subsequently increased to Rs. 12.94 lakhs. As the provision of overhead was notional and did not represent actuals, the company requested the State Government in 1972 for sympathetic consideration. Thereafter, the State Government did not write back to Hindustan Zinc Ltd. Hindustan Zinc Ltd. has assumed that no further payment is due to the Rajasthan Government for construction of the Tidi Dam.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 17-11-1976]

Recommendation (S. No. 20, Paragraph 2.113)

The Committee regret to find that though water was being drawn from the dam for the requirements of HZL from 1972-73, the dam was physically handed over only on 31st May, 1975 pending finalisation of the agreement between State Government and HZL. The Committee would like to be informed about the finalisation of the agreement with the State Government and about the terms and conditions of water supply.

Reply of Government

The agreement between the Rajasthan State Government and the Hindustan Zinc Ltd. for handing over of the Tidi Dam to the latter was executed on 17-9-76. A copy of the agreement indicating the terms and conditions of water supply is enclosed (Appendix IX).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 21, Paragraphs 3.45 to 3.48)

The Committee find that the Fourth Five Year Plan envisaged doubling of the capacity of two existing zinc smelters at Debari with a capacity of 18,000 tonnes per annum and the zinc smelter at Alwaye (in the private sector) having a capacity of 20,000 tonnes per annum and the setting up of a new smelter at Visakhapatnam for the production of 30,000 tonnes per year. The lead smelter at Tundoo was proposed to be modernised in order to ensure more efficient working and for increasing its capacity.

The Committee regret to note that the capacity for zinc and lead envisaged for the Fourth Five Year Plan could not be realised during that period and all the projects mentioned above spilled over to the Fifth Five Year Plan.

The Committee also note that zinc and lead metals worth about Rs. 215 crores had to be imported during the years 1961-70 to 1974-75. The Ministry have stated that "the gestation period of mining/smelting project is long and with their limited expertise in the field coupled with general financial constraints forced during the Fourth Year Plan period, the import of zinc/lead could not have been avoided."

The Committee do not, however, agree with the views of the Ministry as they feel that if the delays which occurred both on the part of the Ministry and Management in sanctioning and implementing the various schemes had been avoided, the imports could have been reduced substantially, if not eliminated.

Reply of Government

The Government has noted the above observation of the Committee and efforts are being made to expedite the process of sanctioning of projects and their actual implementation.

[Ministry of Steel and Mines—Department of Mines O.M. No.
54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 23, Paragraphs 3.52 to 3.55)

The Committee note that, in January, 1970, the undertaking appointed a Technical Committee under the Chairmanship of Director, National Metallurgical Laboratory, Jamshedpur, to examine the working of the Lead Smelter at Tundoo and recommend its development. The Report of the Technical Committee submitted in January, 1971 was considered by the Board in July, 1971. The Management did not think much of the report as it contained "theoretical possibilities" which were not considered "worthwhile". The Technical Committee felt that no expert assistance from outside was necessary for the modernisation programme and that adequate competence was available in the National Metallurgical Laboratory. The Committee are surprised to note that the undertaking considered the National Laboratory to be primarily a research organisation "not quite competent" to take up the problems involved in the modernisation of Tundoo Smelter. If that is so, the Committee cannot appreciate the rationale of appointing the Technical Committee under the Chairmanship of the Director of the National Laboratory.

The Committee are informed that at the suggestion of the Department of Mines, the Undertaking decided in December, 1971 to entrust the work of preparation of feasibility/project report for the 2nd phase of modernisation of Tundoo Smelter to Engineers India Ltd. (EIL). They are also informed that the report submitted by EIL in May, 1973 after a delay of about 1½ years, contained several gaps technologically and otherwise and it was, therefore, not proceeded with.

The Committee cannot appreciate as to why the importance and urgency of engaging competent experts for the development of Tundoo Smelter were not realised right at the beginning and why a period of 4 years from 1970 to 74 was lost in making experiments with indigenous know-how. The delay in this regard is all the more regrettable when it was well-known that the country was spending about Rs. 10 crores a year in foreign exchange during that period on the import of lead to meet the indigenous requirement.

The Committee recommend that the Bureau of Public Enterprises should make a case study of the futile steps taken by the Management first in appointing the Technical Committee and the EIL to recommend measures for the development of Tundoo Smelter and subsequently abandoning their reports on the ground that these were not upto the mark. They would like the BPE to draw lessons from the case study and lay down guidelines for the benefit of all the undertakings.

Reply of Government

The above recommendation was referred to the Ministry of Finance (Bureau of Public Enterprises) who have stated that they are initiating steps to make a case study on the issue in question and issue such guidelines as are considered necessary for future guidance of all undertakings.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Further information called for by the Committee

Has the case study on the issue in question been made and has the BPE issued guidelines for future guidance to all undertakings? If so, please furnish a copy of the same.

[Lok Sabha Sectt. O.M. No. 23-PU/76 dt. 23-3-1977.]

Further reply of Government

The BPF have stated that a Committee is being constituted to carry out the necessary case-study on the issue in question so that suitable guidelines could be formulated for issue to Public Enterprises. There has been some difficulty in locating a competent Metallurgist, whose services are to be obtained for the purpose of the case-study. However, efforts are being made to complete the case study and issue the guidelines as early as possible.

[Ministry of Steel & Mines Office Memorandum No. 54012(2)/77-Met. II dated 6th May, 1977]

In their subsequent O.M. No. 54012(2)/77-Met.II dated 23rd May, 1977 Ministry have stated as follows:—

“the Bureau of Public Enterprises have informed this Ministry vide their O.M. No. PCR/1/76/BPE Prodn. dated the 5th May, 1977, (Appendix X) that they have constituted a Study Team to undertake a case-study to evaluate the action taken by the management of the Hindustan Zinc Ltd. in appointing a Technical Committee and Engineers India Ltd. to recommend the measures for the development of Tundoo Lead Smelter.

The Study Team is required to submit its report by the 30th June, 1977.”

Further information called for by the Committee

Has the Study Team appointed by the Bureau of Public Enterprises submitted its report and has the Bureau issued guidelines for future guidance of all undertakings. If so, please furnish a copy of the same.

Further reply of Government

In pursuance of recommendation No. 23 contained in the 88th Report of the Committee on Public Undertakings on Hindustan Zinc Ltd., the Bureau of Public Enterprises, vide their Office Memorandum No. PCR/1/76/BPE/Prodn., dated 5th May, 1977 (Appendix X) constituted a Study Team which submitted its report in August, 1977.

The Bureau of Public Enterprises have stated that the draft guidelines based on the recommendations of the Study Team have been prepared and circulated to the administrative Ministries for comments. A copy of the guidelines will be forwarded to the Lok Sabha

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Secretariat as soon as the same are issued by the Bureau. (The Ministry informed the Committee on 22-3-1979 that the guidelines have since been issued by the BPE on 15-7-1978).

Recommendation (S. No. 24, Paragraph 3.64)

The Committee find that the Task Force on Non-Ferrous Metals set up in June, 1972 assessed the requirement of zinc and lead by the end of Fifth Five Year Plan as 200,000 tonnes and 118,000 tonnes respectively. It has been stated that the demand for zinc and lead showed a significant drop since 1974. The Ministry/HZL have now assessed the demand to be 115,000 tonnes and 50,000 tonnes respectively. The Committee are not sure if these figures are based on any realistic and scientific re-appraisal of the projected demand. They would, therefore, like that a realistic assessment of the future demand should be made particularly in view of the renewed spurt in industrialisation in the country.

Reply of Government

Taking into account the apparent consumption of zinc and lead during 1969-70 to 1975-76 (i.e. imports plus indigenous production) and applying the end-use method, after checking the norms of consumption and the targets of production of the different consuming industries, the demand for zinc and lead, current and by 1980-81 has been estimated in consultation with the Planning Commission, Department of Steel, D.G.T.D., etc. as follows:—

	1976-77	1977-78	1978-79	1980-81
	(In tonnes)			
Zinc	95,000	105,000	115,000	135,000
Lead	46,000	49,000	52,000	58,000

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met.II dated 27-11-1976]

Recommendation (S. No. 26, Paragraphs 3.66 to 3.68)

The Committee note that in regard to lead there is likely to be a considerable gap between the demand and the production capacity. The lead smelters at Tundoo and Visakhapatnam together would produce only 18,000 tonnes of lead as against the demand of 50,000 as per present assessment.

The Ministry have stated that there would be continuous rise in demand of these metals with rapid industrialisation and taking into consideration the relatively limited resources for the non-ferrous metals in the country it would be an open question whether at all points of time there would be self-sufficiency in these metals.

The Committee recommend that as the gestation period of mining/smelting projects is stated to be long, Government should do planning on a long term basis in the matter of assessment of demand and take early action in creating adequate capacity to meet the demand indigenously so as to avoid dependence on imports as far as possible.

Reply of Government

In addition to the capacity of 18,000 tonnes per annum for primary lead referred to in para 3.66, capacity already licensed for refining secondary lead in the organised sector is 31,500 tonnes per annum.

2. The above capacities for primary and secondary lead are expected to take care of the substantial part of country's present demand for lead. In addition, provision is being made in the Visakhapatnam lead plant to increase the capacity by about 6000 tonnes per annum by marginal addition to equipment in future when demand increases.

3. Though there would be continuous rise in the demand for zinc and lead metals in the wake of rapid industrialisation, recent studies made in the Planning Commission indicate that the demand for these metals has been almost static during the last 5-6 years the demand during 1971 to 1976 being between 80,000 to 85,000 tonnes per annum in the case of zinc and 35,000 to 40,000 tonnes per annum in the case of primary lead.

4. The capacity for zinc and lead existing and under implementation, is likely to take care of substantial portion of the estimated demand by 1978-79 viz. 115,000 tonnes in the case of zinc and 52,000 tonnes in the case of lead. Further additions to the capacity for these metals will be taken up when considered essential.

5. As the gestation period of mining projects is long, the Hindustan Zinc Ltd. is drawing up a "Ten Year Roll over Plan" covering estimates of ores reserves and schemes for their exploration and development with matching milling/smelting facilities with a view to reduce dependence on imports, as far as possible.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 27-11-1976]

Further information called for by the Committee

(a) Has the "Ten Year Roll Over Plan" covering estimates of ore reserves and schemes for their exploration and development been finalised? Please furnish a copy of the same.

(b) If not, when will this be ready?

Further Reply of Government

(a) and (b). Hindustan Zinc Ltd. prepared a "Ten Year Roll Over Plan" and submitted the same for the consideration of the Hindustan Zinc Ltd. Board on 29/30-6-76. The Board decided that the Plan needed modification. The Company is preparing a revised Plan for Board's consideration. Copy of the Plan as submitted to the Board on 29/30-6-1976 is enclosed. (Appendix XI).

Further Information called for by the Committee

Has the revised "Roll Over Plan" covering estimates of ore reserves and schemes for their exploration and development been finalised? If so, please furnish a copy of the same. Also please indicate the action taken to implement the plan.

Further Reply of Government

Hindustan Zinc Ltd. has drawn up a Ten Year Plan for the company for the year 1978-79 to 1987-88 which is being submitted to the Board of Directors for consideration on 13-2-78. The same will be furnished to the Lok Sabha Secretariat immediately on receipt by the Government duly approved by the Board. (Since furnished. Not reproduced).

Recommendation (S. No. 27, Paragraph 3.69)

The Committee are also informed that the proposal for the construction of another electrolytic zinc smelter having a capacity of 100,000 tonnes in zinc and 50,000 tonnes in lead was originally included in the Draft Fifth Five Year Plan but due to financial constraints the project has been shelved for the time being. The Committee would like Government to take final decision in the matter keeping in view the comparative economics of importing zinc and lead and meeting the requirements indigenously.

Reply of Government

The relevant records have been checked and it is seen that the Task Force on Non-Ferrous metals set up in connection with the formulation of the developmental plans for the Fifth Plan had, *inter alia*, indicated the need for additional smelting capacity for zinc and

lead to bridge the then estimated gap between the demand and indigenous availability of these two metals by the end of the Fifth Plan. Proposals for new smelting capacity, over and above that already under execution, were however, modified during the discussions prior to the finalisation of the draft Fifth Plan document, which, in fact, visualised a 50,000 tonnes per annum zinc smelter, based on the Rajpura-Dariba ore deposits (apart from the proposed expansion of the existing smelters at Debari and Alwaye and new smelter at Visakhapatnam).

2. The proposals for additional smelting capacity for zinc/lead (based on Rajpura-Dariba deposits) were not also put forward in the Annual Plans 1974-75 onwards. As stated in the written reply to the Committee by the Ministry after the oral hearing (EM-5), Hindustan Zinc Ltd. had projected an idea for a new smelter of 100,000 tonnes per annum zinc and 50,000 tonnes per annum lead, based on the ore deposits in Rajasthan and adjacent areas of Gujarat.

3. In view of the drop in the demand noticed subsequently and the narrowing gap between the projected demand (the demand for zinc and lead by 1980-81 has now been estimated at 135,000 and 55,000 tonnes respectively as stated in reply to Recommendation No. 24) and the likely indigenous availability with the commissioning of the Debari zinc smelter expansion and the Viskhapatnam zinc smelter, greater emphasis is being laid on mine development.

4. Total mine production from all the projects, already under development or for which project reports have been prepared, is estimated at about 90,000 tonnes per annum in the case of zinc (in terms of recoverable metal) by 1980-81 as against the smelting capacity of about 95,000 tonnes per annum already under implementation. In the case of lead, as against the smelting capacity of 18,000 tonnes per annum from Tundoo and Visakhapatnam smelters, mine production expected by 1979-80 (in terms of recoverable metal) will be about 13,200 tonnes which will increase to about 17,200 tonnes by 1980-81 from all the mines of Hindustan Zinc Ltd.

5. Final decision on additional smelting capacity for zinc/lead will be taken by the Government, at the appropriate time, keeping in view, *inter alia*, the comparative economics of importing zinc/lead metals for meeting the requirements indigenously, capacity that could be added by marginal addition to equipment in the existing smelters etc.

[Ministry of Steel and Mines—Department of Mines
OM No. 54012(1)/76-Met.II dated 27-11-1976]

Recommendation (S. No. 28 Paragraphs 4.19 to 4.21)

The Committee regret to note that though the Fourth Five Year Plan envisaged the augmentation of ore production to 4000 tonnes per day by increasing the production from the Central Mochia Mine and by developing Balaria Mine in the Zawar region, the daily average ore production was only of the order of 1,521 tonnes, 1,973 tonnes, and 2,367 tonnes during 1973-74, 1974-75 and 1975-76 (April-November) respectively. The main reason for short-fall in production has been attributed to the delay in the development of the mines and construction of beneficiation plant for Mochia Mines. The Committee have already commented on the delay in the development of Central Mochia Mine in Chapter II of this report.

The Committee regret to note that there have been considerable delays in finalising the other mine development schemes also. They find that there was a time lag of 3½ years between the submission of feasibility report (January, 1970) of Balaria mine project and Government's approval (September, 1973) to the Detailed Project Report. In the case of Zawarmala-Baroi project though the feasibility report was submitted in January, 1970 and approved in October, 1970 the project report has not so far been finalised even after the lapse of over 5 years. Though the project report for Rajpura-Dariba mines was sent to Government in February, 1973 the final cost estimates are in the process of being updated by HZL and are yet to be approved by Government. The Committee are informed that the time taken is somewhat long mainly due to the need to go into the details of several aspects by a number of agencies. The Committee feel that project reports in respect of all the three mines have been and are being processed at a rather tardy pace. They recommend that the Government/Undertaking should review the procedures and streamline them so as to ensure that not only are feasibility/project reports prepared expeditiously but these are also finalised without delay.

The Committee are informed that the Debari Smelter for the production of 45000 tonnes of zinc as envisaged under the expansion plan is based on indigenous zinc concentrates while the Alwaye and Vizag Smelters for a production programme of 50000 tonnes of zinc are based on imported concentrates. The Ministry have stated that "as a prudent policy, the smelting capacity should be ahead of the ore/concentrate capacities even though for a period, the difference in the capacities may have to be utilised by smelting imported con-

centrates." The Committee however feel that it should be possible that all the three stages, viz., mining milling and smelting, should be synchronised so that there is no underutilisation of any of the capacities at any point of time. The Committee are informed that the "total capacities of the mines for which project reports have been submitted to Government comes to over 90,000 tonnes per year of metal". They are led to the conclusion that even when all these projects are implemented, concentrates for meeting the demand of the existing three smelters (which will have a rated capacity of 95,000 tonnes of zinc) will still have to be imported. The Committee cannot over-emphasize the need for minimising dependence on imports of concentrates. They stress that Government/Undertaking should not spare any efforts to fully commission Balaria Mine according to schedule and finalise and implement the development schemes of Zawarmala-Baroi and Rajpura-Dariba mines without delay and ensure that these mines reach the rated capacity in the shortest time to feed the three smelters with zinc concentrates to produce upto 90,000 tonnes of zinc, as expected by the Undertaking, thus reducing imports of zinc concentrates to that extent.

Reply of Government

The Government agrees with the recommendation of the Committee that Government/Hindustan Zinc should streamline the procedures so as to ensure that not only are feasibility/project reports prepared expeditiously but these are also finalised without delay. In this connection, it may be stated that the procedure for scrutiny|processing of feasibility|project reports in respect of schemes costing more than Rs. 1 crore is laid down in the Ministry of Finance (Department of Expenditure) OM No. 26(6)|PF-II|70 dated 30-9-72 (Annexure to Appendix I). The OM, *inter alia*, lays down that feasibility/project reports should normally be brought up to the Public Investment Board within a period of three months of their receipt. Necessary instructions have been issued to officers/sections in the Department of Mines to adhere to the time schedule in the processing of feasibility/project reports (*vide* Memo. No. 54012(16)/76-Met.II dated 25-10-1976. (Appendix XII).

2. Instructions have also been issued to the Hindustan Zinc Ltd. to ensure that feasibility/project reports contain adequate information for taking investment decision so as to obviate frequent back references for additional information/clarifications, *vide* letter No. 54012(16)/76-Met.II dated 25-10-1976 (Appendix XIII).

3. The Government also generally agree with the observation of the Committee that the mining, milling and smelting activities should be synchronised as far as possible so that there is no under-utilisation of any of the capacities. The attention of the Hindustan Zinc Ltd. has been drawn to the need for aiming at optimum synchronisation of its different activities *vide* letter No. 54012(43/76-Met.II dated 30-8-76. (Appendix IV).

4. The Government note that no efforts should be spared to fully commission the Balaria Mine as quickly as possible and to finalise and implement the developmental schemes in respect of Rajpura-Dariba and Zawarmala-Baroi so as to attain rated capacities in the shortest time possible to feed the smelting capacity in the country and reduce the import of zinc concentrates.

[Ministry of Steel and Mines—Department of Mines
OM No. 54012(1)/76-Met.II dated 27-11-1976]

Recommendation (S. No. 29, Paragraphs 4.22 & 4.23)

The Committee regret to the note that non-ferrous metal deposits got very little attention in the past though the process of investigation and discovery of new deposits is now stated to be satisfactory. The Committee are informed that search for additional lead zinc deposits in the country on a macro-scale is being carried by Geological Survey of India as well as the various State Governments on the basis of a common programme drawn up. The Central Geological Programming Board determines sector-wise priorities. HZL takes up detailed drilling of the deposits after it is *prima facie* declared as mineable and a mining lease is granted to it.

In view of the gap between the indigenous availability of zinc concentrates and the requirements of the existing three smelters, which may widen when smelting capacity is further expanded, the Committee feel that there is an imperative need to intensify search for additional non-ferrous metal deposits in the country. They would like the Government to draw up a plan, in consultation with the Geological Survey of India, HZL and the State Governments concerned, to accelerate the pace of work of investigation of non-ferrous deposits in the country and establish a meaningful co-ordination among all these agencies so as to ensure that all of them work according to a time-bound plan to achieve self-reliance in this field. The Committee would also like Government to examine the feasibility of bringing the Exploration & Development of zinc lead mines in the country under the control of a single organisation like HZL which has developed expertise in the field.

Reply of Government

The Government agrees with the observation of the Committee that there is an imperative need to intensify the search for non-ferrous metal deposits (zinc-lead) in the country in view of the gap between indigenous availability of zinc concentrates and the requirements of the existing smelters which will widen when the smelting capacity is further expanded.

2. The recommendation of the Committee that Government should draw up a plan, in consultation with the Geological Survey of India, Hindustan Zinc Ltd. and the State Governments concerned, to accelerate the pace of investigation of non-ferrous metal deposits (zinc-lead) metal deposits in the country and to ensure a meaningful co-ordination among all the agencies so that all of them work according to a time-bound plan to achieve self-reliance in this field has been noted and the concerned organisations have been asked to draw up a time-bound programme.

[Ministry of Steel and Mines—Department of Mines
OM No. 54012(1)/76-Met.II dated 21-12-1976]

Recommendation (S. No. 33, Paragraphs 5.33 to 5.35)

The Committee find that apart from the delay in the development of Central Mochia Mine due to delay in the erection of the 2000 tonnes per day mill (which has already been commented upon by the Committee elsewhere in the Report), the system of control in vogue on mining operations was deficient in as much as (i) year-wise physical targets for the exploratory and development work and the actual achievement there again were not reported to the Board of Directors till January, 1975. It has been admitted that "there has been slippage on that account". It has also been admitted that "if monitoring is not done correctly there will be lag in development". (ii) in the absence of proper documentation, the mine development activities were not indicated in each year in the form of additions to different categories of reserves of ore till 1973-74. Periodical self-appraisal of exploratory and development work indicating the additions to the ore reserve was also not reported to the Board of Directors.

The Committee fail to understand as to how an effective control could be exercised by the Ministry on the working of the Corporation in the absence of such vital information.

The Committee feel that fixing of year-wise targets for different stages of mining operations and the periodical self-appraisal of the results achieved are the basic functions of the Management. They stress that the Management should ensure proper documentation and maintenance of records, and keep the Board of Directors regularly informed about the self-assessment of the progress of exploratory and development work to enable it to review the achievements *vis-a-vis* targets and advise remedial action.

Reply of Government

Government agrees with the observations of the Committee which are in keeping with the guidelines prescribed by Government.

The monthly progress report and the quarterly financial performance review (in the format prescribed by Bureau of Public Enterprises) provide for adequate control mechanism and documentation of results achieved *vis-a-vis* annual targets fixed in respect of various activities and projects including exploratory and development work. They form one of the main items of the Agenda for the meeting of the Board of Directors. Such performance analysis is also done at the highest level in the quarterly performance review undertaken by the Minister of Steel and Mines.

[Ministry of Steel and Mines—Department of Mines
OM No. 54012(1)/76-Met.II dated 27-11-1976]

Recommendation (S. No. 34, Paragraph 5.36)

The Committee are informed that in order to streamline the Management the Ministry combined in May, 1970 the Chairmanship and Managing Directorship by appointing an expert mining engineer. It has been admitted that "if Government had been satisfied with the manner of control about mining maturity of the Management prior to 1969-70, surely Government would not have made such a drastic change." The Committee recommend that in the light of the past experience the Ministry should evolve a system of keeping themselves constantly in touch with the progress made by the Management in various fields so as to take prompt remedial measures, whenever serious lapses/deficiencies come to their notice.

Reply of Government

In the light of the past experience, need was felt by the Government to evolve suitable effective system of keeping themselves informed of the various aspects of working of the undertaking.

2. To improve the information system between the undertaking and the Ministry, various measures have been taken from time to time, to enable Government to rectify serious lapses/deficiencies, if any, in the undertaking. These are indicated below:—

3. The system of reporting by the undertaking was changed during the later part of 1975-76 when the integrated Management Information system was introduced by the Bureau of Public Enterprises, based on a report of the working group constituted by the Bureau. Under the integrated Management Information System, periodical reports/returns are submitted by the Company in the prescribed proformance. A list of such returns/reports is enclosed. (Appendix XIV).

4. The reports/returns are examined by the Government and remedial measures initiated wherever necessary. In addition, the Chairman-cum-Managing Director sends a monthly letter to the Secretary indicating the progress and problems requiring attention at Government level also.

5. Quarterly Performance Review Meetings are taken by the Minister of Steel and Mines to review the various aspects of the working of the undertaking. These review meetings are attended by the Chief Executive and other senior officers of Hindustan Zinc Ltd. apart from the representatives of the Ministry and the Integrated Financial Adviser.

6. Since June 1976, the undertaking has been asked to submit tri-monthly production reports indicating, inter alia, the reasons for shortfalls in production *vis-a-vis* the targets.

7. The introduction of the integrated Management Information System, and the system of holding periodical review meetings under the Chairmanship of the Minister of Steel and Mines has helped the Government to monitor and evaluate, on a continuous basis, the performance of the undertaking.

[Ministry of Steel and Mines—Department of Mines
OM No. 54012(1)/76-Met.II dated 4-11-1976]

Recommendation (S. No. 35, Paragraph 5.54)

The Committee note that a 500 tonnes Ball Mill went into operation towards the end of 1967 raising the milling capacity to 975 tonnes per day. The milling capacity was further augmented to 2975 tonnes per day when another Mill of 2000 tonnes capacity per day was set up in 3 phases (upto 1000 tonnes in July, 1972, 1500 tonnes in September, 1972 and 2000 tonnes in April, 1973). They find that since the commissioning of the new Mill in 1972-73, the milling capacity has been in excess of the ore available. In 1974-75,

nearly 28 per cent of the milling capacity could not be utilised for lack of ore. The capacity utilisation is however stated to have reached 78 per cent, in 1975-76 (upto November, 1975). The undertaking has stated that 'as a matter of policy the milling capacity should be more than the mining capacity' and the extra milling capacity is being progressively utilised. The Committee are not sure as to what should be the maximum gap between the milling capacity and mine production capacity and what should be the optimum time during which the development of mine production should catch up with the milling capacity. They suggest that these aspects of mining and milling capacities may be examined in depth and an integrated time chart worked out as an aid to the Management in co-ordinating the commencement and completion of the various units of any future smelter complex so as to ensure that the units come up in proper order and the time lag between the completion of the various units is the barest minimum to avoid any loss on account of idle capacity for long period. They would, however like to reiterate that the ideal policy should be to synchronise, as far as possible, the development of mines and the installation and commissioning of the milling and smelting capacities and they need hardly stress that undertakings should strive to achieve this ideal in the future projects.

Reply of Government

Hindustan Zinc Ltd. had been keeping the milling capacity ahead of the mining capacity since 1972-73 not only to treat the ore produced from its regular mine but also to treat the ore available incidental to the development of the new mines.

2. As a long term measure, the Government and Hindustan Zinc Ltd. agree that the ideal policy is to synchronise, as far as possible, the mining, milling and smelting capacities. The Hindustan Zinc Ltd. has been requested *vide* letter No. 54012(48)/76-Met. II dated 30-8-76 (copy enclosed with reply to Recommendation No. 9) that in the future plans for additional capacity for zinc/lead production, adequate steps may be taken well in time to ensure optimum synchronisation of the different activities.

3. As regards the gap between the mining, milling and smelting capacities in the short term, it is dependent on a number of factors including the peculiarities of base metal development/operation which is time consuming and subject to unknown natural factors.

[Ministry of Steel and Mines—Department of Mines
O.M. No. 54012(1)/76-Met.II dated 28-1-1977]

Recommendation (S. No. 36, Paragraphs 5.53 to 5.57)

The Committee are informed that shortage of water and maintenance of machines and shortage of copper sulphate have been responsible for the shortfall in the quantity of ore treated in the Mills. The under-utilisation of the mill in 1968-69 and 1969-70 is stated to be due to difficulties of transport of ore from dumps to the mills. A large receiving bunker was constructed along with the renovation scheme of the mill in 1970-71 after identifying various bottlenecks.

The undertaking has admitted that marginally better utilisation could have been obtained by timely action in tapping new sources of water, procurement of copper sulphate well in advance and replacement of some worn out machinery which took heavy toll of maintenance attention. The Committee feel that with proper planning and arrangement of equipments and maintaining an adequate buffer stock of copper sulphate, such difficulties could have been overcome and shortfall in production avoided. It is stated that these difficulties have been handled after commissioning of Tidi dam for water supply renovation of the old mill, replacement of some of the equipment and planned purchase of re-agents like copper sulphate.

The Committee have already given their recommendations About water supply arrangements elsewhere in this report. The Committee recommend that the Management should lay down the maintenance schedules to service the machines and ensure that these are observed regularly. The steps taken in pursuance of the maintenance schedules should be periodically reviewed by the Board and remedial action taken where necessary. The Committee would also recommend that the inventory control should be streamlined and demand of various re-agents and other things necessary to run the mills should be worked out well in advance and suitable arrangements made for their timely supply to avoid any dislocation in the production programmes.

The Committee note that power interruptions have also been responsible for the decline in the recovery efficiency of the mills and the under-utilisation of milling capacity. Emergency sets are being installed with a view to keep essential equipments and services running but it is stated that the capacity of the generating sets will not be enough to keep the milling or mining operations going. The Corporation has stated that "the adverse effects of power interruptions or power cuts leading to loss of ore production and milling capacity cannot be overcome by stand-by generating sets as continuity of power supply is a must to ensure proper functioning". The Committee are informed that installation of a 132 KVA sub-station

at Zawar mines by Rajasthan State Electricity Board has to some extent contributed to lowering the frequency of power interruptions and trippings. The Committee feel that in view of the all round improvement in the power supply position, it should not now be difficult for the undertaking to make the State Electricity Board agree to meet the power requirements of the smelter complex on a long term and firm basis. They would like the Ministry|Undertaking to take up the matter with the State authorities at high level and resolve the problem of power supply on a priority basis.

Reply of Government

Government generally agrees with the observations|recommendations of the Committee contained in para 5.56 of the 88th Report on Hindustan Zinc Ltd. Particular attention of the Hindustan Zinc Ltd. has been drawn to the observation|recommendations of the Committee contained in paras 5.55 and 5.56 and the company requested to take early steps to implement them. Copy of letter No. 54012(41)|76-Met.II dated 4-9-76 addressed to the Hindustan Zinc Ltd. in this connection is enclosed (Appendix XV).

2. Regarding para 5.57 of the Report, it may be stated that Hindustan Zinc Ltd. has reported that there has recently been general improvement in the power supply position. The question of uninterrupted power supply to Hindustan Zinc Ltd. was taken up with the Rajasthan State Electricity Board. The Board informed in April 1976 that preference and high priority was being given in catering to the demands of Hindustan Zinc Ltd. It has, however, to be appreciated that the Rajasthan State Electricity Board gets power from Hydel Stations and from the Rajasthan Atomic Power Project. The former is subject to the vagaries of the monsoon and the operations in the latter are yet to stabilise. The position will however, be kept under constant watch and remedial steps will be taken when necessary in consultation with the Government of Rajasthan.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met.II dated 4-11-1976]

Recommendation (S. No. 37, Paragraph 5.58)

The Committee regret to note that the percentage of concentrates produced to the quantity of ROM treated (old Mill) had shown a declining trend except in 1971-72 and 1973-74 when there was slight improvement over the previous years. It has been stated that the grade of ore at lower horizons was going down with consequent fall in metal content. The Committee also note that there was no set pattern between the recovery efficiency and the richness of ore in the old and the new Mill. The recovery efficiency of the old mill

varied from 81.6 per cent to 90 per cent in the case of zinc and 79.9 per cent to 89.9 per cent in the case of lead as against the recovery efficiency of 73 to 83.6 per cent (zinc) and 82.3 per cent to 87.5 per cent (lead) in the new Mill. The Committee are informed that in view of the erratic behaviour of the ore in terms of metal content, which on occasions were reaching uneconomic levels, the Management were considering the possibility of introducing an on-line computerised analyser so that instantaneous adjustments in fuel and reagents could be made. The Committee are informed that the computerized analyser is a highly sophisticated and costly equipment of imported origin and its introduction has to be preceded by several studies which are still on. The Committee would like that cost benefit analysis of the introduction of computerised analyser should be worked out before taking a final decision in the matter and the Committee informed of the results.

Reply of Government

The Government agrees with the recommendation of the Committee that cost benefit analysis of the computerised analyser should be worked out before taking a final decision on its introduction in Hindustan Zinc Ltd.

2. After the cost benefit analysis are available, Government propose to consult the Electronics Commission also. The Committee will be informed of the results when these become available.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met.II dated 4-11-1976]

Further information called for by the Committee

Has the cost benefit analysis of the computerised analyser been worked out and the Government consulted the Electronics Department? If so, with what results?

Further Reply of Government

As this equipment is highly sophisticated and is not being used in the country at present, the Hindustan Zinc Ltd. has been in correspondence with certain foreign firms in Finland and Australia to ascertain the type of feasibility study which they would like to conduct before deciding upon the type of the instrument to be installed.

2. After a final view is taken by the Hindustan Zinc Ltd. about the type of equipment to be purchased, the cost benefit analysis of the computerised analyser would be worked out by the company and necessary clearance for the import of the same will be obtained from the Electronics Commission.

3. In this connection it may also be mentioned that in the revised cost estimates of the Balaria mine of the Hindustan Zinc Ltd., the company made a provision for Rs. 48.00 lakhs for "on stream X-ray analyser". While considering the revised estimates, Government felt that there seemed to be no urgency for this equipment as it was not an essential part of the process and impact of cost benefit was not available. Further, clearance from Electronic Commission had not been obtained by Hindustan Zinc Ltd.

Further information called for by the Committee

Has any final view been taken by Hindustan Zinc Ltd. about the type of equipment to be purchased and the cost benefit analysis of the computerised analyser worked out? If so, whether clearance from the Electronics Commission has been obtained.

Further reply of Government

Hindustan Zinc Ltd. have obtained some information from the foreign manufacturers about the computerised analyser. Some of the foreign suppliers have asked for tailing samples which have now been sent to them by Hindustan Zinc Ltd. for exploring the type of equipment to be purchased and worked out the cost benefit analysis of the analyser.

As stated earlier this type of equipment is highly sophisticated and will be installed for the first time in the country. As the investment involved is quite high (to the tune of about Rs. one crore), the matter needs a detailed and in depth study before a final decision to instal the equipment can be taken.

In their subsequent O.M. No. 54012 (50)/76-Met. II dated 29-9-78, the Ministry stated:—

On the basis of detailed and in-depth studies made of the type of computerised analysers for installation in the mill and the test conducted on the "tailing" samples of Zawar Mines, it has been decided that installation of "On-stream X-Ray Analyser", which is highly sophisticated and suitable in a highly mechanised and aut-omised Plant, may not be suitable in the mill at Zawar Mines at this stage, particularly when such an Analyser costing Rs. 80 lakhs has not been used in India so far. Therefore, another instrument "Isotop Mineral Analyser", which performs similar functions, is proposed to be procured by Hindustan Zinc Ltd. from M/s. Australian Mineral Development Laboratories. The suppliers have conducted the test on Zawar Mines tailing samples in order to ascertain the suitability of the equipment and the results of the test have been found satisfactory. The

total expenditure for this equipment is estimated to be Rs. 2,75,000/-. With the installation of this instrument, it will be possible to have a quick analysis of "tailing" and to take corrective and remedial measures for minimising the "tailing" losses in case of abnormal situations.

Recommendation (S. No. 39, Paragraph 5.75)

The Committee would like to be informed of the positive measures taken for training of the personnel for maintenance and operation of the plant to prevent damage and avoid loss in production.

Reply of Government

The Hindustan Zinc Ltd. has informed that the following positive measures have been taken for training of personnel for the maintenance and operation of the plants:—

- (i) A regular scheme of graduate trainees has been introduced in the undertaking wherein trainees in all disciplines are taken. Such trainees are given regular practical and theoretical training for two years and later absorbed in the undertaking as shift/plant engineers.
- (ii) For training of skilled personnel, apprenticeship scheme (both under the company's own scheme and under the Apprenticeship Act) exists.
- (iii) Refresher courses for the training of skilled personnel in specialised fields are conducted at manufacturers' works.
- (iv) Middle level and senior officers of the company are deputed for courses conducted by organisations like National Productivity Council, Administrative Staff College of India, NITTE, Fertilizer Association of India etc.
- (v) Personnel are deputed to other plants for getting trained in certain specialised fields like fertilizer, acid production, etc.
- (vi) For getting acquainted with the latest technology and methods of maintenance of equipment, engineers of the company are deputed, from time to time to smelters abroad.
- (vii) Operation and maintenance engineers of the company are fully associated in the detailed engineering and construction of different projects of the company to get familiar with equipment and technology.

(viii) Technical personnel of the company are sent for training courses under various scholarships like Colombo Plan, GDR Scholarship, Russian Training Scheme etc.

2. A statement showing the number of personnel so far trained under various schemes is enclosed (Appendix XVI).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met.II dated 28-1-1977]

Recommendation (S. No. 40, Paragraphs 5.76 to 5.78)

The Committee are informed that the main impediment in attaining production higher than 13,500 tonnes even in 1974-75 (as against a capacity of 18,000 tonnes) was the limited capacity of the Roaster which is stated to be suffering from design defects. The Roaster is stated to have operated without any major defects initially for a good period and the officers of the undertaking had given a certificate that it had performed according to the requisite guarantee.

The Study Team of Bureau of Public Enterprises in their report (1969) on the working of the undertaking also observed that a production level as high as 25 per cent above the rated capacity could be achieved. They have been informed by the Chairman of the undertaking in evidence that "later on (1971-72) when the full concentrates were available and a full operation pressure was put on that, it was gradually realised that the Roaster had the design parameter deficiencies and also conceptual deficiencies leading to the under-capacity than what was in the agreement regarding the design capacity". The Committee cannot understand as to how the certificate of performance guarantee could be given by the officers of the undertaking without operating the Roaster at full pressure for a considerable period. They cannot but deprecate the undue haste and lack of elementary caution shown by the officers of the undertaking in this regard which has resulted in the undertaking being saddled with a Roaster which is defective in design and consequently deficient in capacity. The Committee would like this matter to be enquired into with a view to fixing responsibility and learning lessons.

The Committee feel that guarantee tests of plant and equipment are meaningless unless they are conducted under normal conditions with full operation pressure and certificates of performance guarantee should not be issued unless the Management are thoroughly satisfied from all aspects during actual trials that the plants etc. are capable of working to full capacity. They would like the Bureau of Public Enterprises to issue standing guidelines in this regard for the benefit of all public undertakings.

Reply of Government

The matter has been looked into, in detail, and the position as seen from the records is as under:—

2. The construction of Debari Zinc Smelter (18,000 tonnes per annum including the roaster plant) was originally entrusted by the Metal Corporation of India in November 1960 to M/s. Krebs & Cie and Penarroya of Paris, on turn-key basis. The agreement between the Metal Corporation of India and Krebs-Penarroya provided, *inter alia*, that:—

- (i) The checking of guarantees for each separate section shall take place within 15 days from the date of receipt of notification that the plant is in order.
- (ii) Acceptance test will take place within six months after start-up. It will follow immediately after a period of ten to fifteen days continuous operation under industrial conditions and shall be established during 72 consecutive hours working.
- (iii) The acceptance will be formalised by an agreement signed by the delegates of the Indian and foreign firm.
- (iv) If the acceptance test was not undertaken within six months after start-up or 15 months after the last shipment of equipment, the acceptance will automatically be considered to have taken place.

3. After the acquisition of the undertaking in Oct., 1965, Hindustan Zinc Ltd. concluded another contract with Krebs-Panarroya in Nov., 1966 for the completion of erection of the zinc smelter, start-up and commissioning etc. The agreement provided almost similar conditions, as above, for the acceptance tests except that a period of 'thirty six months after coming into force of the agreement' was substituted in place of "15 months after the last shipment".

4. Construction of the roaster was completed around October 1967 and the plant was put on trial run on 29-10-67 which continued during November and December 1967 and test run was taken up on 10-1-68. As per the agreement, the test run continued till 12-1-68 for 72 consecutive hours, which established daily average treatment of 124.87 tonnes of concentrates. Based on this, the parties, *viz.* Hindustan Zinc Ltd. and Krebs, signed the minutes sanctioning the acceptance of the roaster on 17-1-68.

5. The acceptance of the other sections of the smelter was established during test run for 72 consecutive hours on 5th to 7th June, 1968, when the plant, as a whole was accepted.

6. It is thus seen that the certificate signed by the Officers of Hindustan Zinc Limited accepting the zinc smelter (including the roaster plant) was in accordance with the contract.

7. In this connection it may be pointed out that the corresponding provisions in similar agreements for chemical/metallurgical plants have been checked and it is found that tests run of 72 consecutive hours, after about two months running of the plant under industrial conditions, is, by and large, a normal practice.

8. Furthermore, the roaster was set up on turn-key basis by M|s. Krebs-Penarroya, based on the design of M|s. Lurgi of Frankfurt. As a turn-key job, the detailed engineering was done abroad by the consultants and association of Indian engineers/technical personnel in the erection of the first stage of the Debari zinc smelter cannot be said as very close. This has been another factor, apart from the technology being new, in identifying the specific problems such as those of the roaster.

9. As regards the observation of the Bureau of Public Enterprises Study Team, it is true that in para 4.2.3 of its report, the Team had mentioned that the tests carried out in January 1968 would indicate that a production level as high as 150 tonnes of ore treatment per day could be achieved (which was 25 per cent above the rated capacity) but this was subject to certain modifications and improvements being implemented. In para 4.1.3. of its report, the Team had also pointed out that the annual zinc production of 18,000 tonnes presumed, *inter alia*, 350 effective working days in the year whereas the effective days actually available were only 330 days for the roaster (allowing for maintenance). The Bureau of Public Enterprises Study Team's report thus mentioned about the unrealistic assumption of effective working days and need for modifications/improvements in the roaster.

10. The recommendation of the Committee that guarantee tests of plants and equipment are meaningless unless conducted under normal conditions with full operational pressure and certificates of performance guarantee should not be issued unless the management are thoroughly satisfied from all aspects during the actual trials that the plants are capable of working to full capacity has been noted. The Bureau of Public Enterprises are initiating steps to study the case and issue such guidelines, as are considered necessary, for the guidance of the Public Sector Undertakings.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met.II dated 28-11-1977]

Further information called for by the Committee

Has the Bureau of Public Enterprises issued necessary instructions for the guidance of the Public Sector Undertakings? If so, please furnish a copy of the same.

Further reply of Government

Bureau of Public Enterprises have stated that they are already engaged in preparing detailed guidelines for the scrutiny and approval of agreements involving foreign collaboration of Public Enterprises, pursuant to the recommendations contained in the 89th report of the Committee on Public Undertakings which would also meet the requirements of the recommendations contained in the 88th Report. The guidelines are expected to be finalised and issued shortly.

Further information called for by the Committee

Has the Bureau of Enterprises since issued the necessary instructions for the guidance of the Public Sector Undertakings? If so, please furnish a copy of the same.

Further reply of Government

The Bureau of Public Enterprises has stated that after the issue of the guidelines by them in pursuance to the recommendations made by the Committee on Public Undertakings in their 89th Report for the scrutiny and approval of agreements involving foreign collaboration of Public Enterprises, the matter has been examined further in the Bureau and it has been decided that separate guidelines would be issued to the Public Enterprises to meet the requirements of the recommendations made by the Committee on Public Undertakings in their 88th Report on Hindustan Zinc Ltd. A set of draft guidelines prepared in this regard have been circulated by the Bureau to the various administrative Ministries for comments and will be finalised shortly. A copy of the guidelines will be forwarded to the Lok Sabha Secretariat as soon as the same are issued by the BPE. (Since furnished. Not reproduced).

Recommendation (S. No. 42, Paragraph 5.80)

The Committee find that though many of the conceptual deficiencies of the Roaster have since been rectified, one of the major deficiencies, viz., placement of the boiler virtually at right angle to direction of flow of air, still persists and cannot be attended to as it would involve major reconstruction and is not considered worthwhile. It is expected that the existing Roaster should be able to reach over 90 per cent capacity utilisation if stability in power supply can be ensured. The marginal shortfall is proposed to be made good

by providing a marginally extra capacity in the new Roaster which is under erection for expanded smelter and is expected to be commissioned in 1976-77. The Committee hope that with the improvement in power position, as already pointed out, it would be possible for the undertaking to operate the Roaster to over 90 per cent of capacity. They also hope that the lessons learnt from the installation, design deficiencies and guarantee trials of the existing Roaster would be kept in view while erecting, testing and commissioning the new Roaster for the expanded smelter.

Reply of Government

The Hindustan Zinc Ltd. has informed that the existing roaster has been able to achieve over 90 per cent of its capacity during 1975-76. The company has also informed that while accepting the design of the new roaster for the expanded zinc smelter, it has been ensured that the major design deficiency in the existing roaster (i.e. placing of boiler perpendicular to the roaster) has been eliminated. The company has also indicated that during the guarantee trials of the new roaster it will be ensured that it is capable of producing up to its rated capacity, as specified in the agreement.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)|76-Met II dated 17-11-1976]

Recommendation (S. No. 43, Paragraphs 5.98 & 5.99)

The Committee find that Hindustan Zinc Ltd., appointed in May, 1971 M/s. Chemical and Metallurgical Design Company (P) Ltd. on a payment of Rs. 1.25 lakhs to (i) study the operations of the zinc plant and make recommendations for improving concentrates and cadmium recovery from the roasted concentrates and (ii) carry out laboratory investigations to develop suitable scheme to recover additional zinc from the moore cake (leached residue). Although the firm was required to submit the report by September, 1971, the final report was actually submitted in September, 1972 i.e., after a delay of about one year. The Committee regret to learn that it has not been possible for the Undertaking to derive any benefit from Report as the report was not technically suitable for implementation, with the result that the entire amount of Rs. 1.25 lakhs paid to the firm has proved to be infructuous. The Committee are not convinced of the argument advanced by the Management that since no other firm approached the undertaking claiming expertise in hydrometallurgy, HZL presumed that M/s. Chemical and Metallurgical Design Company were the only Indian firm claiming expertise.

The Committee feel that even though the private company was on the approved list of the Planning Commission to render consultancy services and was introduced by the Ministry in 1970 for reviewing the project report for Vizag Zinc Smelter, the Management should have evaluated their capability and experience with special reference to the particular problems in view and should not have presumed that the company was capable of dealing with all the matters relating to non-ferrous metals. They feel that the Management should have acted with greater caution and prudence and should not have accepted the claim of M/s. Chemical and Metallurgical Design Company without satisfying themselves about their professional standing and calibre. The Committee are surprised at the argument of the undertaking that "it is better to invest in them once and prove that they cannot do it". The Committee would like Government to analyse the various factor which led to the wrong choice of consultants in this case and learn lessons for the future.

Reply of Government

The Government generally agrees with the observations of the Committee that (i) the argument that since no other Indian firm approached Hindustan Zinc Ltd. claiming expertise in hydro-metallurgy, the company presumed that the Chemical & Metallurgical Design company were the only Indian firm having expertise is not convincing; (ii) the management should have evaluated the capability and experience of the party with reference to the particular problem in view and (iii) the management should have acted with greater caution and prudence and should not have accepted the party's claim without satisfying themselves about the professional standing and calibre of the party.

2. The factors which led to the choice of Chemical and Metallurgical Design Company have been analysed and these are seen as under:—

- (i) On receipt of the project report for the Visakhapatnam Zinc Smelter, in September, 1970, it was felt that the cost of estimates were rather high and needed checking. As the processing of the project report was to be completed within a tight time schedule, it was decided to get the cost estimates checked by Chemical and Metallurgical Design Company, who had been entrusted with the work of preparation of a feasibility report for the Sukinda Nickel Project and who were in the electro-Chemical/metallurgical line. The association of the

Chemical and Metallurgical Design Company for this work made by the company.

- (ii) In 1970-71, Hindustan Zinc Ltd. was faced with the problem of lower recovery in the smelter which could not be effectively tackled by the company with its own staff. Having got an introduction in connection with the checking of the cost estimates of the Visakhapatnam Zinc Smelter project, the Hindustan Zinc Ltd. decided in May, 1971 to engage Chemical and Metallurgical Design Company to study problems of lower recovery etc.
- (iii) The existing zinc smelter of Hindustan Zinc Ltd. was set up on turn-key basis by M/s. Krebs & Cie and Penarraya of Paris and as such the association of Indian technical personnel in stages like detailed engineering etc. was very limited.
- (iv) Though the zinc smelter was commissioned early in 1968, a Planning and Development Cell was constituted in the Hindustan zinc Ltd. in 1970-71 after sufficiently experienced officers became available.
- (v) It is felt that the wrong choice of the consultants in the instant case was due to the limited technical expertise available in the Hindustan Zinc Ltd. itself. The gap has, however, been made up since then and the Planning and Development Cell set up in 1970-71 strengthened from time to time.

3. The company has been advised that in future when consultants are appointed to study/evaluate specific areas/problems, it should be ensured before-hand that they have the required expertise and organisation to undertake the work proposed to be assigned to them. (Copy of letter No. 54012(81)/76-Met. II dated 15-9-76 enclosed with the reply to Recommendation No. 66 refers).

[Ministry of Steel and Mines—Department of Mines O.M.
No. 54012(1)|76-Met. II dated 28-1-1977]

Recommendation (S. No. 44 Paragraphs 5.100 to 5.103)

The Committee regret to note that both the problems which the private firm was expected to study and sort out, still remain unresolved. They find that the zinc smelter at Debari was designed to give zinc recovery of 86 per cent provided the zinc content in the blend was 55.5 per cent and the iron content did not exceed 45 per cent. But the zinc concentrates now have iron content ranging between 6 per cent and 8 per cent and because of higher iron

content the percentage of zinc recovery during 1970-71, 1971-72, 1972-73 and 1973-74 was only 77.36 per cent, 73.98 per cent, 78.47 per cent and 77.94 per cent respectively.

The Committee suggest that the Ministry/Undertaking should analyse the reasons for the fall in recovery efficiency in consultation with competent and experienced experts and research bodies in the field with a view to devising ways and means of improving the recovery efficiency to the maximum level possible in the prevailing circumstances.

The Committee note that after spending over Rs. 15 lakhs besides suffering loss of recovery, the Undertaking could now to some extent improve the efficiency.

The Committee while commending the work of the undertaking fail to understand why they should not have remedied the situation earlier and thereby avoided a recurring loss.

Reply of Government

The two problems entrusted to the Chemical and Metallurgical Design Company were (i) improving the recovery efficiency from the roasted concentrates and (ii) recovery of zinc from moore cake (leached residues). The position regarding the second problem is stated in reply to recommendation No. 45.

2. The reasons for the shortfall in the recovery efficiency have been analysed by the Hindustan Zinc Ltd. and in the expanded Debari zinc smelter, provision for improving the recovery by adding more sophisticated equipment has been incorporated, as recommended by the foreign consultants. The process guarantee of the consultants for the expanded Debari zinc smelter is based, inter alia, on maximum iron content upto 9 per cent. The process guarantee given by the consultants is after experiments, both on laboratory and pilot plant scale, on concentrates which will be available for feeding the expanded Debari zinc smelter. The suggestion of the Committee for devising ways and means of improving the recovery efficiency has thus been acted upon. The performance of the plant, after commissioning of the smelter and stabilisation of production will be watched carefully by Hindustan Zinc Ltd. and Government.

3. It may be mentioned that the amount paid to Chemical and Metallurgical Design Company was Rs. 125 lakhs and not Rs. 15 lakhs.

[Ministry of Steel and Mines—Department of Mines O.M.
No. 54012(1)/76-Met. II dated 21-12-1976]

Recommendation (S. No. 46 Paragraphs 5.112 & 5.113)

The Committee note that the agreement entered into with M/s. Krebs indicated without any guarantee that about 72 per cent of cadmium in the concentrate would be recovered as electrolytic cadmium. The Management, however, assessed the expected output at 50 per cent, but the actual recovery since 1970-71 ranged between 31 per cent and 48 per cent has been even less than 50 per cent. The Committee are not sure of the basis on which the recovery efficiency has been fixed at 50 per cent, lower than that indicated by M/s. Krebs. The Committee are informed that indicated recovery of cadmium as 72 per cent was given by foreign consultants on the basis of certain calculated loss of cadmium through Moore Cake. The shortfall in the expected output is stated to be due to (i) higher iron content in the blends actually available, (ii) Manual handling of various cakes, (iii) loss of cadmium through solution being higher than expected and (iv) bad functioning of Moore Filter Unit during 1970-71 and 1971-72.

The Committee are informed that Moore Filter Unit is working better now due to the introduction of 3rd Moore Filter element; and in the expanded cadmium plant mechanical handling system for cake has been incorporated and it is expected that higher cadmium loss due to manual handling and transportation will be considerably reduced. The Committee recommend that in view of the introduction of mechanical handling system and improvement in Moore Filter Unit, the standard of recovery efficiency of cadmium should be worked out afresh on a realistic and scientific basis and the reasons for shortfall in actual recovery vis-a-vis the standard recovery analysed and suitable remedial steps taken promptly to ensure that the high level of efficiency is maintained.

Reply of Government

The basis for fixing the recovery efficiency of cadmium at 50 per cent i.e. lower than that indicated by M/s. Krebs & Cie, has already been stated by the Hindustan Zinc Ltd. and incorporated in paragraph 5.112 of the report.

2. The Hindustan Zinc Ltd. has informed that the introduction of third moore filter unit has improved the recovery efficiency of cadmium but in the expanded Debari Zinc Smelter, the entire flow-sheet has been modified and the moore filter will be replaced by

Drum Filter which is considered more efficient. The Drum Filters are likely to be installed early in 1977.

3. Standard norms for recovery efficiency of cadmium will be worked out by Hindustan Zinc Ltd. on a rational and scientific basis after the Drum Filter has been commissioned and its operations get stabilised. Any shortfall in recovery efficiency against the standard norms to be fixed, will be analysed by the company constantly and remedial measures taken promptly.

[Ministry of Steel and Mines—Department of Mines O.M.
No. 54012(1)/76-Met. II dated 28-1-1977]

Further information called for by the Committee

Have the Drum Filter since been installed and standard norms for recovery efficiency of cadmium worked out by H.Z.L. If so, what has been the improvement in actual recovery vis-a-vis the standard recovery?

Further reply of Government

The first Drum filter was commissioned in end March, 1977 and second in end November, 1977. Both the Drum filters commissioned with indigenous cloth for filtration. However, when the performance of filter was not found satisfactory, it was decided to import cloth for better operations. After the use of imported cloth, performance of the filters has been better although it is still under observation.

2. Standard norms for recovery efficiency of cadmium could not be worked out by the Hindustan Zinc Ltd. as the working of the Drum Filters has not stabilised so far for the following reasons:—

- (a) It is for the first time that such Drum Filters have been used in the country and it is not unusual to take some time for stabilisation of the working of the Filters, after teething troubles with the mechanical equipment are over.
- (b) The working of the Drum Filters is also related to the smooth functioning of counter current decantation washing system of the acid leached slurry.
- (c) Due to problems with acid under flow pumps and intermittent operations at low through-puts, the stabilisation of the feed characteristics to the optimum levels has been longer than anticipated, which has thus affected the stabilisation of Drum Filters.

In this connection it may also be mentioned that when these Drum Zinc Smelter of the Hindustan Zinc Ltd.), it is understood that the management of Penarroya who had supplied technology for Debari

Zinc Smelter of the Hindustan Zinc Ltd.), it is understood that the operations had taken almost one year for stabilisation of its working.

3. It is expected that the working of the Drum Filters will stabilise shortly and norms for recovery efficiency of cadmium will be fixed after the Filters have worked satisfactorily on sustained basis for some time more.

4. As regards the improvement in the actual recovery vis-a-vis the standard recovery, it may be mentioned that the recovery efficiency for cadmium indicated by the consultants on technological factors based on the flow sheet existing at the time of conducting tests was 70.31 per cent. However, with the change over the continuous leaching technology in the expanded smelter, the quantity of cake as also the flow sheet in cadmium plant have undergone considerable changes with the result that the process is still under stabilisation as mentioned above and the actual recovery efficiency achieved after the Cadmium Plant has undergone change is 46.3 per cent. The Hindustan Zinc Ltd. have requested their consultants to indicate the recovery efficiency taking into account the new flow sheet and new technological factors.

(Ministry of Steel and Mines Department of Mines D.M. No. 54012(1)
76-Met. II dated 14-8-1978)

Recommendation (S. No. 48, Paragraph 5.133)

The Committee find that the new Melting Furnace purchased from M/s. Demag of West Germany at a cost of Rs. 14.79 lakhs was commissioned in May, 1974. The percentage of recovery to cathodes melted in the new Demag furnace during 1974 worked out to 93.6 per cent without taking into account the metallic drosses which could not be charged during this period. They are, however, surprised to note that the furnace was accepted without getting any indication from the German suppliers about the expected recovery efficiency. It has been stated that "by practice it has been established that the Demag furnaces operating elsewhere normally give a melting recovery of about 96/97 per cent from zinc cathodes to liquid metal. Since we have not been re-treating the entire quantity of zinc dross, recovery obtained at present cannot be taken as correct indication." The Committee would like to be informed about the reasons for not getting any such guarantee from the foreign supplier. They would like the Ministry/undertaking to determine, in consultation with the suppliers, the standard efficiency of the furnace with and without re-treatment of metallic dross so that the actual results can be compared with standards and remedial

measures, if necessary, can be taken concurrently to avoid loss in production.

Reply of Government

The Government agrees with the observation of the Committee that acceptance of the melting furnace without getting an indication about the expected recovery efficiency from the West German suppliers is a matter of surprise. The attention of the Hindustan Zinc Ltd. has been drawn to this observation and the company advised to issue suitable instructions for future guidance *vide* letter No. 54012(42)/76-Met II dated 2-11-1976 (Appendix XVII).

2. The reasons for not getting any guarantee from the foreign suppliers was taken up with the Hindustan Zinc Ltd. and the company has informed that recovery efficiency of zinc ingots from zinc cathodes depends on the quality of the cathodes produced (particularly the density of the cathodes) which, in turn, depends on the current density in the cells, the purity of the solution, the temperature of the cells etc. In view of this, the Hindustan Zinc Ltd. has informed that it is difficult for the supplier to give a definite recovery efficiency. The matter was also taken up by the company with the suppliers, who informed in August 1976, that the furnace performance at a total inductor capacity of 450 KW amounts to approx. 4 tons per hour provided clean cathodes are used and the furnace is run at full bath height of 690 mm. The suppliers have advised against recycling of dross in the particular type of induction furnace.

3. In order to determine standard recovery efficiency, information regarding the performance of similar furnaces installed elsewhere is being ascertained through M/s. Demag Metallgewinnung, Duisburg, W. Germany. Thereafter, standard recovery efficiency will be determined and the actual results compared with the standards. Remedial measures will be taken by the Hindustan Zinc Ltd. wherever necessary, to avoid loss of production.

[Ministry of Steel and Mines—Department of Mines O.M.
No. 54012(1)/76-Met. II dated 28-1-1977]

Further information called for by the Committee

Has the standard recovery efficiency of the furnaces installed elsewhere been obtained and standard recovery efficiency since been determined for H.Z.L. and the actual results compared with the standards?

Further reply of Government

In regard to the enquiries made by the Hindustan Zinc Ltd. from other manufacturers, who have such type of furnaces, the

company did not receive any positive reply. It has been indicated by the manufacturers that melting efficiency depends on many other factors not necessarily connected with furnace itself. The melting efficiency for Demag Furnace has been statistically worked out at 93.86 per cent using SQC technique. The average actual melting efficiency for the current financial year (till December, 1977) is 93.21 per cent. A close watch is being kept and all possible efforts are being made by Hindustan Zinc Ltd. to improve the efficiency.

Recommendation (S. No. 49, Paragraph 5.134)

The Committee are informed that at the end of March, 1975, the stock of metallic dross with the undertaking was approximately 941 MT and in addition 1121 tonnes of zinc dross (oxide) was lying with it. The Committee would like to know what steps are proposed to be taken by the undertaking to treat the metallic dross and recover zinc from it.

Reply of Government

A suitable method has been developed for the removal of chlorine impurity from the oxide dross and tests are being conducted on plant scale to adopt this process. If the tests prove successful the existing stock of oxide will be consumed during the next two years, in addition to fresh arisings.

2. The metallic dross is proposed to be treated in the Sice Furnace as soon as it is commissioned after repairs. The suppliers of Demag Furnace have advised against the use of metallic dross in that furnace.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met.II dated 17-11-1976]

Further information called for by the Committee

Has the Sice Furnace been commissioned after repairs and metallic dross treated in the furnace?

Further reply of Government

The Sice Furnace has been commissioned after repairs and the metallic dross is being partly treated in the furnace.

Regarding accumulated stock of metallic dross in the plant, further tests have been conducted by the Central Research and Development Laboratory of the Hindustan Zinc Ltd. for reclaiming this material by air classification and leaching of the oxide portion. The experiments/trials by the laboratory are still continuing and the scheme has not proved unsuccessful. During the last year, from these trials, 33 tonnes of zinc has been recovered from accumulated metallic dross. Further, a new Slag Grinding Unit is under installation which will treat zinc dross, yielding two fractions—Oxide fines,

which would be charged to the roaster and coarse metalics to the furnace.

3. As Oil Fired Furnace is also proposed to be installed mainly for prime western grade zinc (at present imported) which is required for supply to Rourkela Steel Plant and others. This furnace can also be utilised for metalics in case of necessity.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012(1)/76-Met. II dated 28-6-1978]

Recommendations (S. No. 51, Paragraphs 5.140 & 5.141)

The Committee further note that the Board of Directors approved in January, 1972 the modification of the existing zinc sulphate plant to be converted into copper sulphate plant and this work was also expected to be completed by the second half of 1972. But as the renovation of the old zinc sulphate plant could only be taken up after the commissioning of the new zinc sulphate plant, this work therefore also got delayed.

The Committee would like to be informed about the action taken by the Management against the firm for the delay in the supply of equipment for new zinc sulphate plant.

Reply of Government

The Hindustan Zinc Ltd. has informed that in terms of the contract liquidated damages could be claimed at 1 per cent of the contract price per week subject to a maximum of 5 per cent. A penalty of Rs. 5,460/- was imposed (which was 5 per cent of the contract price) on the party for delay in the supply of equipment.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met.II dated 28-1-1977]

Recommendation (S. No. 52, Paragraphs 5.149 & 5.150)

The Committee note that the capacity utilisation of the lead smelter upto 1973-74 to the extent of 3,600 tonnes per year was prevented by (i) poor condition of the plant (ii) non-availability of concentrates owing to (a) low production of concentrates upto 1970-71 and (b) slow movement of concentrates from the mines in 1973-74. The Committee also find that the first phase of modernisation of the plant was completed in January, 1974 and the production increased to 4,109 tonnes during 1974-75 and has reached 3,264 MT during the first 8 months of 1975-76.

The Committee are informed that the flow of lead concentrates from the mines to the smelter has not been even and has varied from month to month and ranged between 61 tonnes (August, 1968) to 1,523 tonnes (January, 1974). The smelter is stated to have storage

capacity of about 500 tonnes of lead concentrates which is sufficient to meet the requirements for a month. The Committee find that in the absence of buffer stock, the smelter was without concentrates for long periods during 1965-66 to 1973-74 and therefore had to be closed down from time to time. The Committee are led to the conclusion that there is lack of proper coordination between mines and the smelter which is regrettable. They recommend that the Management should investigate the reasons for uneven flow of concentrates from mines to the smelter and take effective steps to place this matter on a sound footing so as to ensure that the smelter does not have to close down for want of concentrates. The Committee would like the Government also to examine whether the existing storage capacity is adequate in view of the improved capacity of the smelter.

Reply of Government

Tundoo Smelter could not run to full capacity up to 1973-74 on account of various factors which *inter alia* included the non-availability of concentrates for certain days at Tundoo. The reasons for uneven flow of lead concentrates from the mines to the lead smelter, according to Hindustan Zinc Ltd., were low production from the mines up to 1970-71, non-availability of wagons in the required number and at the required time, and delays at the transshipment point. During 1973-74 the movement of concentrates was also affected by unprecedented rains and flood in Rajasthan which affected both the rail and the road traffic.

2. The Government agree that there should be proper co-ordination between the mines and the smelter and that adequate storage facilities should be provided at Tundoo.

3. The following steps have been taken to increase the storage capacity at Tundoo:—

- (i) The storage capacity which existed till August 1973 was for about 500 tonnes.
- (ii) In August 1973 construction of a new shed was completed which increased the storage capacity to about 2,500 tonnes.
- (iii) Addition of one acre of land was acquired in November 1974 (officially handed over to the company on 14-2-75) and negotiations are in progress for acquiring additional land.
- (iv) Action has been initiated to construct additional 300 sq. metres storage yard which will be completed by end of 1976. This will replace the existing open storage.

4. With the completion of (iv) above, covered storage capacity will go upto 5,000 tonnes for lead concentrates at the Tundoo smelter equal to about 4 months requirements of concentrates for the expanded capacity of the smelter. This will take care of any unexpected temporary slippages in mine output, transport bottleneck etc.

5. Hindustan Zinc Ltd. has informed that with the measures taken earlier, the Tundoo smelter did not suffer from non-availability of concentrates during 1974-75 and 1975-76. During the current year there has been no cut back in production at Tundoo for want of concentrates.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012(1)/76-Met. II dated 21-12-1976].

Recommendation (S. No. 53, Paragraph 5.155)

The Committee find that the recovery of lead in the lead smelter varied between 74.15 per cent to 83.20 per cent upto 1974-75. These percentages did not, however, take into account hard lead under process in the refinery. The percentage of process loss which varied between 16 per cent and 25 per cent was considered high by the Altekam Committee which observed that there was scope for reduction in the loss. It has been stated that the process losses are mainly through dust and slag. With the increase in production in 1974-75, the loss of lead through dust and fume has been high because the filtering area of the bag house is inadequate to cope with the production. The Committee are informed that the 2nd phase expansion of the smelter which was expected to be completed by March, 1976 has taken care to minimise the process loss and to aim at recovery efficiency of about 90 per cent which is comparable to international standard. The Committee would like to be informed of the conclusive action taken to improve the recovery efficiency.

Reply of Government

In the second phase expansion programme of the Tundoo Smelter, the following steps have been taken to ensure minimum loss and improve recovery efficiency:—

- (i) Gases from the blast furnace are being cleaned by wet method so as to ensure dust being carried with the gases are finally vented off; and
- (ii) A new blast furnace of higher capacity with changed design, has been installed which will ensure minimum lead losses through slag.

2. The new blast furnace and gas cleaning system are on trial, at present, and it is expected that with the changes incorporated, recovery efficiency would improve to about 90 per cent. The Hindustan Zinc Ltd. has been asked *vide* letter No. 54012(72)/76-Met.II dated 14-9-1976 (Appendix XVIII) to keep a watch on the recovery efficiency actually attained.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012(1)/76-Met. II dated 17-11-1976]

Recommendation (S. No. 54, Paragraph 5.160)

The Committee find that there has been loss in transit in the quantities of concentrates despatched from Zawar Mines and received at Tundoo. The total loss in value during 1967-68 to 1974-75 amounted to about Rs. 14 lakhs. The Committee regret to note that in spite of the huge loss every year the matter was not brought to the notice of the Board. The Committee fail to understand as to why the management have not gone into the reasons for the loss. The Committee are surprised to note that there were no weighing facilities of railway wagons either at Udaipur or at Tundoo siding and the quantity despatched indicated the R/R weight only which was issued on "said to contain" basis. The transshipment involved *en route* from M/G wagons to B/G wagons is also said to have resulted in handling any slippage losses. The Ministry have stated that the figures of quantity dispatched and quantity received may not indicate the correct quantity either at despatching point or at receiving point. The Committee are not convinced of the argument that the shortages/excesses counter-balanced each other at the end of the year. They feel that there should have been proper weighing facilities at the stages of production despatch and receipt so that the exact losses could have been identified.

Reply of Government

The Hindustan Zinc Ltd. has informed that weighing facilities for lead concentrates have been provided both at Zawar Mines and Tundoo and that the concentrates are packed in 40 Kg. bags and the Railways are giving clear RRs in terms of number of bags. The company has also stated that despatch and receipt of the concentrates are reconciled at Zawar Mines and Tundoo periodically and regularly. The shortage during 1974-75 amounted to 0.18 per cent on the weighing of bags. During 1975-76, the lead concentrates were rushed to the smelter at Tundoo to create a buffer stock of concentrates to meet the requirements of the second phase modernisation of the Lead Smelter. Since the railway siding at the Smelter was having a

capacity of 5 wagons and the arrivals were 10 to 12 wagons per day, most of the wagons were unloaded at the Katras railway siding where facility for weighment was not available. Thus the shortage during 1975-76 amounted to 0.23 per cent in terms of number of bags. Necessary arrangements for weighing the consignments will be made as soon as the new railway siding is completed. The Factory Superintendent has, however, been asked to weigh the consignments received from the Zawar Mines apart from reconciling receipt from the number of bags.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012(1)/76-Met.II dated 1-7-1977]

Recommendation (S. No. 55, Paragraph 5.161)

The Committee are informed that in order to minimise losses the gunny bags were replaced by improved high density polythene bags in early 1973 and a system of standardisation of weight of these bags has also been introduced. It has also been stated that clear RRs are now being issued to Railway. As a result of these measures transit losses have been reduced from 2 per cent in 1973-74 to 8.59 per cent during 1974-75. The Committee need hardly stress that the new system should be kept under constant review in order to take suitable measures whenever discrepancies are noticed.

Reply of Government

The Hindustan Zinc Ltd. has confirmed that the new system introduced in 1973 for despatch of lead concentrates to Tundoo is reviewed constantly. The company has also stated that the quality of HOPE bags has been upgraded and stronger high density circular woven bags are now in use. Breakages/leakages in transit are closely watched to take corrective action, whenever necessary. Monthly weighment statements of lead concentrate from the despatch point at Zawar Mines and receipt point at Tundoo are being reconciled periodically.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012(1)/76-Met. II dated 17-11-1976]

Recommendation (S. No. 56, Paragraphs 5.166 & 5.167)

The Committee find that the percentage of recovery of silver, a valuable by-product of the lead smelter, varied from year to year. During the years 1967-68, 1969-70 and 1973-74, it exceeded even 100 per cent. They could not understand as to how with an input of 3990.54 kg. of silver in 1973-74, for instance, 4181.735 kgs. of silver could be recovered. It has also been admitted by the Management that

“recovery of 100 per cent or more is not only not realistic but is fallacious”. The Committee note that the Management themselves are not satisfied with the existing procedure regarding the determination of silver in the form of metallic dross which is done “on eye estimation basis”, but they have not been able to find out any better method so far, despite efforts stated to have been made in this direction.

The Committee need hardly point out that it is very essential for the undertaking to follow procedures which reveal the efficiency of the silver recovery system accurately and do not produce admittedly unrealistic and “fallacious” figures and thus keep the Management in the dark about the real efficiency of the plant. They recommend that the lacunae in the existing procedure for determining the exact quantities of input and recovery of silver should be thoroughly investigated and a suitable method evolved in consultation with research organisations in the country or if necessary in consultation with foreign experts and adopted without delay.

Reply of Government

The Government agrees with the observation of the Committee that it is very essential to follow procedures which reveal the efficiency of silver recovery system accurately and do not produce admittedly unrealistic and ‘fallacious’ figures and thus keep the management in the dark about the real efficiency of the plant.

2. The company is already actively engaged, with the assistance of the Polish expert, in improving the sampling methods, analysis procedures and determination of the weight of secondaries. For determination of quantities of silver inputs through concentrates, analysis is the only method so far known and which is followed abroad. To get better results, the analysis has to be done on various lots.

3. In reference to the recommendation of the Committee, Hindustan Zinc Limited is making enquiries with the various research organisations in the country and with foreign experts to find out better methods of evaluation of inputs and outputs.

[Ministry of Steel and Mines—Department of Mines O.M. No.
54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 57, Paragraph 5.170)

The Committee find that norms of consumption of various fuel and fluxes per tonne of refined lead produced were tentatively fixed in September, 1971 and the actual consumption during the years 1971-72

to 1974-75 is stated to be near those norms. The Committee fail to understand as to why final norms could not be fixed during all these years. The Committee would like that the norms should now be fixed on a scientific basis and the actual consumption *vis-a-vis* the norms should be kept under constant watch and remedial measures taken wherever necessary.

Reply of Government

The Hindustan Zinc Ltd. has informed that the norms of consumption of various fuel and fluxes per tonne of refined lead produced, fixed in 1971, were based on statistical information collected and the experience gained in the operation of the plant. These established norms, which are still followed, are considered realistic and have corroborated with the norms adopted in the project report prepared for the second phase modernisation of the Tundoo Lead Smelter, under the guidance of the Polish expert, who has over 40 years experience in lead smelting technology in the continent.

2. However, the attention of the company has been drawn to the need to keep constant watch on the actual consumption *vis-a-vis* the norms and take remedial measures whenever necessary *vide* copy of Letter No. 54012(60)/76-Met. II dated 30-9-1976 (Appendix XIX).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 21-12-1976]

Recommendation (S. No. 58, Paragraph 5.174)

The Committee find that out of the mining equipment valuing Rs. 137 lakhs ordered by the MCI but cleared by Hindustan Zinc Ltd. in February, 1966 equipment valuing Rs. 48.38 lakhs only was commissioned during 1971 to October, 1972. It has been stated that the equipment was lying at Bombay Port for 2/3 years and when brought to the mines, it was found in damaged/rusted and corroded condition. The Committee are informed that a total claim of Rs. 9,23,150 was lodged with the Railways for shortages as well as damages as a result of fire to one of the wagons. A total claim of Rs. 13,32,866 was forwarded to the Insurance Company who agreed to pay only Rs. 2.5 lakhs as a package deal towards the compensation for the losses/damages. It has been stated that the Railway authorities rejected the fire loss claim of Rs. 6,05,822 on the ground that "it was an act of God". The Committee are not sure whether the equipment was insured against fire and whether the intervention of the administrative Ministry was sought to settle claims with the Ministry of Railways. They feel that in view of the huge claim involved the matter should have been vigorously pursued at the level of the

Ministry. The Committee recommend that the matter should be investigated with a view to pinpoint lapses and learn lessons for the future.

Reply of Government

The matter regarding damage/loss of mining equipment during transit from Bombay to Zawar Mines and the claim lodged with the Railways and the Insurance Company has been looked into and it is seen that the equipment was insured against fire. The insurance cover, however, was subject to the following:—

“Warranted that the insurance granted hereunder applies only to consignments transported in closed wagons and that no liability attaches hereunder to consignments in transit in open wagons.”

The consignment, in question, could not be transported in closed wagons because of the size.

2. The matter regarding settlement of the claim for loss of equipment by fire and short delivery with the Railways was referred to the Department of Mines by the Hindustan Zinc Ltd. in November 1968. A reference was made to the Railway Board by the Department of Mines in December 1968. In May 1969, the Ministry of Railways informed that the matter was referred to the Western Railway Administration. They further informed that the matter had also been taken up with the Ministry of Railways by the Chairman, Hindustan Zinc Ltd. and that the Western Railway Administration had been told to process the case expeditiously and to take, in consultation with Hindustan Zinc Ltd., mutually acceptable decisions.

3. The matter was referred to Hindustan Zinc Ltd. in June 1969 who replied in July 1969 that an officer of the Western Railways was visiting Udaipur for discussions. From the papers placed before the Board in June 1969 it is seen that the Railways had rejected the claim in respect of loss due to fire. In regard to the claim for losses, the Hindustan Zinc Ltd. had informed the Ministry in July 1969 that an officer of the Western Railways was visiting Udaipur for discussions.

4. After July 1969, the matter was not, it is seen, vigorously pursued by the Hindustan Zinc Ltd. till about 1973-74.

5. Government agrees with the observation of the Committee that the matter should have been vigorously pursued. Suitable instruc-

tions have been issued to the Hindustan Zinc Ltd. vide letter No. 54012(47)/76-Met. II dated 8-11-1976. Appendix XX.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012(1)/76-Met. II dated 28-1-77]

Recommendation (S. No. 59, Paragraph 5.177)

The Committee find that fourteen floatation cells were purchased by the MCI at a cost of Rs. 1.50 lakhs for recovering pyrites in the ore. These remained unutilised till December, 1973. It has been stated that since the pyrite content in ore was insufficient and there was no suitable market for pyrite, these were not used for the purpose. It has been further stated that these cells are now being utilised for beneficiation of rockphosphate ore from the Maton Mines since January, 1974. The Committee would like to be informed if the matter regarding sale of pyrites was taken up with Pyrites and Phosphates and Chemicals Ltd. before coming to the conclusion that there was no market for pyrites.

Reply of Government

The matter regarding possible sale of pyrites was not taken up by Hindustan Zinc Limited with Pyrites and Phosphates & Chemicals Limited as the latter itself is a manufacturer and seller of the same product. Instead, the matter was taken up by the company with the Fertilizer Corporation of India, the major buyer of pyrites in the country.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012(1)/76-Met. II dated 21-12-1976]

Further information called for by the Committee

(a) It has been stated that the matter was taken up by the Company with the Fertilizer Corporation of India. What was the result?

(b) Were any alternative sources tried?

Further reply of Government

(a) The Sindri unit of the Fertilizer Corporation of India with whom the matter was taken up by the Hindustan Zinc Ltd. has observed as below:

“The present Acid Plant which has gone into production is designed for using granular pyrites and as such the material that you have indicated as would be available, cannot be considered for this unit.”

(b) The Company has been advised to try other alternative sources.

Recommendation (S. No. 60, Paragraph 5.181)

The Committee find that the percentage of idle hours to total hours in the Roaster and Acid Plant, Leaching and Purification Plant, Electrolysis Plant and Super Phosphate Plant of Zinc Smelter varied between 13.38 per cent to 33.68 per cent, 12.2 to 25.3 per cent, 7.4 per cent to 18.6 per cent and 38.68 per cent to 69.50 per cent respectively. Although the position has improved during 1974-75, the position during the earlier years particularly during 1973-74 was far from satisfactory. During 1973-74, the percentage of idle hours to total hours in the 4 plants was to the extent of 48.57 per cent, 25.3 per cent, 18.6 per cent and 69.50 per cent respectively. Breakdowns/repairs, process loss and shortage of water/power, planned shut-down accounted for maximum loss of hours. The Committee would like that the reasons for abnormal loss of working hours should be analysed in depth with a view to take suitable remedial measures.

Reply of Government

The Hindustan Zinc Limited has set up a Committee to analyse the reasons for abnormal loss of working hours in the Zinc Smelter. The company has also been asked *vide* letter No. 54012 (84)/76-Met. dated 29-9-76 (Appendix XXI) that abnormal loss of working hours in future in any plant should also be analysed in depth to take suitable remedial measures.

[Ministry of Steel and Mines—Department of Mines, O.M. No. 54012 (1)/76-Met.II dated 21-12-1976]

Further information called for by the Committee

Has the Committee set up by HZL to analyse the reasons for abnormal loss of working hours in the Zinc Smelter submitted their findings? If so, what remedial measures have been taken in pursuance thereof and what has been the improvement during 1976-77.

Further reply of Government

The Committee set up by Hindustan Zinc Limited to analyse in detail the reasons for idle hours of the different units of the plant for the year 1973-74 being the worst year of operation, had submitted its report.

2. The main reasons for the high idle time in the different production units of Debari Zinc Smelter in 1973-74 have been analysed by the Committee. These can be briefly summarised as:—

- (1) High incidence of power failures;
- (2) Long shut down taken for carrying out roaster repairs when it was not possible to operate the Smelter due to power cut;
- (3) Repeated boiler tube failures;
- (4) Shortage of acid for production of superphosphate;
- (5) Limitation of crusher capacity to feed rock phosphate to fabrication section.

3. Appendix XXII lists working hours of the different plants/sections alongwith cathode output and number of power failures in the years from 1973-74 to 1977-78 (9 months). It can be seen that with the improvement in maintenance and operating practices including implementation of preventive maintenance, better planned annual shut down and provision of standby equipment, the plant performance in terms of availability and output went up markedly in 1974-75 and 1975-76 in all the plants except SSP plant where the plant operation was affected due to poor off take of SSP.

4. In 1976-77, however, the equipment availability in all plants came down due to the interference of expansion activities and prolonged shut downs taken in all plants, whenever required, to facilitate link-up of the expanded capacity of Smelter from 1800 TPA to 45000 TPA of zinc metal.

5. After the commissioning of new acid and roaster plant, the old acid and roaster plant was kept down as calcine produced from new roaster was sufficient for available down stream facilities. The performance of new roaster and acid plant has been satisfactory during the period April—December, 1977-78. From December 1977 onwards the old roaster and acid plant has been taken up for revamping which is expected to last for about one year.

Recommendation (S. No. 61, Paragraph 5.182)

The Committee find that one of the reasons for idle hours in super phosphate plant was the shortage of raw materials. They see no reasons for not maintaining adequate buffer-stock of raw materials. The Committee hardly stress that suitable steps should now be taken to procure raw materials well in advance in order to ensure maximum utilisation of the plant.

Reply of Government

The Government agrees with the recommendation of the Committee that the raw-materials should be procured well in advance in order to ensure maximum utilisation of super phosphate plant. Since this important recommendation would be equally valid for all production plants, suitable instructions in the matter have been issued to the Chairman-cum-Managing Director, Hindustan Zinc Ltd., vide letter No. 54012(63)/76-Met.II dated the 11th September, 1976 (Appendix XXIII).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met.II dated 4-11-1976]

Comments of the Committee

The Committee would like to know as to what action has been taken by HZL regard to procuring raw materials well in advance in order to ensure maximum utilisation of its plants.

Recommendation (S. No. 62, Paragraph 5.183)

The Committee are informed that short fall in Roaster utilisation adversely affected the output of the Leaching and Purification Plant and Electrolysis Plant. They have already recommended that effective steps should be taken to ensure utilisation of the entire available capacity of the Roaster.

Reply of Government

The Government agree with regard to the need for the utilisation of the entire available capacity of the roaster.

2. The Hindustan Zinc Ltd. has informed that action had been taken to increase the utilisation of the roaster capacity by introduction/modification of the following:—

- (a) Introduction of hot blower with a chimney to give better monometric balance and to prevent accumulation of calcine in the expansion joint of the boiler.
- (b) Provision of openings in the expansion hints or lancing to prevent calcine accumulation.
- (c) Introduction of more lancing points in the boiler and also more frequent lancing for keeping the boiler clean.

3. The above modifications have increased the utilisation of the roaster capacity to more than 90 per cent of its capacity. The short-

fall still existing in the roaster capacity will be covered by the additional roasting capacity provided in the expanded Zinc Smelter.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012 (1)/76-Met.II dated 17-11-1976]

Recommendation (S. No. 63, Paragraphs 5.186 and 5.187)

The Committee find that the percentage of idle hours to total hours in the Lead Smelter varied between 8.68 per cent to 26.85 per cent in the Sintering Plant, between 8.6 per cent to 55.92 per cent in the Blast Furnace and between 0.6 per cent to 37.43 per cent in the Lead Refinery. The Committee are informed that "Tundoo Smelter is a labour intensive plant" and "there are no machinery worth the name in respect of which such idle hours record need be available." It has been further stated that "with progressive mechanisation connected with second phase expansion, this system will be introduced along with introduction of machinery."

The Committee expect that with the completion of the second phase of expansion the system of analysing the reasons for idleness of machinery will be introduced on a scientific basis.

Reply of Government

The Hindustan Zinc Ltd. has informed that the second phase expansion of the Tundoo lead smelter has been mechanically completed and the equipment are under trial runs.

2. The Company has also informed that a system has been evolved whereby equipment utilisation can be periodically reviewed. The system is awaiting introduction pending stabilisation of production in the plants.

3. The reasons for under utilisation of equipment will be studied by the company and remedial measures taken to ensure better equipment utilisation.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012 (1)/76-Met.II dated 27-11-1976]

Recommendation (S. No. 64, Paragraphs 6.8 to 6.9)

The Committee are surprised to find that Hindustan Zinc Ltd. had not worked out the mining output per man shift (OMS). The overall OMS has, however, been worked out. But the overall OMS figures are not indicative of the productivity precisely as no distinction has been made between the men employed on Developmental works and those employed on production. As the break-up of the

manpower between exploitation and development was always furnished by the Mines Manager for the purpose of booking, the expenditure to the appropriate capital and revenue heads, the Committee see no reason why it was not possible for the Management to calculate OMS with reference to the men employed on ore production alone.

The Committee fail to understand as to how proper control was exercised by the Ministry/Management in the absence of accurate mine output per man shift. It is only now that the Ministry have issued instructions to HZL to work out the accurate mine output per manshift, overall output per man shift and the development productivity for each of the mines in operation with a view to continuously maintain improvement in these areas. The Committee hope that at least now the management would follow these instructions in letter and spirit.

Reply of Government

The Hindustan Zinc Ltd. has already started working out mine output per man shift, overall output per manshift and the development productivity for the mins.

The OMS figures are reported to the Board/Ministry in periodical reports.

[Ministry of Steel and Mines—Department of Mines O.M.
No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 65, Paragraph 6.10)

The Committee also recommend that the reasons for shortfall in the actual OMS, if any, should be analysed so as to take remedial measures in order to improve productivity and thereby increase production.

Reply of Government

The Hindustan Zinc Ltd. has informed that the OMS figures are now closely scrutinised, shortfalls, if any, are analysed and brought to the notice of the Deputy General Manager (Mines) and remedial measures taken whenever necessary. OMS figures are also reported to the Board/Ministry in the Periodical Reports.

2. To improve the situation further, a Committee has been set up in the company to look into the areas and devise ways and means to improve OMS.

[Ministry of Steel and Mines—Department of Mines OM No.
54012(1)/76-Met. II dated 8-12-1976]

Further information called for by the Committee

(a) When was the Committee set up?

(b) What are the terms of reference?

(c) Has the Committee submitted its Report? If so, what action has been taken by the Management on the recommendations|observations in the Report?

Further reply of Government

(a), (b) and (c) A Committee was constituted by the Hindustan Zinc Ltd. on the 27th April, 1976, with the following terms of reference:—

- (i) To standardize system of OMS calculation which would be strictly adhered to;
- (ii) To go into details of the steps to be taken and recommend measures to improve OMS at all the mines; and
- (iii) To keep in view the increase in wage component and balance such increase in earning per shift.

The Committee has submitted its report in the last week of April, 1977 which is being reviewed by Deputy General Manager (Planning & Development) and Deputy General Manager (Zawar Mines) for final comments before it is approved by the Managing Director for taking action on its recommendations/observations.

Further information called for by the Committee

Has the Report of the Committee since been approved by the Managing Director? If so, what action has been taken on its recommendations?

Further reply of Government

Hindustan Zinc Ltd. have informed that after perusal of the report, the Chairman-cum-Managing Director has desired that the method of calculating OMS for mines under development be clearly defined in the report. This is being attended to by the concerned officers and the final report is expected to be submitted to the Chairman-cum-Managing Director shortly.

Recommendation (S. No. 66, Paragraph 6.29)

The Committee note that as against the strength of 694 recommended by the consultants (1961) and of 851 assessed by the Institute of Applied Manpower Research (IAMR) (1969) the actual yearly average has varied from 961 to 1178 during the year 1968-69 to 1974-75. They are informed that the Board of Directors had felt in 1971 that IAMR (which was paid Rs. 26,500 for the study) did not have sufficient expertise or organisation to undertake the industrial studies of the nature required by the Undertaking. The Committee do not appreciate the appointment of IAMR for evaluation of staff standards in view of the fact that they are not reported to have expertise.

Reply of Government

The Government agrees with the above conclusion of the Committee. Necessary instructions in this regard have been issued to the Hindustan Zinc Ltd. *vide* letter No. 54012(81)/76-Met. II dated 15-9-1976 (Appendix XXIV).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 67, Paragraph 6.30)

The Committee note that in 1970, M/s. IBCON were asked to undertake a fresh study of manpower in zinc smelter, Zawar mines, and Head office on payment of Rs. 1,85,000. They find that even according to the reports made by M/s. IBCON in August, 1973, in regard to Zinc smelter, the actual staff strength was much more than their assessment. They note that while according to the Audit, the strength recommended by M/s. IBCON was 552, the Management have stated that M/s. IBCON recommended a strength of 581. The Committee would like the Ministry to look into the matter and reconcile the position to avoid any confusion on this scope.

Reply of Government

The matter has been looked into. The correct figure is 581. The figures appearing on page 101 of the Audit Review (column 3) were based on an earlier report of IBCON, which were subsequently revised by them. Inadvertantly, the revised figures were not pointed out to Audit earlier. Hindustan Zinc has also stated that the figure of 581 has since been accepted by Audit while vetting the company's

reply after the oral evidence before the Committee (Ref. page U-350—Supplementary material, Vol. IV).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 68, Paragraphs 6.30 to 6.33)

The Committee note that in 1970, M/s. IBCON were asked to undertake a fresh study of manpower in zinc smelter, Zawar Mines and Head Office on payment of Rs. 1,65,000. They find that even according to the reports made by M/s. IBCON in August, 1973, in regard to Zinc Smelter, the actual staff strength was much more than their assessment. They note that while according to the Audit, the strength recommended by M/s. IBCON was 552, the Management have stated that M/s. IBCON recommended a strength of 581. The Committee would like the Ministry to look into the matter and reconcile the position to avoid any confusion on this score. As against the standard strength of 581, recommended by M/s. IBCON according to the Management, the actual strength was 1058 in 1970-71. The annual savings on redeployable surplus was then calculated at about Rs. 11 lakhs. The Management stated in August, 1972 that surplus manpower had been located and was being progressively redeployed in other expansion/development schemes of the Undertaking. The Committee are informed that as on 31st March, 1975, the actual strength had come down to 972 from 1058. They are further informed that the excess of 391 workmen over the recommended strength is due to increase in the number of work spots as a result of certain additional equipments, increased and intensified maintenance due to ageing and addition of equipments, departmental execution of certain jobs which were previously done by contractors and in view of the high percentage of absenteeism among workers.

The Committee regret to note that, as admitted by the Ministry, the strength of the officers, staff and labour force grew up due to ad hoc additions from time to time after take over of the company by Government and there was no scientific analysis of job requirements before filling up the various posts in earlier years. It is all the more regrettable that even after two expert organisations have carried out detailed scientific analysis of the manpower requirements of the undertaking, the picture is still far from clear.

The Committee are informed that the additional manpower employed have been trained up in the various operations and would be helpful in manning the critical areas not only in the expanded smelter at Debari, but also in the Visakhapatnam Smelter. The

Committee need hardly stress that the employment of staff in excess of requirements not only adds to the wage bills but also results in low productivity, high cost of production and administrative and human problems. They recommend that the optimum staff strength for various jobs in mines and smelter should be determined without any further loss of time in the light of the recommendations of M|s. IBCON and on the basis of scientific study of any subsequent developments and a concrete scheme to redeploy the surplus staff in the new units at Zawar or Debari or elsewhere drawn up and implemented according to a time-bound programme till every surplus hand is employed on productive work. They would like to be informed of the concrete steps taken in this regard.

The Committee further recommend that after optimum strength is fixed for various units, no addition to staff strength should be made without critical examination of the desirability and necessity for such additions.

Reply of Government

The position regarding staff strength recommended by M|s. IBCON for the Debari zinc smelter, viz., 581 has been reconciled in the reply to Recommendation No. 67.

2. The Government agrees with the observation of the Committee that employment of staff in excess of the requirements not only adds to the wage bill but also results in low productivity, high cost of production and administrative and human problems.

3. Hindustan Zinc Ltd. has since determined the optimum staff strength for the Zinc smelter (Debari) and the position of the smelter and mines is as follows:—

- (i) *Debari zinc smelter*—Based on the recommendations of M|s. IBCON and further studies carried out by the Industrial Engineering Cell of the company, the optimum staff strength for the expanded Debari Zinc Smelter has been determined by the Hindustan Zinc Ltd. as 1344 (excluding 142 officers) with the approval of the Board of Directors. The company expects that the surplus manpower would get absorbed in productive jobs before the end of 1976. Later some recruitment may be necessary to meet the full requirements and to replace some of the trained hands who would have to be transferred to the Visakhapatnam Zinc Smelter, which is altogether new.

- (ii) *Zawar Mines*—The surplus manpower at Zawar Mines, as per IBCON Reports, as on 31-3-75 was as follows:—
- (a) 363 in Mochia Mines;
 - (b) 52 in the Ore Dressing Plant; and
 - (c) 76 in the Surface Departments.

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The surplus of 363 at (a) above included about 68 workmen on the basis that there should be one semi-skilled helper with every skilled operator as against two semi-skilled workmen with each skilled workman, which had been the practice since the inception of the mining operations. The reduction of semi-skilled workman to each skilled workman could not be enforced as the same was not acceptable to the Union. About 170 workmen have been deployed in the East and West Mochia Mines. The net surplus, thus works out to 125. The company expects to gradually reduce the manpower at Central Mochia Mine further while improving productivity.

Regarding (b) above, Hindustan Zinc Ltd. has stated that the surplus observed by IBCON was before the 2,000 tonnes per day mill was put into operation. After commissioning the mill, the manpower requirement was further analysed by a Committee consisting of the management and the representatives of the Union. Based on the recommendations of the Committee, there is no redeployable surplus manpower in the mill.

As regards (c) above, the company has stated that the observed surplus of 76 in the Surface Departments has been fully absorbed in the increased volume of work in these Departments on account of the commissioning of the 2,000 tonnes per day mill, new projects coming up at Balaria, Zawarmala etc. all of which are dependent on the centralised Service Departments.

4. Hindustan Zinc Ltd. has also informed that no further additions to staff strength will be made without critical examination of the desirability and necessity of such additions.

5. The company has been advised to place the above optimum staff strength for the Zawar Mines before the Board and to determine the requirements of other mines, well before their commissioning, and obtain the Board's approval for the strength so determined and for any increase in the staff strength beyond the approved levels *vide* letter No. 54012(54)/76-Met. II dated 23-10-1976 (Appendix XXV).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 22-8-1977]

Further information called for by the Committee

(a) Has the Company placed the optimum staff strength for the Zawar Mines before the Board?

(b) Have the requirements of other mines been determined and has the approval of the Board been obtained?

Further reply of Government

(a) The optimum staff strength for Zawar Mines has been worked out and will be placed before the Board very shortly.

(b) The other mines of the Company which have been approved by the Govt. for development are Maton Rockphosphate mine and Rajpura-Dariba Zinc-Lead mine in Rajasthan. The Company *vide* letter No. 54012(54)/76. Met. II dated the 2nd May, 1977 (Appendix XXVI) has been asked to determine the staff strength of these mines and obtain approval of the Board.

Further information called for by the Committee

(a) Has the optimum staff strength for Zawar Mines since been finalised by the Board? If so, whether this has actually been implemented.

(b) Have the requirements of staff of Maton Rockphosphate mine and Rajpura-Dariba Zinc-lead mine in Rajasthan, since been determined and approved by the Board? Also indicate whether the decision of the Board has been implemented.

Further reply of Government

(a) The optimum staff strength for Zawar mines has since been finalised and approved by the Board of Directors in their meeting held on 27th & 28th June, 1977. It has also been implemented.

(b) The requirements of staff of Maton Rockphosphate mine were also approved by the Board at their above meeting. This is as per the strength indicated in the Detailed Project Report.

A₃ regards Rajpura-Dariba Zinc-Lead mine, the strength of the officers was also approved by the Board in the above meeting. This is as per the strength indicated in the Detailed Project Report of the mine. The requirement of staff for these mines which are presently under development, are being separately worked out for approval of the Board.

Recommendation (S. No. 69, Paragraph 6.34)

The Committee are concerned to note that the absenteeism of workers in the smelter complex has assumed serious proportions. In 1975, for instance, the percentage of absenteeism ranged from 11 to 22 per cent. The Committee cannot over-emphasize the need for strict discipline and seriousness among working force and urge that the malady of absenteeism should be dealt with firmly and eradicated in the interest of achieving higher production at economic cost in the larger national interest.]

Reply of Government

The Hindustan Zinc Ltd. and the Government agree that the malady of absenteeism should be dealt with firmly in the interest of achieving higher production at economic cost, in the larger national interest. With this end in view, the company has taken the following punitive and positive measures to deal with the problem:—

- (i) Strict enforcement of the provisions of the certified Standing Orders whereby:—
 - (a) the services of workmen remaining absent unauthorisedly for a continuous period of eight calendar days stand terminated on the expiry of eight days' absence; and
 - (b) habitual unauthorised absence is construed as misconduct and disciplinary action initiated and punishment awarded.
- (ii) While extending some of the long term agreements:—
 - (a) restrictions have been imposed on the number of occasions that a workman can avail of earned leave; and

- (b) minimum number of attendance days in a year has been specified in some cases in order to qualify for annual increment.
- (iii) Incentive scheme has been introduced to encourage regular job attendance, whereby a workman who attends on all the days in a month gets full benefit, those whose physical presence is short by one or two days get proportionately reduced benefit and others do not get any benefit.
- (iv) To reduce the incidence of absenteeism, discussions are held in the Joint Consultative Committees, which consist of the representatives of the management and the workmen, in all the major units of the company.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 21-12-1976]

Recommendation (S. No. 70, Paragraphs 7.29 to 7.33)

The Committee note that as the then existing costing and information system was considered inadequate to meet the fast growing needs of the undertaking, the Administrative Staff College of India was requested in July, 1972 to make a survey and report on the methods of streamlining and modernising the existing system. The report of the Administrative Staff College was received by the undertaking in September, 1973. The Committee are informed by the Undertaking that the system of cost compilation as recommended by the Administrative Staff College is now by and large being followed. They, however, find that while all the divisions of the undertaking were recommended to be considered as profit centres at the budget time and for monthly reporting, the cost centres in the mines, zinc smelter and lead smelter are still not being individually treated as profit centres and no separate profitability of each cost centre is being worked out. It is stated that the cost analysis for each centre is examined by the Plant Managers and the profitability is worked out for the end products. The Management have stated that no useful purpose is likely to be served by working out separate profitability of all cost centres.

The Committee regret to note that while the Administrative Staff College recommended that integrated accounts and cost Code be developed for analysis of relevant cost and operations, the undertaking is not following the integrated system of accounts and instead financial accounts and cost accounts are separately compiled. The

Committee see no reason why an integrated system cannot be followed as in their opinion it facilitates testing the accuracy of cost data and is more scientific.

The Committee also note that the system of standard costing as visualised in the report of the Administrative Staff College is not considered feasible by the Management at this stage because of development and production going simultaneously alongwith large expansion activities. The Management, it is stated, have introduced the practical system of budgeted cost and this is stated to be constantly followed. The Committee are informed that the various cost systems and procedures evolved by the undertaking were appreciated by the Ministry of Finance, Government of India, and they had, in fact, thought of introducing similar system in other public undertakings.

The Committee also regret to note that, as admitted by the undertaking, certain other minute details indicated in the report of the Administrative Staff College are not being implemented and acted upon on the plea that in mining industries such details and standard costing systems are not normally possible and time and labour involved may not be commensurate with the results aimed at.

The Committee would like the Ministry to critically examine the costing system actually introduced in the undertaking vis-a-vis the recommendations made by the Administrative Staff College and infrom the Committee as to whether the system introduced by the Management is adequate to meet the fast growing needs of the undertaking and keep the cost under effective control and whether it has proved useful to the Management to locate areas of weakness and effect economies where the cost were found higher than the norms.

Reply of Government

A critical examination of the costing system in the Hindustan Zinc Ltd. vis-a-vis the recommendations of the Administrative Staff College of India (ASCI) and the adequacy of the existing system to meet the fast growing needs of the undertaking was undertaken through the Chief Cost Accounts Officer, Ministry of Finance (Department of Expenditure).

2. The Cost Accounts Branch examined the costing system in depth and have reported as follows:—

- (i) All the recommendations of the ASCI have, by and large, been either implemented or accepted for action by the

Hindustan Zinc Ltd. with some modification wherever considered necessary in the light of actual experience.

- (ii) The company has also agreed to adopt certain other minute details indicated in the report with suitable changes to meet the actual requirements of the company for the purpose of control over expenditure.
- (iii) The company has not introduced the integrated system of cost and financial accounts. Though this system was recommended by the Administrative Staff College of India, they had not actually outlined the system in their report for easy compliance by Hindustan Zinc Ltd. The company has agreed to take necessary steps for introducing this system as early as possible after studying its actual working in one or two public sector undertakings and after getting an outline of the system prepared.
- (iv) The system of standard costing, as visualised in the report of the Administrative Staff College of India, has not been considered feasible by Hindustan Zinc Ltd. at this stage because of development and production going simultaneously along with large expansion activities.
- (v) The Company is exercising control over expenditure with the help of norms of consumption evolved for various materials and utilities as also budgeted cost.
- (vi) Standard costing will be introduced as soon as the expansion activities are over and production gets stabilised.
- (vii) The present system is serving the needs of the management to a large extent and with the implementation of the items referred to above, the system is expected to prove to be effective.

3. A copy of the above reply of the Government has been forwarded to Hindustan Zinc Ltd. to take appropriate action as soon as possible. The introduction of integrated system of costing, standard costing, etc. will be watched by the Government.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012 (1) |76-Met. II dated 27-11-1976]

Recommendation (S. No. 71, Paragraphs 7.34 & 7.35)

The Committee are informed that the costing system in vogue in the company and further changes and improvements were approved by the top executives and the Chairman-cum-Managing Director. The Management have stated that these are the methods and proce-

ture evolved from time to time for efficient reporting system distinct from any policy decisions and as such it was not considered necessary to place these matters before the Board of Directors though the Board and the Government are kept informed through periodical reports on the performance of each cost centre with the variance analysis etc.

The Committee are not convinced by the reasons advanced by the Management for not placing the cost system introduced in the company before the Board of Directors. As the Board of Directors is responsible for the all round efficient working of the Undertaking, the Committee see no reasons why these matters should not have been placed before the Board so that Board may examine the effectiveness and utility of the various methods and procedures evolved and introduced in this regard by the Management. They would like this to be done without any further delay and the Committee informed of the reactions of the Board in this regard.

Reply of Government

The Government agrees with the observation of the Committee that the reasons advanced by the Management for not placing the cost system introduced in the company before the Board of Directors are not very convincing.

2. A note on the existing costing system and procedure in the company was placed before the Board of Directors of the company, at its meeting held on 29-9-76. The Board, however, deferred consideration of the note to its next meeting. The reactions of the Board on the existing costing system and procedure will be intimated to the Committee after its next meeting.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)|76-Met. II dated 27-11-1976]

Further information called for by the Committee

Has the Board considered the note on the existing system and procedure? If so, what are the reactions of the Board?

Further Reply of Government

A comprehensive note on the existing costing system and procedure was placed before the Board for its perusal at its 72nd meeting, held on 29-9-76, the consideration of which was deferred to the next meeting. The Board considered the note at its 73rd meeting held on 10-12-1976 and approved the same.

Recommendation (S. No. 72, Paragraph 7.36)

The Committee note that w.e.f. 1972-73, the Company has fixed certain norms for consumption of materials like explosives, chemi-

icals, drill rods, etc. According to the Management these were based on project reports and actual experience gained, during operation of the plant. The Committee recommend that the norms for consumption of materials should be scientifically fixed based on appropriate data and approved by the Board. The Board should also critically review the variance from the norms with a view to suggesting suitable remedial measures for effecting economies, where necessary. The norms should be kept under constant and continuous review by Management and results brought to the notice of the Board from time to time.

Reply of Government

The Government agrees with the recommendation of the Committee that norms for consumption of materials should be scientifically fixed, based on appropriate data, and reviewed on constant and continuous basis. Suitable instructions in this regard have been issued to the Hindustan Zinc Ltd. *vide* letter No. 54012(79)/76-Met. II dated 14-9-1976. (Appendix XXVII).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 74, Paragraph 7.54)

It has been stated that norms of cost of production have been prepared beginning with the quarter July-September, 1973 and submitted to the Board and the Government.

The Committee would like to know the outcome of the studies into the norms of cost of production reported to have been made for the quarter July-September, 1973 and action taken in pursuance of the studies to control cost of production.

Reply of Government

As stated in paragraph 7.51 of the Report of the Committee, the Chairman-cum-Managing Director, Hindustan Zinc Ltd., had informed the Department of Mines *vide* his letter dated 17-7-74 that norms of cost of production had been prepared beginning with the quarter July-September, 1973. In this letter, the company had also analysed the reasons for increase in costs of production and the effect of the steps taken to control expenditure during 1973-74 *vis-a-vis* costs during 1971-72 and 1972-73, as follows:—

- (i) In regard to zinc metal production, the major increases during 1973-74 *vis-a-vis* 1971-72 were under 'Salaries and

Wages', 'Repairs and Maintenance', 'Depreciation' and 'HQ overhead and interest';

(ii) The reasons for the increase were briefly as follows:—

- (a) *Salaries and Wages*—The cost of Living Index which was 184 in April 1971 had gone up to 243 in July 1973 (when the norms were fixed) and 275 in March 1974. Further, between 1971-72 and 1973-74, there had been a wage rise for the workers on the basis of an agreement.
- (b) *Repairs and Maintenance*—Not only there were substantial increases in the price of engineering stores and spares during 1973-74, but due to the severe power interruptions, the maintenance requirement increased.
- (c) *Depreciation*—The increase was due to the revision of the basis for depreciation.
- (d) *HQ overhead and interest*—This was on account of the accumulation of stocks of zinc and lead due to delay in allocation orders.

(iii) The reasons for the increase in the cost of mining and milling during 1973-74 *visa-a-vis* 1971-72 revealed as a result of the analysis by the management in July 1974 have been stated in reply to Recommendation No. 73 above.

(iv) As a result of the cost control measures, it was possible to:—

- (a) reduce the cost index on account of concentrate consumption in zinc production to 85 during 1973-74, against the cost index of 100 for 1971-72, despite the shortfall in metal production.
- (b) reduce the cost of wages in mining operations during 1973-74 to about 47 per cent against 49 per cent in 1971-72 despite the wage bill going up to Rs. 78 lakhs in 1973-74 from Rs. 42 lakhs in 1971-72; and
- (c) reduce the cost of stores to 23 per cent in 1973-74 from 25 per cent in 1971-72 despite the increase in quantum of expenditure on repairs and maintenance.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012 (1)/76-Met. II dated 28-1-1977]

Recommendation (S. No. 74, Paragraph 7.54)

The Committee would also like to be informed of the steps taken to tone up the working of the Finance Wing of the Undertaking so as to make it effective and dynamic.

Reply of Government

A full time Director (Finance) has been appointed to head the Finance Wing of the Hindustan Zinc Ltd. Action is also being taken by the company to position more experienced officers, both in Finance and Costing fields. Further, the company is considering the question of introduction of mechanised accounting and integrated codes along with standard costing procedures to exercise proper financial/cost control.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012 (1)/76-Met. II dated 28-1-1977]

Further information called for by the Committee

Has the company taken a decision to introduce Mechanised accounting and integrated codes along with standard costing procedures to exercise proper financial/cost control? If so, has this been implemented in actual practice?

Further reply of Government

The Hindustan Zinc Ltd. has appointed M/s. Batliboi and Company, Chartered Accountants, to implement integrated codes along with the standard costing procedures. The following working areas have also been mechanised with unit record installations of ICL and Soemtron:—

- (a) Pay sheet preparation at Head Office, Debari Zinc Smelter and Zawar Mines;
- (b) Stores Accounts at Debari Zinc Smelter and Zawar Mines; and
- (c) Sales register and Trial Balance etc. at Debari Zinc Smelter.

Recommendation (S. No. 76, Paragraph 7.55)

The Committee need hardly point out that the Management have a special responsibility to keep a close watch on the cost of production. They recommend that the question of cost of production should

be a standing item on the agenda of the Board meetings to enable the Board to review the position critically, identify the areas where economies can be effected and watch the results of the remedial measures taken in this regard.

Reply of Government

The Government agrees with the recommendation of the Committee that management have a special responsibility to keep a close watch on the cost of production and that it should be a standing item on the agenda of Board meetings. Necessary instructions have been issued to the Hindustan Zinc Ltd. in this regard vide letter No. 54012(80)/76-Met. II dated 14-9-1976. (Appendix XXVIII).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 77, Paragraphs 8.17 to 8.20)

The Committee note that after the scarce Industrial Materials Control Order Act 1965, which regulated the distribution and pricing of zinc, was withdrawn in June 1966, the Board of Directors of the undertaking referred the matter of future pricing to Government for advise. In January, 1967 Government advised that in the absence of information regarding the all inclusive cost of production of zinc to the undertaking, the sale price should be such that the undertaking was not put to loss while at the same time undue advantage was not taken of the very high prices artificially ruling the market. The Committee find that the sale prices of zinc fixed by HZL in consultation with the Government were lower than the cost of production and also lower than the MMTC's prices for imported zinc (except during the quarter April—June 1971) and it appears that these were also lower than the ruling market prices.

It is stated that the dual price was maintained on the ground that it will have repercussions on other industries like steel and aluminium where price of indigenous product was generally lower than the imported price and also to discourage inefficiency caused by low level of production in zinc industry. The Committee are informed that in actual operation the selling price of zinc continued to be unremunerative and the undertaking continued to incur loss. With effect from 1st April 1973, the Government have, with a view to providing relief to the indigenous producers and at the same time providing uniform prices to the consumers, allowed the undertaking to sell its production of zinc at a price not exceeding the MMTC's pulling prices and consequently uniform pricing was introduced both the imported and indigenous products.

The Committee note that in regard to lead also, the prices of lead produced by HZL at Tundoo was lower than the ruling market price for some time though later the undertaking decided to sell it at the prevailing market price.

The Committee regret to observe that till March, 1973 the HZL was made to sell zinc produced by it at a price which was not only unremunerative but also lower than market price and also lower than the MMTC's price for imported zinc and thus suffer loss in the process. The Committee would like the Government to review the pricing policy, following till March, 1973 and draw lessons for their future guidance.

Reply of Government

It is true that in January, 1967, the Government had advised the Hindustan Zinc Ltd. to fix the selling price of zinc and lead in such a manner that the company was not put to loss while at the same time undue advantage was not taken of the very high prices artificially ruling in the market. Later, in June, 1968, the selling price of zinc of Hindustan Zinc Ltd. and also that of the other producer in the private sector viz. Cominio Binani Zinc Ltd., was fixed informally by Government at Rs. 2,700/- per tonne (exclusive of excise).

2. Pursuant to the Committee's recommendation, the pricing policy followed till March, 1973 has been reviewed which reveals that the period could be divided into four distinct parts so far as zinc is concerned:—

S. No.	Period	Price fixed (Rs. per tonne excl. of excise)	Remarks
(i)	June, 1968 to 31-1-70	2,700	Price fixed on <i>ad hoc</i> basis as production had just commenced.
(ii)	1-2-70 to 31-3-71	2,850	Increase in price allowed to take care of increase in the cost of certain inputs.
(iii)	(a) 1-4-71 to June/July 1971	2,850	The BICP was requested on 26-4-71 to suggest a fair selling price based on the cost of production of the indigenous producers.
	(b) June/July 1971 to 31-1-72	2,850	The price of Rs. 2,850 continued pending receipt of BICP report.
(iv)	1-2-72 to 31-3-73	4,050	Price revised based on BICP's report.

(i) As production of zinc had just commenced, the price of Rs. 2,700/- per tonne was fixed in 1968 purely on *ad hoc* basis, after taking into consideration the market price of imported zinc metal which was about Rs. 3,200/- per tonne.

(ii) The price of Rs. 2,850/- was again fixed on *ad hoc* basis in Feb. 1970 as production had not stabilised and took care, mainly, of increase in the cost of certain inputs. It was anticipated that with better plant utilisation, it would be possible for Hindustan Zinc Ltd. to improve its working results, but during 1970-71 cost of sales continued to be high as both plant utilisation and recovery efficiency dropped to about 53 per cent and 77 per cent respectively.

(iii) During the period 1971-72, with the improvement in capacity utilisation despite the fall in recovery efficiency, the cost of sales went down and would have gone down further had capacity utilisation been still higher. The selling price of zinc informally fixed, however, continued at Rs. 2,850/- upto 31-1-72 pending receipt of BICP report.

(iv) During 1972-73, though capacity utilisation dropped from the level of the previous year, recovery efficiency had improved. With the fixation of the price at Rs. 4090/- per tonne w.e.f. 1-2-72, the company made a profit of Rs 42.42 lakhs during 1972-73

3. As regards lead, it may be stated that the Government had not fixed any price, formal or informal. In 1968, Hindustan Zinc Ltd. accepted an A/T of the DGS&D for supply of about 2,500 tonnes of lead at a price of Rs. 2,500/- per tonne (exclusive of excise) based on the then ruling price of the metal, level of production and market conditions. The quantity was later increased by the DGS&D to about 5,000 tonnes. Hindustan Zinc Ltd could not effect the supplies, as anticipated, in view of the fall in lead production. There had also been increase in the company's cost of production. The matter was later taken up with the Ministry of Supply and the price of lead got increased in respect of supplies over and above the original A/T of 1968, based on the cost of production of Hindustan Zinc Ltd. as assessed by the Cost Accounts Branch of the Finance Ministry.

4. It may be mentioned that MMTC started importing zinc in bulk from 1970-71 and in April, 1971, zinc imports were canalised through this agency. Information regarding the selling price of MMTC in respect of zinc for the relevant period has, however, been collected. It is seen that around June, 1968, zinc price of MMTC was ranged between Rs. 2,930/- to Rs. 3,231/- per tonne as against the price of Rs. 3,200/- (inclusive of excise) informally fixed in June, 1968 for indigenous zinc. The ex-godown price of zinc of the MMTC during

Jan-Feb., 1970 was Rs. 3,430/- per tonne as against the price of Rs. 3,350/- per tonne informally fixed by the Government for indigenous zinc in Feb., 1970.

5. A further point to be mentioned is that prior to canalisation, imports used to be allowed only to the Actual Users. As imports allowed were only to actual users and indigenous production of the metal was under informal distribution control, there was no regular market as such for zinc where the metal was brought and sold in bulk. Hence 'market price' of zinc, in fact, referred to small quantities of the metal floating in the market which obviously was inflated. It is felt that comparison of this price with the price fixed for the indigenous producers is not realistic.

6. It will be observed from the above that right from the beginning, the Government had been reviewing the pricing policy regularly and allowed increases in the selling price of zinc from time to time. Unfortunately, the company could not derive much benefit from the revised prices due to low capacity utilisation and recovery efficiency and increase in the cost of sales. The review above will indicate that Hindustan Zinc Ltd. should aim at improving its operations and maintain strict control of costs to derive full benefit of the market price. Hindustan Zinc Ltd. are aware of this and are doing their best in this direction.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 21-12-1976]

Recommendation (S. No. 78 Paragraphs 8.21 & 8.22)

The Committee find that during the period upto March, 1973 when the selling price of zinc produced by HZL was generally lower than the MMTC's price for imported zinc, more quantities of zinc produced by HZL were sold to private parties than to Government Departments/Public Undertakings. In this connection the Ministry have stated that the allocations of zinc were decided at interministerial meetings attended by representatives of producer and consuming Departments and in making the allocations, the requirements of Government Departments were met first in full from indigenously produced zinc and the balance available was placed at the disposal of the DGTD, Department of Steel etc., for meeting a portion of the requirements of priority units under their control, including Public Undertaking. The Committee are not sure as to what extent the demands of public undertakings as compared to those of private units were met from indigenously produced zinc.

They are informed by the Ministry that allocation of indigenous zinc to public sector units exclusively would have led to the allega-

tions regarding discrimination in supply of raw materials to the industrial units in the public and private sectors. As the Public Undertakings, unlike the private units, have to keep their social obligations in view; while fixing the sale prices of their end products, the Committee feel that in allocating the cheaper zinc to priority units, the demands of Public Undertakings deserved as far as possible, to be given weightage.

Reply of Government

As already submitted to the Committee, the allocations of indigenous zinc were decided at inter-ministerial meetings and in making allocations, the requirements of Government Departments were first met in full and the balance available was placed at the disposal of the DGTD, Department of Steel, etc. for meeting a portion of the requirements of priority units under their control, including Public Undertakings. Based on the allocations made by the different sponsoring authorities, the Hindustan Zinc Ltd. supplied the following quantities of zinc to the public sector and private sector units during the years 1970-71 to 1972-73:—

Year	Zinc supplied to public sector units	Zinc supplied to private parties
	(in tonnes)	
1970-71	2,939	4,514
1971-72	1,397	5,807
1972-73	3,061	8,122

2. Government agrees that in allocating the cheaper zinc to priority units, the demands of public undertakings should be given weightage to the extent possible. This will be kept in view in future.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II date 28-1-1976]

Recommendation (S. No. 79, Paragraphs 8.39 to 8.44)

The Committee note that prior to January, 1969 silver was being disposed of through Metal Distributors Limited, Calcutta on payment of a commission of 1 per cent of the Sales price plus brokerage. From January, 1969 it was being sold to Hindustan Photo Films Manufacturing Company Ltd. on the basis of closing prices ruling in Calcutta Bullion Market on the date of actual despatch. After the termination of the agreement with M/s. Metal distributors with effect from March, 1967 the Board directed the Management to make permanent

arrangement for sale of silver in consultation with the Reserve Bank of India and to public undertakings like Hindustan Photo Films. An agreement for sale of the extra production of silver to Hindustan Photo Films Mfg. Co. Ltd. was finalised in December, 1968. Although the Board of Directors permitted the Management to sell 1800 kgs. of silver through Metal Distributors Ltd. when the agreement with Metal Distributors was terminated with effect from March, 1967 the Committee regret to find that the HZL sold 6,871 Kg. during April, 1967 to February, 1969 without obtaining permission of the Board and paid a sum of Rs. 39525 as commission. The Committee are informed that it was only a technical violation of Board's decision and in principle the decision was that till other arrangements are finalised HZL will keep on selling silver in Bullion market.

The Committee are informed that while seeking the approval of the Board of Directors in March 1967 for the sale of 1800 Kgs. of silver through M/s. Metal Distributors Ltd. it was stated that as silver rates were regularly quoted in Calcutta bullion exchange, there appeared to be no chance of any manipulation by the selling agents and the two rates could be easily compared.

The Committee are however surprised to find that out of 50 deals put through M/s. Metal Distributors Ltd. between April 1967 and February 1969 as many as 22 deals were made at the rates which were lower than the bullion market rates on the relevant date and the overall difference between bullion rates and the actual rates at which the silver was sold was Rs. 50,000.

The Committee are informed by the Chairman, HZL during evidence that "the bullion market gives only the opening and closing prices. It is a highly speculative market where the rates changes from day to day and even hour to hour. . . . If you kindly go through the chart. You will find that sometimes we have sold at a price higher than quoted in the market, Sometimes at the same rate and sometimes at a lower rate."

The Committee are not convinced of the reasons furnished by the Chairman, HZL in this regard.

They would like the Ministry to enquire into the deals put through the private selling agents (M/s. Metal Distributors Ltd.) and determine whether, and if so, to that extent the loss of Rs. 50,000 suffered by the undertaking could have been avoided and inform the Committee about the outcome of the enquiry.

Reply of Government

The Government agrees with the observation of the Committee that though the Board of Directors of Hindustan Zinc Ltd. permitted

the management to sell about 1800 Kgs. of silver through Metal Distributors, the company sold a quantity of about 6871 Kg., without getting the approval of the Board. The company has been advised to take suitable steps to avoid such lapses in future vide letter No. 54012 (27)/76-Met. II dated 13-8-76 (Appendix XXIX).

2. The entire matter regarding sale of silver through Metal Distributors was enquired into by the Chief Vigilance Officer of the Hindustan Zinc Ltd. at the instance of the Ministry. The findings of the Enquiry Officer are summarised in Appendix XXX.

3. The Government generally agrees with the conclusions reached by the Chief Vigilance Officer, Hindustan Zinc Limited, in his report.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012 (1)/76-Met. II dated 28-1-1977]

Recommendation (S. No. 80, Paragraph 8.52)

The Committee find that Hindustan Zinc Ltd. entered into contracts for the sale of Sulphuric Acid with M/s. Udaipur Chemical Industries in April, 1969 for a period of 15 years providing for the sale of 300 tonnes of sulphuric acid per month. The Committee also note that whereas in the case of M/s. Udaipur Chemical Industries the price was required to be fixed quarterly on the basis of the cost of imported sulphur, in the case of other parties the price was fixed with reference to market conditions subject to review every quarter. It has been stated that the prices realised from other buyers were higher since their off-take was much lower and uncertain. The Committee fail to understand as to why an agreement should have been entered into for such a long period and that too stipulating price on the basis of the cost of imported sulphur. They would like Government to examine this aspect so as to evolve suitable guidelines for the future.

Reply of Government

The background of the long term contract entered into by Hindustan Zinc Ltd. with the Udaipur Chemical Industries for sale of sulphuric acid, stipulating price linked to the cost of imported sulphur, has already been explained to the Committee and incorporated in the report.

2. As the price of sulphuric acid is not controlled, it is fixed by each manufacturer taking into account the cost of production, and the market forces. In this situation, a long term contract with a pricing formula based on the cost of imported sulphur, which is the main input in sulphuric acid, seems reasonable.

3. Government agrees that the period of the contract need not have been as long as fifteen years and that such a contract should normally be entered into for a reasonable period of 3/5 years with suitable provision for revision of pricing formula. Necessary instructions have been issued in the matter to the Hindustan Zinc Ltd. vide letter No. 54012(26)/76-Met. II dated 13-10-75. (Appendix XXXI).

[Ministry of Steel and Mines—Department of Mines O.M.
No. 54012(1)/76-Met. II dated 27-11-1976]

Recommendation (S. No. 81, Paragraphs 8.63 & 8.64)

The Committee regret to note that Hindustan Zinc Ltd. was not in a position to sell its entire production of zinc which itself was much less than the rated capacity of the smelter with result, the closing stock gradually increased from 653 tonnes in 1968-69 to 5,596 tonnes in 1971-72 involving blocking of funds to the extent of Rs. 228.88 lakhs. The closing balance came down to 1448 tonnes at the end of 1972-73 and 557 tonnes at the end of 1973-74. The Committee are informed that when MMTC prices were anticipated to fall, allottees withheld acceptance of sales offer, sometimes not responding at all. As a consequence huge finished goods inventory was built up.

The Committee also note that although HZL suggested to the Ministry that future allocations to such parties should be reduced to the extent of the unlifted previous allocation the Ministry have stated that the suggestion "would have merits in the seller's market and buoyant economic situation, and would be kept in view while carrying out the reviews". The Committee find that the closing balance of unsold stock at the end of 1974-75 again rose to 5181 m. tonnes and the rise in the unsold stock is stated to be due to credit squeeze, anticipation by allottees of fall in prices and a general slump in economic activity. They are informed as a result of liberalisation of distribution policy in February, 1975 the undertaking has been able to sell the entire stock and current production by the middle of 1975-76. The Committee need hardly point out that the distribution policy should be kept under constant review and adopted from time to time to suit the market conditions so as to ensure that there is no undue accumulation of unsold stocks of zinc with the undertaking and no blocking up of the capital.

Reply of Government

The Government agrees with the recommendation of the Committee that the distribution policy for indigenous zinc should be kept under constant review so as to ensure that there is no undue accumulation of unsold stocks of zinc with the producers.

2. The distribution policy for indigenously produced zinc has been under constant review since Feb. 1975 and the following steps were taken to ensure that there is no undue accumulation of stocks with the producers:—

- (i) In Feb., 1975, the informal control then existing was relaxed whereby the zinc producers were permitted to sell their production to Government Departments/Public Sector undertakings and the units registered with the DGTD and Iron & Steel Controller without any formal allocation and quantity limit.
- (ii) In the import policy for 1976-77, provision has been made that actual users of zinc may obtain 50 per cent of the quantity of the release orders issued in their favour during 1974-75/1975-76 from MMTC and approach the indigenous producers for balance of their requirements.
- (iii) The position regarding supply of indigenous and imported zinc is monitored periodically by the CCI&E and DGTD to ensure that the requirements of the actual users are met in time and there is no accumulation of stock of zinc either with the indigenous producers or MMTC.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 82, Paragraph 8.68)

The Committee find that the unsold stock of cadmium was 22.3 tonnes, 23.8 tonnes and 47 tonnes at the end of 1972-73, 1973-74 and 1974-75 respectively as against 6.7 tonnes at the end of 1971-72. They are informed that one of the main reasons responsible for the lack of demand was heavy importation of the metal and its alloys in 1971-72 and 1972-73 as a result of which large stocks continued to float in the market thereby depressing demand for indigenous products. The Ministry have stated that the actual imports took place during 1972 and 1973 against import licences issued earlier and some quantities of higher purity metal were also imported as the same was not produced in the country then. The Committee cannot but deprecate the lack of proper coordination between the Import Authority and the administrative Ministry concerned with the Hindustan Zinz Ltd. and expect that imports would not be allowed in future at the expense of the indigenous production.

Reply of Government

The Government agrees with the observation/recommendation of the Committee that import of cadmium should not be allowed in future at the expense of indigenous production. With this end in view, the import of the cadmium metal was banned from 1973-74 except high purity metal.

2. With the commencement of production of high purity cadmium by the Hindustan Zinc Ltd. during 1975-76 its import was also banned with effect from 6-11-75 except for research and analytical laboratories.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 83, Paragraph 8.69)

The Committee are informed that in order to export the excess stocks due to the continued lack of demand for this metal within the country, Hindustan Zinc Ltd., has approached the Ministry for an export subsidy as the international prices were lower than even the cost of production of this metal. The Committee would like to be informed of the strategy evolved to dispose of the accumulated stock and current production of cadmium at economic prices.

Reply of Government

The Hindustan Zinc Ltd. has launched a two-pronged strategy for the disposal of the accumulated stocks and current production of cadmium whereby (a) about sixty tonnes of cadmium is planned to be exported on the basis of the highest obtainable international price prevailing from time to time and (b) the selling price to indigenous buyers has been revised.

2. Pursuant to the above, the company exported 20 tonnes of cadmium during May 1975 and another quantity of 20 tonnes is awaiting shipment.

3. The selling price of cadmium for the domestic market has been revised and fixed on a sliding scale viz. (i) Rs. 95/- per Kg for orders without any minimum quantity (ii) Rs. 85/- per Kg for orders of minimum one tonne, and (iii) Rs. 70/- per Kg for orders of minimum three tonnes. Cadmium of higher purity (99.99 per cent), is sold at a premium of Rs. 15/- per Kg.

4. The company has not pursued the request for subsidy and is, in fact, engaged in computing the cost of production of cadmium on a more scientific and rational basis as recommended by the Committee in recommendation No. 84.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 21-12-1976]

Recommendation (S. No. 84, Paragraph 8.70)

They would, however, like the undertaking to bear in mind that ultimate solution to the problem is cutting the cost of production so as to be able to sell cadmium in international markets at competitive prices without any subsidy. They would therefore stress that the undertaking should searchingly go into the various aspects and stages of production, locate areas where economies are possible and take positive measures to effect economies.

Reply of Government

The Government agrees with the observation of the Committee that the ultimate solution to the problem of disposal of cadmium is cutting down cost of production and market the same. to the extent possible, in international market at competitive prices without any subsidy.

2. Hindustan Zinc Ltd. is undertaking a scientific method of costing which will reflect various aspects and stages of production as cost centres. This will enable the company to locate areas where economies are possible and determine action to achieve the same.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 17-11-1976]

Recommendation (S. No. 85, Paragraphs 8.73 & 8.74)

The Committee find that there has been unduly large accumulation of stocks of super phosphate—a fertilizer produced by HZL as a by-product. The rise in inventory upto March, 1972, was stated to be due to non-movement of stocks on account of acute shortage of railway wagons as a result of which orders to the extent of 15,000 tonnes had to be cancelled. When the availability of wagons showed improvement. The fertilizer demand had a serious set back due to drought in the states fed by HZL, the Committee are informed that now the increasing emphasis by consumers on premixed/complex fertilisers, in which the prescribed dosages of N, P & K are

available is steadily eroding the growth of demand of this straight phosphate (i.e. P only) fertilizer.

The Committee suggest that the Ministry/undertaking should in consultation with the Ministries of Chemical and Agriculture and the public sector undertakings engaged in the production of fertilizers, critically review the quantity and quality of the fertilizer (super phosphate) being produced by HZL vis-a-vis the demand for fertilizers in the regions/states served by the undertaking, and evolve a suitable production pattern, if necessary by introducing diversification or a new product mix so as to ensure that whatever is produced by the undertaking finds ready market in the country.

Reply of Government

The Hindustan Zinc Ltd. has reported that there has been improvement in the offtake of superphosphate produced by the company following the introduction of subsidy on this item by the Government in March, 1976.

2. In regard to the long term strategy, it may be mentioned that it has been approved by Government that Hindustan Zinc Ltd. should utilise the by-product sulphuric acid from its zinc smelter at Debari for the production of Phosphoric acid and dispose of the same in that form to its best commercial advantage. The revised cost estimates of Debari smelter is based on this change.

3. Production of phosphoric acid by the company is scheduled to commence by the end of 1977. The company will review again at that time the continued production of SSP, in full or part, or utilise the entire by-product sulphuric acid for the production of phosphoric acid.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 21-12-1976]

Further information called for by the Committee

Has the production of phosphoric acid by the company been started? If so, whether it has reviewed the continuance of production of SSP, in full or part, or utilise the entire by-product sulphuric acid? What has been the result of this review?

Further reply of Government

The trial runs of phosphoric acid plant are expected to start in first quarter of 1978-79. The continuance of production of SSP will be reviewed by Hindustan Zinc Ltd. after phosphoric acid plant is commissioned and the production gets stabilised.

Recommendation (S. No. 86 Paragraph 8.82)

The Committee are surprised to note that in the course of half-year April-September, 1973 allocation letters for a quantity of 18,000 tonnes of zinc cathodes were issued by DCSSI/State Directors of Industries against which only 513 tonnes could be actually delivered by HZL. The Committee are led to the conclusion that there was no coordination between the zinc allocation organisations and the producers of zinc viz. Hindustan Zinc Ltd. They hope that adequate measures would be taken to avoid such situations in future which only cause a lot of inconvenience to the consumers.

Reply of Government

The issue of large allocation orders for zinc cathodes on Hindustan Zinc during April-September 1973 by the DC, SSI and/or State Directors of Industries was on account of accumulation of zinc cathodes due to the break-down of the company's melting furnace. The melting furnace been replaced and there is at present no problem of cathode accumulation. It is felt that the situation as arose in April-September 1973 is not likely to recur. Should such a situation arise in future, adequate steps will be taken by the Government.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 87 Paragraphs 8.90 & 8.91)

The Committee note that in April, 1968, the undertaking entered into an agreement with the Director General of Supplies and Disposals for the supply of 2485 tonnes of pig lead to the Defence Department at the rate of Rs. D 3,000 per tonne (inclusive of excise duty of Rs. 500 per tonne). The agreement did not contain the price variation clause. The contracted quantity was subsequently increased to 3715 tonnes in July 1968 and 4968 tonnes in October, 1968. The originally stipulated quantity of 2485 tonnes was supplied by September, 1970, on which the undertaking is stated to have incurred a loss of Rs. 12.14 lakhs with reference to ruling Calcutta market

prices. The Committee are informed that at the time of entering into original agreement in April 1968, the ruling price ranged between Rs. 2750 and Rs. 2850 per tonne on account of recession in the market and the finalisation of selling price of Rs. 3,000 per tonne by the undertaking with D.G.S.&D. gave it a margin of about Rs. 300 to Rs. 350 per tonne over the ruling market price and the prices were showing a downward trend.

It was not expected that the prices would recover during the currency of agreement. They are also informed that normally Director General, Supplies and Disposals, does not agree to price variation clause in their contracts though, according to the Ministry, the undertaking could have insisted upon the price variation clause and this, in fact, was done later for additional quantity of lead. The undertaking has stated that insertion of price variation clause could have cut across both ways and in view of the market trend, it was considered safer not to include such a clause. In 1971 when it was suggested that reasonable prices of supplies of lead over and above the originally contracted quantity should be got determined through Bureau of Industrial Costs and Prices, the Bureau advised that as the matter was primarily of interest to ordnance factories, a fair price might be fixed through inter-ministerial discussions and the prices were so fixed in 1974, and supplies made accordingly. The Committee note that the total difference between the ruling prices of Calcutta market and the D.G.S.&D. prices fixed for despatches of lead made from 1968-69 to 1972-73 against the contracts is Rs. 43.89 lakhs. The Committee would like the Ministry/Undertaking to go into the general question of quoting prices to Government and non-Government organisations in the light of the past experience and evolve guidelines which should be followed by them in this regard. They feel that the question of including price variation clause in the agreement should be carefully considered with reference to market conditions prevailing at the time and decision taken on merits of each case in the larger interest of the undertaking.

Reply of Government

The circumstances under which the Hindustan Zinc Ltd. accepted a tender of the DGS&D in 1968 for supply of lead and the subsequent increase by the DGS&D in the quantity to be supplied by Hindustan Zinc Ltd. have been brought out in the report of the Committee. In view of the need to ensure supplies of lead to Defence and, at the same time, to give a reasonable price to the Hindustan Zinc Ltd., the matter was taken up with the Department of Supply. At a meeting held in that Department on 11-8-71 it was,

inter alia, decided that Hindustan Zinc Ltd. should continue to supply lead to Defence and that for the quantities supplied beyond 2,485 tonnes covered by the original A/T of 1968, a revised price would be applicable which would be determined by the Government based on cost of production.

2. Pursuant to the above, the Bureau of Industrial Costs & Prices was requested on 1-11-71 to suggest a reasonable price for lead produced by Hindustan Zinc Ltd. The Bureau, however, replied in January 1972, that in cases where two Government Departments or public sector undertakings were mainly involved, the question of price fixation should normally be decided by inter-ministerial discussions. Efforts were made to fix the price of lead supplied by Hindustan Zinc Ltd. to Defence by inter-Ministerial discussions, based on the cost data of Hindustan Zinc Ltd. However, as the Department of Supply were particular about study of the cost of production, in June 1972, the Chief Cost Accounts Officer, Ministry of Finance, was requested to take up a cost study and submit a report by the end of August 1972. In the meanwhile, the DGS&D agreed to pay a provisional price of Rs. 3,500/- (exclusive of excise) for the lead supplied.

3. The Chief Cost Accounts Officer submitted his report in December 1972 to the Deptt. of Supply (copy of which was received in the Department of Mines in May 1973) suggesting fair price for lead supplied during 1970-71 and 1971-72. Based on this and based on further discussions, the price payable for lead supplied by Hindustan Zinc Ltd. during 1970-71 and 1971-72 was fixed respectively at Rs. 4,016.37 and Rs. 3,710.46 per tonne (exclusive of excise) at a meeting held in the Department of Supply on 1-6-75.

4. The price payable for lead supplied during the subsequent years was also discussed at this meeting but no conclusion could be reached as the Department of Mines insisted on payment at the prevailing MMTC price in view of the increased cost of inputs. The matter regarding price payable for lead supplied during 1972-73 and 1973-74 was later settled by Hindustan Zinc Ltd. with the DGS&D, through negotiations.

5. It is felt that it is not appropriate to compute the profit/loss made/incurred by Hindustan Zinc Ltd. for lead supplied to Defence with reference to the ruling price in the Calcutta market for the following reasons:—

- i. The requirements of lead of Actual Users were met by imports canalised through the MMTC and the price of the

metal quoted in the Calcutta market related to small quantities of lead floating in the market; and

- ii. The price of lead fixed by Government for the supplies during 1970-71 and 1971-72 covered not only the cost of production but also a return on the capital employed.

6. The general question of quoting prices to Government and non-Government organisations had earlier been considered by the Government. The price of lead supplied by Hindustan Zinc Ltd. to Government and non-Government Organisations is based on ruling MMTC prices.

7. The Government agrees with the recommendation of the Committee that the question of including price variation clause in agreements for sale of products should be carefully considered with reference to market conditions prevailing at the time and decision taken on merits of each case in the larger interest of the company. The attention of the Hindustan Zinc Ltd. has been drawn to this vide letter No. 54012(43)/76-Met. II dated 13-10-76 (Appendix XXXII).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Recommendation (S. No. 88, Paragraph 8.94)

The Committee find that as on 28th February, 1969 HZL had a stock of 16,753 tonnes (loose 14,136 tonnes and bagged 2,617 tonnes of superphosphate). As on 10th April, 1969 HZL sold besides bagged stock 2,541 tonnes of loose stock without charging excise duty on the basis of the understanding given to them by the Excise Department that "the stock of fertilisers at midnight of 28th February, 1969/1st March, 1969 on a fully manufactured condition will not be dutiable". The Deputy Collector of Central Excise, however, held that excise duty on loose stock (amounting to Rs. 0.80 lakhs) was leviable. The Committee would like the Ministry to take up the matter with the Excise Department in order to clarify the position.

Reply of Government

The matter was taken up with the Ministry of Finance (Department of Revenue & Banking—Revenue Wing) who have forwarded an extract from C.B.R. Bulletin, Central Excise Technical, April-June 1969 (Appendix XXXIII).

2. It will be observed therefrom that the view of the Deputy Collector, Central Excise, that excise duty was leviable on loose stock was in order.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 89, Paragraph 9.7)

The Committee find from the Audit Report that a test check of 44 purchase orders for amounts exceeding Rs. 50,000 each placed during 1966-67 to 1970-71 for a total value of over Rs. 74 lakhs revealed that in 42 cases involving over Rs. 71 lakhs, open tenders were not invited and the purchases were made on limited tenders. The Management stated that out of the 42 purchase orders, 14 were placed against open tenders; 3 were placed on MAMC as per Government directive; 7 were placed against limited tenders on manufacturers/suppliers recommended by STC/DGTD; 18 were placed on the basis of limited tenders as the materials involved were known to be supplied by a very limited number of parties; and one was R/C placed on the ruling market price published by the East India Gunny and Hessian Exchange. The Chairman, HZL, explained during evidence that due to the lack of proper system in the office, the relevant files and papers in this regard could not be located and the position as stated above could not be explained to the audit when they visited the Undertaking's office. The Committee need hardly emphasize that the office system should be streamlined and toned up so that all vital information regarding purchases and all other matter is readily available not only to the audit but also to the Management to enable them to take a correct decision without delay.

Reply of Government

The Government agrees with the recommendation of the Committee that the office system should be streamlined and toned up so that all vital information regarding purchases, etc. is readily available.

2. The Hindustan Zinc Ltd. has informed that steps have been taken for streamlining the office system in the Purchase Department, including maintenance of records in such a manner that all vital information is readily available.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 11-4-1977]

Recommendation (S. No. 90, Paragraphs 9.11 to 9.13)

The Committee regret to note that the Management took nearly 5 months to process the tenders which had been invited in May, 1969 for the purchase of G.I. pipes and for which a minimum validity of only 30 days was asked for from the tenders with the result that the validity of the offer made in June, 1969 by M/s. Bharat Steel Tubes, on whom the order was placed in November 1969, had expired in July 1969, and the company had to ultimately purchase the material at higher rates against fresh tenders from another firm and incur an extra expenditure of Rs. 45,299. It has been admitted that the period of processing the tenders was excessive.

The Committee fail to understand as to why a period of 30 days was stipulated in the tenders invited in May 1969 when normally according to the Management it takes 60 days to process the tenders. They are informed that now a minimum validity of 60 days is stipulated in the terms of tenders.

The Committee would like to stress that the undertaking should streamline the system of analysing and finalising the tenders so as to ensure that it does not take the Management more than 60 days as now stipulated, to take final decision on tenders and costly delays do not take place hereafter.

Reply of Government

The Government agrees with the above recommendation of the Committee. Necessary instructions in this regard have been issued to the Hindustan Zinc Ltd. *vide* letter No. 54012(51)/76-Met. II dated 17-9-1976 (Appendix XXXIV).

[Ministry of Steel] and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 4-11-1976]

Recommendation (S. No. 91, Paragraphs 9.28 & 9.29)

The Committee note that in terms of months consumption the total inventory holdings have come down from 17.39 months consumption in 1965-67 to 8.14 months consumption in 1974-75. In 1973-74 the inventory holding had jumped upto 15 months' consumption because of the closure of the smelter for 3 months due to power cuts and the materials purchased remained unconsumed. The Committee also note that the norms have been laid down by Bureau of Public Enterprises for 'A' 'B' & 'C' categories of materials and during 1974-75 the inventory level was 2.89 months consumption as against a norm of 2.6 months consumption in the case of 'A' category, 13.72 months consumption as against a norm of 10 months consumption in the case of 'B' category and 3.68 months consumption as

against norms of 4 months consumption. The Committee can hardly over-emphasize the need to keep a constant watch over the inventory levels of stores, particularly 'A' & 'D' category, and they hope that there will be no let-up in the efforts to keep the inventory levels below the prescribed norms.

The Committee find that while the maximum, minimum and ordering levels for 'A' category of stores which cover up nearly 80 per cent of the value of inventory have been fixed by the undertaking, the Management are finding it difficult to fix similar levels for 'B' & 'C' categories in view of the changing production levels and expansion schemes going on in the various units. The Management have assured that work regarding fixation of the Maximum, minimum etc. for categories 'B' & 'C' will be completed once the expansion is over and production levels are stabilised. The Committee would suggest that, keeping in view the schedules of completion of the various expansion schemes in hand, the Management should draw up a time-bound programme to complete the work regarding fixation of maximum, minimum etc. for category 'B' & 'C' stores also as without fixing such levels, it will be rather difficult for the Management to keep a proper control over the inventory holdings.

Reply of Government

The Government agrees with the recommendation of the Committee regarding the need to keep a constant watch over the inventory levels of stores and that there should be no let up in the efforts to keep the inventory levels below the prescribed norms.

2. The Hindustan Zinc Ltd. has informed that the work relating to category 'B' stores would be completed by the end of 1976 and that of category 'C' stores by about March 1977.

3. Instructions have been issued to the Hindustan Zinc Ltd. *vide* letter No. 54012(49)/76-Met. II dated 29-9-1976 (Appendix XXXV) to take suitable measures to keep a constant watch over the inventory levels and to complete the work relating to category 'B' and 'C' stores by 31-12-76 and 31-3-77 respectively.

[Ministry of Steel and Mines—Department of Mines O.M. No.
54012(1)/76-Met. II dated 4-11-1976]

Further information called for by the Committee

Has the work relating to fixation of maximum and minimum etc. for categories 'B' and 'C' stores since been completed?

Further reply of Government

It has been reported by the Hindustan Zinc Ltd. that work relating to fixation of maximum and minimum levels of inventory for category 'B' stores was finally done by the company on 25-12-1976.

As regards category 'C' stores, the company was asked to complete the work by the 31st March, 1977. However, the company informed that since the number of 'C' category items is presently about 25,000 and further addition will be continuous in view of additional equipment being installed during expansion/commissioning of the projects, it would neither be possible nor economical to do the same manually and had proposed to complete the work after the installation of Electronic Data Processing Equipment "Roborton Computer" from G.D.R. However, for the time being the general principles followed by the company for fixing the stock levels have also covered the 'C' category of store items. In this connection a list of consumable store items considered critical for the purpose of production has been prepared irrespective of their values (even for 'C' category stores) and their stock/supply position is reviewed weekly.

Recommendation (S.No. 92, Paragraph 9.52).

The Committee find that during the course of physical verification of raw materials and finished products carried out on certain occasions, several instances of excesses or shortages were noticed. In December, 1970, a shortage of 1.193 tonnes of concentrates valuing over Rs. 10 lakhs was noticed in the Zawar Mines and adjusted in the accounts for the year ended 31st March, 1971, pending investigations. Explaining the shortage which worked out to 5 per cent of the total production, the Ministry stated that "while there may be some shortage on account of handling and storage losses in the mill storage, yard and storage losses at other places, a bulk of alleged storage is attributable to the errors in the theoretical calculations. The Committee would like that the losses should be analysed to find out to what extent the shortages were due to handling and storage and to what extent to other causes. The Committee would like that suitable norms should be fixed for handling and storage losses and whenever such norms are exceeded the reasons therefor should be investigated and reported to the Board. t

Reply of Government

The Hindustan Zinc Ltd., has been advised to analyse the losses of concentrates so as to find out to what extent the shortages were due to handling and storage and to other causes.

2. The company has informed that suitable norms for unavoidable losses on account of handling and storage of bulk cargoes are being fixed and will be placed before the Board for approval. The company will carry out proper investigation when these norms are exceeded and report the results to the Board.

3. Copy of letter No. 54012(77)/76-Met.II dated 3-11-1976 addressed to the company is enclosed (Appendix XXXVI).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 28-1-1977].

Further information called for by the Committee

- (a) Have the losses of concentrates been analysed? If so, with what results.
- (b) Have suitable norms for unavoidable losses on account of handling and storage of bulk cargoes been fixed and approved by the Board?

Further reply of Government

- (a) Earlier the reasons for losses of concentrates had been analysed and the results of the investigations were submitted to the Board at its 66th meeting held on the 23rd September, 1975|vide copy of the agenda item enclosed. (Appendix XXXVII).
- (b) Based on the actual experience gained and the results of investigations on stock verifications of such cargoes in past and on the recommendation of the Unit Heads of the HZL, the following maximum norms of unavailable losses in transit, storage and handling, as suggested by the Company were placed before the Board at its meeting held on the 14th April, 1977.

1. Loss superphosphate and lead concentrates—1 per cent.

2. Rock Phosphate—1 per cent (when stored in covered godown)

2 per cent (when stored in open yard)

In respect of lead concentrates stored at Lead Smelter, Tundoo transit and other handling losses upto 0.5 per cent will be additional.

The Board felt that further detailed study should be carried out with reference to the norms as prevalent in other comparable units. Existing method of handling and storage in each unit should be reviewed to recommend improvement and reduce handling losses. However, the Board approved the proposed norms subject to the stipulation that these norms will be provisional for a period of six months only during which further investigation as indicated above should be carried out and results of the review brought for the approval of the Board.

Recommendation (S. No. 93, Paragraphs 9.53 to 9.59)

The Committee are informed that an excess of 1695.489 tonnes of indigenous zinc concentrates was observed in April, 1971 in the zinc smelter. The Committee are surprised that fresh verifications conducted in December, 1972 and in June, 1973, however, revealed a shortage of about 644 tonnes valuing Rs. 8.57 lakhs. When the matter was further investigated in December, 1973 an excess of about 66 tonnes of indigenous zinc concentrates and a shortage of 453 tonnes of imported concentrates (valuing Rs. 5.35 lakhs) were found at the smelter. The Committee are surprised to note that these cases of shortages/excess were reported to the Board of Directors only in September, 1975.

The Committee further note that shortages in the stock of rock phosphate were noticed in July, 1968 (3.91 tonnes) August, 1970 (5,575 tonnes) and April, 1971 (339 tonnes) together valuing at about Rs. 12.52 lakhs. A major part of the shortages was attributed to loss due to moisture, crushing, weighing errors, loading/unloading and transit losses. There was no proper system available for ascertaining consumption of rock phosphate nor was there a weigh-bridge in the initial stages to check records of consignments. The shortages were written off by the Board. It has been stated that no shortage of rock phosphate has been noticed after April, 1971.

A shortage of about 4,000 tonnes of single super phosphate was observed in August, 1970, but of which shortage of 2,005 tonnes was written off. During the course of investigation of the remaining shortage and subsequent verification of stock of super phosphate, the shortage was finally established at 455 mt. in May, 1974. It has, however, been stated that on account of large accumulation of losses stocks in large heaps during 1974-75 and likely mistakes having possibly crept in during stock verification the results of stock verification were not free from doubts on accuracy.

From the foregoing facts, the Committee are led to the conclusion that the system of physical verification which gave varied results in the case of indigenous zinc concentrates and super phosphate and turned an excess of 1695 tonnes of zinc concentrates into a shortage of 644 tonnes could hardly be considered scientific. They are also surprised to note that, while before April, 1971 losses due to moisture, crushing and transit losses etc. were held responsible for shortages in the stocks of rock phosphate, there were no losses reported on these account after April, 1971.

It has been stated that the system of physical verification has been streamlined from the last stock verification in 1974-75 whereby the samples are drawn more scientifically and moisture content analysed in the laboratory.

The Committee recommend that the new system of stock verification, which is stated to be scientific should be kept under constant review and improved from time to time in the light of experience so that the Management can keep proper check on stores, raw materials and finished products.

The Committee also recommend that shortages noticed as a result of stock verification should be got examined independently and responsibility for shortages fixed and the results of examination placed before the Board, so that the Board may review the position and advise corrective measures to be followed.

Reply of Government

The shortages of zinc concentrates referred to in paragraph 9.53 were within the tolerance limit (on the basis of the total tonnages received and consumed) and were dealt with by the Chairman-cum-Managing Director under the powers delegated to him. However, the matter was reported to the Board in September, 1975 on the suggestion of the Comptroller and Auditor General of India.

2. When the results of stock verification were found to be erratic, remedial action was taken by Hindustan Zinc Ltd. for bagging zinc concentrates despatched from Zawar Mines to Zinc Smelter and for rock-phosphate purchased from the Rajasthan Government. With the experience gained, samples were drawn more scientifically and moisture content properly analysed resulting in shortages on account of moisture, crushing and transit losses etc. within the tolerance limit.

3. The Government accepts the Committee's recommendations in paras 9.58 and 9.59. Appropriate instructions have been issued to the Hindustan Zinc Ltd. to implement these *vide* letter No. 54012(52)/76-Met. II dated 30-9-1976 (Appendix XXXVIII).

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 28-1-1977]

Recommendation (S. No. 94, Paragraph 9.64)

The Committee regret to note that although the Board of Director desired in November, 1970, that urgent steps should be taken for the physical verification of machinery and equipment but no census of the machinery and equipment was taken since the formation of the company. They are informed by the Undertaking that the fixed assets registers were maintained but were not complete and in the prescribed proforma. It has been stated that the main reason for the delay in completion of the asset registers was the non-finalisation of the value of plant and equipment taken over from the Metal Corporation of India. They are further informed that fixed assets registers for Lead Smelter, Tundoo, (for post acquisition period) and Head Office in full, for Zawar Mines in part (plant and machinery) are complete upto end of March 1975 and those for other units upto end of March 1974. The Committee would like that the fixed assets registers should be brought upto date in respect of all the units and verified without avoidable delay.

Reply of Government

The Hindustan Zinc Ltd. has informed that the Fixed Assets Registers in respect of plant, machinery and buildings are complete upto 31-3-1976, in all the units except Visakhapatnam Zinc Smelter, Debari Zinc Smelter and Rajpura-Dariba Mines. In the case of Tundoo Lead Smelter, the registers are complete upto 31-3-1977 excepting assets taken over from the Metal Corporation of India. Work on compilation of registers in respect of other assets has also been taken up and is likely to be completed alongwith the finalisation of accounts for 1976-77.

The company has also informed that physical verification of the assets was carried out in April—June 1976 in all the units except Visakhapatnam Zinc Smelter and Debari where construction work has been in full swing.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 13-7-1977]

Recommendation (S. No. 96, Paragraph 10.20)

The Committee are informed that the question of abolition of Industrial Management Pool is presently under the consideration of Government. The Committee urge that in taking decision it should be ensured that the services of officers already in the Industrial Management Pool are put to best use in public interest.

Reply of Government

The Government has noted the views of the Committee that the services of the Industrial Management Pool officers are put to best use in public interest. This will be taken into account while finalising the decision on the future of the Industrial Management Pool. It may be stated here that the present proposals for the dissolution of the Industrial Management Pool envisage that the officers of the Pool get suitably absorbed in the Public Enterprises so that their services are not lost to the public sector.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Further information called for by the Committee

Has the future of Industrial Management Pool since been decided?

Further reply of Government

In January, 1977, the Government had decided to abolish the Industrial Management Pool w.e.f. 31-3-1977. Subsequently, the above decision was reviewed by the Government and as a result thereof, it was decided in October, 1977, that the Industrial Management Pool be allowed to continue as in force prior to 31-3-1977.

Recommendation (S. No. 97, Paragraphs 11.11 & 11.12)

The Committee find that a long term loan was granted by Government to HZL for the implementation of the integrated scheme including the mill and the Smelter. The first loan of Rs. 1.05 crores was disbursed in 1966. A moratorium from the date of drawal of the loans upto the period of two years from the date of commencement of production had been allowed in respect of repayment of the principal subject to the condition that the total period of moratorium did not exceed five years from the date of disbursement of the loans and the repayment of loans was completed within 15 years from the date of drawal.

The Committee regret to observe that in the absence of a clear decision regarding the date of commencement of production, the Management had been reckoning the period from the date of commercial production and delaying the repayment of loan instalments with the result that the financial burden on the company had been increasing from time to time and the balance of overdue instalments as on 31st March, 1975 amounted to Rs. 82 lakhs and the penal interest to about Rs. 6 lakhs. While it may be logical to reckon the period for repayment of loan from the date of commercial production, the Committee feel that date of commencement of commercial production is a concept which will be varying and disputable and according to the discretion of Management. The Committee therefore recommend that the terms and conditions of loan should clearly stipulate the date of commencement of repayment of loan and interest so that there is no ambiguity in this regard. In their opinion this will also enable the Management to gear its machinery, cut short delays in gestation period and accelerate generation of resources. The Committee would also like that Government, in its turn, should take positive action to review the position of outstanding loans and initiate measures for prompt realisation of the instalments of loans and interest due.

Reply of Government

The Government agrees with the observation of the Committee that date of commencement of commercial production is a concept which will be varying and disputable. The terms and conditions of loans sanctioned to Hindustan Zinc Ltd. since 1975-76 have been made more specific and unambiguous. The revised terms and conditions stipulate, *inter alia*, that:—

- (i) the period of moratorium for repayment of the loan is three years from the date of drawal of the loan;
- (ii) the repayment will commence on the 4th anniversary of the drawal of the loan and will be in twelve equal annual instalments; and
- (iii) the payment of interest will be made after expiry of one year from the date of drawal of the loan and thereafter every year till the loan is repaid.

2. The Ministry of Finance (Budget Division) had prescribed the form of loan sanctions in 1971; these instructions enjoin Ministries/Departments to indicate *inter-alia* (i) the period of a loan, (ii) moratorium towards repayment, and (iii) date and year from which

repayment will commence. These instructions are being followed by the Department of Mines in fixing the terms and conditions in respect of capital loans to all undertakings under their administrative control.

3. As regards review of repayment of loans and payment of interest, it may be stated that as on 31-3-76 Hindustan Zinc Ltd. has paid all instalments and interest due thereon. A watch on the repayments is kept particularly while releasing the last instalments of the budgetary support to the company every year.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Recommendation (S. No. 98, Paragraphs 11.17 & 11.18)

The Committee regret to note that the Management did not take any action on the note circulated by Government in May, 1969 *inter alia* indicating the main functions and responsibilities of the Financial Adviser drawn up on the basis of 15th Report (1968) on Financial Management in Public Undertakings and asking the Public Undertakings to adopt the same with such alternative, adaptation as might be necessary. The Management was again requested in November, 1972 that all important orders issued by the Government should be brought to the notice of the Board of Directors who in turn, should consider them promptly and take follow-up action without delay. The note received in 1969 was then placed before the Board of Directors, for its consideration in January, 1973. Although a further paper was desired to be placed before the Board for delegating powers which were to be reserved for the Financial Adviser, it has not been done so far.

The Management stated that since the guidelines circulated by the Committee were being followed in full, the matter was not again placed before the Board but it was now being processed for being placed before the Board. The Committee urge that the matter should be processed without delay and placed before the Board and the functions/responsibilities and powers of the Financial Adviser should be clearly and precisely laid down.

Reply of Government

The matter regarding functions and responsibilities of the Director (Finance) of Hindustan Zinc Ltd. was placed before the Board of Directors at its meeting held on 29-9-1976. The Board adopted the

main functions and responsibilities of the Director (Finance) on the lines contained in the Bureau of Public Enterprises OM No. 46/ADV (F)/69/26, dated 6-5-1969. Items required to be reserved for concurrence and consultation with the Director (Finance) have also been specified.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Recommendation (S. No. 100, Paragraphs 11.24 & 11.25)

The Committee regret to note that though the company was formed in January, 1966, it was only after eight years that an accounting manual laying down the detailed procedure for completion and maintenance of accounts has been introduced with the result that no uniform accounting procedure could be followed in the various units of the company. The delay was stated to be due to non-finalisation of accounts of earlier years, the arrears of which could be completed only in 1970-71. The Committee regret that even after this there has been a delay of three years in the finalisation of the manual.

The Committee also note that a full-fledged internal audit system was introduced from July 1973 and the Internal Audit Manual was finalised in October, 1975. The Committee find that, while important points in internal audit reports are brought to the notice of the Chairman-cum-Managing Director, these are not submitted to the Board of Directors. The Management have stated that in case any of these points are considered important by the Chairman-cum-Managing Director, the same "will" be reported to the Board. The Committee would like to draw attention to their recommendations in Paras 204 to 207 of their 15th Report (1968) and reiterate that the Internal Audit Wing should function as an effective tool of financial control and its functions should include a critical review of the systems, procedures and operations as a whole. They need hardly point out that its reports should receive serious considerations at all levels and a report of the points together with the action thereon should be placed before the Board of Directors from time to time.

Reply of Government

The delay of 3 years in the finalisation of the Accounts Manual, i.e., from 1970-71 to 1973-74 was due to diverse activities of the Company including mining, milling, zinc/lead smelting and refining etc. It was only with the assistance of a firm of Chartered

Accountants that the Manual was finally drawn up in 1973-74 and introduced from the year 1974-75.

2. The Government agrees with the recommendations of the Committee that Internal Audit Wing should function as an effective tool of financial control and its functions should include a critical review of the systems, procedures and operations as a whole. Suitable instructions in this regard have been issued to the Hindustan Zinc Ltd. *vide* letter No. 54012(82)/76-Met. II, dated 20-9-1976 (Appendix XXXIX).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 27-11-1976].

Recommendation (S. No. 101, Paragraph 11.32)

The Committee would, however, like that the Ministry/Undertaking should keep a strict watch on the capital cost of the various projects which are under way, complete the projects expeditiously and commission them without delay.

Reply of Government

The suggestion of the Committee regarding strict watch on capital costs of the various projects is unexceptional and the Government accepts the same. The attention of the Chairman-cum-Managing Director, full time Director and Government Directors of the Company has been drawn to this recommendation *vide* letter No. 54012(34)/76-Met. II dated the 30th August, 1976. (Appendix XL).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976].

Recommendation (S. No. 102, Paragraph 11.33)

The Committee would suggest that the undertaking should right from the beginning, ensure that there is no over staffing in any project and over heads are kept to the minimum.

Reply of Government

The Government accepts the suggestion of the Committee regarding staffing and control of over-heads. The attention of the Chairman-cum-Managing Director, other full time Director, and Government Directors of the company has been drawn to this recommendation *vide* letter No. 54012(34)/76-Met. II dated the 30th August, 1976. (Appendix XL).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976].

Recommendation (S. No. 103, Paragraph 11.34)

The Committee would recommend that there should be a built-in accent on productivity in the wage structure to subserve the larger public interest.

Reply of Government

The recommendation of the Committee that there should be built-in accent on productivity in the wage structure is unexceptional and the Government accepts the same. The attention of the Chairman-cum-Managing Director, full time Directors and Government Directors of the company has been drawn to this recommendation *vide* letter No. 54012(34)/76-Met. II dated the 30th August, 1976. (Copy enclosed with Government's reply to recommendation No. 101).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976].

Recommendation (S. No. 104, Paragraph 11.35)

The Committee would stress that strict financial control should be exercised on all the activities of the undertaking in the various units. The Corporation should introduce the system of management accountancy to assist the Management and the Board to take right decisions.

Reply of Government

The Government accepts the recommendation of the Committee in regard to strict financial control on all the activities of the undertaking. The attention of the Chairman-cum-Managing Director, full time Director and Government Directors of the Company has been drawn to this recommendation *vide* letter No. 54012(34)/76-Met. II dated the 30th August, 1976. (Copy enclosed with Government's reply to recommendation No. 101).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976].

Further information called for by the Committee

What action has been taken by the Company in pursuance of the letters issued by the Ministry?

Further reply of Government

In pursuance of the letter issued by the Ministry, the Director (Finance), Hindustan Zinc Ltd. has issued necessary instructions to all concerned for strict financial control on all the activities of the Company and to keep a constant watch as per the recommendations of the Committee on Public Undertakings.

The management also submitted a detailed note on the said recommendation to the Board at its 73rd meeting held on 10-12-1976. The Board authorised the Managing Director to appoint a consultant for introduction of Integrated Accounts System. Further action in the matter is being taken accordingly.

Recommendation (S. No. 105, Paragraph 11.36)

The Committee would like the Government's representatives on the Board to pay attention to the afore mentioned aspects more particularly to the necessity of ensuring that expenditure on the projects under implementation does not get so inflated as to militate against the viability of the project.

Reply of Government

The attention of the Government Directors on the Board of the Company has been drawn to the recommendations contained in paras 11.32 to 11.35 and to ensure that expenditure on the projects under implementation do not get inflated unduly vide letter No. 54012 (34)/76-Met. II dated the 30th August, 1976. (Copy enclosed with Government's reply to recommendation No. 101).

[Ministry of Steel and Mines—Department of Mines OM No. 54012 (1)/76-Met. II dated 4-11-1976].

Recommendation (S. No. 106, Paragraph 11.37)

The Committee note that after incurring losses during initial years of working, the undertaking turned the corner and made profits (before tax) amounting to over Rs. 42 lakhs, Rs. 504 lakhs and Rs. 893 lakhs during the years 1972-73, 1973-74 and 1974-75 respectively. They find that the ruling price of zinc has been increased from time to time from Rs. 4090 per tonne in 1972-73 to Rs. 13710 per tonne from 1st January, 1974, and the additional sales revenue earned from increase in price during 1973-74 as compared to that prevailing in 1972-73 amounted to Rs. 5.46 crores and this contributed to substantial improvement in the working results of the company. The committee have already pointed out that the cost of mining operations

have been increasing and cost of mine ore, recovery efficiency etc. are important factors which influence the cost of production of end products. The Committee have already given recommendations in this regard. They would like to reiterate that the undertaking should introduce scientific system of costing in all its projects so that analysis of the cost of production may be made on correct lines and economies effected wherever necessary.

Reply of Government

The recommendation of the Committee regarding introduction of scientific system of costing is unexceptional and the Government accepts the same. The attention of the Chairman-cum-Managing Director, full time Director and Government Directors of the Company has been drawn to this recommendation *vide* letter No. 54012 (34)/76-Met. II dated the 30th August, 1976. (Copy enclosed with Government's reply to recommendation No. 101).

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976].

Further information called for by the Committee

What action has been taken by the Company in pursuance of the letters issued by the Ministry

Further reply of Government

In pursuance of the letter issued by the Ministry, the Director (Finance), Hindustan Zinc Ltd. has issued necessary instructions to all concerned for strict financial control on all the activities of the Company and to keep a constant watch as per the recommendations of the Committee on Public Undertakings.

The management also submitted a detailed note on the said recommendation to the Board at its 73rd meeting held on 10-12-1976. The Board authorised the Managing Director to appoint a consultant for introduction of Integrated Accounts System. Further action in the matter is being taken accordingly.

CHAPTER III

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

Recommendation (S. No. 2, Paragraph 1.15)

The Committee feel that when a private enterprise is acquired in Public interest it may be more appropriate if the amount payable in such cases is mentioned specifically in the legislation itself, particularly in those cases where the amount is likely to be huge. The Committee feel that Government should lay down norms for fixing the amount to be paid at the time of takeover. The Committee would like the Government to examine the question of paying an amount which may not be more than the book value of the assets less the liabilities of the unit at the time of taking over.

Reply of Government

The Government agrees with the recommendation of the Committee that when a private enterprise is acquired in public interest, the amount payable may normally be specified in the legislation itself. In cases where it is not possible to specify the amount, it will be open to the Government to lay down the principles, which, in fact, is envisaged in Article 31 of the Constitution itself.

2. In regard to the recommendation that Government should lay down norms for fixing the amount to be paid at the time of takeover, it may be stated that the basis or alternatives on which the amount is to be determined is indicated to the authorities concerned. The norms, however, cannot be disclosed, for obvious reasons, and, in any case, the final decision is that of the Government.

3. The Committee's recommendation regarding the question of paying an amount which may not be more than the book value of the assets less the liabilities of the undertaking/unit at the time of takeover has been examined carefully by the Government and it is felt that it is not possible to lay down any uniform method for this purpose as the actual determination of the amount would depend upon the circumstances of each case.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 27-11-1976].

Recommendation (S. No. 3, Paragraph 2.7)

The Committee note that the estimate of the integrated scheme which was originally revised from Rs. 670 lakhs (1960) to Rs. 1263 lakhs in 1964 was after take over by Hindustan Zinc Ltd. reassessed at Rs. 1664 lakhs in November, 1966 and further revised to Rs. 1896 lakhs in October, 1969. The Committee also note that while revising the estimates in October, 1969 the undertaking re-arranged and re-grouped the various heads of expenditure to rationalise the existing sub-heads of estimate and to cover new areas of investment with the result that a comparison with the earlier revised estimate of 1966 to ascertain the reasons for increase in expenses under different heads was not possible. The Committee feel that the revision made in 1966 by HZL could have been completed in all respects if only the management had been vigilant and taken care to include any new items which were covered later. In the opinion of the Committee this laxity on the part of Management has not only resulted in escalation in cost but also delayed the implementation of the project.

Reply of Government

The Government have carefully considered the Committee's observation that the revision made in 1966 could have been complete if the management had been vigilant but would like to submit that the extent of expenditure on certain items could not have been foreseen precisely by the Hindustan Zinc Ltd. in November, 1966. A short note indicating the position in this regard is enclosed (Appendix XLI).

2. It is felt that no laxity can be ascribed to the management in revising the cost estimates of the integrated scheme. The delay in the implementation of the scheme resulted in some escalation in costs but this was due to general increase in prices.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 8-12-76].

Recommendation (S. No. 4, Paragraph 2.8)

The Committee also feel that while revising the estimates in October, 1969 Government should have critically gone into the reason for revision or increases under each one of the sub-heads to make sure that such increases/revision were justified and the items newly included could not have been foreseen earlier. The Committee expect that at least in future the Government would ensure that once the estimates are revised they are realistic and that there would be no further revision.

Reply of Government

The above recommendation was referred to the Bureau of Public Enterprises and their reply is reproduced below:—

“Based on the recommendations of V. K. Krishna Menon Committee, Government in May 1962 has delegated power to the Boards of the enterprises to sanction variations not exceeding 10 per cent under any estimate-head from Government approved project estimates. So revised estimates with variations exceeding this limit only come to the Government for approval. Various agencies in the Government including the Administrative Ministry; Associated Finance, BPE and Planning Commission examine such revised estimates carefully to ensure that the revised figures are realistic and the causes of revisions could not have been foreseen earlier. This process was followed for the October 1969 R. E. of Hindustan Zinc Ltd.

2. Based on the recommendation No. 2 contained in the 21st Report of Committee on Public Undertakings (5th Lok Sabha) on BHEL public enterprises in November, 1972 were requested to prepare revised estimates of sanctioned project as soon as it is felt that the original estimates are going to be exceeded so as to obtain sanction of the competent authority before committing/incurred expenditure beyond the power of Board. Recommendation contained in para No. 2.12 of this 88th Report also suggests the same procedure. It is not likely that the provision under all the estimate heads would exceed their sanction amounts simultaneously at the same time. Such excess of commitments over the sanctioned amounts come to light only after contract, purchase orders are finalised or firm quotations obtained. Depending upon the sequence of activities in the PERT chart such variations under different estimate heads come to light at different times which for big projects with long gestation periods give rise to revision in project estimates more than once. In view of this position it would not be desirable to insist on one-time revision only which will either require the PSEs to approve themselves huge variations from sanctioned estimates or keep progress of certain component of the project pending till the variations under all estimate-heads are known with reasonable accuracy.”

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II, dated 27-11-1976].

Recommendation (S. No. 10, Paragraph 2.38)

The Committee note that though the trial runs of the 500 tonne Ball Mill were completed in September, 1966 it was not commissioned till December, 1967, even after a lapse of one year on account of inadequate supply of electric power from the Chambal Project. Against their requirement of 2000 KWs for the Ball Mill, only 1000 KWs were released by the RSEB. The Committee are informed that pending determination of final tariff for supply of power, no formal contract was entered into with RSEB. The Committee see no reason why a formal commitment for supply of required quantity of power could not have been entered into with RSEB, leaving the rates to be decided by Government/RSEB later so that there was at least an assured supply of the electric power.

Reply of Government

The observation of the Committee that a formal commitment for supply of required power should be entered into even if the rates are to be decided is unexceptional. The Committee has, in fact, made a similar recommendation (viz. recommendation No. 2) in its 67th Report on FACT which is reproduced below:—

‘No project or expansion of project should be undertaken in future unless power supply is assured with a guarantee where it is to be supplied by another authority to the project.’

2. The above recommendation of the Committee has been brought to the notice of all Ministries/Departments by the BPE in their O.M. No. BPE/GL.036/75-PRODN 3|2|75 BPE (Prodn), dated 19-11-75 (Appendix XLII) and the attention of the Hindustan Zinc Ltd. has also been drawn to it.

3. In the instant case, however, it may be stated that the proposal to add a 500 tonnes per day Ball Mill was mooted by the Metal Corporation of India who had placed order for the Mill as early as 1962. The Mill was got released by Hindustan Zinc Ltd., in May/June 1966 from the Bombay Port where it was lying for quite sometime due to the inability of the Metal Corporation of India to pay the customs duty.

4. Immediately on the formation of Hindustan Zinc Ltd. on 10-1-66, the question of adequate power supply to the various units of Hindustan Zinc Ltd. was taken up by the Secretary (Mines and Metals) with the Chief Secretary, Government of Rajasthan, on 28-1-66. The

matter was pursued at Minister's level, and through the then Ministry of Irrigation & Power and the Planning Commission. However, the RSEB was experiencing great difficulties due to inadequate rainfall in the catchment area of Chambal river and the delay in the commissioning of the Ranapratapsagar Power Project. Thus formal commitment for supply of required power could not be obtained from the Electricity Board despite continuous efforts made at highest levels.

5. RSEB was supplying 1000 KW power to Hindustan Zinc Ltd. without formal agreement. It is thus felt that had the required power been available with RSEB, they would have supplied 2000 KW, power to the company.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met.II dated 27.11-1976].

Recommendation (S. No. 15, Paragraphs 2.88 to 2.90)

The Committee find that the Ball Mill of 500 tonnes per day capacity was installed in September, 1966 but operated regularly from December, 1967. The Zinc Smelter with 18,000 tonnes ingot capacity went into partial production from January, 1968 and regular production from June, 1968. The new mill of 2000 tonnes capacity was completed in three phases i.e. upto 1000 tonnes in July, 1972 upto 1,500 tonnes in September, 1972 and upto 2000 tonnes in April, 1973. As the mill was required to be in position before the development of mine, no substantial development of Mochia Magra Mine could have been made without the erection of 2000 tonnes per day mill. The development of the mine was completed only in 1974.

The Committee regret to note that in view of the inability of the mines and the mills to provide the required quantity of concentrates for the zinc smelter HZL had to import 44072 tonnes of concentrates during 1969-70 to 1972-73 at a total cost of Rs. 5.27 crores. In this connection, the management have stated that the total quantity of concentrates imported could have been avoided only if the mine development programme along with matching milling capacity had kept pace with the requirement of the smelter. The Ministry have stated that "the matching of mining capacity with the smelter capacity was not initially envisaged by the Metal Corporation of India.

Although the Committee agree that one of the serious lacunae in the intergrated scheme inherited by the Hindustan Zinc Ltd. from the MCI was the absence of synchronisation of different activities required efforts for development of the mines with a view to feed the Zinc smelter were not initiated in time. The Committee, however, regret to note that even after taking over of the MCI and while

modifying and implementing the integrated scheme nothing was done by Hindustan Zinc Ltd., to rectify the lacunae and the lack of synchronisation continued till the completion of the scheme mainly due to delays in the development of mining capacity to match the existing smelting capacity.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government *vide* Memorandum No. 54012 (73)/76-Met.II dated 12-11-1976 (Appendix II). The results of the inquiry/investigation by the Expert Committee, will be submitted to the Committee soon after the same are received.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012 (1)/76-Met.II dated 8-12-76].

Further information called for by the Committee

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state—

- (a) When was the Committee required to submit the Report.
- (b) Has the Report been submitted by the due date? If not, what are the reasons for the same
- (c) When is the report likely to be submitted?
- (d) In case the Report has been submitted by the Committee, please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further reply of Government

(a) to (e). The Committee was to submit its Report within a period of six months *i.e.* by the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examination and also because the Member-Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended upto 31-7-1977.

Further information called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further reply of Government

The matter was referred to the Expert Committee constituted by the Government *vide* Memorandum 54012(15)/76 II dated 12-11-1976 (Appendix II).

2. The conclusions/observations made by the Committee are reproduced below:—

- (a) The Expert Committee is of the view that in the background of the lacunae in the integrated scheme inherited by HZL from MCI and the status of physical progress in the construction of mine, mills and smelter at the time of take over of MCI, it would not have been possible to synchronise the various activities related to mining, milling and smelting so as to produce adequate quantities of concentrates which would match the smelter requirements between the period 1969-70 and 1972-73.
- (b) Even if the various activities related to mining and milling had been implemented as per the schedule drawn up by Mr. Gratacap in 1966, only 94,008 tonnes of indigenous concentrates could have been produced upto 31-12-1971, whereas the requirement of the smelter upto this period, as projected in the DPR for smelter, was 1,23,420 tonnes. Thus a gap of 29,412 tonnes of concentrates would have existed. The Expert Committee also noted that the Study Team of the BPE took cognisance of the need to import around 30,000 tonnes of concentrates.
- (c) As a result of imports of 43,593 tonnes of concentrates, an expenditure of Rs. 5.27 crores was incurred, whereas the cost of indigenous production of concentrates with equivalent metal content would have been around Rs. 5.05 crores. Thus, the additional cost incurred on account of imports was around Rs. 22 lakhs. Nevertheless, the import of concentrates meant a foreign exchange outgo of Rs. 5.27 crores. On the other hand, taking into account that in any case 29,412 tonnes of concentrates would have had to be imported over if the production schedules envisaged in the integrated scheme drawn up by Mr. Gratacap had

been achieved, it would really be appropriate to assess the cost differential on import of 14,181 tonnes of concentrates which alone could have been avoided. This differential is Rs. 7 lakhs.

3. The Government accept the above findings of the Expert Committee.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met.II dated 8-2-1978].

Recommendation (S. No. 18, Paragraph 2.11)

The Committee are surprised to find that while examining the estimate of the Project as revised in April, 1972 the CWPC informed in June, 1972 that the dam at full height would generate only 95 per cent availability of 140 million cft. and not 300 million cft. as originally planned by Irrigation Department and there would be a shortfall of 42 million cft. of water by 1976-77 even if the dam is extended to the full height of 1407 ft. MSL. The Committee are not sure whether the detailed project estimate of the dam was scrutinised and the availability of water etc. ensured by the Hindustan Zinc Ltd. before acceptance of estimate was given to the State Government for execution of the work. The Committee would like that the entire matter should be thoroughly investigated with a view to fix responsibility for the lapse.

Reply of Government

The entire matter regarding construction of the Tidi Dam has been looked into from the records of the Ministry and the Hindustan Zinc Ltd.

2. While examining the estimates, the company felt that there was no choice in the matter of construction of the Dam as no alternative source of water was available and that the scheme had to be considered more from the point of view of essentiality for development and expansion of the mines rather than its economics. The estimates were based on the basic schedule of rates of Udaipur Irrigation Circle for 1966 and the then prevailing wage rates.

3. The original estimate was prepared by the Irrigation Department of the State Government in which the availability of water was shown as 300 M.cft. This was further considered by the Irrigation and Power Division of the Planning Commission, while making allocation for the Plan Schemes of Hindustan Zinc Ltd. The Company

did not have doubt about the correctness of the estimate as the same had been prepared and examined by experts.

4. In regard to the availability of water, the construction of the Dam was being considered mainly to meet the requirements of the Mochia Mine, current and planned development to produce 2000 tonnes of ore per day. The requirements of water for this mine was estimated at 70 M.cft. Though the dam was conceived in the context of the need for water for other mines also, there was no doubt about adequate availability of water for the Mochia Mine, in particular.

5. In the circumstances of the case, Government are satisfied that there had been no lapse on the part of any individual in the processing of the case.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met.II dated 28-1-1977].

Recommendation (S. No. 25, Paragraph 3.65)

It has been stated that the expansion of the Debari smelter from 18,000 to 45,000 tonnes per annum and the new 30,000 tonnes per annum zinc smelter at Visakhapatnam are expected to materialise during 1976-77 when the capacity for zinc production would go up to 95,000 tonnes per annum. A letter of intent has been issued for the expansion of the existing smelter at Alwaye in the private sector from 20,000 to 40,000 tonnes per annum. The Committee hope that the two projects in the public sector would be completed as per schedule. They also recommend that Government should ensure implementation of the expansion scheme in regard to Zinc smelter at Alwaye during the Fifth Five Year Plan so that the entire demand for zinc is met indigenously.

Reply of Government

The Government are also anxious that the expansion of the Debari zinc smelter (from 18,000 to 45,000 tonnes per annum) and the completion of the new zinc smelter at Visakhapatnam (with a capacity of 30,000 tonnes per annum) be completed as soon as possible. The progress of work on these projects is being watched continuously. Slippage of a couple of months is now expected, based on the latest review of progress.

2. About the expansion of the Alwaye smelter, the private sector company concerned has already been informed of Government's concern over their delay in taking up in right earnest the expansion, for which the 'letter of intent' had been granted to them. Accordingly,

that has been extended for six months only (up to 31-12-76), as against their request for 12 month's extension.

3. The Government are also anxious to reach self-sufficiency in production of zinc metal as early as possible, and then maintain that position. Total smelting capacity during 1977-78 will become 95,000 tonnes per annum, as compared to only 38,000 tonnes just now. But the general progress in the economy would soon enough expedite the day when 95,000 tonnes per annum would also be quite inadequate in other words, additional capacity shall have to be brought into being well within the Sixth Plan period, towards that end, expansion of existing capacity at Alwaye has obvious time-cost advantages over any "green field" site.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 4-11-1976].

Further information called for by the Committee

(a) What are the reasons for the slippage in the scheduled dates of expansion of the Debari Zinc Smelter and the completion of the new zinc smelter at Visakhapatnam?

(b) when are the plants now expected to be completed?

(c) What are the plans before Ministry/Hindustan Zinc Ltd. for the expansion of the capacity?

(d) What is the latest position in regard to the implementation of expansion scheme in regard to Zinc Smelter at Alwaye?

Further reply of the Government

(a) & (b). The position in respect of the above Zinc Smelters is briefly indicated below:

- (i) *Debari Zinc Smelter—Expansion*—The detailed project report prepared by M/s. Krebs of Paris for the expansion of the smelter envisaged completion of expansion within 12 months from the zero date. Considering 9/5/1973 as zero date, i.e. the date of signing agreement with Krebs zero date, i.e. the date of signing agreement with Krebs of the project was scheduled for completion by June, 1976 and commissioning by December, 1976.

As against this, the first phase of Electrolysis Section (Cell house) was mechanically completed by 15-10-76 and the entire zinc circuit was completed and commissioned in

January, 1977. The main reasons for delay in execution of the smelter expansion are briefly as under:

- (a) Tight time schedule provided in the per-chart in view of keeping the same period of completion in spite of increase in capacity from 36,000 to 45,000 tonnes per annum and corresponding increase in by-products.
 - (b) Delay in completing basic engineering for part of the project and detailed engineering of the project.
 - (c) Slippage in delivery schedules by many of the indigenous suppliers.
 - (d) Change and adjustment in the scope of work to suit site conditions which could not have been foreseen in the initial stages because of matching with existing buildings and equipments; and
 - (e) Delay in execution of works by most of erection contractors due to their inability to mobilise at site in time.
- (ii) *New Zinc Smelter at Visakhapatnam*—As per the Project Report, the Visakhapatnam Zinc Smelter was expected to take three years for commissioning. Taking 1-6-73 as zero date i.e. the date from which the agreement for detailed engineering with M/s. Engineer's India Ltd. came into force, the plant was scheduled for commissioning by July, 1976.

As against this, the electrolysis plant (zinc circuit) was mechanically completed by the end of March, 1977 and trial production started in April, 1977. The main reasons for delay in the completion of the plant are briefly as under:—

- (a) Delay in completion of detailed engineering of the project;
- (b) Slippage in delivery schedules by many of the indigenous suppliers; and
- (c) Delay in execution of works by most of the erection contractors due to their inability to mobilise at site in time.

2. The Hindustan Zinc Ltd. took the following steps to remove the bottlenecks and to expedite completion of the projects:—

A—Detailed Engineering

- (i) A team of engineers of different disciplines conversant with the plant operations and maintenance requirements was formed. This project team was associated at different stages of the detailed engineering work carried out by the Consultants.
- (ii) Follow up with the equipment suppliers to furnish data required for detailed engineering work.
- (iii) Supply of all necessary information for the existing plant for matching with the new systems.

B—Delivery of indigenous equipment

- (i) With a view to expedite delivery, penalty terms were incorporated in most of the contracts.
- (ii) Assistance was given to the manufacturers in obtaining supply of basic raw materials like mild steel, stainless steel sections etc. wherever possible.
- (iii) Regular follow-up with the suppliers by deputing Engineers of the company at vendors' shops, alongwith Consultants representatives.
- (iv) Technical difficulties of some of the vendors were routed out at their workshops to expedite supply of the equipments.

C—Delay in mobilisation of erection contractors

The matter was taken up with various contractors at highest management level and constant pressure built up on them to expeditiously start the site work. After initial setbacks, the contractors did mobilise at site as a result of all help given as well as due to constant follow up.

- It will be observed from the above that Hindustan Zinc Ltd. did their best to remove the bottlenecks but the slippage became unavoidable despite their best efforts.
- (c) The question of augmenting zinc smelting capacity is mainly linked with the development of new zinc-lead mines in the country. A detailed review in regard to the development of new sanctioned schemes and schemes under consideration will be made towards the end of the

Fifth Plan period after taking into account the progress of the Mines projects and the financial allocations that may be available hereafter for this sector.

- (d) M/s. Cominco Binani Zinc Ltd. have submitted their detailed proposals in the last week of December, 1976 for the expansion of their existing Zinc Smelter at Always from 20,000 to 40,000 tonnes per annum. The proposal envisage the expansion to 40,000 tonnes per annum, in ten years time. These are presently under consideration of the Government.

Recommendation (S. No. 30, Paragraph 4.23)

The Committee would also like Government to examine the feasibility of bringing the Exploration and Development of zinc lead mines in the country under the control of a single organisation like Hindustan Zinc Ltd. which has developed expertise in the field.

Reply of Government

Prior to 1972, the Geological Survey of India, a subordinate office of the Government, has been undertaking geological mapping, regional mineral assessment and detailed mineral exploration leading to the stage of proving of the ore reserves. The Committee on Scientific Research set up by the Cabinet Secretariat to go into the working of the various scientific departments examined the functions, activities and organisational structure of the Geological Survey of India. The recommendations of the Committee were considered by the Committee on Science and Technology and later by the Standing Group of Ministers on Science and Technology at its meeting held on 9-9-71, where the proposal to entrust the work of detailed exploration to an autonomous Corporation was accepted. Accordingly, with the approval of the Cabinet, the Mineral Exploration Corporation was formed in 1972 which is the agency of the Government to carry out detailed mineral exploration throughout the country.

2. Thus, at present, preliminary investigation of the deposits is done by the Geological Survey of India, detailed exploration by the Mineral Exploration Corporation and exploitation of the deposit by the exploiting agency. The Hindustan Zinc is an exploiting agency for the zinc-lead mines in the country and the development/exploitation of all the major zinc-lead deposits in the country has been entrusted to it. The present arrangement has considerably helped

in the speedy exploration/development of the mineral deposits in the country and it is not proposed to disturb it.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 27-11-1976].

Recommendation (S. No. 32, Paragraphs 4.50 & 4.51)

The Committee regret to note that the Ministry took nearly 10 months to approve (August, 1972) the project report for Maton Rock Phosphate mine and the production of rock-phosphate which was scheduled to start from the middle of 1972-73, actually started from January, 1974, with the result that the Undertaking had to continue to make purchases from the State Government at a rate higher than the cost of rock phosphate from its own mines. The Committee find that while production of rock phosphate had started in January, 1974, the 1st stream of ore dressing plant was put on trial-run only in November, 1975. The delay in commissioning the ore dressing Plant is stated to be due to difficulties faced by the Engineering Project (India) Ltd.—A public sector undertaking—in constructing this plant which was the first of its type handled by them.

The Committee regret to observe that because of the delay in production from the mine the company had to incur extra expenditure in the procurement of rock phosphate.

Reply of Government

Though the Project Report was forwarded by the Hindustan Zinc Ltd. to the Ministry in November 1971, the recommendations of the Board of Directors thereon were received by Government only on 27-12-1971. The time taken for sanctioning the project was about 8 months.

2. Hindustan Zinc Ltd. had to be addressed number of times for clarification/additional information required by the various concerned authorities in consultation with whom the report was being examined. It was only in June, 1972 that the company could send the final clarifications. Thereafter, the project was sanctioned in August, 1972. The production from the mine started in January, 1974 and the company completely switched over to rock phosphate from this captive mine from April, 1974.

3. The first stream of the Maton beneficiation plant was commissioned in January, 1976, but production has yet to stabilise. In this connection it may be appreciated that this is the first time that a

plant to beneficiate rock phosphate has been set up in the country exclusively with Indian expertise.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 17-11-1976].

Recommendation (S. No. 38, Paragraphs 5.73 & 5.74)

The Committee note that as against the rated capacity of 18,000 fixed for Debari Smelter, which was expected to be achieved in the third year of operation (1970-71), the actual production of zinc ingots in 1970-71, was only 53 per cent of the rated capacity. It touched 70 per cent in 1973-74 and has reached 82 per cent in 1974-75. The slippage against production capacity has not been due to non-availability of adequate quantity of zinc concentrates, as was thought by the Management earlier, but due to heavy power interruptions and power failures, lack of appropriate maintenance organisation and large variation in the quality of concentrates imported from abroad. The Committee regret to note that lack of appropriate maintenance, organisation besides acting as a constraint on production, caused damage to certain parts of the plant particularly the Roaster and Sulphuric Acid section and eagerness to utilise full capacity of the plant prematurely resulted in "flogging" of the plant causing harm to equipment etc. They are informed that the undertaking was handicapped for want of experience as even at national level, there was no experience with a process of this type. It had no experienced personnel on roll either in operation or in maintenance.

The Committee cannot understand why the question of arranging training for the technical personnel to operate and maintain the plant, which is of basic importance, was not considered by the Management contemporaneously with the erection of the plant and why admittedly inexperienced personnel was allowed to over reach themselves and mishandle the critical sections of the plant. They view it as a patent instance of lack of foresight on the part of Management and over-ambitious on the part of technical personnel. The Committee would like the Government to investigate whether training of personnel was not contemplated under agreement with technical/foreign collaborators and why the technical personnel were not got trained by the collaborators in the course of installation of the plant. They would like responsibility for these lapses and the damage done to the plant as a result of inept handling by inexperienced personnel to be fixed and the Committee informed of the action taken in the matter.

Reply of Government

The question whether training of personnel was not contemplated in the agreement with the technical/foreign collaborators has been looked into and it is seen that the existing Debari zinc smelter was set up, on turn key basis, by M/s. Krebs & Cie and Penarroya of Paris. The original contract for the purpose was entered into by the Metal Corporation of India Ltd. (in the private sector) with Krebs-Penarroya in 1960. Later, after the acquisition of the undertaking, Hindustan Zinc Ltd. concluded a fresh contract for the continued assistance of Krebs-Penarroya for the completion of the erection, start-up and commissioning of the smelter, in November, 1966. This contract did envisage arrangements for the training of Indian technicians by Krebs-Penarroya in similar plants in France or in other European countries and the giving of technical instructions to Hindustan Zinc Ltd. personnel during the start-up of the plant by Krebs-Penarroya. Pursuant to this, Hindustan Zinc Ltd. did get technical personnel trained abroad and also in India. A list of the persons got trained is enclosed (Appendix XLIII).

2. Steps were thus taken by Hindustan Zinc Ltd. to get technical personnel trained by the technical/foreign collaborators and there has been no lapse on this account.

3. However, in spite of the steps taken to get technical personnel trained, there had been slippage in the attainment of rated capacity by the third year after commissioning. The company has partly concentrates, heavy interruptions and power failures quantity of concentrates, heavy interruptions and power failures, fluctuations in the grade of the concentrate feed actually available etc. subsequently the company found that maintenance problems which were mainly due to the technology being sophisticated and new also affected the production.

4. The above deficiencies have largely been overcome in the expansion of the smelter as Indian personnel have been fully associated at all stages. The performance of the smelter during 1975-76 has been better and the percentage of actual production to rated capacity went upto almost 90 per cent in spite of power interruptions and power cuts, which had been possible with the build-up of expertise based on the experience gained.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 1-7-1977]

Recommendation (S. No. 41, Paragraph 5.79)

The Committee are informed that the Study Team (1969) of the Bureau of Public Enterprises, which, also certified that Roaster was capable of attaining a production level higher than the rated capacity, did not include any metallurgical expert and the team "was not sent as an Enquiry Committee as such to enquire into the Roaster but just like an audit team". The Committee cannot understand why such a Study Team chose to comment on the performance of the Roaster when it neither included an expert nor was it deputed for the purpose.

Reply of Government

The above recommendation was referred to the Ministry of Finance (Bureau of Public Enterprises) and their reply is reproduced below:—

"So far as reflection of COPU on the findings of the Study Team of BPE (1969) on the capacity of the roaster and the competence of the Study Team to comment on the performance of roaster are concerned, it may be mentioned that the Study Team of BPE (1969) was constituted as a sequel to the decision by the Secretaries Committee on Public Enterprises to conduct a "Depth Study" on the performance of Hindustan Zinc Ltd. and not function as an "Audit Team" as mentioned by COPU. Several depth studies have been taken up at the instance of Bureau of Public Enterprises from time to time, after the Secretaries Committee on Public Enterprises had agreed to the proposal of such depth studies by a Study Team, in the light of continued poor performance or deteriorating performance over a long period of particular undertakings, to get the problem areas identified and solutions recommended for the removal of the causes of poor performance.

The Study Teams are generally made up of the Adviser/Deputy Advisers from Production and Finance Divisions of the Bureau of Public Enterprises and the Director/Deputy Secretary of the concerned administrative Ministry dealing with the particular enterprise.

In this particular case the Study Team consisted of the following members:

1. Shri R. K. Ray, Dy. Adviser (Production), Ministry of Finance, BPE

2. Shri A. Krishnan, Deputy Secretary, Deptt. of Mines & Metals.
3. Shri N. Sundaram, Senior Costs Accounts Officer, Ministry of Finance, BPE.

Shri Ray, who was the technical expert from BPE in the team, was a specialist in Production Management and Industrial Engineering and had the academic qualification of Chartered Engineer (U.K.) and Diploma in Production Management & Industrial Engineering, Syracuse, U.S.A.

As would be obvious from above, the findings of the Study Team regarding the capacity of the roaster were incidental to the depth study of all aspects of the working of Hindustan Zinc Ltd. and were based on their evaluation of the data furnished by the management as well as the assessment by the team made during their visit to the project site.

It is the view of BPE that since this study team had not been specifically sent to study any particular problem of roaster or any other problem related to any particular unit of the metallurgical plant, where a specialist would perhaps be necessary, there was nothing wrong for the Study Team to comment on the capacity of the roaster, amongst other things, in the course of their depth study, specially when the team had an experienced industrial engineer as a member."

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Recommendation (S. No. 45, Paragraphs 1.104 to 1.106)

The Committee are informed that moore cake lying at the Debari Zinc Smelter at the end of 1974-75 was estimated to contain 10,700 tonnes of zinc and 2,438 tonnes of lead, the value of which on an assumed recovery of 50 per cent has been estimated to be Rs. 3.47 crores (at cost price). They note that attempt made through M/s. Chemical and Metallurgical Company to develop suitable scheme to recover additional zinc from moore cake did not succeed. The original proposal to treat the Debari moore cake at Vizag, where Waelz Kiln is being installed for the purpose, was dropped due to difficulties and high cost of transport of Debari sludge to Vizag. The Committee find that a decision to install regular facilities for the recovery of zinc etc., from Debari sludge has been deferred till 1980 by which time adequate stocks of these sludges rejects would have been built up and experience of the working of Waelz Kiln at Vizag would have been gained and its suitability for Debari evaluated.

The Committee are informed that treatment of slag lying at Tundoo in respective smelters will yield 3,930 tonnes of zinc and 1,260 tonnes of lead. They are further informed that Vizag smelter will attain full capacity operation after 2 years of start-up and the Walez Kiln, if started simultaneously, will have marginal excess capacity to treat Tundoo slag in the intervening period. It is stated that depending on experience gained by 1979, suitable slag treatment facilities will be installed.

The Committee recommend that the Ministry/Undertaking should examine again the pros and cons of deferring the schemes to recover zinc/lead from Debari sludge and Tundoo slag till 1980 and 1979 respectively and take a decision in the matter, in consultation with experts, in the best interest of the undertaking.

Reply of Government

The question of recovery of zinc/lead from Debari sludge and Tundoo slag has been examined again in consultation with the Hindustan Zinc Ltd.

2. There are two main processes for treatment of the material viz. pyrometallurgical process and the hydrometallurgical process. The Walez Kilns being provided in the Visakhapatnam zinc smelter of the company are based on the pyrometallurgical process. The proposal to treat Debari sludge in the Visakhapatnam Walez Kilns had to be dropped due to difficulties and high cost of transportation of the material from Debari to Visakhapatnam.

3. Hindustan Zinc is, therefore, left with the alternative of either providing similar Kilns at Debari or go in for the hydrometallurgical process. In regard to the first alternative i.e. provision of Walez Kilns at Debari, it is felt that it would be advisable to take a decision after experience is gained in the successful operation of the Kilns at Visakhapatnam. The Visakhapatnam Kilns are expected to be commissioned by early 1978 and the operations are likely to stabilise by about the middle of 1978.

4. In the meanwhile, Hindustan Zinc Ltd. is already experimenting through its own Central Research and Development Laboratory, the recovery of zinc from Debari sludge by the hydrometallurgical process by enriching the sludge. The results of the experiments so far obtained are encouraging but have to be further firmed up. The Company is also exploring the possibility of developing the process of industrial application jointly with a Polish Research Laboratory.

5. The Tundoo slag is roposed to be treated in the Waelz Kilns at Visakhapatnam after these Kilns are installed and the operations get stabilised in 1978-79.

6. Thus it will be observed that Government will be in a position to take a decision on the points only towards the end of 1978.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 21-12-1976]

Recommendation (S. No. 50, Paragraphs 5.137 to 5.139)

The Committee are surprised to note that although the Board of Directors approved the installation of new zinc sulphate plant in January, 1972 and the Plant was expected to be commissioned by the second half of 1972, orders for the supply of Crystalliser was placed with M/s. De-Smet of Bombay in November, 1973, with delivery in May, 1974.

The Committee find that even after placing the order it was only in May, 1974 that an engineer was deputed to chosse the progress of work and since no progress was made another agreement was entered into introducing a penalty clause and fixing 30th July, 1974 as the date for completion of supply.

The Committee find that as a result of delay in the supply of equipment by the firm the new zinc sulphate plant was commissioned only in February, 1975.

The Committee fail to understand as to why the agreement originally entered into could not provide for suitable penalties for delays in supply or non-fulfilment of contractual obligations. The Committee recommend that delay in placing the order and for the failure to provide for the penalty clause in agreement should be investigated in order to fix responsibility.

Reply of Government

The Hindustan Zinc Ltd. has informed that at the time of submitting the proposal to the Board of Directors, it was envisaged that simple open pan evaporators, similar to the one being used in pilot plant, would be used and plant would be erected and commissioned by August, 1972. While doing the detailed engineering it was found that it would not be desirable to use pan evaporators due to poor thermal economy of these equipments. Accordingly, other evapora-

tors like spray drier, verticle tube evaporators, etc. which are normally used in other chemical industry were considered. In the absence of past operating experience with such type of evaporators for zinc sulphate manufacture and inverse solubility of zinc sulphate solution above 77 degree C, most of the indigenous manufacturers took considerable time in supply the information required for undertaking detailed engineering. This delayed the final flow sheet and detailed engineering work which were completed by May, 1973.

2. The reasons for the delay in supply of equipment by M/s. De-Smet of Bombay and entering into another agreement later were due to labour trouble and power cuts in Maharashtra during 1974. As already stated in the report, the supplier had to sub-contract the work to a fabricator in Saharanpur because of continued labour trouble and power cut.

3. The company has informed that the original contract did provide for penalties for delays but this could not be enforced as the delay was on account of labour trouble faced by the supplier, which, being beyond the control of the supplier, was covered by 'force majeure'.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 28-1-1977].

Recommendation (S. No. 99, Paragraph 11.19)

The Committee would also like that the BPE should not rest content with mere circulation of the instructions/guidelines but should review the implementation thereof and take prompt action so as to bring any information in this regard promptly to the notice of the administrative Ministries concerned.

Reply of Government

The above recommendation of the Committee was considered by the Bureau of Public Enterprises and their reply is reproduced below:—

“It is necessary to clarify in this context the distinction between “Guidelines” and “Directives”. The Central Public Sector in India operating under a corporate form of management consists of statutory corporations and companies registered under the Companies Act. Over a period of years a preference for the company form as distinct from the statutory corporation has emerged as the former provides greater flexibility. In either case, the Central

Government, i.e., the Administrative Ministry has the powers to issue "directives" to the Corporation or Company by following the prescribed procedure in the Statute and Regulations framed thereunder, or the Articles of Association as the case may be. It would be significant to note that such "directives" have been few confined mostly to issue of policy such as employment of Scheduled Castes/Tribes, employment of ex-servicemen and dependents of those killed in action. The "directives" therefore constitute mandatory instructions issued specifically to each company or corporation.

On the other hand, the Bureau of Public Enterprises as a co-ordinating agency of the Government has been relaying general instructions in the shape of guidelines to different enterprises. The guidelines issued by the Bureau of Public Enterprises arise out of decisions taken by the Government which have a general applicability and which are relevant to the Central public sector. Sometimes such decisions are based on the recommendations of Administrative Reforms Commission, Committees of Parliament, including the Committee on Public Undertakings and such other bodies.

The issue of instructions in the form of guidelines offers some amount of flexibility, in that while the basic principle contained in certain guidelines would have general applicability and compliance therewith would be mandatory, the applicability of the rest of the guidelines would be on a *mutatis mutandis* basis. The point mentioned above can be illustrated better with reference to the guidelines on settlement of disputes between one Government Department and another and one Government Department and a Public Enterprise and one Public Enterprise and another contained in O.M. No. BPE/GL-001/76/MAN/2(110)/75-BPE(GM. 1) dated 1-1-1976 (Appendix XLIV). The basic decision contained in the circular is that all disputes should be resolved amicably by mutual consultation or through empowered agencies of the Government or through arbitration and recourse to litigation should be eliminated. The basic decision has to be complied with by each enterprise. Nevertheless, the actual procedure for implementation would vary from enterprise to enterprise depending upon the situation. In such cases, it is preferable to issue guidelines rather than directives to enterprises. Also, issue of directives on an individual basis is a lengthy process.

As explained above, compliance with guidelines has to be examined with reference to the situation. Knowing the background

in which guidelines are issued, it is for each enterprise to study every guidelines and determine with reference to the prevailing situation, which elements thereof are to be complied with and where necessary seek clarifications from the administrative Ministry or the Bureau of Public Enterprises.

The role of the Bureau of Public Enterprises, as currently defined, is contained in O.M.Nos. 1239-SCDN/65 dated 5-4-1965 and F.20(21)/69-BPE/Adm. dated 10-9-1969 (Appendix XLV and Appendix XLVI). The task of reviewing and ensuring compliance with various circulars, guidelines and instructions issued, is a regulatory function, which the Bureau is not expected to undertake. These tasks belong appropriately to the administrative Ministries and to some extent also audit. Moreover, investing the BPE with such powers of detailed review would involve a complete change in the character of the organisation and would result in BPE taking on functions that have now been entrusted to other Departments, such as the Administrative Ministries, the Audit Board, the Comptroller and Auditor General. The Bureau of Public Enterprises, however, is associated with monitoring and evaluation of progress of projects, implementation of plans and programmes in the public sector, and assisting the Administrative Ministries during the review meetings held by them.

In the circumstances explained, we submit that review of implementation of guidelines is a matter that should be left to the Administrative Ministries, and in cases of non-compliance, to the audit authorities for comment in Audit Reports, where necessary."

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 21-12-1976]

CHAPTER IV

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

Recommendation (S. No. 47, Paragraphs 5.130 to 5.132)

The Committee find that the recovery of metal from Zinc Cathode was 92.84 per cent, 92.41 per cent, 94.70 per cent, 93.05 per cent, 94.52 per cent, 91.97 per cent during the years 1968-69, 1969-70, 1970-71, 1971-72, 1972-73, 1973-74 respectively as against 95 per cent indicated by the consultants. The value of shortfall calculated at the selling price prevalent in the respective years worked out at Rs. 36.4 lakhs. It has been stated that the low melting recovery was due to non-treatment of metallic dross on account of difficulties faced in the Melting Furnace.

The Committee are informed that the Melting Furnace suffered a break-down in 1969 which was in the nature of "an electrical accident caused as a result of careless maintenance and inadequate fore-thought." The management is stated to have "coped with this breakdown in an efficient manner." The second major break-down occurred in January, 1971 when certain repairs were carried out to put back the furnace into working order although with a truncated capacity and this was what, it is stated "could have been done under the circumstances." The furnace, however, broke down completely in February, 1973. One of the Directors of the Hindustan Zinc Ltd. who made a detailed and intensive study of the working of the furnace and related problems observed in his report (May 1973) that "although it would be difficult to pin-point the exact cause or causes of the breakdowns in 1971 and 1973 it is most likely that these failures were caused by running the furnace without specified demineralised water cooling system".

The Committee regret to note that though the enquiry report of the Director was given by the Ministry to the DGTD, no action has been taken by the Ministry/Undertaking in the light of the aforesaid report. The Committee are informed that the DGTD could not conduct the enquiries because of the highly specialised nature of the work. The Committee fail to understand why the report

could not have been considered by the Management/Board and suitable action initiated. The Committee would like that this aspect should be investigated and the Committee informed of the results. The Committee would also like to be informed of the action taken on the recommendations given in the Report. The Committee are informed that a "top engineer of Demag of Germany who has specialised in furnaces" has since looked into the matter. The Committee recommend that the Ministry/Undertaking should without delay examine in depth the question of break-down of the old furnace in the light of the findings in the Director's Report and the suggestions which might have been made by the German Engineer and take all possible measures to rectify the defects of the furnace, improve the standard of supervision and reorganise and tone up the management at all levels so as to ensure that not only the furnace is re-started at the earliest but is also maintained in good working condition.

Reply of Government

The reference to the DGTD on the break-down of the melting furnace of Hindustan Zinc Ltd. has been looked into and it is seen that the enquiry report of the Director on the break-down of the furnace as such as not sent to the DGTD. The study of the break-down of the furnace undertaken by the Director in April, 1973 was at the instance of the management, based on the discussions between the Chairman-cum-Managing Director, Hindustan Zinc Ltd. and the Director on 23-3-1973.

2. Not being aware of the above, the Ministry requested the Director General, Technical Development on 5-4-1973 to depute one of his officers to Udaipur to (i) look into the causes of the break-down of the furnace and (ii) suggest the steps that could be taken for its quick repair. The DGTD desired detailed information on the furnace and sent a questionnaire. The required information was furnished on 14-5-1973 to the DGTD, who replied on 28-6-1973 that they had studied the details of the furnace and other related information furnished by Hindustan Zinc Ltd. and found the furnace to be a very specialised one. Therefore, the DGTD felt that the need to associate one or two experts from the industry along with their officer to study the break-down of the furnace.

3. In the meanwhile, the report of the Director of Hindustan Zinc Ltd. on his study of the break-down of the melting furnace was available which had brought out *inter-alia* the reasons for the break-down. Action had also been taken to get a foreign expert to repair the melting furnace. Study of the break-down of the furnace by the DGTD was not then pursued as the purpose had already been served

by the report of the Director which, *inter alia*, indicated the reason for the break-down of the furnace.

4. The report of the Director of Hindustan Zinc Ltd. was examined in the Ministry and the Chairman-cum-Managing Director, Hindustan Zinc Ltd. addressed on 18-6-1973 to furnish his comments particularly on points like—re-organisation of the top management of the smelter, placement of a competent General Manager at the smelter and cutting out dead-wood. The matter was considered by the Board of Hindustan Zinc Ltd. at its 53rd and 54th meeting held on 20-6-1973 and 28-8-1973. Based on the Board's decision, the following action was taken by the company on the recommendations contained in the report:—

- (i) The senior technical and managerial personnel in the smelter were replaced.
- (ii) A more experienced Mechanical Engineer was posted in the smelter in place of previous Chief Engineer.
- (iii) A senior metallurgist was inducted in December, 1973 to head the smelter.
- (iv) The water cooling circulation pipes were replaced and demineralised water circulation system introduced.
- (v) For better and effective cooling, one more blower was installed parallel to the existing blower.

5. The furnace was repaired by a foreign expert in October 1973 but could not be operated successfully due to the quality of the indigenous ramming mass. The Engineer of Demag mainly looked into the repairs which the furnace needed. The company has also stated that the relining of the furnace will be taken up immediately on receipt of certain material (*viz.* Micanite sheets) which is being procured indigenously. The work is likely to take about three months after the receipt of the required material.

(Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 28-1-1977)

Comments of the Committee

(Please see Paragraphs 8 to 11 of Chapter I of Report)

Recommendation (S. No. 73, (Paragraph 7.53))

The Committee note that there has been a gradual increase in the cost of mining of ore, production of concentrates, zinc ingots and refined lead except in the case of zinc ingots during 1974-75

when the cost was less than that in the previous year and in 1969-70 and 1970-71. Though the study team of the Bureau of Public Enterprises had observed as far back as 1969 that the cost of raising and milling the ore was *prima-facie* high and it was necessary for the HZL to carry out a special and detailed study of its mining costs so as to bring it down as early as possible, the Committee are surprised to find that no such study has been carried out and the Management had felt that the observation of the Study Team was somewhat general in nature and the increase in cost had also been on account of the fall in the metal content of the ore. The Committee cannot understand as to how without making any study, the Management came to conclusion that increase in cost was mainly due to fall in the metal content of the ore.

Reply of Government

Though no specific detailed study of the cost of raising and milling of ore was undertaken by the Hindustan Zinc Ltd. pursuant to the observations of the Bureau of Public Enterprises Study Team in their 1969 report, the reasons for the increase in costs of production, *inter alia*, of ore and concentrate during the year 1973-74 *vis-a-vis* those in 1971-72 and 1972-73, were looked into and analysed in detail by the management in 1974. This revealed that:—

- (i) The metal content in the ore had been falling and the ore to concentrate ratio of 13.59 in 1971-72 rose to 14.92 in 1972-73 in stages and was controlled at 13.91 in 1973-74 (the ore to concentrate ratio during 1966-67, 1967-68 and 1968-69 was approximately 10.5, 11.6 and 13 respectively);
- (ii) There had been substantial increases in salary and wages due to annual increments and increase in CLI (Cost of Living Index). In respect of ore production, the wage bill had gone up to about 78 lakhs in 1973-74 from Rs. 42 lakhs in 1971-72; and
- (iii) The purchase prices of stores had gone up while the value of stores consumed during 1971-72 was Rs. 22 lakhs, those consumed in 1973-74 had gone upto Rs. 39 lakhs.

(Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met.II dated 28-1-1977)

Comments of the Committee

(Please see Paragraphs 14 and 15 of Chapter I of Report).

Recommendation (S. No. 95, Paragraphs 10.17 to 10.19)

The Committee find that an Officer on Special Duty (Mines Development) was appointed during 1969-70. It has been stated by

the Bureau of Public Enterprises that the Department of Mines sought his transfer from Hindustan Zinc Ltd. in October, 1971 on the ground that HZL would not be able to employ him usefully any longer. He was relieved of his duties in January, 1972, when he was on leave and the Ministry placed his services at the disposal of the Bureau of Public Enterprises for further posting.

In the absence of any orders from the Bureau of Public Enterprises and at the suggestion of the Ministry, the officer was allowed to join, on the expiry of leave in February, 1972, the Delhi Office of HZL.

The Committee are surprised to note that the said officer who was appointed in 1969-70 on the basis of his qualifications and mining experience, could not be usefully employed from February, 1972 onwards and continued to be there without any work assigned to him and the undertaking had been incurring an expenditure of Rs. 3,700 per month on the officer i.e., Rs. 44,400 per annum from the aforesaid date. It has been stated by the Ministry that "it is not within the competence of HZL/Department of Mines to dispense with his services, because he belongs to the Industrial Management Pool. That cadre authority can reappoint him somewhere or dispense with his services, if the law permits it". The Bureau of Public Enterprises have, however, stated that the cadre authority has no authorised posts under its administrative control either in Government or in Public Sector Enterprises. The Public Sector Enterprises had earlier been delegated powers to make all appointments below the Board level and below the level of General Managers of constituent units. Under the managerial personnel policy announced in August, 1974, further powers have been delegated and Government have retained the prerogative of appointments only at the Board's level. Government should have considered the question of placement of officers of the IMP, like the one in the present case in finalising the managerial personnel policy for public undertakings and announcing it in August, 1974.

It has been added that efforts were, however, made to sponsor the officer concerned for posts in various Government companies/organisations. Unfortunately these efforts did not bear fruit. The Bureau have stated that it has since been decided that the officer might be accommodated for some time in the BPE against a post of Deputy Adviser (Production) and this would, be a temporary arrangement. The Committee are surprised that it has not been possible for the Government to usefully employ the officer who was recruited on the basis of high qualifications and mining experience

in other mining industries. The Committee fail to understand if the officer's services had not been useful because of other reasons why suitable action could not be taken against him under the Rules. The Committee recommend that the matter should be examined in depth in order to review the entire procedure and authority of Government/Public Undertakings in regard to appointments and termination of services of officers when these are no longer required so as to avoid recurrence of such cases. The Committee would like that the whole matter regarding the appointment of the officer as well as his continuance at the Delhi Officer of HZL without any work thereby causing avoidable expenditure of about Rs. 1.8 lakhs should be investigated and responsibility fixed and lessons learnt for future. The Committee would like to be informed of the action taken in the matter.

Reply of Government

The Ministry of Finance (BPE) who are the cadre authority for the Industrial Management Pool were requested to consider the observations/recommendations of the Committee. The Bureau of Public Enterprises have stated as under:—

“The matter has been examined with reference to the existing position in regard to the powers of Government and Public Undertakings in respect of appointments and termination of services of officers employed by them. In the Government rules provide for terminating the services of those whose integrity is questioned and whose performance is found to be poor. On all matters involving integrity, the Central Vigilance Commission have laid down detailed procedure for enquiry and penalties to deal with such cases, which are being followed. Similarly, there are rules for dealing with officers whose performance is found to be unsatisfactory. A review is undertaken to weed out dead wood when the Government Officers attain the age of 50 years and 55 years. It is felt that these rules which apply to Government servants whose integrity is questioned and whose performance is poor, are adequate.

In the case of employees of public enterprises whose integrity is questioned, the enterprises have framed rules, in consultation with the Central Vigilance Commission to take appropriate action. The Central Vigilance Commission also assist the enterprises in such cases. The public enterprises are also empowered to terminate the services of its employees whose performance is found inadequate by giving suitable notice which is normally three months. These

powers of the public enterprises to deal with vigilance and disciplinary matters are found to be adequate.

As explained to the Lok Sabha Secretariat vide this Ministry's O.M. of even number dated 6-2-1976, this particular case has arisen due to the peculiar difficulties relating to the IMP where there are no authorised posts with the Cadre Authority, for the posting of Pool Officers. The new Managerial Personnel Policy and the proposals under consideration in regard to the future of the IMP will, no doubt, try to eliminate these difficulties arising in future.

Government have already examined the circumstances which led to this particular case as stated in this Ministry's O.M. of even number dated 6-2-1976."

2. The observations of the Committee will be kept in mind if such cases, particularly in regard to IMP officers, arise in future.

[Ministry of Steel and Mines—Department of Mines O.M. No. 54012(1)/76-Met. II dated 27-11-1976]

Comments of the Committee

(Please see Paragraphs 22 and 23 of Chapter I of Report).

CHAPTER V

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

Recommendation (S. No. 22, Paragraphs 3.49 to 3.51)

In the case of expansion of Zinc Smelter at Debari, the Committee find that the Project Report which was submitted to Government in December, 1970, was approved by Government only in September, 1971 i.e. after a lapse of about 8 months. In spite of the fact that the project report was prepared by M/s. Krebs-Penarroya of France who provided technical collaboration for the original plant, the Management decided to draw two experts from M/s. Bipromet of Poland, who were the authors of the Project Report for the smelter at Visakhapatnam to examine the Debari Smelter to find out if the expansion of Debari Smelter could also be taken up by them after matching the existing technology of Debari with the technology of Bipromet. Taking into account the report of Polish experts, Lurgi experts and the Indian Consultant (Engineers India Ltd.) in May, 1972, it was again decided to go back to M/s. Krebs to work as consultants and render engineering services for the expansion of Debari Smelter. The Committee further note that although the offers of M/s Krebs and a draft agreement with M/s. Lurgi of Frankfurt for the supply of Roaster technology were submitted to Government in August, 1972, their approval along with F.I.B. clearance for signing the agreement was received only in May, 1973 i.e. after a lapse of about 10 months. The project is now expected to be completed in July, 1976.

In the case of new zinc smelter at Visakhapatnam the Committee find that though the Government sanction was received in January, 1971, the Management decided to wait till the receipt of the sanction for the Debari expansion Project so as to process both the projects together so that they could keep the identity of know-how etc. But as already stated there was a delay of about 8 months in sanctioning the Debari Project. Further delay in the setting up of the new smelter has been attributed to delay in finalising the agreement with the State Electricity Board for supply of Power. Government advised the Management not to commit any major

expenditure on the Project till the electricity rates were finalised, after protracted negotiations lasting for about two years the power contract was finally signed only in January, 1973. The construction of the smelter is now expected to be completed by September, 1976.

The Committee are informed that although a letter of intent was issued to M/s. Cominco Binami Jinc Ltd. for the expansion of their Project in July, 1971, they have not so far been able to finalise proposal for implementing the expansion and it was not yet clear whether the smelter would be expanded even during the Fifth Five Year Plan.

The Committee are informed that under the guidance of the Technical Adviser from Poland HZL prepared a Project Report for Tundoo expansion to 8000 tonnes per year in two phases. The first phase raising the production to 480 tonnes/month has already been implemented and the second phase raising the capacity to 8000 tonnes per annum is expected to be completed by March, 1976.

The Committee recommend that delays in the processing and implementation of all the 4 projects mentioned above should be thoroughly investigated by an expert committee in order to pinpoint lapses, and fix responsibility for the huge loss suffered by HZL as a result of such delays. The expert Committee should *inter alia* examine the following aspects in depth:

- (a) The justification for the delays on the part of Government in sanctioning various schemes.
- (b) the justification for asking experts of M/s. Bipromet of Poland to examine the Debari Project when it was earlier decided to entrust the job to M/s. Krebs of Paris.
- (c) the justification for processing both the Projects at Visakhapatnam and Debari together and thereby delaying the work on the Visakhapatnam project by 8 months till the receipt of sanction for the Debari Project.
- (d) the justification for not proceeding with the Project at Visakhapatnam till the electricity rates with the State Electricity Board were finalised and the extent to which the delay in finalising the agreement could have been avoided.
- (e) The reason for delay in the expansion of the Always Zinc Smelter in the private sector.
- (f) the justification for entrusting the Project Report for the second phase of modernisation of the lead smelter at Tundoo to Engineers India Ltd.

The Committee would like the investigation to be completed within six months of the presentation of the Report and they informed about the result of such investigation.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government *vide* Memorandum No. 54012(7)/76-Met-II dated 12-11-1976 (Appendix III). The results of the inquiry/investigation by the Expert Committee, will be submitted to the Committee soon after the same are received.

[Ministry of Steel and Mines—Department of Mines OM No. 54012(1)/76-Met. II dated 8-12-76]

Further information called for by the Committee

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state—

- (a) When was the Committee required to submit the Report.
- (b) Has the Report been submitted by the due date? If not, what are the reasons for the same?
- (c) When is the Report likely to be submitted?
- (d) In case the Report has been submitted by the Committee, please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further Reply of Government

(a) to (e). The Committee was to submit its Report within a period of six months *i.e.* the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examination and also because the Member-Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended upto 31-7-1977.

Further information called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further Reply of Government

The Report of the Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met.II dated 12-11-1976, has been examined. As regards recommendations/conclusions/observations of the Expert Committee in respect of recommendation Nos. 22 and 31 of the Committee on Public Undertakings, the Expert Committee has been requested to examine the matter further and fix the responsibility for the lapses identified in their report.

Comments of the Committee

(Please see Paragraph 26 of Chapter I of Report)

Recommendation (S. No. 31 Paragraphs 4.41 to 4.45)

The Committee regret to note that the contract for Balaria Shaft Sinking and Mochia-Balaria interconnecting device was awarded to M/s. Cementation Co. Ltd., for Rs. 46 lakhs with the approval of Government on a negotiated basis without invitation of tenders even before a detailed estimate for the work was prepared and approved. Though the contract envisaged that a programme for completion of work would be appended to it and that performance bond for Rs. 4.69 lakhs would be furnished by the contractor within 15 days of signing the contract, neither was any such programme for completion of work drawn up and attached to the contract nor was the performance and obtained from the contractor. The Committee are surprised to note that even the estimated quantities of materials to be supplied to contractor were not worked out though rates for supplies were stipulated in the contract with the results that there was no yardstick against which actual consumption of materials could be watched. The Committee are informed that detailed estimates were available. The Committee see no reason why if, as stated, the estimates were there, they were not available for scrutiny by Audit.

The Committee are informed that due to non-arrival of equipment in time, shortage of explosives, heavy power cuts and unprecedented rains, no programme could be drawn up. In the opinion of the Committee, these reasons are not convincing. The Committee are of the view that a definite programme for completion should have been prepared and stipulated in the contract before it was signed. In regard to performance bond, while on the one hand the management stated in April, 1975 that a performance bond for such work was not necessary, on the other hand it was stated that performance guarantee given by the contractor which was valid up to 30-6-72 was returned to the contractor and a fresh guarantee was not insisted upon in view of the reportedly satisfactory progress and certain old claims of contractor pending with HZL. The Committee are at a loss to understand the conflicting statements made by the Management.

The Committee regret to note that, while the Management went to the extent of dispensing with the normal procedure for award of contract to M/s. Cementation & Co., in order to speed up the work, there was delay on the part of the Undertaking itself in supplying various services and materials to the Cementations. Consequently, not only was the purpose of warding contract on negotiation, as claimed by Management, defeated, as the completion of the work got delayed but the Undertaking had also to pay an additional sum of Rs. 1 lakh to the contractor on account of labour rendered idle.

The Committee note that one of the reasons for awarding Balaria Shaft Sinking and Mochla Balaria inter-connecting drive work to M/s. Cementation Company on the basis of negotiations without inviting tenders was to do this job with speed. The Committee however, find that, while the Cementations were expected to do 150—200 metres per month in Indian conditions though they are stated to have attained a world record of 300 metres, they could attain only 104 metres in a month. Viewing the actual achievement of the Cementations against the minimum of 150 metres per month expected of them and also the reported achievement of 100 metres a month by the Undertaking itself the Committee wonder whether the purpose behind the award of contract to the Cementations without call of tenders was fully realised. The Committee find that this project was completed in September, 1974 against the scheduled date of January, 1974 and as there was delay on the part of the Undertaking in supplying various services and material in terms of the contract, the penalty clause could be invoked.

The Committee recommend that the entire matter regarding the award of the contract to M/s. Cementation and Company (i) without invitation of tenders, (ii) without detailed estimate for the work being prepared and approved, (iii) not enforcing the condition regarding performance bond, (iv) not stipulating any detailed programme of completion of work and (v) not fixing suitable norms for the consumption of materials, and also delay in supply of services and materials to the contractor and justification for the extra expenditure of Rs. 3 lakhs should be investigated. The Committee would like to be informed of the result of the investigation.

Reply of Government

The matter has been referred to an Expert Committee constituted by the Government vide Memorandum No. 54012(73)/76-Met.II dated 12-11-1976 (Appendix II). The results of the inquiry/investigation by the Expert Committee, will be submitted to the Committee soon after the same are received.

[Ministry of Steel and Mines—Department of Mines OM No.
54012(1)/76-Met. II dated 8-12-76]

Further information called for by the Committee ..

In regard to the above recommendation, it has been stated that the matter has been referred to an Expert Committee constituted by the Government. Please state—

- (a) When was the Committee required to submit the Report?
- (b) Has the Report been submitted by the due date? If not, what are the reason for the same?
- (c) When is the report likely to be submitted?
- (d) In case the Report has been submitted by the Committee, please furnish a copy thereof.
- (e) What action has been taken by Government/Hindustan Zinc Ltd. on the Report submitted by the Committee?

Further Reply of Government

(a) to (e). The Committee was to submit its Report within a period of six months i.e. by the 11th May, 1977.

However, in view of the heavy work load involved in examining in depth the voluminous data and material on the points for examin-

ation and also because the Member-Secretary of the Committee had to be away for about 4 weeks abroad for a United Nations Training course, the Chairman of the Committee has requested that the time limit for submission of the report be extended upto 31-7-1977.

Further information called for by the Committee

Has the Report of the Expert Committee been examined by the Ministry? If so, what action has been taken thereon?

Further Reply of Government

The Report of the Expert Committee constituted by the Government *vide* Memorandum No. 54012(73)/76-Met.II dated 12-11-1976, has been examined. As regards recommendations/conclusions/observations of the Expert Committee in respect of recommendation Nos. 22 and 31 of the Committee on Public Undertakings, the Expert Committee has been requested to examine the matter further and fix the responsibility for the lapses identified in their report.

Comments of the Committee

(Please see Paragraph 26 of Chapter I of Report)

NEW DELHI;

March 21, 1979

Phalguna 30, 1900 (S).

JYOTIRMOY BOSU,

Chairman,

Committee on Public Undertakings.

APPENDIX I

(vide reply to Recommendation at S. No. 5, page 13)

Copy of Ministry of Steel and Mines letter No. 54012(18)\$76-Met. II dated 6-9-1976 sent to the undertakings concerned re. processing of revised cost estimates of Projects.

To

1. Shri R. P. Kapur, Chairman-cum-Managing Director, Hindustan Zinc Limited, Udaipur.
2. Shri D. K. Dhaon, Chairman-cum-Managing Director, Hindustan Copper Limited, Calcutta.
3. Shri A. N. Banerjee, Chairman-cum-Managing Director, Bharat Aluminium Company, New Delhi.
4. Shri K. S. Mahapatra, Chairman-cum-Managing Director, Mineral Exploration Corporation, Nagpur.
5. Shri P. D. Gupta, Chairman-cum-Managing Director, Bharat Gold Mines Ltd., Oorgaum, Karnataka.

SUB:—Processing of revised cost estimates of projects.

Sir,

I am directed to say that the procedure for scrutiny of investment proposals of public sector undertakings in respect of projects costing more than Rs. 1 crore is outlined in Ministry of Finance (Department of Expenditure) O.M. No. 26(6)/PF-II/70, dated 30-9-72. (Annexure). These instructions also cover cases of revision of cost estimates beyond 20 per cent of the approved cost by the Public Investment Board.

2. Instance have come to the notice of the Government where there have been inordinate delays in bringing the revised cost estimates before the appropriate authority and getting its approval in time. Needless to say that financial propriety requires that increase in cost estimates are brought to the notice of the Board or the other authority concerned as soon as excesses are noticed or anticipated or change in scope is envisaged and the approval of the appropriate authority obtained without loss of time.

3. Attention in this connection is also invited to PBE's No. 9(1)F/67 dated 22-9-67 (copy enclosed) wherein it has been stated that it shall be particularly the responsibility of the Controller of Finance & Accounts/Financial Adviser of the undertaking (which term would include the Director Finance) to bring to the notice of the Chief Executive all variations in the estimates for obtaining the approval of the competent authority including the Government of India. Thereafter, it shall be the responsibility of the Chief Executive of the undertaking to obtain the approval of the competent authority.

4. It is requested that the above instructions regarding approval for increase in project costs/change in scope of projects may please be complied with strictly.

5. This issues with the Concurrence of the Integrated Financial Adviser.

The receipt of this letter may please be acknowledged.

Your faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Govt. of India.

Copy to: Metals I/III/IV and Mines I Sections.

It has been decided that:—

- (i) cases of revision of cost estimates of projects within the ceiling of 20 per cent (which need not go to the PIB) should be processed in the same manner as outlined in O.M. dated 30-9-72 referred to above, *mutatis mutandis*.
- (ii) Details of cases where project costs exceeding the approved level should be brought to the notice of the Finance Branch/Additional Secretary and included for discussion in the Quarterly Progress Review meetings in case the approval is delayed.
- (iii) In the event of delay in submission of revised cost estimates, whenever the approved ceilings are likely to be exceeded, requests for release of funds from the concerned undertaking should ordinarily be refused so that the matter is brought before the Board by the undertaking.
- (iv) The revised estimates, when received from the undertakings, should be processed by the Administrative sections within a period of 15 days and referred to Finance Branch.

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Govt. of India.

ANNEXURE TO APPENDIX I

Copy of Ministry of Finance, Department of Expenditure O.M. No. 26(6)/PF-II/70 dated 30-9-1972.

OFFICE MEMORANDUM

SUBJECT:—Public Investment Board.

The current procedure of scrutinising proposals for investment in the public sector is governed by circulars issued by the Ministry of Finance (Plan Finance Division and the Bureau of Public Enterprises) during 1967 and 1968. This procedure distinguished three stages of investment scrutiny, viz., project formulation, feasibility study and detailed project report. In the Ministry of Finance the Financial Adviser is the focal point for receipt of Feasibility Reports (FR) and Detailed Project Reports (DPR) and for consolidating the views of the Ministry of Finance on the investment proposals. Thereafter a series of meetings take place at different levels in the administrative Ministry, the Ministry of Finance, Planning Commission, etc., to discuss and process these investment proposals.

2. This procedure was carefully re-examined some time back and the following important short-comings were noticed:—

- (a) Too many meetings at different levels and at different places tended to delay the investment scrutiny;
- (b) The basic and broader issues which tended to get mixed up with the less important ones could not get isolated and brought up in clear focus to high decision making levels adequately early in the process of investment decision;
- (c) There was no fixed and identifiable high level forum for investment decision.

With a view to removing these shortcomings, the Central Government have decided to set up a Public Investment Board, subject to what has been stated in para below the functions of this Board will be as follows:—

- (a) Examination of the broad contours of an investment proposal in the project formulation stage based on which a decision to prepare the Feasibility Report would be taken;

- (b) Taking investment decision on proposals for Public investment to produce goods and to provide services;
- (c) Consideration of proposals for revision of cost estimates which exceed those approved at the time of investment decision.

3. All proposals for public investment in public sector corporations/undertakings involving an amount of Rs. 1 crore and above should be referred to the Board. Proposals on behalf of departmental undertakings which are now referred to the Expenditure Finance Committee should hereafter be referred to the Board if the investment is of Rs. 1 crore and above. The proposal below Rs. 1 crore will continue to be referred to the Expenditure Finance Committee (EFC). Investment proposals in the joint sector involving direct Government capital investment (excluding that of public financial institutions) of Rs. 1 crore and above should also be referred to the Board. Proposals in which the investment involved is less than Rs. 1 crore will continue to be processed as per current practice. Investment proposals of the Ministry of Railways, Ministry of Defence, Department of Atomic Energy, Space and Electronics will be outside the purview of the Plan Investment Board. Approval of statutory authorities wherever prescribed or necessary would be obtained by the administrative Ministry concerned on the decision of the Board. It should normally not be necessary to seek direct approval "in principle" of the Cabinet for an investment proposal without referring it to the Public Investment Board.

4. The composition of the Public Investment Board would be as follows:—

Secretary (E), Ministry of Finance	Chairman
Secretary (EAD), Ministry of Finance	Member
Secretary, Planning Commission	Member
Secretary, Industrial Development	Member
Secretary to the Prime Minister, (Dr. P. N. Dhar)	Member.
Secretary of the administrative Ministry concerned with the public investment proposal	Member

Additional Secretary and Director General, Bureau of Public Enterprises will be a permanent invitee.

5. The Board would be serviced by the present Plan Finance Wing, Department of Expenditure, Ministry of Finance which will hereafter be known as Plan Finance and Project Appraisal Wing. The Board would meet periodically and may issue such instructions as

may be necessary for the effective discharge of its functions. With the constitution of the Board and with the procedure prescribed, there should be no need hereafter for prolonged correspondence and for too many internal and interministerial meetings at different levels.

6. There are three distinct stages through which a project idea travels before a public investment takes place. These are projects formulation, feasibility study and detailed project report. Investment proposals in the first two stages only should be referred to the Public Investment Board for a decision. The third stage *viz.*, the examination and clearance of the Detailed Project Report and all related substantive expenditure sanctions would continue to be handled as at present by Financial Advisers in consultation with the Ministries concerned. However, if a Detailed Project Report or any other revision throws up a cost estimate which exceeds by more than 20 per cent the amount approved at the stage of investment decision by the Board, the matter should be referred to the Board again.

7. It will be desirable to keep these three stages distinct and separate. In any case, the stages of Feasibility Report and Detailed Project Report should not be telescoped. Without a clear prior investment decision, a Detailed Project Report should not be prepared which involve expenditure of considerable time and funds and which goes into details such as engineering designs, drawings, construction data etc. Expenditure should not also be undertaken on preliminaries such as land acquisition, Railway Lines and sidings, site preparation etc., prior to investment decision. At the project formulation stage a preliminary and broad consideration is given to the question of priority and to the position of the investment proposal in the context of the Annual and Five Year Plans. This stage is usually relevant well before preparation of Annual/Five Year Plans by the administrative ministry concerned with the public sector investment or when investments not already provided in the plan are proposed from time to time. The administrative ministry should very closely associate the Planning Commission at this stage. It is also necessary during this stage to associate the Plan Finance and Project Appraisal Wing, and where foreign-exchange implication is serious, the Department of Economic Affairs also. After such consultation a report should be drawn up, incorporating the views of the concerned agencies where differences exist, by the administrative ministry, for submission to the Public Investment Board through the Plan Finance and Project Appraisal Wing. A Feasibility Report

should be prepared if the Board, after considering the report, directs so.

8. In the second stage after preparation of the Feasibility Report sufficient copies thereof should be sent by the administrative ministry alongwith a Note containing their views and recommendations to the concerned Financial Adviser in the Department of Expenditure. He will immediately forward for comments copies of the Report to the Planning Commission, Bureau of Public Enterprises, Plan Finance and Project Appraisal Wing in the Department of Expenditure and to the Department of Economic Affairs and any other agency, deemed necessary considering the contents of the Feasibility Report. Such comments should relate largely to the broader issues which require consideration at a high level at the beginning itself. Examples of such issues are:—

- (a) The contribution of the project to the economic and social objectives and adherence to concerned policies of Government;
- (b) The advisability of undertaking the project in the public sector, in the joint sector or leaving it to the private sector;
- (c) Availability of Plan Funds, desirability of diversion of Plan funds to the new projects from those already on hand;
- (d) The plant capacity and the timing of the investment in the light of supply and demand balance including export possibilities of the product/service to be provided;
- (e) The economic benefits of the project as distinct from financial returns;
- (f) Crucial assumptions in the Feasibility Report which are likely to effect the performance of the commissioned project in relation to the claims made thereon in the Feasibility Report;
- (g) Major technological and constructional aspects which may have a bearing on the investment decision.

9. The Financial Adviser will arrange to obtain the comments expeditiously, consult the administrative ministry concerned if necessary and prepare a report suitably incorporating the comments:

of different examining agencies and further views of the administrative ministry, if any. The number of internal and inter-ministerial meetings and consultations should be kept to the minimum with a view to cutting down the time taken in preparing the Financial Adviser's report. This report alongwith the Note, if any, from the Administrative Ministry, will be forwarded to the Plan Finance and Project Appraisal Wing by the Financial Adviser. The latter will prepare a final appraisal report for the consideration of the Investment Board bringing out the essential points of and enclosing the Notes of the Administrative Ministry, of the Financial Adviser and of the Project Appraisal agency of the Planning Commission, if any. This final appraisal report would examine in detail the financial and economic features of the proposed investment, of the assumptions made relating to production, prices etc. The decision of the Board on this appraisal would be either to go ahead with the investment or to drop it or to modify it. Following an affirmative investment decision, the Financial Adviser will give specific financial sanctions for essential preliminaries of project execution which will not depend to any serious extent on the Detailed Project Report to be prepared subsequently. Such sanctions will be preceded by a quick examination of such details of the project as the Financial Advisers may deem necessary and that did not figure in the deliberations of the Board.

10. It will be the responsibility of Plan Finance and Project Appraisal Wing, besides furnishing its comments on the Feasibility Report to the Financial Adviser to:—

- (a) Keep in touch with the Financial Advisers to ensure that Feasibility Reports are examined expeditiously;
- (b) get the meetings of the Board convened as frequently as may be necessary;
- (c) prepare the final appraisal report convening the main issues arising out of the comments referred to earlier and place it before the Board.

11. Normally, a Feasibility Report should be brought up before the Board alongwith the appraisal report within a period of three months of the receipt of the Report. Project proposals not ready for decision of the Board within three months of their receipt should be periodically brought to the notice of the Chairman of the Board by the Project Appraisal Wing.

12. It is, however, the responsibility of the administrative ministry to ensure that Feasibility Reports contain all essential data, presenting meaningful alternatives with adequate analysis for choice and that they are sent for scrutiny in the Ministry of Finance well in time so that haste in scrutiny vitiating its usefulness is avoided.

13. The appraisal report to be considered by the Board will be circulated to the members of the Board at least a week ahead of the meeting and should be sent to the administrative ministry at least a fortnight ahead of the meeting. This is to enable the administrative Ministry to be fully prepared to clarify the questions likely to be raised by the Board.

14. This office Memorandum supersedes the circulars* hitherto issued on the subject of scrutiny of Feasibility Reports, noted below, and modifies the relevant portions of the minutes of the meeting circulated vide Department of Expenditure note No. F.3(3)-E (Coord)/71 dated the 30th July, 1971.

Sd/-
(M. R. YARDI)
Secretary (Expenditure).

Copy of BPE No. 9(1)F/67 dated 22nd September, 1967

Delegation of powers to the Board of Directors to incur capital expenditure

In Ministry of Commerce and Industry's letter No. Pr. C1(1)/61 dated 16th May 1962, certain financial powers were delegated to the Board of Directors of Central Government Undertakings to sanction capital expenditure within specified limits. The said circular clearly stipulates that in the case of variations in the approved estimates in excess of 10% of any particular component part, a further sanction of the Government of India for the increased amount would be necessary.

2. Recently a case has been brought to the notice of the Government where the increase in the different components of the sanc-

*1. D.O. No. 3213-5(IPF)/67 dated 5th August, 1967 from Shri P. Govindan Nair addressed to Secretaries, Central Economic Minister.

*2. O.M. No. 2(75)/68-BPE (GM) dated 23rd April, 1968 from BPE addressed to all Ministries/Departments.

*3. No. 2400-PF-II/68 dated the 28th August, 1968.

tioned estimate was in excess of 10% which required Government's approval before the expenditure could be incurred but no such prior sanction was in fact taken, although both the Managing Director and Controller of Finance or Accounts were aware of this circular and the continuing expenditure. To avoid the recurrence of such cases in future, all undertakings are informed that the instructions contained in the circular letter of 16th May, 1962 should be strictly adhered to in future. It shall be particularly the responsibility of the Controller of Finance and Accounts|Financial Adviser of the Undertakings to bring to the notice of the Chief Executive (Chairman, Managing Director, General Manager, as the case may be) all variation in the estimates for obtaining the approval of the competent authority including the Government of India in terms of the circular of 16th May, 1962. Thereafter, it shall be the responsibility of the Chief Executive of the Undertaking to obtain the approval of the competent authority.

3. The Ministry of Industry are requested to bring the contents of this Office Memorandum to the notice of all public sector undertakings under their administrative control for compliance.

APPENDIX II

(Vide reply to Recommendation at S. No. 8, page 16)

Copy of Ministry of Steel & Mines Memo No. 54012(73) 176-Met. II dated 12-11-76 re. constitution of an Expert Committee

MEMORANDUM

SUB: Constitution of an Expert Committee regarding certain matters concerning Hindustan Zinc Ltd.

The undersigned is directed to say that Government have decided to constitute an Expert Committee to examine certain matters arising from the 88th Report of the Committee on Public Undertakings (1975-76—Fifth Lok Sabha), consisting of the following:—

Shri P. K. Kaul, Additional Secretary, Ministry of Commerce, New Delhi.	Chairman.
Shri R. B. Patnaik, OSD, SAIL, New Delhi.	Member.
Shri V. V. S. R. Harumantha Rao, O.S.D., Planning Commissions, New Delhi.	Member.
Shri A. K. Roy Chowdhury, Deputy Adviser (Finance), Bureau of Public Enterprises, Ministry of Finance, New Delhi.	Member.
Shri H. N. Subramanian, Supdtg. Ore Dressing, Indian Bureau of Mines, Nagpur.	Member.

Shri C. P. S. Nair,
Deputy Secretary,
Department of Mines,
New Delhi.

Member Secy.

2. In the light of observations and recommendations contained in the relevant paras cited below of Report of the Committee on Public Undertakings: (1975-76 Fifth Lok Sabha), the Committee will—

(A) *Development of Mines*

- (1) examine whether the delay in mine development which was stated to have been due to the delay in the beneficiation plant, could have been avoided (*paras 2.75 and 2.76 of Report*);
- (2) determine to what extent import of zinc concentrates necessitated during 1969-70 to 1972-73 could have been avoided, or reduced, by HZL by rectifying the lacunae in regard to synchronisation of its different activities relating to the mining, milling and smelting capacities while modifying and implementing the integrated scheme (of the M.C.I.) (*paras 2.88 to 2.90 ibid*); and
- (3) examine whether the short-term measures recommended by the Study Team (of the BPE) in 1969, to raise the production of concentrates so as to reduce dependence on imported concentrates, were put into operation by the HZL or whether there was any lapse on the part of any individual(s). (*paras 2.91 and 2.92 ibid*).

(B) *Shaft Sinking*

- (4) investigate the reasons for the delay in completion of the work of shaft, sinking at Central Mochia Mine and the extent to which each of the factors, contributing to the delay, could have been avoided with proper planning and foresight (*para 2.31 ibid*); and
- (5) investigate the entire matter regarding award of contract to M/s. Cementation & Co, for Balaria Shaft sinking and Mochia-Balaria inter-connecting driveage without invitation of tenders, detailed estimate for the work being prepared and approved; enforcing the condition

regarding performance bond, stipulating any detailed programme for completion of work and fixing suitable norms for the consumption of materials; and also the delay in supply of services and materials to the contractor and justification for the extra expenditure. (*Paras 4.41-4.45 ibid*).

(C) Erection of Ball Mill

- (6) Investigate the entire matter regarding award of the contract for the 2,000 tonnes per day Ball Mill at Central Mochia, and the delays on the part of the administrative Ministry|HZL in taking a final decision about the setting up of the Mill, in order to pin-point lapses, if any, and fix responsibility therefor (*paras 2.58 and 2.59 ibid*)
- (7) examine whether it would not have been better to launch a Short-term Scheme for the development of the mill capacity to 1,000 tonnes (in the first instance) and whether it would not have been advisable to award the contract on the basis of the tender, originally received, instead of calling fresh tenders (*para 2.60 ibid*); and
- (8) investigate the further delay in the erection of the Beneficiation plant due to non-availability of essential items like steel, in order to ascertain the extent to which delays could have been avoided with proper planning and foresight (*paras 2.66 to 2.68 ibid*)

(D) Smelter

Investigate the delays in the processing and implementation of—

- (a) expansion of the Debari Zinc Smelter,
- (b) establishment of new smelter at Visakhapatnam,
- (c) modernisation of the Tundoo Lead Smelter, and
- (d) expansion of the Zinc Smelter in the private sector at Always

in order to pin-point lapses, if any, and fix responsibility for the losses suffered. The justification should, *inter alia*, be examined in depth regarding

- (i) delays, on the part of Government, in sanctioning these various schemes;
- (ii) asking experts of M/s. Bipromet of Poland to examine the Debari Smelter Project when it was earlier decided to entrust the job to M/s Krebs of Paris;
- (iii) processing both the Smelter Projects (at Visakhapatnam, and Debari) together and thereby delaying the work on the Visakhapatnam Project by eight months till the receipt of sanction for the Debari Project;
- (iv) not proceeding with the Smelter Project at Visakhapatnam till the electricity rates with the State Electricity Board were finalised (and the extent to which the delay in finalising the agreement could have been avoided)
- (v) delay in the expansion of the Always Zinc Smelter (in the private sector); and
- (vi) entrusting the Project Report for the second phase of modernisation of the Lead Smelter (at Tundoo) to Engineers India Ltd. (paras 3.49—3.51 & 3.56—3.58 *ibid*)

(E) General

Any other matter, arising out of the Committee's examination of the abovementioned matters, which in the opinion of the Committee needs to be looked into in order to make their report on the above-mentioned matters.

3. The Committee may devise its own procedure for working and may call for such information, and take such evidence as the Committee consider necessary. The Department of Mines|HZL will furnish such information, and render such assistance, as may be required by the Committee.

4. The Committee will submit its Report as early as possible within a period of six months.

(M. S. BHATNAGAR)
Deputy Secretary to the Government of India.

To

The Chairman and Members of the Committee

(with a copy of the Report).

Copy forwarded for information to:

- (i) The Ministry of Commerce with reference to D. O. letter No. 76|CM|P|3 dated 12-10-76 from the Minister of Commerce, New Delhi
- (ii) The Bureau of Public Enterprises, New Delhi, with reference to O M No. A-19011|1|70-Adm. dated 4|10|76.
- (iii) The Planning Commission, New Delhi, with reference to D O. letter No. I&M-24(13)|76 dated 9-10-76 from Shri M. Satyapal, Adviser (I&M).
- (iv) The Deptt. of Steel (Shri S. D. Prasad, Addl. Secy.) in continuation of M.O. No. 54012 (73) Met II|76 dated 25-10-76.
- (v) The Indian Bureau of Mines (Shri D. N. Bhargava, Controller) Nagapur, in continuation of endt. No. 54012 (73) Met.-II|76 dated 25-10-76.
- (vi) Shri R. P. Kapur, Chairman-cum-Managing Director, Hindustan Zinc Ltd., with the request that the relevant records may be made available to the Committee and all possible assistance provided to it. A Senior Officer of the Company may be designated to liaison with the Committee and his name communicated to the Chairman| Member-Secretary under intimation to this Department.

(M. S. BHATNAGAR)

Deputy Secy. to the Govt. of India.

Copy to:—

- (i) S. A. to Minister (S&M)
- (ii) Addl. Secretary.
- (iii) J. S. (M)

APPENDIX III

(Vide further reply to Recommendation at S. No. 8, page 18)

Copy of Ministry of Steel and Mines letter No. 54012 (35) |76-Met-II, dated 6-12-1978 sent to Hindustan Zinc Ltd., re-delay in completion of work in Central Mochia Mines.

To

The Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUB: *Recommendation No. 8 of the Committee on Public Undertakings (1975-76) (Fifth Lok Sabha) in its 88th Report on Hindustan Zinc Ltd. Reasons for delay in the completion of work of shaft sinking in Central Mochia Mines.*

Sir,

I am directed to say that as recommended by the Committee on Public Undertakings (1975-76) (Fifth Lok Sabha) in its 88th Report on Hindustan Zinc Ltd.—vide recommendation No. 8—the Expert Committee constituted by the Government vide Memorandum No. 54012 (73) |76-Met. II, dated the 12th November, 1976, was asked to investigate reasons for delay in the completion of work of shaft sinking at Central Mochia Mines in order to find out the extent to which each of the factors contributing to delay could have been avoided with proper planning and foresight.

2. In regard to the delay in Head Gear Fabrication the Expert Committee has observed as under:—

- (i) Non-availability of certain steel sections due to rationalisation was known to HZL in April|May 1966 i.e. 4|5 months before signing of the contract with M/s. Cemenation. However, action to obtain services of a structural engineer for modifying the drawings was initiated only in May, 1967 i.e. after a lapse of one year.

(ii) Though the request was made in May, 1967, the engineer arrived at site only in April, 1968. Considering that Head Gear erection was a critical activity, HZL should have pursued the matter more vigorously for obtaining the services of the structural engineer.

(iii) With proper planning and foresight, it should have been possible to reduce the delays considerably.

3. The Government have considered the above observations and I am desired to bring the same to your notice for taking necessary action to avoid recurrence of delays in such critical areas in future.

4. Receipt of this letter may kindly be acknowledged and action taken in this regard intimated to this Ministry not later than the 28th February, 1978.

Yours faithfully,

Sd/-

(C. SHARMA)

Deputy Secretary to the Government of India

APPENDIX IV

(Vide reply to recommendation at S. No. 9, page 19)

Copy of Ministry of Steel and Mines letter No. 54012 (48) /76-Met-II dated 30-8-1976 to HZL re. synchronisation of different activities

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Ltd.
Udaipur.

SUBJECT: *88th Report of the Committee on Public Undertakings (1975-76) (5th Lok Sabha) on Hindustan Zinc Limited,— Lack of synchronisation of the different activities.*

Sir,

I am directed to say that the Committee on Public Undertakings (1975-76) (5th Lok Sabha), has in its 88th Report on Hindustan Zinc Ltd, *inter-alia*, observed in para 2.37 about the lack of synchronisation of the different activities taken up by the Hindustan Zinc Ltd. in connection with the implementation of the integrated scheme.

2. It is requested that in the future plans for additional capacity for Zinlead production, adequate steps may be taken well in time to ensure optimum synchronisation of the different activities of Projects. This aspect may also kindly be kept in view while drawing up the "Ten Year Roll over Plan" of the Hindustan Zinc Ltd.

3. The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India

APPENDIX V

(Vide reply to Recommendation at S. No. 11, page 20)

Copy of Ministry of Steel and Mines letter No. 54012 (31) |76-Met.II.
dated 16-8-76 to HZL re. renovation of ball mills.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Ltd. Udaipur (Rajasthan)

SUBJECT: 88th Report of COPU on Hindustan Zinc Ltd.—Renova-
tion of existing ball mills (paras 2.46 and 2.47)

Sir,

I am directed to invite your attention to paras 2.46 and 2.47 (extracts enclosed) of the 88th Report on Hindustan Zinc Ltd. of the Committee on Public Undertakings 1975-76 (5th Lok Sabha) wherein the Committee has observed the delay in the completion of the modifications to the existing Ball Mill by 8 months and that too without the balancing equipment. The delay was admitted to be due to managerial lapse.

2. There was further lapse in issuing despatch instructions for the equipment for renovation which was ordered only in July, 1970 whereas the scheme for additions and modifications to the Ball Mill was due to be completed in December, 1970. The delay in issuing despatch instructions was on account of consideration of the economics of rail Vs. road transport.

3. The observations made by the Committee should be carefully noted so that in future such lapses do not recur and the various aspects relating to ordering of equipment are properly planned in advance.

4. Attention of all concerned officers of HZL should be drawn to the observations of the Committee and suitable instructions issued so that such lapses are avoided in future.

5. The receipt of this letter may kindly be acknowledge.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India

APPENDIX VI

(Vide further reply to Recommendation at S. No. 13, page 28)

Copy of Ministry of Steel and Mines Letter No. 54012 (112) |76-Met. II dated 6-2-1978 to HZL re. delay in erection of the Mill

To

The Chairman-cum-Managing Director,
Hindustan Zinc Ltd.,
Udaipur.

SUBJECT: *Recommendation No. 13 of the Committee on public undertakings (1975-76) (Fifth Lok Sabha) on Hindustan Zinc Ltd.—Delay in the erection of the Ball Mill*

Sir,

I am directed to say that as recommended by the committee on Public Undertakings (1975-76) (Fifth Lok Sabha) on Hindustan Zinc Ltd., *vide* recommendation No. 13, the Expert Committee constituted by the Government *vide* Memorandum No. 54012 (73) |Met. II, dated 12-11-76, was asked to investigate the delay in erection of the beneficiation plant due to non-availability of essential items like steel etc. in order to find out the extent to which delay could have been avoided with proper planning and foresight.

2. In regard to the release of foreign exchange and grant of import licence for equipment the Expert Committee has observed as under:—

About 5 months (August, 1969 to January, 1970) were taken in working out the details of specifications etc. of the imported units on the part of HZL and BME. (About 6 months (February, 1970 to July, 1970) were taken in submitting the proposals as desired by DGTD. No explanation for this delay was available from HZL. The Expert Committee is of the view that with proper planning and adequate follow-up action much of this time could have been curtailed.

There has been some delay, about 3 months (February, 1971 to May, 1971), on the part of HZL to ascertain the procedural formalities to be adopted. There was a delay of about 2 months on the part of MBE after receipt of the sanction of foreign exchange release only to enquire about the mode of payment. The State Bank of Bikaner & Jaipur took about 3½ months (15-6-1971 to 28-9-1971) to provide a draft for Rs. 2 lakhs in Foreign Exchange. The Expert Committee is of the view that with proper planning and adequate follow-up action, much of this time could have been curtailed.

3. The Government has considered the above observations and I am desired to bring the same to your notice for taking necessary action to avoid such delays in future.

4. Receipt of this letter may kindly be acknowledged and action taken in this regard intimated to this Ministry not later than the 28th February, 1978.

Yours faithfully,

Sd/-

(C. SHARMA)

Deputy Secretary to the Govt. of India:

APPENDIX VII

(Vide further reply to Recommendation at S. No. 14, page 31)

Copy of Ministry of Steel and Mines Letter No. 54012(111)/76-Met. II dated 6-2-1978 to HZL re. action taken on findings of Expert Committee.

To

The Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT: Recommendations of the Committee on Public Undertakings (1975-76) (Fifth Lok Sabha)—on Hindustan Zinc Limited Recommendation No. 14—Examination by the Expert Committee.

Sir,

I am directed to say that as recommended by the Committee on Public Undertakings (1975-76) (Fifth Lok Sabha) in the 88th Report on the Hindustan Zinc Ltd., vide recommendation No. 14, the Expert Committee constituted by the Government vide Memorandum No. 54012(73)/76-Met. II dated 12-11-1976, was asked to examine critically whether delay in the erection of 2000 tonnes per day ball mill could have been avoided. The observations/conclusions of the Expert Committee are reproduced below:—

- (i) There was a delay of 35 months in the completion of 'assembling of skip hoist and loading station', which was critical to the production of ore from the levels below the 4th level. The slippages in the Main Shaft Commissioning caused delays in the completion of the inter-dependent activities which could not be taken up for implementation in parallel.

- (ii) The Schedule drawn up by Mr. Gratacap in 1966 clearly envisaged synchronisation of the Main Shaft skip operation with the commissioning of the new mill to achieve the production build up from 1000 tpd to 2000 tpd. Although the skip hoist was ready for operation on 31-12-1971, it was actually commissioned on 1-9-1972, after a delay of eight months. The Expert Committee attributes this time lag to the delay in the completion of the 2000 tpd new mill, the first phase (1000 tpd) of which was commissioned in July, 1972 and achieved stabilised operation in October, 1972.
- (iii) As regards underground development activity (including auxiliary shaft and stoping) the Expert Committee noted that HZL had taken steps to minimise the delay in the underground development by departing from the sequence of operations visualised by Mr. Gratacap and implementing certain sub-activities without waiting for the completion of the Main Shaft. But for these departures, the construction of the mine would have been further delayed. Yet, HZL took 27 months to reach the full production level of the mine from the time the skip went to operation as compared with the time schedule of 23½ months projected by Mr. Gratacap. The Expert Committee are of the view that considering the delays in the fulfilment of the essential pre-conditions laid down in Mr. Gratacap's schedule of production, especially in respect of delays in the procurement of equipment, delays in the commissioning of auxiliary shaft, shortage of water and frequent power interruptions, the slippage in the underground mine construction schedule was inevitable. The Expert Committee also noted that paucity of technical officers with requisite expertise and certain natural calamities such as floods in 1973 also contributed to the delays.
- (iv) The Expert Committee observed that although the management considered in August, 1966 that it would be possible to reach the production level of 2000 tpd only in July, 1973 they had accepted the time schedule drawn up by Mr. Gratacap in 1966 which envisaged a crashing of the production build-up period (1000 tpd to 2000 tpd) to 23½ months. Further, even in March, 1971 the HZL indicated to the Ministry of the possibility of not only achieving the production target as scheduled but of even further crashing the target date by as much as six months by following the PERT/CPM techniques recommended by BPE.

Later, implementation of the network schedules drawn up by the National Productivity Council in consultation with the Management were dropped as they were considered unrealistic.

2. In the light of the above observations of the Expert Committee, you are requested to review the position and ensure that the paucity of technical officers of requisite expertise does not continue. The company should ensure that adequate and requisite expertise in man-power is provided to avoid future lapses of this type. Further, the company may also ensure prompt and timely execution of the projects through a systematic integrated monitoring.

3. Please acknowledge receipt of this letter and action taken in this regard should be intimated to this Department by 28-2-1978.

Yours faithfully,

Sd/-

(C. SHARMA)

Deputy Secretary to the Government of India.

APPENDIX VIII

(Vide further reply to Recommendation at S. No. 16, page 33)

Copy of Ministry of Steel and Mines letter No. 54012(110)/76-Met. II, dated 6-2-1978 to HZL re. action taken on findings of the Expert Committee.

To

The Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT: *Recommendation No. 16 of the Committee on Public Undertakings (1975-76) (Fifth Lok Sabha) on Hindustan Zinc Ltd., Action taken on the findings of the Expert Committee.*

Sir,

I am directed to say that as recommended by the Committee on Public Undertakings (1975-76) (Fifth Lok Sabha) in its 88th Report on Hindustan Zinc Ltd., vide Recommendation No. 16, the Expert Committee constituted vide this Ministry's Memorandum No. 54012 (73)/76-Met. II, dated 12-11-1976, was asked to investigate whether the short term measures recommended by the Study Team of the Bureau of Public Enterprises in 1969, to raise the production of concentrates so as to reduce dependence on imported concentrates were put into operation by Hindustan Zinc Ltd. or whether there was any lapse on the part of any individual(s).

2. The recommendations|observations of the Expert Committee in the matter are as under:—

- (a) Although the BPE made 18 recommendations in their report, they have not specifically indicated the Short Term Measures. To this extent HZL is justified in stating that they are not aware of any recommendations towards implementing Short Term Measures. Nevertheless, it is apparent from the recommendations of the BPE that they

wanted action to be taken on several of their recommendations within a short span of 2-3 months. In some cases, immediate action was also recommended. For example, some of the measures recommended for early action by BPE are as follows:—

- (i) Completion of preparation of PERT/CPM schedules within 2-3 months.
 - (ii) Effecting improvements in the operation and management in the beneficiation plant, in maintenance of equipment and in providing balancing items.
 - (iii) Finalisation of plans for developing East and West Mochia and Balaria Mines within 1-2 months and taking up implementation without any loss of time.
 - (iv) The organisation chart bringing out clearly the structural relationship, demarcating the lines of authority and the channel of reporting for efficient management should be finalised without delay.
- (b) The Expert Committee is satisfied that HZL had taken action to implement the various measures recommended for early action by BPE. Nevertheless, the Expert Committee felt that HZL should have pursued with PERT/CPM methods for more effective monitoring and better synchronisation in the implementation of various activities under mining and milling.

3. The Government have considered the above observations and I am desired to bring the same to your notice for taking necessary action.

4. Please acknowledge receipt of this letter and the action taken in this regard should be intimated to this ministry not later than the 28th February, 1978.

Yours faithfully,
(C. SHARMA)

Deputy Secretary to the Government of India.

APPENDIX IX

(Vide reply to Recommendation at S. No. 20, page 36)

Copy of the Agreement for Handing over Tidi Dam to Hindustan Zinc Limited, Udaipur

This agreement made this day of 17-9-76 between the Governor of State of Rajasthan (hereinafter referred to as Government which expression shall unless excluded by or repugnant to the context include his heirs, successors or assigns) of the 1st Part and the Hindustan Zinc Ltd., a company registered under Indian Companies Act, 1913 having its registered office at 6, New Fatehpura in the City of Udaipur, hereinafter referred to as Hindustan Zinc (which expression where context so requires include its successors, liquidator and assign) of the other party.

Whereas the parties have agreed to the handling over of the Tidi Dam to the Hindustan Zinc Ltd., this agreement witness the transfer of the Dam on the terms and conditions mentioned below:—

1. The State Government will charge nominal cost of water stored in the dam coming from Rajasthan State Territory from Hindustan Zinc @ Re. 1/- per M. cft. as the Dam is built at their cost. The quantity of water will be calculated from the present capacity curve of the dam between highest gauge attained after rains and lowest gauge reached before next rains ignoring inflow in any other season which is rare and so negligible.
2. Hindustan Zinc will not raise the dam beyond R. L. 1407.00 as per approved scheme, without sanction of the State Government and before completing all formalities of acquiring lands in submergence.
3. In view of the stability of the dam influencing the safety of life and public property downstream, Hindustan Zinc Ltd. shall maintain the dam properly. For this purpose the Chief Engineer, Irrigation, Government of Rajasthan or his nominee shall inspect the Dam every year on 1st day of April and 1st day of November and lay down instructions for safety and maintenance of the dam as are

required to be complied with by the Hindustan Zinc Ltd. In the event of such instructions not being considered reasonable for compliance by Hindustan Zinc Ltd. the matter will be referred to the Central Water Commission, New Delhi, whose decision shall be final and binding.

In witness whereof the parties have signed this deed in the presence of witness named hereunder:—

Witness	(1) Sd/- A. K. Anand Superintending Engineer (Civil)	For and on behalf of Hindustan Zinc Limited (A Government of India Enterprise).
	(2) Sd/- S. K. Shrimali Executive Engineer (Civil)	Sd/- Ibrahim Ali Chief Engineer (Civil) Signed on behalf of Hindustan Zinc Limited, Udaipur.
Witness	(1) Sd/- V. G. Dave 17/9/76	Sd/- Amra Lal 17/9/76
	(2) Sd/- Rajendra Prasad	Executive Engineer, Irrigation Department, for and on behalf of Governor of Rajasthan.

APPENDIX X

(Vide subsequent reply to Recommendation at S. No. 23, page 39)

Copy of Bureau of Public Enterprises O.M. No. PCR|1|76|BPE|Prodn.
dated 5-5-1977 re. constitution of a Study Team for Tundoo Lead
Smelter

OFFICE MEMORANDUM

SUBJECT.—*Constitution of the Team to make a case study of Tundoo
Lead Smelter of Hindustan Zinc Limited*

The undersigned is directed to say that in pursuance of the Recommendation No. 23 of the 88th Report on Committee on Public Enterprises (5th Lok Sabha) on Hindustan Zinc Ltd., the Bureau of Public Enterprises have to undertake a case study to evaluate the action taken by the management of Hindustan Zinc Ltd. in appointing a Technical Committee and the Engineers India Ltd. to recommend the measures for the development of Tundoo Lead Smelter. The study is to be conducted by a Study Team consisting of the following members:—

1. Shri I. M. Aga—*Deputy Adviser (Production),
Bureau of Public Enterprises—Convenor Member.*
2. Shri R. N. Khare, Project Manager,
Indian Copper Complex—
Metallurgical Expert.—*Member*
3. Shri A. K. Roychowdhury, *Dy. Adviser (Finance)
Bureau of Public Enterprises.—Member.*

It will also be the duty of the Study Team to draw lessons from the case study and to lay down guidelines for the benefits of all the Undertakings.

2. The Study Team is required to submit its Report to the Government by the 30th June, 1977.

Sd/-

(S. S. SAMADDER)

Under Secretary to the Government of India.

T. No. 43791.

To,

1. Shri I.M.Aga., Dy. Adviser (Production), B.P.E.—Convenor Member.
Leave address—K-2/2, Sector 13, M.S.Flat, R.K. Puram, New Delhi—110022.
2. Shri R. N. Khare, Project Manager,
Indian Copper Complex—Metallurgical Expert—*Member.*
Ghastshia, District, Singhbhum, Bihar.
3. Shri A. K. Roychowdhury, Dy. Adviser (Finance)—*Member.*

APPENDIX XI

(Vide further reply to Recommendation at S. No. 26, page 42)

Copy of the 10-Year Roll Over Plan (1972-73—1981-82) submitted to the Board of HZL on 29/30-6-76.

In the last Quarterly Progress Review meeting taken by the Minister (S&M) on 11th December '75 he advised that a Ten-Year Roll Over Plan embracing development of new Projects and expansions should be prepared by all the undertakings and made ready by the end of the year 1975-76. HZL had prepared a projection of its activities on 10 years perspective basis in 1974, first year of V Plan covering all existing and future projects, both in Smelting and Mining the future manpower requirement in the work-man supervisory and executive cadre (technical and non-technical) and an indicative investment and turnover picture. This projection was drawn up keeping in view the Lead Zinc requirement of the country as assessed from time to time by the Planning Commission.

Although this detailed plan was prepared in 1974, on the basis of the data available at that time, no significant change has since taken place in the data and therefore the projection still hold good. The only additions which could be now made are with regard to field of mining in new areas which were covered by the Board's resolution No. 11 of the 68th meeting, approving the actions of the Management in expanding its mining activities to some other parts of Rajasthan, West Bengal and Andhra Pradesh. As the deposits, covered by these proposals, are yet in early stages of exploration, any projection with regard to their production, potential investment, man-power requirement etc. will not be meaningful at this stage. Therefore, the new activities in the mining field have not been included in the 10 years projection.

The following documents are placed before the Board indicating HZL's projections valid upto 1981-82.

1. *Chart No. I: Corporate Plan reviewed upto April, 1975 (Annexure 1) alongwith a chart No. I*—Master Plan showing production of Lead Zinc, Silver, Cadmium and P₂O₅ alongwith the demand projection of Lead and Zinc by the Study Group on non-ferrous metals.*

*Not printed.

This Chart also shows the anticipated investment and turnover at the end of every year and the total man-power officer/staff requirement in each year.

2. *Chart No. II**—Man-power projection, year by year of mines and smelters with appropriate provisions for head quarters and Central Research and Development Laboratory.

3. *Chart No. III**—Detailed data of managerial|staff|officer requirement into various disciplines ranging from medical to General Administration through Mining, Geology, Metallurgy, Civil, Chemical, Finance etc.

It may be seen from these charts that the projects included in this Ten-Year Roll Over Plan are all covered by Project Reports submitted by HZL to the Government—either already approved or awaiting approval—except that no Project Report has yet been prepared for the Super Smelter for Lead and Zinc. These projects are named below:—

Project	Date of submission to Govt.	Present status
1	2	3
<i>Mines</i>		
Mochia .	. August, 1971	Approved
Balaria . . .	. August, 1971	Approved
Zawarmala-Baroi	. October, 1974	Awaiting approval
Rajpura-Dariba	. February, 1973	Approved
Sargipali	. April, 1975	Awaiting approval
Maton .	. November, 1971	Approved
<i>Smelters</i>		
Debari expansion		
(a) 36, 000 TPY .	. December, 1970	} Approved
(b) 45,000 TPY .	. May, 1973	
Tundoo expansion .		Approved
Vizag (Zinc)	. September, 1970	Approved
Vizag (Lead)		Awaiting approval

*Not printed.

1	2	3
Super Smelter	—	Project Report not prepared.
<i>Research and Development</i>		
Central Research & Dev. Laboratory .	..	Approved.
Central Planning & Design (Mines)	..	Approved.
Central Geology	Approved.

The basic objective being to close the gap between Mine metal and total metal the extent to which the mining projects and smelting projects mentioned above match each other is shown in Annexure II (Zinc) and Annexure III (Lead).

These plans were prepared with 1972-73 as the base year after Project formulation was over and also because the Study Group's projection of requirement of these metals had this year as its base.

Projection with regard to other areas of diversification viz., Zinc Dust, Zinc Sheet, Callots, Red Lead, Litharge, Lead and Zinc Alloys, Lead Zinc, Antimony Alloys, Oleum, Gold, Copper concentrate and Barium etc.—all of which are either in advanced stage of construction or in stages of planning, have not been included in the total picture of investment, turnover and man-power requirements in full.

The Board is requested to approve this 10 year Roll Over Plan, as a corporate Plan, for transmission to the Ministry.

A. N. BANERJEE,
Managing Director

ANNEXURE I TO APPENDIX XI

*Corporate Plan for Hindustan Zinc Ltd., (1972-73 to 1981-82)—
Reviewed upto April, 1975*

1. HZL was formed by the Govt. of India with the object of developing the Lead-Zinc resources of the country. The broad objective is to bridge the gap between indigenous production of these metals and the total requirement (which currently is met mostly from imports) and maximise the savings in foreign exchange by production of ores from mines in India, instead of depending on imported concentrates. Any Corporate Objective, over a given period, has therefore to be first set against the assessed requirement of these metals in the country.

2. Growth in demand and consumption of these metals is linked with the general industrial growth of the country. The forecast of consumption of these non-ferrous metals has, therefore, been made by the Planning Commission on the basis of Study Group findings. HZL in turn made its corporate Plan on these projections.

It was, however, realised that production of Lead Zinc ores has to be preceded by establishments of ore reserves and development of Mines both of which are long gestation endeavours. In the plan formulation stage therefore HZL was encouraged by the Govt. to put up one port-based Smelter to use imported concentrates and plan for additional smelting capacity on the basis of the indigenous mine production.

3. It is realised by the HZL that savings in foreign exchange by producing Lead-Zinc, either from imported concentrate or from indigenous ore would be meaningful only if the rupees spent on the production reflect correctly the international monetary standards or in other words the shadow value of the Dollar earned is favourable. One of the Corporate Objective therefore is to contain the cost of production by progressive optimisation of operating norms and standards and maximizing plant utilisation.

4. HZL has worked out details of investments, turn-over, production, manpower requirements and managerial staff needs upto 1982. All these assessments are on the basis of existing working units, projects approved and under implementation, project reports under

investigation and projects for which plan formulation stage is over by acceptance in principle.

5. A summarised Corporate Master Plan is enclosed.

6. It may be seen from this Master Plan that HZL, while installing additional smelting capacity for these metals, has also put great emphasis on mine development. Even for the by-product phosphatic Fertiliser it has developed its own Mine to meet the P_2O_5 requirement in full.

7. The significant feature of the Corporate Master Plan is the relation of the Corporate Objective with the growth pattern forecast by the Planning Commission. In the bar chart a different scale has been adopted for the projected figures of consumption. This scale is half of the scale adopted for production forecast. The fore-shortened consumption plan bars automatically set the sights over the 10 year plan of action 50 per cent below the demand figures projected by the study group. Despite this the company has to grow 10 fold in its size by investment and almost 20 fold in terms of turn-over.

8. Another aspect of the Co's Corporate Objective which has not been clearly brought out in the Master Plan, enclosed, is the emphasis it has laid on internal R&D and development of internal planning and design capacity. The managerial manpower curve shown as stepped lines in the Corporation Plan of the 10 years span provides significant growth in scientific and managerial personnel strength to man these sections.

Deposit	Estimated gr. of ore Zinc	1975-76		1976-77		1977-78		1978-79		1979-80		1980-81	
		T.P.D.	A.M.R.	T.P.D.	A.M.R.	T.P.D.	A.M.R.	T.P.D.	A.M.R.	T.P.D.	A.M.R.	T.P.D.	A.M.R.
Mochla	. . .	1800	15200	2000	14700	2000	14700	2000	14700	2000	14700	2000	14700
Kalaria	. . .	400	9600	1000	10500	1500	15650	2000	20850	2000	20850	2000	20850
Berol Z. Mala	. . .	50	300	100	575	300	1800	1000	5800	2000	11600	3000	17500
Rajpura-Dariba	. . .	400	400	100	1350	100	1350	200	2700	500	6700	3000	40200
TOTAL	. . .	17500	17125	33500	33500	44050	59850	99250					
Smelting capacity		15000	35000 (9000)	60000 (24000)	75000 (30000)	75000 (30000)	75000 (30000)	75000 (30000)					
Surplus (Cumulative)		2000	3125	625	625	..	8850	57100					
Deficit		325	..	..	..		

Total smelting capacity (Debari plus Vizag). Figure in bracket indicated Vizag capacity Concentrates are likely to be available from Ambamata and Deri by 1978 79.

T.P.D.— Tonnes per day.
A.M.R.— Annual Metal recoverable.

Up dated upto 25-11-75.

Deposit	1975-76		1976-77		1977-78		1978-79		1979-80		1980-81	
	gr. of lead	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.	T.P.D. A.M.R.
Mochia	1.05	1700	3850	2000	4500	2000	4500	2000	4500	2000	4500	2000
Balaria	0.74	700	1100	1000	1600	1500	2400	2000	3800	2000	3800	2000
Baroi Z. Mala	2.3	50	250	200	1000	500	2500	1000	5000	2000	1000	3800
Rajpura Duriba.	1.80	100	400	150	600	200	800	700	2800	1500	5900	3000
ee Sargipali	4.02	..	..	..	..	..	1230	1800	..	6150	..	6150
TOTAL			5600	7700	11490	17900	17900	29750	40650	68000	68000	27350
Smelting capacity			6000	16000	16000	16000	16000	16000	16000	68000	68000	68000
Surplus			..	..	..	..	1300	..	..	..	..	..
Deficit			400	8900	4570	..	..	..	..	38250	..	27350

*50,000 T.P.A. is added for super Smelter under consideration and expansion of Tundoo to 8000 under consideration.

Stock of Pb. Conc. as on 31-12-74 5677 M.T. equivalent to 3180 M.T. Pb. Metal.

**Mine to Smelter recover 88% i.e. 80% Mine to Conc. 85% Conc. to Ingot.

T.P.D. — Tonnes per day
A.M.R. — Annual Metal recoverable

APPENDIX XII

(Vide reply to Recommendation at S. No. 28, page 45)

Copy of Ministry of Steel and Mines Memo No. 54012(16)/76-Met. II dated 25-10-76 to all Directors/Deputy Secretaries/Sections concerned re. Processing of Feasibility Reports.

SUBJECT.—Processing/Scrutiny of Feasibility/Project Reports.

Procedure for scrutiny/processing of Feasibility/Project Reports in respect of projects costing more than Rs. 1 crore is contained in the Ministry of Finance (Deptt. of Expenditure) O.M. No. 26(6)/PF-II/70 dated 30-9-72 (copy enclosed). The limit of Rs. 1 crore has since been raised to Rs. 5 crores *vide* Ministry of Finance (Deptt. of Expenditure O.M. No. F.1(8)PF-II/76, dated 28-9-76. As such, proposals involving an investment of Rs. 5 crores and above would be referred to Public Investment Board. Projects costing between Rs. 1 crore and Rs. 5 crores will be put up to E.F.G. It is, *inter-alia*, laid down therein that the Feasibility/Project report should normally be brought up before the Public Investment Board along with the appraisal report within a period of three months of the receipt of the report.

2. Instances have come to the notice where there have been inordinate delays in submitting the Feasibility/Project Reports to the P.I.B. At times, some delay may occur in the processing of the report as a number of Government Departments/Organisations have to be consulted in regard to various aspects of the project, but every effort should be made by all concerned to minimise the delay and to submit the report to P.I.B. within the prescribed time limit.

3. A list of Project Reports received from project authorities and awaiting P.I.B.'s approval should be put up to the concerned Joint Secretary before the 7th of every month in the proforma enclosed (Annexure).

(J. MARWAHA)

Joint Secretary to the Government of India.

To

1. All Directors/Deputy Secretaries.
2. All Sections concerned.

ANNEXURE TO APPENDIX XII

Proforma re. Project Reports awaiting approval of Public Investment Board.

Name of the Undertaking

Sl. No.	Particulars of DPR/ Feasibility Report	Date of receipt	Date of circulation to BPE etc.	Date of preliminary meeting held by F.A.	Reasons for delay

APPENDIX XIII

(Vide reply to Recommendation at S. No. 28, para 45)

Copy of Ministry of Steel and Mines letter No. 54012 (16)/76-Met. II dated 25-10-76, to HZL re. Processing of feasibility reports.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT:—88th Report of the Committee on Public Undertakings (1975-76) (5th Lok Sabha) on Hindustan Zinc Limited—Need to prepare and process feasibility/project reports expeditiously etc. (Recommendation No. 28—paras 4.19 to 4.21).

Sir,

I am directed to say that the Committee on Public Undertakings (1975-76) (5th Lok Sabha) in its 88th Report on Hindustan Zinc Ltd. has, *inter alia*, recommended that Government/Hindustan Zinc Ltd. should streamline the procedures so as to ensure that not only are feasibility/project reports prepared expeditiously but these are finalised without delay (Recommendation No. 28).

2. The procedure for scrutiny/processing of feasibility/project reports of scheme costing more than Rs. 1 crore is already streamlined in the Ministry of Finance (Department of Expenditure) O.M. No. 26(6)/PF-II/70 dated 30-9-72, according to which the reports are normally to be placed before the PIB within a period of three months. These apply *mutatis mutandis* to schemes costing less than Rs. 1 crore also.

3. In order to adhere to the time-limit and obviate the need for back references, you are requested to ensure that:—

- (i) feasibility/project reports submitted to Government contain adequate information on all relevant aspects to take an investment decision;

(ii) in respect of mining schemes, in particular, information on (a) ore reserves is furnished on realistic basis with supporting exploratory 'data' and (b) characteristics of the ore brought in sufficient detail, duly supported by the results of studies made.

4. Your attention is also drawn to para 4.21 of the Report of the Committee regarding optimum synchronisation of mining, milling and smelting activities and expeditious implementation of the Balaria, Rajpura-Dariba and Zawarmala-Baroi mine development schemes.

5. The receipt of this letter may please be acknowledged.

Yours faithfully,

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XIV

(Vide reply to Recommendation at S. No. 34, pagea 49)

Reports>Returns received from Hindustan Zinc Ltd. under the integrated Management Information System.

Report No.	Subject	Periodicity	Purpose
<i>A/For Projects under construction</i>			
PC-1	Basic information	Quarterly	Gives information regarding location, nature of project date of start of construction etc.
PC-2	Pre-construction information	Do.	Gives time-frame in respect of preliminary project formulation, feasibility study, detailed project report etc.
C-1	Physical progress report	Do.	Gives information relating to civil works of factory construction.
C-2	Physical progress milestones	Do.	Indicates position relating to achievement and impact of delays on project completion date.
C-3	Financial progress	Do.	Shows total project cost and progress of expenditure and causes for variation.
C-4	Progress of interrelated activities	Do.	Gives information relating to the agencies responsible for different activities connected with the execution of the project.
C-5	Man-power	Do.	Shows break-up of manpower recruited and training undertaken.
C-6	Scarce Resource Position	Do.	Shows current position and projection of requirements scarce materials.
<i>B—For on Going Projects</i>			
2-A-1	Physical Production	Monthly	Monthly production of major items and variations between targeted and actual production.
2-A-2	Do.	Do.	Information on loss of production and reasons therefor and action taken for rectifying the position.

Report No.	Subject	Periodicity	Purpose
3.	Sales	Monthly	In respect of major products sales planned and achieved.
4.	Profits & Loss and financial position.	Quarterly	Gives at a glance the net profit made, corporate taxes and interest paid, cumulative figures and comparison with previous periods.
6.	Inventories	Half Yearly	Indicates whether inventory holding is high with reference to norms laid down.
7.	Exports	Do.	Gives date on export earnings.
9.	Internal Resources	Yearly	To assess the generation of internal resources and appraise the financial strength of the enterprises.
10.	Township & Social overheads	Do.	Designed to ascertain net expenditure on township, education, medical, transport facilities, etc.

APPENDIX XV

(Vide reply to Recommendation at S. No. 36, page 52)

Copy of Ministry of Steel and Mines letter No. 54012(4)/76-Met. I^F dated 4-9-76, to HZL re. shortage of water, maintenance machines etc.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT:—*Recommendations of Committee on Public Undertakings—88th Report on Hindustan Zinc Limited—Shortage of Water, maintenance machines, copper sulphate, power interruptions etc.—Recommendation No. 36 (paras 5.55 to 5.57).*

Sir,

I am directed to refer to recommendation No. 36 of the Committee on Public Undertakings (1975-76) (5th Lok Sabha) on Hindustan Zinc Ltd. and to draw your particular attention to the observations/recommendations contained in paras 5.55 to 5.57 wherein the Committee has recommended:—

- (i) that the inventory control should be streamlined and demand of various reagents and other items worked out well in advance and arrangements made for their timely procurement to avoid dislocation in production;
- (ii) that the management should lay down maintenance schedules to service the machines and ensure that these are observed regularly; and
- (iii) that steps taken in pursuance of the maintenance schedules should be reviewed by the Board from time to time and remedial action taken wherever necessary.

2. It is requested that early steps may kindly be taken to implement the Committee's recommendations. A time-bound programme may please be drawn up to lay down maintenance schedules for servicing the various machines, and the same placed before the Board. The steps taken pursuant to the maintenance schedules may

please be brought before the Board periodically to enable the Board to review the same.

3. Please acknowledge receipt of this letter and report the action taken, in due course.

Yours faithfully,
(M. S. BHATNAGAR)
Deputy Secretary to the Government of India.

APPENDIX XVI

(Vide reply to Recommendation at S. No. 39, page 55)

Statement showing the number of personnel trained in Hindustan Zinc Limited under various schemes

(a) *Graduate Trainees*

Year	1971	1973	1974	1975	1976
No. of Trainees (Co.)	53	33	39	13	Yet to be taken
Total No. (Co.) HZL Officers excluding Prob. as on 31-3- each year	186	283	328	342	..

(b) *Deputation of middle level and senior officers to NPC ASCI; FAI; NITIE etc.*

Year	1971-72	1972-73	1973-74	1974-75	1976-77	1977-78
No. of Officers ZS	7	14	4	13	59 Planned	45*
Co. (HZL)	36	36	36	24	86 Already Trained	81
Total No. of Officers ZS	40	40	50	50	63	53
Co. (HZL)	186	248	283	328	342	..

*This includes even one day seminars/courses and also the programmes arranged at Udaipur for Hindustan Zinc Limited regular officers and Probationer Engineers. In some cases same officer has attended more than one course.

(c) *Controlment of operation and maintenance engineers in detailed engineering and Project work,*

(i) *Debari Zinc Smelter*

(a) Operation	.	.	11
(b) Maintenance	.	.	10

(ii) *Visakhapatnam Zinc Smelter*

(a) Operation	.	.	8
(b) Maintenance	.	.	9

(d) *Deputation of personnel in other plants in specific fields*

1967-68]	.	.	7 persons in Zinc Plant.
			2 persons in acid and Fertiliser Plants
1968-69	.	.	4 persons in Zinc Plant.
1972-73	.	.	16 persons in acid plant.
1974-75	.	.	7 persons in acid and Fertilisers.
1975-76	.	.	2 persons in Zinc Plant.

(e) *Deputation of engineers to Smelters abroad*

1967-68	8
1972-73	1
1973-74	10
1974-75	2
1975-76	6
1976-77	3 so far.

(f) *Deputation of engineers under Various scholarships viz. Colombo Plan, GDR, etc.*

1974-75	Canadian Commonwealth Scholarship—1 person 3 years
1975-76	Fellowship Colombo Plan — person 1½ years under Czechoslovakia Govt. fellowship—1½ persons 3 years Colombo Plan for 1977-78—2 persons GDR, Scholar- ship for 1976-77—3 USSR Scholarship for 1976-77 —4 Planned.

(g) *Apprentices under Apprenticeship Act.*

1971	4
1972	6
1973	5
1975	42
1976	7

Company's own Apprenticeship scheme has not yet commenced. Planned for 1976-77—60 Nos.

(h) *Refresher Courses*

1971	1
1972	3
1973	6
1974	9
1975	18
1976	118
Details:	
1970	Central Board of Workers' Education 1
1972	Central Board for Workers' Education 3
1973	NFC and Rajasthan Mfg. Association Employees Relationship and Communication. 6
1974	Central Board for Workers' Education 3
	Sri Ram Centre for Industrial Relations 6
1975	Central Labour Instt. Safety Training Courses 9
	Dunlop India Ltd. Vulcanisation 2

Central Public Health and Environmental Engg. Org. Water Works Supervisory	3
NPC—Workshop participation	1
CLI Shopfloor management	3
Siemens India Ltd. Cable Joining	1
Bradma India Ltd. Operation of Bradma m/c	2
Taylor Instruments—Instrumentation	2
National Fire Service Collete	1
Industrial Fire Fighting	
Regional Labour Instt. Safety in Chemical Process .	2
Industrial Safety & Health Education	50
First Air Course	60

APPENDIX XVII

(Vide reply to Recommendation at S. No. 48, page 67)

Copy of Ministry of Steel and Mines letter No. 54012(42)/76-Met.II dated 2-11-1976 to HZL re. acceptance of Demag Furnace.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT:—88th Report of Committee on Public Undertakings on Hindustan Zinc Limited—Demage furnace—acceptance without getting indication about expected recovery efficiency (Recommendation No. 48—para 5.133).

Sir,

I am directed to draw your attention to the observation of the Committee on Public Undertakings in its 88th Report on Hindustan Zinc Ltd. (recommendation No. 48—para 5.133) regarding acceptance of the Demag melting furnace without getting any indication from the West German suppliers about the expected recovery efficiency and to say that suitable instructions may kindly be issued to all concerned so that no plant/equipment is accepted, in future, without getting definite indication about the expected recovery efficiency.

2. Reference is also invited to the correspondence resting with your O.M. No. 12/12/Oct. 76, dated 12-10-76, regarding performance of similar furnaces elsewhere. It is requested that the matter may please be pursued vigorously with M/s. Demag or the required information obtained from other sources and the standard recovery efficiency of the furnace determined expeditiously and the Ministry informed of the same.

3. The actual performance of the furnace may please be watched with reference to the standard recovery efficiency so determined and remedial measures taken, wherever necessary.

4. Please acknowledge receipt of this letter.

Yours faithfully,
(M. S. BHATNAGAR)
Deputy Secretary to the Government of India.

APPENDIX XVIII

(*vide reply to Recommendation at S. No. 53, page 72*)

Copy of Ministry of Steel and Mines letter No. 54012 (72) / 76-Met.II dated 14-9-76 to HZL re: recovery efficiency in the lead smelter.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT.—88th Report of Committee on Public Undertakings (1975-76) (5th Lok Sabha) on Hindustan Zinc Ltd.—Action taken to improve recovery efficiency in the lead smelter (para 5.155).

Sir,

I am directed to invite your attention to para 5.155 of the 88th Report of the Committee on Public Undertakings (1975-76) (5th Lok Sabha) on Hindustan Zinc Ltd. and to note that with the installation of the new blast furnace and gas cleaning system which are now under trial, the company expects that recovery efficiency would improve to about 90 per cent.

2. It is requested that the recovery efficiency actually attained on stabilisation of production of the blast furnace etc. may kindly be watched closely and the position reported to this Ministry, in due course.

3. The receipt of this letter may please be acknowledged.

Yours faithfully,

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XIX

(Vide reply to Recommendation at S. No. 57, page 75)

Copy of Ministry of Steel and Mines letter No. 54012 (80)/76-Met.II dated 30.12.76 to HZL re. watch on actual consumption of fuel and fluxes.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT:—88th Report of Committee on Public Undertakings (1975-76—5th Lok Sabha) on Hindustan Zinc Ltd.—Recommendation No. 57 (para 5.170)—watch on actual consumption of fuel and fluxes per tonne of lead vis-a-vis norms fixed.

Sir,

I am directed to say that the Committee on Public Undertakings (1975-76—5th Lok Sabha) in its 88th Report on Hindustan Zinc Ltd. has recommended in paragraph 5.170 (recommendation No. 57) that a constant watch on the actual consumption of various fuel and fluxes in the lead smelter vis-a-vis the norms should be kept and remedial measures taken wherever necessary.

2. It is requested that the above recommendation of the Committee may be brought to the notice of the concerned officers of the company for strict compliance.

3. The receipt of this letter may please be acknowledged.

Yours faithfully,
(M. S. BHATNAGAR)
Deputy Secretary to the Government of India.

APPENDIX XX

(Vide reply to Recommendation at S. No. 58, page 77)

Copy of Ministry of Steel and Mines letter No. 54012 (47)/Met. II dated R-VV-GF to HZL re. claims lodged with Railways and Insurance Company

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT: *88th Report of Committee on Public Undertakings on Hindustan Zinc Ltd.—Damage/loss to mining equipment during transit from Bombay to Zawar—Claims lodged with the Railways and the Insurance Company (Recommendation No. 58).*

Sir,

I am directed to draw your attention to Recommendation No. 58 (para 5.174) of the 88th Report of the Committee on Public Undertakings (1975-76—5th Lok Sabha) and to observe as under:—

- (i) There has been delay in extending the validity of the insurance cover with New Zealand Insurance Co. Ltd., Calcutta, beyond April 1966.
- (ii) The insurance cover applied only to consignments transported in closed wagons whereas some of the consignments (including the equipment damaged by fire) were actually transported in open wagons apparently because of their size. The terms of the insurance cover could have been got suitably modified with the Insurers in time.
- (iii) The assistance of the Ministry was solicited in November 1968 to pursue the claim with the Railways and the matter was taken up with the Railway Board who informed in May 1969 that the Western Railway Administration had been told to process the case expeditiously and to take, in consultation with Hindustan Zinc Ltd., mutually acceptable decisions.

- (iv) Hindustan Zinc Ltd. had reported in its letter No. 15(12) 66-Adm. 7471, dated 7-7-69, that an officer of the Western Railways was visiting Udaipur for discussions and that the outcome of the discussions would be reported to the Board and the Ministry. No. further report was received in the Ministry nor the matter appears to have been reported to the Board.
- (v) From the company's records sent to the Ministry it is seen that though the matter was pursued subsequently with the Western Railways by the Hindustan Zinc Ltd. this was not done vigorously and in respect of the claim with the Insurance company the matter was finally settled only in August 1974.

2. In view of the huge amounts involved, the matter should have been pursued vigorously by the company and brought to the notice of the Board/Ministry from time to time. It is requested that appropriate steps may kindly be taken to streamline the procedure for follow up of such cases so that such lapses are avoided in future.

3. Receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXI

(Vide reply to Recommendation at S. No. 60, page 78)

Copy of Ministry of Steel and Mines letter No. 54012(85)/76—
Met. II dated 29-9-1976 to HZL re. abnormal loss of working hours
in the Zinc smelter.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT.—88th Report of Committee on Public Undertakings on
Hindustan Zinc Ltd. Analysis of reasons for abnormal
loss of working hours in the zinc smelter (Recommendation
No. 60 Para 5.181).

Sir,

I am directed to refer to your comments on the above recommendation of the Committee on Public Undertakings (1975-76—5th Lok Sabha) contained in its 88th Report and to request that a copy of the report of the Committee constituted to analyse the reasons for the abnormal loss of working hours together with the views of the management thereon may kindly be furnished to this Ministry, in due course.

2. It is also requested that abnormal loss of working hours in future in any plant should also be analysed in depth to take suitable remedial measures.

3. The receipt of this letter may please be acknowledged.

Yours faithfully,
Sd/-
(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXII

(Vide further reply to Recommendation at S. No. 80, page 79)

Working hours of different Plant Sections

Unit—Hrs.

WORKING HOURS—DEBARI ZINC SMELTER						
	1973-74	1974-75	1975-76	1976-77		1977-78 (Upto Dec. 77)
				O	N	
Roaster . . .	5382	7588	7805	6048	1854/2160	1490 4639
Leaching . . .	6542	7490	7561	6392		4752
Electrolysis . . .	7132	8127	8479	10116/13496		13773
Single Superphosphate	1727	3308	1520	2254		1869
						<i>Unit—Tonnes</i>
Zinc Cathode Production	11993	16270	17533	16107		18896
						<i>Unit—Nos.</i>
Power Failures . . .	288	177	110	93		148

O—Old Roaster

N—New Roaster.

APPENDIX XXIII

(Vide reply to Recommendation at S. No. 61, page 80)

Copy of Ministry of Steel and Mines letter No. 54012 (63)/76-Met. II dated 11-9-76 to HZL re. procurement of raw materials.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
6, New Fatehpura,
Udaipur. (Raj)

Sir,

I am directed to invite your attention to para 5.162 of the 88th Report on Hindustan Zinc Ltd. of the Committee on Public Undertakings, wherein they have observed that one of the reasons for idle hours in super phosphate plant was the shortage of raw materials. They have, accordingly, stressed that the suitable steps should be taken by the company to procure raw materials well in advance in order to ensure maximum utilisation of the plant.

2. This recommendation of the Committee on Public Undertakings is valid not only for the super phosphate plant, but also for all other production units for the optimum utilisation of the various production facilities. Necessary measures may kindly be taken to ensure that capacity utilisation of production plants do not suffer because of non-availability of raw materials. In this context, you may also examine the need of augmenting of storage capacity for any critical items of input.

3. Kindly acknowledge the receipt.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXXIV

(Vide reply to Recommendation at S. No. 66, page 84)

Copy of Ministry of Steel and Mines letter No. 54012(81)/76-Met. II dated 15-9-76 to HZL re. Appointment of IAMR for evaluation of staff standards

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT.—88th Report of Committee on Public Undertakings on Hindustan Zinc Ltd.—Appointment of Institute of Applied Manpower Research for evaluation of staff standards—Recommendation No. 66 (Para 6.29).

Sir,

I am directed to refer to recommendation No. 66 of Committee on Public Undertakings contained in its 88th Report which relates to the appointment of Institute of Applied Manpower Research and to say that in future, when consultants are appointed to study/evaluate specific areas/problems, it should be ensured beforehand that they have the required expertise and organisation to undertake the work proposed to be assigned to them. The Management should get a list of assignments undertaken and completed by such organisations and find out whether their reports were accepted and implemented by the undertakings concerned. The Board should be presented with full particulars to enable them to come to a reasonable conclusion.

2. The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Govt. of India.

Copy to:—Dir(P)/DS/(N)/DS (MS)/DS (R).

APPENDIX XXV

(Vide reply to Recommendation at S. No. 68, page 88)

Copy of Ministry of Steel and Mines letter No. 54012(54)\$76-Met. II dated 23-10-76 to HZL re. determination of optimum staff strength for different units.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT.—88th Report of Committee on Public Undertakings on Hindustan Zinc Ltd. (1975-76)—Determination of Optimum staff strength for the different units (Recommendation No. 68—paras 6.30 to 6.33).

Sir,

I am directed to refer to the correspondence resting with your letter No. FA/Audit Review/74-75, dated 23-9-75, on the above-mentioned subject, and to say that it is seen that the optimum staff strengths determined for the expanded Debari Zinc smelter and the Visakhapatnam zinc smelter have been placed before the Board at its meeting held on 6-9-76. It is also seen that the optimum staff strength for the Zawar Mines has been determined by the company as follows:—

Mochia Mine	1120
Ore Dressing Plant	335
Surface Departments	658
	<hr/>
TOTAL	2113
	<hr/>

2. It is requested that the above staff strength determined may pleased be placed before the Board for its consideration and ap-

proval. It is further requested that the manpower requirements of the other Mines of the Company and the Tundoo lead smelter may also be determined based on scientific studies and placed before the Board may please be obtained for any increase in the staff strength beyond the approved level in any of the units.

3. The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India

.....
Copy to DS (R).

APPENDIX XXVI

(Vide further reply to Recommendation at S. No. 68, page 88)

Copy of Ministry of Steel and Mines letter No. 54012(54)/76-Met. II dated 2-5-1977 to HZL re. determination of optimum staff strength.

To

The Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur (Rajasthan)

(Attention: Shri C. R. Guha Roy)

SUBJECT.—88th Report of the Committee on Public Undertakings (1975-76)—on Hindustan Zinc Ltd. Action taken by Government on Recommendation No. 68 of the report.

Sir,

With reference to your letter No. FA/Audit Review/74-75, dated the 11th April, 1977, on the subject mentioned above, I am directed to say that the information furnished in respect of Recommendation No. 68 (b) does not seem to be correct in view of the fact that approval of the Project Report does not mean approval of the staff strength of these mines and approval of the Board obtained requested that for the other mines of the Company viz. Maton Rock phosphate mines and Rajpura-Dariba Zinc-Lead mines in Rajasthan, which have been approved by the Government for development, immediate action may kindly be taken to determine the staff strength of these mines and approval of the Board obtained for the same.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXVII

(Vide reply to Recommendation at S. No. 72, page 94)

Copy of Ministry of Steel and Mines letter No. 54012 (79)/76-Met. II dated 14-9-76 to HZL re. fixation of norms for consumption of materials.

To,

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT.—88th Report of Committee on Public Undertakings on Hindustan Zinc Ltd.—fixation of norms and review thereof etc.—Recommendation No. 72 (para 7.36).

Sir,

I am directed to say that the Committee on Public Undertakings (1975-76). (5th Lok Sabha) in their 88th Report has, *inter alia*, recommended that:—

- (i) the norms for consumption of materials should be scientifically fixed based on appropriate data and approved by the Board;
- (ii) the Board should also critically review the variances from the norms with a view to suggesting suitable remedial measures for effecting economies where necessary; and
- (iii) the norms should be kept under constant and continuous review by the Management and the results brought to the notice of the Board, from time to time.

(Recommendation No. 72—para 7.36)

2. It is noted that the company has already fixed norms for consumption of materials like explosives, drill rods, chemicals etc. and other important materials both for the mines and the smelters and the same have been approved by the Board.

3. It is requested that the recommendations of the Committee, referred to above, may kindly be noted and (i) the norms fixed and kept under constant and continuous review and (ii) the norms for the new mines/smelters be fixed on scientific basis.

4. The receipt of this letter may please be acknowledged.

Yours faithfully,

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXVIII

(Vide reply to Recommendation at S. No. 76, page 97)

Copy of Ministry of Steel and Mines letter No. 54012 (80)/76-Met. II dated 14-9-76 to HZL re. watch on cost of production etc.

To,

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT: 88th Report of Committee on Public Undertakings on Hindustan Zinc Limited—Recommendation No. 76 (para 7.55) regarding watch on cost of production etc.

Sir,

I am directed to invite your attention to Recommendation No. 76 (para 7.55) of the Committee on Public Undertakings (1975-76) (5th Lok Sabha) in its 88th Report, reproduced below:—

“The Committee need hardly point out that the Management have a special responsibility to keep a close watch on the cost of production. They recommend that the question of cost of production should be a standing item on the agenda of the Board meetings to enable the Board to review the position critically, identify the areas where economies can be effected and watch the results of the remedial measures taken in this regard.”

(Para 7.55)

2. It is requested that review of the cost of production should be a standing item on the agenda of the meetings of the Board to enable it to identify the areas where economies can be effected and watch the results of the remedial measures taken.

3. The receipt of this letter may please be acknowledged.

Yours faithfully,
(M. S. BHATNAGAR)
Deputy Secretary to the Government
of India.

APPENDIX XXIX

(Vide reply to Recommendation at S. No. 79, Page 103)

Copy of Ministry of Steel and Mines letter No. 54012 (27) /76-Met. II dated 13-8-76 to HZL re. sale of silver without approval of Board.

To

The Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Uaidpur (Attention: Shri R. P. Kapur)

SUBJECT.—88th Report of the Committee on Public Undertakings—
on Hindustan Zinc Ltd.—Sale of Silver (para 8.39).

Sir,

I am directed to refer to para 8.39 of the 88th Report of the Committee on Public Undertakings (5th Lok Sabha) on Hindustan Zinc Ltd. and to say that the Committee has observed as under:—

“Although the Board of Directors permitted the Management to sell 1800 Kgs of silver through Metal Distributors Ltd. when the agreement with Metal Distributors was terminated with effect from March 1967, the Committee regret to find that the Hindustan Zinc Ltd. sold 6871 Kgs. during April 1967 to February 1969 without obtaining permission of the Board and paid a sum of Rs. 30,525 as commission. The Committee are informed that it was only a technical violation of Board's decision and in principle the decision was that till other arrangements finalised Hindustan Zinc Ltd. will keep on selling silver in Bullion market.”

2. It was not clear why *post facto* approval of the Board was not taken in the above case and the ‘technical violation’ regularised. It is requested that suitable steps may please be taken that such lapses do not occur in the future.

3. It is also requested that the Pricing/Sales policy of the company may please be brought before the Board at the beginning of each financial year and its approval obtained. The approval of the

Board may also be obtained for any subsequent change considered necessary.

The receipt of this letter may be acknowledged.

Yours faithfully,

Sd|-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXX

(Vide reply to Recommendation at S. No. 79, page 103)

Summary of the Findings of the enquiry officer re. sale of silver through metal distributors

(i) Before the acquisition of the undertaking, the previous management, viz. Metal Corporation of India, had an agreement with Metal Distributors for sale of silver and lead, which was terminated by Hindustan Zinc Ltd. on 25-3-66.

(ii) In March 1967, the approval of the Board was obtained to sell silver through Metal Distributors, pending finalisation of permanent arrangement. The silver in stock at that time was around 1800 Kgs., which was sold by September, 1967.

(iii) Hindustan Zinc Ltd. did take up the question of sale of silver on permanent basis with the Hindustan Photo Films. The latter, however, had to conduct tests on the suitability of Hindustan Zinc Ltd.'s silver which was only of 99.96 per cent purity as against 99.99 per cent used by Hindustan Photo Films earlier. Suitability of Hindustan Zinc Ltd.'s silver was intimated by Hindustan Photo Films in July, 1968. Thereafter negotiations of the detailed terms and conditions took some more time and the agreement could be concluded only by February 1969.

(iv) In the meantime, sale of silver through Metal Distributors was continued as the company—

- (a) had no experience in sale of silver;
- (b) could not afford to block capital by stockpiling; and
- (c) storage of silver at Tundoo had inherent risks.

(v) The rates quoted in the Calcutta bullion market are based on the average of the selling rates around 5 p.m. with some of the reputed silver dealers, and as such do not represent (a) the actual rates at which transactions had taken place on a particular day and (b) the rates at which silver is bought by the dealers/merchants.

(vi) The Secretary, West Bengal Bullion Merchants and Jewellers Association, who was contacted in the matter, has stated that they do not keep any record of fluctuations which take place during the day. The Association has further certified as under:—

“This is to certify that the market price of Bullion, Bold or Silver supplied by us to the press is the price offered by

consumers to the dealers for purchase of bullion as per our record. Between this price and the price at which the dealers purchased bullion on corresponding dates there must be a difference which would account for the profit of the dealers."

(vii) The fact that the rates offered by Metal Distributors were frequently lower than the bullion market rates was known to the management and the local representatives of Hindustan Zinc Ltd. at Calcutta, who used to authorise the sales through Metal Distributors, had been taking instructions from Head Office from time to time.

(viii) The loss computed on account of the sales through Metal Distributors stated as Rs. 50,000/- in fact, works out to only Rs. 27,195 (if the actual selling rates were compared with the rates as quoted in the Calcutta edition of the Statesman) and Rs. 13,248.34 (if compared with the rates as quoted in the Delhi edition of Statesman). In terms of percentage, the loss compared with the total amount of transaction is very nominal, i.e., 0.89 per cent at Calcutta edition rates and 0.43 per cent at Delhi edition rates.

(ix) The loss could perhaps have been avoided, if Hindustan Zinc Ltd. had itself directly assumed the role of a dealer but it was not possible as the company had hardly any experience in the sale of silver and had been dependent on the selling agents, a legacy inherited from the previous management. Further, the cost of such an infrastructure would not have been commensurate with the anticipated benefit at that point of time. In fact, the company also tried to sell silver directly but the rates quoted were lower than the market rates.

APPENDIX XXXI

(Vide reply to Recommendation at S. No. 80, page 104)

Copy of Ministry of Steel and Mines letter No. 54012(43)/76-Met. II dated 13-10-76 to HZL re. long term contracts for sale of products.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT.—88th Report of Committee on Public Undertakings on Hindustan Zinc Ltd.—long term contracts for sale of products—Recommendation No. 80 (para 8.52).

* * * *

Sir,

I am directed to draw your attention to Recommendation No. 80 of the Committee on Public Undertakings (1975-76—5th Lok Sabha) contained in paragraph 8.52 of its 88th Report on Hindustan Zinc Ltd., and to say that while it was not unreasonable to offer a price for supply of sulphuric acid to Udaipur Chemical Industries linked to the cost of imported sulphur in 1969, to ensure a regular outlet for the marginal surplus acid, the period of the contract need not have been for as long as fifteen years. It has been accordingly decided that, in future, whenever long term contracts are concluded for the sale of products, it should be ensured that the period is reasonable, say three to five years and the company is not bound down to a pricing formula for an unduly long period. In such cases it would be desirable to provide for revision of the pricing formula after a period of three/five years.

3. Please acknowledge receipt of this letter.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXXH

(Vide reply to Recommendation at S. No. 87, page 112)

Copy of Ministry of Steel and Mines letter No. 54012(43)/76-Met. II dated 13-10-76 to HZL re. Price variation clause in agreements for sale of products.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT.—88th Report of Committee on Public Undertakings on Hindustan Zinc Ltd.—Price variation clause in agreements for sale of products—Recommendation No. 87 (paras 8.90 and 8.91).

Sir,

I am directed to say that the Committee on Public Undertakings (1975-76—5th Lok Sabha) in its 88th Report on Hindustan Zinc Ltd. has, *inter alia*, felt that the question of including price variation clause in the agreement should be carefully considered with reference to market conditions prevailing at the time and decision taken on merits of each case in the larger interest of the undertaking (Recommendation No. 87—paras 8.90 and 8.91).

2. It is requested that the above recommendation of the Committee may please be kept in view while finalising agreements for sale of the company's products.

3. The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXXIII

(Vide reply to Recommendation at S. No. 88, page 112)

*Extract from C.B.R. Bulletin Central Excise Technical
April—June, 1969.*

37. Central Excise—Fertilizers falling under Item No. 14HH of the First Schedule to the Central Excises and Salt Act, 1944—Whether stock in bulk lying with the manufacturers on 28-2-1969/1-3-1969 is to be treated as pre-excise stock and allowed clearance without payment of duty.

The Collectors have expressed doubts whether the stocks of fertilizers lying with producers as on 28-2-69/1-3-1969 in bulk condition where in the process of manufacture, except packing, was completed as on 28-2-69/1-3-69, should be treated as pre-excise stock and allowed clearance without payment of duty. In this connection attention is invited to the Board's circular letter No. Misc. 24/67-CXI F. No. 2/11/67-CXI, dated 29-4-1967 (at page 273) wherein it has been stated that packing, except in case of Patent or Proprietary medicines and cosmetics and toilet preparations, cannot be regarded as a part of process of manufacture if the goods could have been delivered to the customers without packing. Under the Fertilizers Control Order, Manufacturers have to deliver fertilizers from their manufacturing premises in packed condition only. Even the mode of packing has been prescribed in the said order. In view of the said Fertilizer Control Order, it would appear that the manufacturers could not have delivered fertilizers from their factories to the customers in bulk form. As such stocks of bulk fertilizers lying with the producers as on 28-2-69/1-3-69 cannot be treated as ready for delivery and would attract duty when the same are cleared on or after 1-3-69. If any clearances out of such stock lying with the manufacturers as on 28-2-69/1-3-69 have been allowed without payment of duty, immediate action should be taken to raise the demand against such clearances.

2. The decision to charge duty or raise demands would be without prejudices to appellate rights of the parties concerned.

(C.B.E.C., F. No. B-6/27/69. CX. I, dated 17-4-1969)

APPENDIX XXXIV

(Vide reply to Recommendation at S. No. 90 page 114)

**Copy of Ministry of Steel and Mines letter No. 54012 (51)/76-Met. II
dated 17-9-76 to HZL re. processing of tenders**

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

**SUB: 88th Report of Committee on Public Undertakings on Hindustan
Zinc Limited—Streamlining of processing of tenders—
Recommendation No. 90 (paras 9.11 to 9.13).**

Sir,

I am directed to refer to recommendation No. 90 of the Committee on Public Undertakings contained in its 88th Report, regarding streamlining the procedure for analysing and finalising tenders, and to say that appropriate steps may please be taken to ensure that the tenders are finalised invariably within a period of sixty days from the date of their opening.

The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXXV

(Vide reply to Recommendation at S. No. 91, page 115)

Copy of Ministry of Steel and Mines letter No. 54012 (49) /76-Met. I
dated 29-9-76 to HZL re. fixation of maximum, minimum etc.
for Stores.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUB: 88th Report of Committee on Public Undertakings on Hindustan
Zinc Ltd.—fixation of maximum, minimum etc. for stores;
(Recommendation No. 91—paras 9.28 and 9.29).

Sir,

I am directed to refer to recommendation No. 91 of the Committee on Public Undertakings (1975-76—5th Lok Sabha) contained in its 88th Report on Hindustan Zinc Limited and to request that:—

- (i) suitable measures may be taken to keep a constant watch over the inventory levels of stores, particularly 'A' & 'B' category stores and to ensure that there is no let-up in the efforts to keep the inventory levels below the prescribed norms; and
 - (ii) the work relating to fixation of maximum and minimum levels of inventory for category 'B' and 'C' stores may be completed by 31-12-1976 and 31-3-1977 respectively as per the programme drawn up by the company. A report on the completion of the work may also kindly be sent to this Ministry, in due course.
2. The receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India

APPENDIX XXXVI

(*Vide* reply to Recommendation at S. No. 92, page 117)

Copy of Ministry of Steel and Mines letter No. 54012(77)/76- Met. II dated 3-11-76 re. analysis of shortages of concentrates etc.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

Sub: 88th Report of Committee on Public Undertakings on Hindustan Zinc Limited—Analysis of shortage of concentrates etc. (Recommendation No. 92—para 9.52).

Sir,

I am directed to invite your attention to Recommendation No. 92 (para 9.52) of the Committee on Public Undertakings (1975-76—5th Lok Sabha), and to say that the Committee has desired that losses of concentrates should be analysed to find out to what extent the shortages were due to handling and storage and to what extent to other causes.

2. From the correspondence resting with your wireless message No. 13/20/Oct., dated 20-10-76, it is seen that norms of unavoidable losses of bulk material like concentrates are being finalised in consultation with the constituent units and based on previous stock verification results. The norms so fixed may be put up to the Board for approval as early as possible. Actual losses when they exceed the norms may be investigated and the results reported to the Board.

3. Receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Under Secretary to the Government of India.

APPENDIX XXXVII

(Vide further reply to Recommendation at S. No. 92, page 117)

Copy of Note for the 66th meeting of the Board of Directors of
Hindustan Zinc Ltd. held on 23-9-75.

Item No. 2

SUB: Shortage of Zinc concentrates.

A. At Zawar Mines

In December, 1970 a shortage of 1193 Mt of concentrates valuing about Rs. 10.87 lacs was detected. This was adjusted in the Accounts of the Company for the year ended 31st March, 1971, pending full investigations.

The Matter was fully investigated by the Sr. Ore Dressing Engineer, SOM, OSD and the Internal Audit Wing for the said shortage. The investigations brought out the following position:

"In the absence of any other available practical method the standard practice all over the world to report concentrate production from the ore dressing plant is on the basis of theoretical calculation from the following variable data:—

1. Tonnage of Mill feed
2. Grade of lead and zinc in the mill feed
3. Percentage of zinc in the zinc concentrate
4. Percentage of lead gone in the zinc concentrate
5. Percentage of lead in the lead concentrate
6. Percentage of zinc gone in the lead concentrate
7. Percentage of lead and zinc gone in the tailings.

The theoretical (calculation) production figures always vary from the actual production due to the moisture content of the ore, approximation as to the quantity of the mill feed, chances of errors in sampling associated with variation in the assay values obtained from the Laboratory, moisture content in the concentrates and the like. There is likelihood of wide variation from the production

based on theoretical calculation in the months of July to September, each year. The moisture estimation is very important as the production figures are given on the dry weights.

Since as there is no other fool-proof method to assess the actual production of zinc concentrate, the above theoretical basis of calculation had been adopted during the last 15 years. While there might be some shortage on account of handling and storage losses in the mill, storage yard and for storage losses at other site platforms where the concentrates had to be dumped for despatches to Zinc Smelter, Debari, a bulk of shortage could safely be attributed to the errors in the theoretical calculations. The total shortage works out to about 5 per cent of the total production of about 18,400 tonnes in 14 months ending December, 1970. Out of this percentage about 2 per cent might be on account of handling, flying, and long storage losses the rest could safely be assumed on account of errors in the theoretical calculation on production of concentrates. Another practice to report concentrate production from the ore dressing plant is to place several weightometers in the mill premises, namely one for weighing the mill feed and other for weighing the various products. Even in this case belt-weightometers are liable to record 2 per cent to 5 per cent variation in the total weight during 24 hours.

While efforts are made to physically verify the stock by shifting the entire production of concentrates produced on monthly basis or fortnightly basis so that there may be cross checking with the theoretical figures either from weightometer or by theoretical formula, this could be done at Zawar Mines every month on account of accumulations of large stocks during the period".

Accordingly, it was held that there was actually no shortage and no write off was necessary. The Ex-Chief of Planning & Development (Smelters) FA and CMD agreed with these investigations and no formal write off sanction was considered necessary.

B. At Zinc Smelter

The excess of about 1695 tonnes of indigenous zinc concentrates was observed on physical verification of stock in the Smelter on 30th April, 1971. Considering the possibility that the excess might be due to (i) Moisture content (ii) Inaccurate recording of weight by weigh bridge (iii) Non-preparation of daily requisitions by Plant Managers (iv) Quantity assessed on physical verification being estimation due to volumetric measurement and the full destiny indicated by Laboratory being possibly inaccurate, a fresh verification

of stocks was carried out in December, 1972 and finally in June, 1973. This indicated a shortage of about 643 tonnes valuing about Rs. 8.57 lacs.

The matter was fully investigated by the Dy. GM (ZS), Controller of Inventory & Contracts and Chief Internal Audit Officer. The investigations revealed that there had been some erroneous entries in the stock records of the zinc smelter in the quantities despatched by Zawar Mines. The correct position revealed an excess of about 65 tonnes of zinc concentrates at the Smelter. These investigations also revealed a shortage of about 453 tonnes valuing about Rs. 5.35 lacs in the imported concentrates during the period from 1968 to 1973. This worked out to about 1.04 per cent for all the seven consignments of imported zinc concentrates of total quantity of about 43,593 dry MT.

The results of investigations were approved by Chairman-cum-Managing Director. Necessary adjustments have been made in the annual accounts for 1974-75.

This is for information of the Board.

Sd/-
(A. N. BANERJEE)
Managing Director.

APPENDIX XXXVIII

(*Vide* reply to Recommendation at S. No. 93, page 120)

Copy of Ministry of Steel and Mines letter No. 54012(52)/76-Met. II dated 30-9D-76 to HZL re. physical verification of stocks.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

Sub: *88th Report of Committee on Public Undertakings on Hindustan Zinc Ltd.—Physical verification of stocks of concentrates, rock phosphate etc. (Recommendation No. 93—paras 9.53 to 9.59).*

Sir,

I am directed to refer to recommendation No. 93 of the Committee on Public Undertakings (1975-76—5th Lok Sabha) and to draw your particular attention to paragraphs 9.58 and 9.59 reported below:—

“The Committee recommend that the new system of stock verification, which is stated to be scientific should be kept under constant review and improved from time to time in the light of experience so that the Management can keep proper check on stores, raw materials and finished products.

The Committee also recommend that shortages noticed as a result of stock verification should be got examined independently and responsibility for shortages fixed and the results of examination placed before the Board, so that the Board may review the position and advise corrective measures to be followed.”

2. It is requested that appropriate action may kindly be taken to:—

- (i) Keep the new system of stock verification under constant review and effect improvements, from time to time, in the light of experience; and
- (ii) get the shortages noticed during stock verification examined independently and to place the results of such examination before the Board for its review and advise.

3. Receipt of this letter may please be acknowledged.

Yours faithfully,

Sd/-

(M. S. BHATNAGAR)

Deputy Secretary to the Government of India.

APPENDIX XXXIX

(Vide reply to Recommendation at S. No. 100, page 125)

Copy of Ministry of Steel and Mines letter No. 54012 (82) /76-Met. II dated 20-9-76 to HZL re. functioning of internal audit wing.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUB: 88th Report of Committee on Public Undertakings on Hindustan Zinc Limited—Recommendation No. 100 (paras 11.24 and 11.25) regarding effective functioning of the internal audit wing.

Sir,

I am directed to draw your attention to recommendation No. 100 (paras 11.24 and 11.25) of the Committee on Public Undertakings (1975-76) (5th Lok Sabha) contained in its 88th report and to request that suitable steps may kindly be taken to ensure that the Internal Audit Wing functions as an effective tool of financial control. The functions of the Wing should include a critical review of the systems, procedures and operations of the Hindustan Zinc Ltd. as a whole. The reports of the Wing should receive serious consideration at all levels in the company and a report of the points together with the action taken thereon should be placed before the Board, from time to time.

2. Please acknowledge receipt of this letter.

Yours faithfully,
Sd/-

(M. S. BHATNAGAR)
Deputy Secretary to the Government of India.

APPENDIX XL

(Vide reply to Recommendation at S. No. 101, page 125)

Copy of Ministry of Steel and Mines letter No. 54012(34)/76-Met. II dated 30th August, VTRF to HZL re. Capital Cost of Projects.

To

Shri R. P. Kapur,
Chairman-cum-Managing Director,
Hindustan Zinc Limited,
Udaipur.

SUBJECT: *Report of the Committee on Public Undertakings on Hindustan Zinc Limited.*

Sir,

I am directed to say that the Committee on Public Undertakings (Fifth Lok Sabha) in its 88th Report (1975-76) has, *inter alia*, made a number of recommendations in regard to the capital costs and staffing of the projects, accent on productivity in the Wage structure, strict financial control on all the activities of the Undertaking, etc. These are contained in paras 11.32 to 11.35 and 11.37 and 11.38 (extracts enclosed). I am to request you to keep a strict watch over the various aspects of the working of the Hindustan Zinc Ltd. suggested by the Committee in these paras and to make all-out efforts to implement the recommendations.

2. You may kindly examine the present monitoring arrangements in your Undertaking and the review undertaken from time to time by industrial engineers from the aspects of work-study and cost reduction at plant level, and put up a report on the other points also to the Board of Directors as early as possible. The recommendations of the Board of Directors on the various points may kindly be communicated to Government in due course.

3. Receipt of this letter may please be acknowledged.

Yours faithfully,
M. S. BHATNAGAR,
Deputy Secretary to the Govt. of India.

Copy forwarded to Shri C. R. Guha Roy, Director (Finance), Hindustan Zinc Limited, for similar action.

Copy also forwarded to the following Government Directors on the Board of Hindustan Zinc Limited.

1. Shri J. Marwaha, Joint Secretary, Department of Mines.

2. Shri R. Rangarajan, Deputy Secretary, Department of Mines.

It is requested that they should pay attention to various aspects of the working of the Company suggested by the Committee. They should in particular ensure that the expenditure on the projects under implementation do not get inflated to militate against the viability of the project.

Copy also forwarded to DS(KNB) (GS-1 Section) with the request that a copy of the O.M. may please be kept in their relevant file so as to draw the attention of the Government Directors on the Board of Hindustan Zinc Limited, whenever there is a change.

M. S. BHATNAGAR,
Deputy Secretary to the Govt. of India.

APPENDIX XLI

(Vide reply to Recommendation at Sl. No. 3, page 130)

Note on the revised cost estimate of the integrated scheme

The revised cost estimate (of 1964) of the integrated scheme amounting to Rs. 1264 lakhs (which included Rs. 100 lakhs for working capital and start-up expenses) was re-assessed by the Hindustan Zinc Ltd. in November, 1966 at Rs. 1664.47 lakhs. This did not include provision for working capital and start-up expenses. The main reasons for the increase indicated by the Hindustan Zinc Ltd. were devaluation of the rupee in 1966 which increased the rupee liability in respect of the deferred loan for the imported equipment to the French suppliers, additional 1,000 tonnes per day milling capacity and general escalation in costs.

2. The cost estimates were finally revised by Hindustan Zinc Ltd. to Rs. 1896.61 lakhs in October, 1969. Though the company rearranged and re-grouped the various heads of expenditure during the revision of the cost estimates, the reasons for the increase under the principal heads of expenditure *vis-a-vis* the 1964 estimates were analysed by the company in January 1970, at the instance of the Ministry, brief details of which are indicated below:—

(i) The cost estimate of Rs. 1264 lakhs of 1964, in fact, included *inter-alia* provision of Rs. 100 lakhs towards working capital and start-up expenses. Similarly, the revised cost estimate of Rs. 1896.61 lakhs of October, 1969 included, *inter alia*, provision of Rs. 22 lakhs for the Tundoo lead smelter, Calcutta office, etc. and about Rs. 80 lakhs being the investment on the 500 tonnes per day mining and milling assets at Zawar. These had not been included in the estimate of Rs. 1264 lakhs of 1964.

(ii) Eliminating the above items and the sum of Rs. 100 lakhs (working capital/start-up expenses), the increase in the October, 1969 estimate over the 1964 estimate was Rs. 631 lakhs under the following heads:—

	Extent of increase
	(Rs. in lakhs)
(a) Installation of additional milling capacity of 2000 tpd as against 1000 tpd envisaged by MCI	170

(b) Construction of the Tidi Dam which was not envisaged in the 1964 estimate	65
(c) Effect of devaluation resulting in additional payment to the foreign suppliers including interest charges on deferred loan	155
(d) Effect of increase in customs and other statutory duties	25
(e) Increase in administrative and other overheads	22
(f) Additional payments made to French consultants by way of technical fees and cost of experts for completing the zinc smelter	25
(g) Expenditure on construction of houses at Zinc Smelter and Mines, not envisaged in 1964	50
(h) Additional cost of shaft sinking civil works equipment, etc. on account of rise in prices	40
(i) increase in the value of assets based on the compensation actually offered	79
TOTAL	631

3. The overall increase in the 1969 estimates *vis-a-vis* the 1966 estimates was Rs. 232.14 lakhs, which included, *inter alia*, provision for items (b) and (i) in para 2(ii) above. These could not have been foreseen in November, 1966 as the decision that the Tidi Dam will be taken up by the Hindustan Zinc Ltd. on its account was available only in June, 1967 and the value of the assets taken over from the Metal Corporation of India had to be reckoned based on the compensation actually offered to the Metal Corporation of India in June, 1968.

APPENDIX XLII

(Vide reply to Recommendation at Sl. No. 10, page 132)

Copy of BPE OM No. BPE/GL-036/75-PRODN/3/2/75-BPE (Prodn), dated the 19th November, 1975 from the Ministry of Finance.

SUBJECT:—67th Report of COPU on FACT—Recommendation No. 2.

The Committee on Public Undertakings in their report on FACT (67th report) has made the following recommendation (Recommendation No. 2):

“No project or expansion of project should be undertaken in future unless power supply is assured with a guarantee where it is to be supplied by another authority to the project”.

The recommendation is brought to the notice of all Ministries/ Departments with the request that the Public Enterprises under their administrative control may be advised suitably to implement the aforesaid recommendation immediately.

APPENDIX XLIII

(Vide reply to Recommendation at Sl. No. 38, page 144)

List of persons got trained abroad and in India.

- | | | |
|---------------------------|---|---|
| 1. Mr. V. Jagannadham . | . | Trained in all plants at Zinc Smelter of Pertusola at Crotono Italy. Specialised training in Leaching, Purification and Cadmium plants. |
| 2. Mr. J. N. Pandey . | . | Same as above. Specialised training in Zinc Electrolysis plant. |
| 3. Mr. P. Parvathisem | . | Same as above. Specialised training in Leaching, Purification, Cadmium and Laboratory. |
| 4. Mr. M. D. Basantani . | . | Same as above. |
| 5. Mr. M. N. Venkataraman | . | Same as above. |
| 6. Mr. K. B. Jain } . | . | Specialised training in Roaster and Sulphuric Acid Plants at Crotono. Had been at Balen Plant also. |
| 7. Mr. K. Singh } | . | |
| 8. Mr. D. S. Likhari . | . | Training for maintenance, section at Crotono, Balen, Viviez Zinc Plants. |

Period of Training Approximately 4 months.

After training all the above persons were associated with start up and commissioning of Debari Zinc Smelter with the following distribution.

- | | | |
|---|---|--|
| 1. Roaster and Sulphuric Acid Plants . | . | Mr. K. B. Jain, Mr. K. Singh. |
| 2. Leaching, Purification and Cadmium Plants. | . | Mr. V. Jagannadham.
Mr. P. Parvathisem.
Mr. M. D. Basantani. |
| 3. Zinc Electrolysis Plant . | . | Mr. J. N. Pandey.
Mr. M. N. Venkataraman. |

Mr. D. S. Likhari was sent after the commissioning of the plant and had been looking after mechanical maintenance jobs for Roaster and Acid Plant section.

2. Persons trained directly by Krebs experts and Indian personnel during erection and commissioning.

Name	Section associated with
1. Mr. J. K. Tandon .	. Leaching, Purification and Cadmium Plant.
2. Mr. D. P. Malhotra .	. Do.
3. Mr. A. B. Srivastava .	. Do.

4.	Mr. C. S. Srivastava .	. Roaster and Acid Plant.
5.	Mr. A. Kumar . .	. Roaster and Acid.
6.	Mr. S. K. Verma .	. Do.
7.	Mr. M. K. Gupta .	. Do.
8.	Mr. P. K. Vidyarthi .	. Do.
9.	Mr. S. C. K. Vaid .	. Do.
10.	Mr. A. Ganguli .	. Do.
11.	Mr. S. C. Patnaik .	. Zinc Electrolysis Plant
12.	Mr. P. P. Bajpai .	. Do.
13.	Mr. Ramesh Chandra .	. Do.
14.	Mr. J. Singh .	. Do.
15.	Mr. G. S. Mathur	. Maintenance (Mechanical)
16.	Mr. K. S. Nalwaya .	. Do.
17.	Mr. S. N. Wahy	. Do.
18.	Mr. P. L. Jain .	. Do.
19.	Mr. S. L. Paliwal .	. Maintenance (Electrical)
20.	Mr. A. K. Subramanian	. Do.

APPENDIX XLIV

(Vide reply to Recommendation at S. No. 99, page 150)

No. BPE/GL-001/76|MAN|2 (110) |75-BPE (CM-I)

Copy of Bureau of Public Enterprises O.M. No. BPE/GL-001/76/ MAN/2(110)/75-BPE (CM-I) dated 1-1-76 sent to all Ministries/ Departments of Government of India re: Settlement of disputes among Government Departments and Public Enterprises.

OFFICE MEMORANDUM

SUBJECT:—*Settlement of disputes between one Government Department and another and one Government Department and a Public Enterprise and one Public Enterprise and another.*

The undersigned is directed to refer to the Cabinet Secretariat, Department of Cabinet Affairs O.M. No. 53|3|1/75-CF dated 19th December, 1975, wherein the directions of the Cabinet on the above subject have been spelt out in brief (Annexure—I). It will be noted that all cases of unresolved disputes, regardless of the type of dispute, between one Government Department and a Public Sector Enterprise and between one Public Sector Enterprise and another, are to be resolved amicably by mutual consultation or through the good offices of empowered agencies of the Government or through arbitration, and recourse to litigation has to be eliminated. Where arbitration is decided upon, no lawyer should be ordinarily appointed by either party to argue the case. The arbitrator will be a serving law officer of the rank of Joint Secretary selected from a pannel of names proposed by the Law Ministry. In complicated cases, where the arbitrator himself considers that outside assistance is necessary for elucidation of knotty legal points Government Standing Counsels may be engaged for this limited purpose on lumpsum payment. There should be no appeal in a court of law against the decision of the arbitrator which should be accepted as final. Whenever the award of the arbitrator discloses a patent error or if it be challenged for any other reasons mentioned in clause (16) and (30) of the Arbitration Act, reference may be made to the Secretary, Ministry of Law for further consideration.

2. Public Sector Enterprises which enter into commercial and other agreements should make a provision for arbitration by a single arbitrator in their conditions of contract. They can also institute a system of "Standing Arbitrators" under which a designated officer acts as the sole arbitrator. (Such a system is already in vogue in DGS&D and CPWD, where the volume of work is very large).

3. The following instructions regarding settlement of disputes relating to prices/income tax, issued by the Bureau of Public Enterprises, would continue to be operative—

- (i) O.M. No. BPE/46/Adv (F)/68/25 dated 27-12-1968 regarding pricing policies of Public enterprises. (Annexure—II).
- (ii) O.M. No. BPE/1/(52)/Adv (F)/71 dated 19th June, 1971 regarding purchase and price preference to projects of public enterprises in competition with private Sector undertakings. (Annexure—III)
- (iii) O.M. No. BPE/1(20)/Adv (F)/72, dated 18th September, 1972 regarding settlement of disputes between Income-Tax Department and Public Sector Undertakings. (Annexure—IV)

4. Ministry of Industry and Civil Supplies etc. are requested to bring the contents of the above O.M. to the notice of the Public Enterprises under their administrative control for compliance.

sd/—

(N. RAJAN)

Adviser (Finance)

To

All Ministries/Departments of the Government of India.

Copy to:—

- (i) The Comptroller & Auditor General of India.
- (ii) Production Division/Adviser (C)/Adviser (F) Director (I & R)/DS (Coord), Bureau of Public Enterprises.
- (iii) Heads of Expenditure Divisions in the Department of Expenditure (with two spare copies).

(iv) All representatives of Finance Ministry in various Boards of Public Enterprises.

sd/—

(N. RAJAN)

Adviser (Finance)

ANNEXURE I TO APPENDIX XLIV

Copy of Department of Cabinet Affairs, O.M. No. 53|3|1|75-CF, dated 19-12-75

OFFICE MEMORANDUM

SUBJECT:—*Settlement of disputes between one Government Department and another and one Government Department and a public enterprise and one public enterprise and another.*

The undersigned is directed to refer to this Department O.M. No. 53|1|1|CF—70 dated 25th August, 1970, on the above subject and to say that the Public Accounts Committee has had occasion to observe as follows in its 154th Report (1974-75):—

“The Committee cannot understand why it has not been possible to resolve a dispute between two Government organisations by mutual consultation. Instead the parties have had to resort to litigation, thus incurring avoidable expenditure. The Committee desire that the existing instructions for settlement of disputes between Government Departments and Public Sector Undertakings should be reviewed thoroughly and a suitable machinery evolved for the resolution of inter-departmental and inter-governmental disputes. The Committee suggest that this recommendation may be brought to the notice of the Cabinet Secretariat.”

2 The instructions contained in the aforementioned office Memorandum have accordingly been reviewed. The orders of the Cabinet have also been obtained. The directions given as follows:—

- (i) In so far as disputes between one Government Department and another are concerned, there can be no question of taking recourse to litigation or even arbitration in seeking settlement of points at issue. If a discussion at the level of Ministers concerned does not result

in agreement the problem can always be taken to the Cabinet for final decision.

- (ii) Unresolved disputes between a Government Department and public sector enterprise and between one public sector enterprise and another would ordinarily fall in either of the two following categories:—

(a) those relating to statutory matters; and

(b) those relating to commercial or other agreements.

Regardless of the type of dispute, it has been decided that all disputes should be resolved amicably by mutual consultation or through the good offices of empowered agencies of the Government or through arbitration and recourse to litigation should be eliminated.

- (iii) Where arbitration is decided upon the arbitrator will be a serving law officer of the rank of Joint Secretary selected from a panel of names proposed by the Law Ministry. No Lawyer should ordinarily be appointed by either party to argue the case. In complicated cases, where the arbitrator himself considers that outside assistance is necessary for elucidation of knotty legal points, Government Standing Counsels may be engaged for this limited purpose on lumpsum payment. There should be no appeal in a Court of Law against the decision of the arbitrator which should be accepted as final. A directive may be issued to this effect to all public sector institutions (including banks and insurance companies as also any other company in which Government has a majority share holding). Whenever the award of the arbitrator discloses a patent error or if it be challenged or any other reasons mentioned in clause (16) and (30) of the Arbitration Act, reference may be made to the Secretary, Ministry of Law for further consideration.

3. The directives above are brought to the notice of all Ministries/Departments for guidance and compliance subject to the clarifications below:—

Note I: Departments of Government which have to enter into large scale business transactions, such as the CPWD and the DGS&D, have already made provision for arbitration by a single arbitrator in their conditions of contract. Public Sector Enterprises which have to enter

into commercial and other agreements should also be advised to do the same. No amendment of their Articles of Association is necessary.

Note II: The volume of work relating to the DGS&D and the CPWD, being large, a system of standing arbitrators' is in effect. Under this system a designated Government Officer acts as the sole arbitrator. Advantage should be taken to this system where practicable.

Note III: Disputes relating to settlement of prices will continue to be regulated by O.M. No. BPE/46/ADV(F)/68/25 dated 27-12-1968 and O.M. No. BPE/1(52)/ADV(F)/71, dated 19-6-71 issued by the Bureau of Public Enterprises.

Note IV: The instructions for settlement of income-tax disputes are laid down in BPE's O.M. No. BPE/1(20)/ADV(F)/72 dated 18-9-1972. These will continue to be operative.

4. O.M. No. 53/1/1/CF-70, dated 25th August, 1970, may kindly be treated as cancelled.

Sd/- K. RAMIAH
for Cabinet Secretary.

To

Secretary, Ministry of Law, for information and necessary action regarding preparation of panel of names of Arbitrators, engagement of Government Standing Counsels etc., in accordance with the above direction.

Director General, Bureau of Public Enterprises, with the request that appropriate guidelines be issued to all public sector enterprises.

All other Secretaries/Joint Secretary to the Government for information and necessary action.

ANNEXURE II TO APPENDIX XLIV

Copy of Bureau of Public Enterprises O.M. No. BPE|46|ADV-F|68|25
dated 27-12-68.

OFFICE MEMORANDUM

SUBJECT: Pricing Policies of Public Enterprises

The pricing policies for public enterprises were recently considered by the Government in the highest level and it has been decided that public enterprises should be economically viable units and an all out effort should be made to increase their efficiency and establish their profitability at the earliest. It was decided that it would not be necessary or advantageous to lay down guidelines in regard to pricing policies to be followed by enterprises which produce goods in respect of which the prices are subject to regulations of a binding type either voluntarily by mutual arrangements or due to domestic or international regulations. It may also not be necessary to prescribe any guidelines for trading organisations like STC, MMTC, etc.

2. So far as the enterprises which produce goods and services in competition with other domestic producers, the normal market forces of demand and supply will operate and their products will be governed by and large, by the competitive prices prevailing in the market.

3. It was, however, felt that it would be useful to have suitable guidelines for those enterprises which operate under monopolistic or semi-monopolistic conditions. In regard to pricing policies to be adopted by such enterprises the following guidelines will be useful for the consideration of their Board of Directors:

- (a) The pricing of their products should be within the basis of the landed cost of comparable imported goods which would be the normal ceiling (and not on the basis of c.i.f. prices). In calculating the landed cost the normal price of such goods in the country of their origin should be taken into account in cases where exports of such goods are subsidised on any appreciable scale either directly (or) indirectly. [Please see also under (c) below].

- (b) Within the ceiling of the landed cost, it would be open to the enterprises to have price negotiations and fix prices at suitable levels for their products which would give them a reasonable return on the capital invested. It was also desirable that the prices so fixed should be operative for a period of 2-3 years.
- (c) Ordinarily, the landed cost should be regarded as the absolute ceiling. If, however, in assessing the landed cost, there are reasons to believe that imported FOB|CIF prices are artificially low, or in other exceptional circumstances, where our own cost of production is very high it may be necessary to have the prices higher than the landed cost; in such circumstances the matter should be referred to the administrative Ministry concerned for examination in depth in consultation with the Ministry of Finance, Bureau of Public Enterprises, etc.
4. The Ministry of Industry etc. are requested to bring the contents of this O.M. to the notice of all undertakings under their control for their guidance.

Sdj-

(P. GOVINDAN NAIR)

*Secretary to the Govt. of India and
Director General of Bureau of
Public Enterprises.*

ANNEXURE III TO APPENDIX XLIV

Copy of Bureau of Public Enterprises O.M. No. BPE|1(52)|Adv
(F)|71 dated 19-6-71.

OFFICE MEMORANDUM

SUBJECT: *Purchase and price preference to products of public enterprises in competition with Private Sector Undertakings.*

The general guidelines for pricing policies to be adopted by public enterprises were laid down in the BPE's Office Memorandum No. BPE|46|ADV (F)|68|25 dated 27-12-1968.

2. With a view to maximise the utilisation of installed capacities it has been decided at the highest level to give preference to public sector undertakings in the matter of purchases. The following guidelines are prescribed in this connection:—

- (a) Investments in the public sector are made on overall grounds of public policy. Public sector undertakings have to be made viable. Ministries and Government departments should, therefore, invariably purchase their requirements from public sector undertakings to the maximum extent possible wherever such undertakings manufacture the goods required. Quality requirements and reasonable delivery schedules should, of course, be enforced.
- (b) Subject to negotiation for an agreement of price, a price preference not exceeding 10 percent will be admissible to public sector undertakings;
- (c) Where a public sector undertaking requires a price preference of more than 10 percent the purchasing Ministry or Department and the concerned undertaking should endeavour to reach agreement by negotiation;
- (d) Where negotiations in regard to (c) above do not succeed within a reasonable time, the cases should be submitted to the Cabinet Committee for Economic Coordination for a decision;

- (e) A price preference even upto 10 per cent cannot be permanent or taken for granted. Every effort should be made to bring down costs and achieve competitiveness.

3. The Ministries concerned with public undertakings are requested to bring the contents of this OM to the notice of all undertakings under their control for their guidance.

Sd/-

(A. N. BANERJI)

Additional Secretary & Director General.

ANNEXURE IV TO APPENDIX XLIV

Copy of Bureau of Public Enterprises O.M. No. BPE|1(20)-Adv.(F) |
72 dated 18-9-72.

SUBJECT:—Settlement of disputes between the Income Tax Department and Public Sector Undertakings—Procedure regarding.

The question of settlement of disputes between the Income Tax Department and Public Sector undertakings has been under consideration for some time past. It was found that many a time there has been protracted litigation between the Income Tax Department on the one hand and the public sector undertakings on the other. This has resulted in waste of public money and also time of Government in defending such cases.

2. In order to put an end to such avoidable waste of money and energy it has been decided in consultation with the Central Board of Direct Taxes that if there is any difference of opinion between the public sector undertaking and the Income Tax Officer assessing the same, the following procedure should be adopted:—

- (i) Question of law for which there is no precedent and which would effect similar cases where law requires to be established by High Courts—such cases may be allowed to take normal course of appeals;
- (ii) Question of interpretation of application of law as settled by the existing rules of courts and questions of facts—this can be decided by the Commissioners of Income-Tax and by the Board when there is disagreement between the Commissioner of Income-tax and the public sector undertaking. The Board may refer the matter to Ministry of Law and Attorney General if need be and decide the issue instead of having it resolved through the time-consuming machinery of Income-Tax Appellate Tribunal, High Courts and Supreme Courts.

3. The Ministry of Industrial Development etc. are requested to bring the contents of this O.M. to the notice of all public sector undertakings under their administrative control for compliance.

Sd/-

(A. N. BANERJI),
Additional Secretary and Director General.

To

(i) Central Board of Direct Taxes with reference to their U.O. No. F.

(ii) All Ministries/Departments concerned with public sector undertakings.

(iii) All Officers in the Finance Ministry on the Board of Public Sector Enterprises.

(iv) Comptroller & Auditor General of India.

(v) Head of Divisions in BPE.

(vi) Editor, Lok Udyog.

(vii) Compendium File.

ANNEXURE V TO APPENDIX XLIV

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Copy of Bureau of Public Enterprises O.M. No. BPE/GL-001/
76/MAN/2(110)/75-BPE (GM-I) dated 29.10.76.

(General Management Division)

7th Floor, Mayur Bhavan,

New Delhi, the 29th October, 1976.

OFFICE MEMORANDUM

SUBJECT:—*Settlement of disputes between one Government Department and another and one Government Department and a Public Enterprise and one Public Enterprise and another.*

The undersigned is directed to refer to this Ministry's O.M. of even number dated 1st January, 1976 on the above subject.

2. The Department of Cabinet Affairs, Cabinet Secretariat has informed that the first sentence of sub-paragraph (iii) of paragraph 2 of their O.M. No. 53|3|1|75-CF dated 19-12-1975 (Annexure I to Appendix XLIV). With this Ministry's O.M. referred to above, may be substituted by the following:—

“Where arbitration is decided upon, the arbitrator will be a serving law officer of the rank of Joint Secretary, selected by the Law Secretary from amongst the Joint Secretaries in the Department of Legal Affairs.”

3. Ministry of Industry, etc., are requested to bring the contents of the above O.M. to the notice of the Public Enterprises under their administrative control for compliance.

Sd/-
(KRISHNA CHANDRA),
Deputy Director.
Tele. No. 40524.

To

All Ministries/Departments of the Government of India.

Copy to:

- (i) **The Comptroller & Auditor General of India.**
- (ii) **Production Division/Adviser (C)/Adviser (F)/Director (L&R)/DS (Coord.), Bureau of Public Enterprises.**
- (iii) **Heads of Expenditure Divisions in the Department of Expenditure (with two spare copies).**
- (vi) **All representatives of Finance Ministry in various Boards of Public Enterprises.**
- (v) **Secretary, Standing Conference of Public Enterprises, New Delhi.**

Sd/-
(KRISHNA CHANDRA),
Deputy Director.
Tele. No. 50514.

APPENDIX XLV

(Vide reply to Recommendation at S. No. 99, Page 151)

Copy of Ministry of Finance O.M. No. 1289-SCDN/65 dated 5-4-65 re. setting up of BPE

OFFICE MEMORANDUM

SUBJECT.—*Setting up of the Bureau of Public Enterprises.*

In their Fifty-second Report (Third Lok Sabha), the Estimates Committee of Parliament drew attention to the absence of any organisation in the Government for providing policy and overall guidance to public undertakings and stressed the need for setting up "a centralised coordination unit which could also make a continuous appraisal of the performance of various public undertakings". The Committee also suggested the desirability of periodical examination of the organisational set-up, manpower requirements, etc. of all public undertakings from an objective and detached point of view. With the growth of the public sector, the need for having a well-equipped unit, within Government, to act as a service and evaluation centre has been increasingly felt. With the object of integrating and strengthening the present arrangements for coordinating and examining the technical, economic and financial aspects of the projects and the working of the enterprises, it has been decided to set up an organisation called the Bureau of Public Enterprises in the Department of Coordination of the Ministry of Finance. The Bureau will be manned by qualified and experienced technical, industrial, economic and other experts and will be headed by Special Secretary to the Govt. of India (Director General, Bureau of Public Enterprises). The existing project Coordination Division of the Ministry of Finance (Depatt. of Expenditure) will cease to exist.

2. The Bureau of Public Enterprises will act as a service, coordination and evaluation agency and its main functions will be as follows:—

- (a) to provide a central point of reference and consultation on and to deal with matters of general interest, like

organisational patterns, methods of management, personnel policies, collaboration arrangements, training programmes, project planning, economic, social and financial policies, etc.;

- (b) to explore all avenues of economy in capital costs of projects (including townships) by scrutiny and analysis of elements of such costs in projects of different types;
- (c) to devise steps for improving the productivity and profitability of public enterprises by keeping under constant review their performance through suitable methods of reporting and analysis of the performance data;
- (d) to undertake appraisal and evaluation of selected areas in the performance of public enterprises or individual units as may become necessary from time to time;
- (e) to prepare for presentation to Parliament an Annual Report on the working of the Central Government undertakings or such other Reports as may be called for by any Committees of Parliament or other Government agencies.

3. The Bureau will function in close collaboration with the Ministers concerned and draw upon the assistance of various Government undertakings. It will make use of the existing agencies, inside or outside Government to the maximum extent possible. Public undertakings and Ministries will also be free to remit to the Bureau any appropriate problems requiring study and examination. It is requested that the Ministry of Industry and Supply, etc. may kindly advise the public enterprises under their control suitably to extend necessary cooperation to the Bureau.

Sd/-

(G. VENKATESWARA AYYAR)
Secretary to the Government of India.

All Ministries/Departments of the Government of India.

APPENDIX XLVI

(Vide reply to Recommendation at S. No. 99, page 151)

*Copy of Bureau of Public Enterprises O.M. No. F.20(21)/69-BPE/
Adm. dated 10-9-69*

OFFICE MEMORANDUM

SUBJECT.—*Constitution of the Bureau of Public Enterprises as a separate Administrative Unit within the Department of Expenditure, Ministry of Finance.*

The undersigned is directed to refer to this Ministry's Office Memorandum No. F.20(21)/69-BPE/Adm. dated the 7th July, 1969 on the above subject regarding constitution of the Bureau as a separate Administrative Unit in the Ministry of Finance and to state that the functions of the Bureau do not seem to be clear to the various Administrative Ministries. It has been noticed that communications which are to be addressed to the Bureau of Public Enterprises are in certain cases being made to other Government Departments. This inevitably results in long delays in the disposal of these communications. The functions of the Bureau as defined in 1965 at the time of its constitution were as follows:—

- (i) to provide a central point of reference, consultation and advise on important aspects of management of Public Enterprises;
- (ii) to explore all avenues of economy in the Capital Costs of the Enterprises;
- (iii) to devise steps to improve the productivity and profitability of the Enterprises;
- (iv) to review periodically the working of individual units as also examination of selected areas in their performance; and
- (v) to present to Parliament or Government Agencies reports and reviews of their working.

2. The functions of the Bureau have since been enlarged consequent on Government decisions on the Report of the Administrative

Reforms Commission on Public Sector Undertakings. The enlarged functions of the Bureau are indicated below:—

- (a) to maintain panels of suitable persons with a view to assisting the administrative Ministries in making appointments to the Boards of Public Undertakings and providing consultation for such senior posts under the Corporations as may be prescribed;
- (The panels maintained by the Bureau are to be revised from time to time and kept up to date. The Bureau may also assist in the matter of deployment of persons from one Undertaking to another).
- (b) to furnish periodical reports to Parliament and Government on the working of Public Undertakings;
- (c) to act as a data bank and as a clearing house of information in respect of important matters of common interest including information about organisational structure and pricing policies in Public Sector Undertakings in other countries of the world;
- (d) to coordinate the work relating to the examination of Public Undertakings by Parliamentary Committees;
- (e) to compile information on the terms and conditions of service of employees and to advise Public Undertakings with a view to ensuring desirable uniformities in these matters;
- (f) to maintain liaison with the Department of Administrative Reforms in respect of matters like work-study, operations research and improved reporting systems to study incentive schemes in India and abroad for purposes of grant of production bonus to personnel at Manager's level;
- (g) to assist the concerned Ministries and Finance Ministry in making a more expert scrutiny and evaluation of feasibility studies/DPRs, to the extent practicable;
- (h) to assist the Ministries in controlling expenditure on residential and administrative buildings, residence of senior executives, townships and ancillary facilities with a view to securing a measure of uniformity in the matter of provision of amenities to labour; and
- (i) to advise Public Undertakings on matters on which advice is sought.

3. The Administrative Ministries are requested to bring the functions of the Bureau to the notice of the Offices and Public Sector Undertakings under their control.

Sd/-

(A. N. BANERJI),
Additional Secretary and Director General.

1. All Ministries etc./Department of Government of India.
2. President's Secretariat.
3. Vice President's Secretariat.
4. Prime Minister's Secretariat.
5. Lok Sabha Secretariat.
6. Rajya Sabha Secretariat.
7. The Comptroller and Auditor General of India.
8. The Election Commission (India).
9. The Supreme Court of India.

APPENDIX XLVII

(Vide Para 4 of Introduction)

*Analysis of action taken by Government on the recommendations contained in the
Eighty-eighth Report of the Committee on Public Undertakings
(Fifth Lok Sabha)*

I. Total number of recommendations made	106
II. Recommendations that have been accepted by Government (vide recommendations at Sl. Nos. 1, 5, 6, 7, 8, 9, 11, 12, 13, 14, 16, 17, 19, 20, 21, 23, 24, 26, 27, 28, 29, 33, 34, 35, 36, 37, 39, 40, 42, 43, 44, 46, 48, 49, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 96, 97, 98, 100, 101, 102, 103, 104, 105, and 106)	87
Percentage to total	82.1%
III. Recommendations which the Committee do not desire to pursue in view of Government's reply (vide recommenda- tions at Sl. Nos. 2, 3, 4, 10, 15, 18, 25, 30, 32, 38, 41, 45, 50 and 99)	14
Percentage to total	13.2%
IV. Recommendations in respect of which replies of Govern- ment have not been accepted by the Committee (vide recommendations at Sl. Nos. 47, 73 and 95)	3
Percentage to total	2.8%
V. Recommendations in respect of which final replies of Government are still awaited (vide recommendations at Sl. Nos. 22 and 31)	2
Percentage to total	1.9%

GMGIPMRND—LSII—4597L.S.—18.5.79—1375.