C.P.U. No. 317

COMMITTEE ON PUBLIC UNDERTAKINGS (1975-76)

(FIFTH LOK SABHA)

NINETIETH REPORT

Action taken by Government on the recommendations contained in the Sixty-ninth Report of the Committee on Public Undertakings (Fifth Lok Sabha)

on

CEMENT CORPORATION OF INDIA LTD.

Ministry of Industry and Civil Supplies

(Department of Industrial Development)

LOK SABHA SECRETARIAT
NEW DELHI

April, 1976/Vaisakha, 1898 (Saka)

Price : Rs. 4·15

CORRIGENDA

CORRIGENDA TO THE NINETIETH ACTION TAKEN REPORT OF THE COMMITTEE ON PUBLIC UNDERTAKINGS ON CEMENT CORPORATION OF INDIA LTD.

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* Ceased to be a member of the committee consequent to his retirement from Rajya Sabha on 2nd April, 1976.

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(1975-76)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Ninetieth Report on Action Taken by Government on the recommendations contained in the Sixty-ninth Report of the Committee on Public Undertakings (Fifth Lok Sabha) on Cement Corporation of India Ltd.

2. The Sixty-ninth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 28th July, 1975. Advance copies of the replies of Government to all the recommendations contained in the Report were received on 2nd February, 1976, and copies of the replies as revised in the light of Audit comments were received from the Ministry of Industry and Civil Supplies (Department of Industrial Development) on 7th April, 1976.

3. The replies of Government were considered and this Report adopted by the Committee at their sitting held on 22nd April, 1976. The Chairman was authorised to finalise the Report and present it to Parliament.

4. The Report has been divided into the following four Chapters:—

(i) Report

(ii) Recommendations that have been accepted by Government.

(iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.

(iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.

5. An analysis of the Action Taken by Government on the recommendations contained in the Report of the Committee is given in Appendix IV. It will be observed therefrom that out of the total number of recommendations made in the Report, 73.8 per cent have

been accepted by the Government. The Committee do not desire to pursue 23.8 per cent of the recommendations in view of the Government's replies and replies of Government in respect of 2.4 per cent of the recommendations have not been accepted by the Committee.

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

NEW DELHI;
April 26, 1976.
Vaisakha 6, 1898 (*Saka*)

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by Government on the recommendations contained in the Sixty-ninth Report (Fifth Lok Sabha) on Cement Corporation of India Ltd., which was presented to Lok Sabha on the 28th July, 1975.

1.2. Action Taken Notes have been received from the Government in respect of all the 126 recommendations contained in the said Report.

1.3. The Action Taken Notes on the recommendations of the Committee have been categorised as follows:—

(i) Recommendations/Observations that have been accepted by Government:

Serial Nos.: 1, 2, 3, 4, 5, 6, 7, 12, 13, 14, 19, 21, 22, 24, 25, 27, 29, 31, 32, 33, 34, 35, 37, 38, 39, 41, 45, 46, 47, 50, 51, 53, 54, 55, 56, 58, 59, 61, 62, 63, 64, 65, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 85, 86, 87, 88, 89, 90, 91, 92, 93, 95, 96, 98, 100, 101, 102, 103, 104, 106, 108, 109, 110, 111, 112, 113, 114, 115, 116, 118, 119, 120, 121, 122, 123, 124, 125, and 126.

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:—

Serial Nos.: 8, 9, 10, 11, 15,16, 17, 18, 20, 23, 26, 28, 30, 40, 42, 43, 44, 48, 49, 52, 57, 60, 66, 82, 83, 84, 94, 97, 107, and 117.

(iii) Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration:

Serial Nos.: 36, 99 and 105.

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

A. Objectives/Obligations

Recommendation (Serial No. 1, Paragraph 1.87)

1.5. The Committee regretted to note that even though the Bureau of Public Enterprises had asked all the Public Undertakings as far back as November, 1970 to formulate a statement of their objectives/obligations clearly and communicate the same to the Government, the Cement Corporation of India Ltd. had not so far formulated its statement of objectives/obligations. The Committee recommended that the Corporation/Ministry should finalise the statement of objectives/obligations of Cement Corporation of India without any further delay and place it before Parliament.

1.6. In their reply (April, 1976) Government have stated that a draft statement of objectives/obligations of the Cement Corporation of India Ltd. had been drawn up in consultation with the Corporation. It had been sent to the Bureau of Public Enterprises for their comments. The statement was expected to be finalised soon.

1.7. The Committee regret to observe that more than five years has been taken in finalising the objectives/obligations of the Cement Corporation. The Committee would like that the Ministry/Bureau of Public Enterprises should finalise the objectives and obligations of Cement Corporation without further delay and place them before Parliament.

B. Revival of Limestone Investigation Division

Recommendations, Serial Nos. 17 and 18

Recommendation (Serial No. 17, Paragraph 3.27)

1.8. The Committee had desired the Government to examine before reviving the Lime-stone Investigation Division of the Corporation whether the role of the already existing organisations (*viz.* Geological Survey of India and Mineral Development Corporation) could not be suitably enlarged to cover the functions which the proposed Lime-stone Investigation Division of the Corporation was expected to perform or whether the working of all those organisations could not be integrated in the interest of economy, coordination and better results. While undertaking the proposed examination, Government should also keep in view the recommendation of the Estimates Committee made in paragraph 4.24 of its Sixtieth Report (1973-74).

1.9. In their reply, Government have stated that "although the work of the Limestone Investigation could be done by the Geological Survey of India, Mineral Exploration Corporation with competent geologists and drilling engineers, it is necessary for the exploiting agencies to demarcate the areas for mining lease to work out mining programmes, planning of various quality stones and advising Mining Engineers on a day to day basis. This is work of a detailed and continuing nature. So the Limestone Investigation Division is not for doing one time job which ends at the completion of the proving of the Limestone deposits required to justify setting up Cement Factory.

* * * * *

Because of the special functions that have to be discharged by the Limestone Investigation Division, which are not taken care of by the Geological Survey of India, in respect of prospecting limestone deposits for setting up cement plants, it is necessary to have a separate limestone investigation division in the Cement Corporation.

* * * * *

The Ministry has taken careful note of the observations of the Committee and is impressing on the Cement Corporation of India to streamline and rationalise work relating to investigation and exploitation of limestone deposits and in particular to keep only the minimum staff required for this purpose and take full advantage of the work of other agencies in the field."

Recommendation (Serial No. 18, Paragraph 3.28)

1.10. The Committee had noted that in November, 1973 the Ministry approved the proposal of the Corporation for the revival of the Lime-stone Investigation Division. The Committee also noted that the revival was mainly for carrying out prospecting operations for the Corporation both for projects under construction and for new projects to be taken up in the Sixth and subsequent Plans, particularly in the deficit areas. The Committee were surprised that how in the absence of any information about the demand in the Sixth Plan of about the location of the plants, the Ministry had approved the proposal of the Corporation for the revival of the L.I.D. The Committee suggested that before the Division was actually revived, Government should assess the usefulness of the Division especially in the context of the sites already prospected and utilised.

1.11. In their reply, Government have stated as follows:—

"In respect of various sites investigated and not implemented the reasons have been given in paras 3.24 to 3.26. (Recommendation S. No. 16). Apart from this the necessity of revival of Limestone Investigation Division in a smaller measure had been explained in para 3.27 (Recommendation S. No. 17) to cater to the needs of the existing plants, plants under implementation and the sites to be taken up for the Sixth Five Year Plan.

As per the present indications, the demand for cement for the rest of the Fifth Plan period is likely to exceed availability of cement in the country; this position is likely to continue beyond the Fifth Plan period. It is true, that no accurate assessment has been made of the demand for cement during the VI Plan period. But it can be safely assumed that the demand will increase in the coming years. As such it is necessary to create additional capacity. Government also wish to bring up as much of this additional capacity as feasible in the public sector. Hence CCI will be very significantly involved in this effort.

It is in this over all context that as one of the major cement manufacturing company in the public sector, it has been felt that the Corporation has to develop its own investigation division, capable of carrying out investigations for limestone deposits suitable for setting up cement plants. In this connection, our comments on recommendation No. 17 would also be relevant."

1.12. The Committee note that because of the special functions that have to be discharged by the Limestone Investigation Division but which are not taken care of by the Geological Survey of India, it has been considered necessary by the Ministry to have a separate Limestone Investigation Division in the Cement Corporation of India. The Committee are surprised to find that even now no accurate assessment has been made of the demand for cement during the VI Plant. Only on the basis of some assumption that the demand is likely to increase in the years to come, additional capacity is proposed to be created and it is proposed to continue the Limestone Investigation Division in connection therewith. The Committee stress that the Limestone Investigation Division should work in close coordination with the Geological Survey of India, Mineral Exploration Corporation and other agencies working in this field in the interest of economy and achieving better results.

C. Quality Control

Recommendation (Serial No. 25, Paragraph 4.28)

1.13. The Committee had noted that under the Cement (Quality Control), Order, 1962, manufacture and sale of cement not conforming to the prescribed standards was prohibited. The Corporation had a Quality Control Organisation to ensure quality control upto the point of despatch but it had no organisational set up to check the quality of cement at consumers' end. They felt that the Corporation was responsible not only for manufacturing cement of the prescribed standard but also for ensuring that the cement being sold by the dealers authorised by it under its trade name conformed to those standards. The Corporation should not merely wait for complaints from consumers but should also conduct surprise checks on the quality of cement stocked with the dealers. In this connection they drew the attention of the Corporation to the recommendation made by the Estimates Committee of Lok Sabha in Paragraph 6.32 of their 60th Report (Fifth Lok Sabha—April, 1974) on availability and distribution of Cement and reiterated that suitable measures should be taken by the Corporation in respect of the cement manufactured by it and sold by its authorised dealers to ensure that cement of requisite quality was supplied to the ultimate consumers.

14. In their reply, Government have stated as follows:—

"The observations of the Committee have been noted. The Cement Corporation of India is having a full fledged laboratory at each of its running units and day-to-day testing is being done there to ensure that the cement manufactured is or requisite quality. Whenever required, the samples are also sent for examination to the National Test House and Cement Research Institute of India. Regular samples of cement are being drawn and tested in production stage and before packing the same. Any complaint regarding quality of cement received by the Corporation, is attended to promptly."

1.15. The Committee note that while cement manufactured at the manufacturing units of the Corporation is being tested from day to day to ensure that the cement is of requisite quality, no measures appear to have been taken so far to ensure that the cement sold by its authorised dealers is of the requisite standard. They would like to reiterate that the Corporation is responsible not only for manufacturing cement of the prescribed standard, but also for ensuring

that the cement sold by the dealers authorised by it under its trade name, conforms to those standards. The Corporation should not merely wait for complaints from Consumers but should conduct surprise checks on the quality of cement stocked with the dealers.

D. Project Estimates (Mandhar Plant)

Recommendation (S. No. 26, Paragraphs 5.24 to 5.27)

1.16. The Committee had noted that though the State Government granted the mining lease for 404 acres of land in April, 1967 which included 332 acres of private land and the lease agreement was executed in October, 1967, there was a delay of 16 months in the Corporation taking action for acquisition of the private land and only 236 acres were acquired through negotiations upto November, 1972 for Rs. 4.73 lakhs. Negotiations for the balance were still stated to be in progress. The Committee were informed that as the proceedings for acquisition were pending with Government till 1969, the Corporation sought permission for direct negotiation.

1.17. The Committee saw no reason why the Corporation should not have felt the sense of urgency and taken up the matter through the Ministry with the State Government and why it should have waited till November, 1969 to seek the permission. The Committee had recommended that this matter should be settled without further delay and the Committee informed.

1.18. In their reply, the Government have stated that

"The Cement Corporation of India moved the Collector, Raipur in March, 1968 for giving advance possession of the land under the Land Acquisition Act. The Collector, Raipur referred the matter to the Government of Madhya Pradesh on 25-6-69. The State Government decided on 20-7-70 that notification under the Land Acquisition Act was not necessary and that the land could be acquired within the provisions contained in the Mining Lease Deed. Accordingly, as per the provisions in the Mining Lease Deed, the Collector was approached for giving award in cases where the land owners were not inclined to part with their land in favour of the Corporation. There were, however, procedural delays in the Collector's Court. The Corporation started acquiring land from September, 1970 onwards. Till January, 1976, the Corporation had acquired/obtained surface rights for 382.72 acres of land out of 599. 58 acres leased to it. The balance of 216.86 acres of land is yet to be acquired."

1.19. The Committee note that the Corporation started acquiring land from September, 1970 onwards and till January, 1976, it had acquired/obtained surface rights for 383 acres of land out of nearly 600 acres leased to it. The balance of 217 acres of land is yet to be acquired. The Committee would like that the matter regarding acquisition of the balance of the land should be taken up with the State Government through the administrative Ministry concerned expeditiously and the matter settled without any delay.

E. Defects in the Mandhar Plant

Recommendation (S. No. 36, Paras 5.105 to 5.107)

1.20. The Committee had noted that although the performance guarantee of Kiln of Mandhar Plant gave an output higher than that envisaged in the agreement, the operation of the Kiln revealed that the dust catching arrangement was inadequate, dust feeding system was unsatisfactory the dust loss was abnormally high and the clinker temperature at the outlet of the cooler was persistently high. It was reported that the physico-chemical characteristics of the slurry made from limestone available at Mandhar without any argillaceous materials and having no binding material in it were prone to breaking due to low strength of nodules, thereby causing excessive dust formation. The Committee saw no reason why these physico-chemical characteristics of the limestone deposits at Mandhar which were also tested by M/s. K.C.P. Ltd. before designing the plant, could have been taken care of by the Corporation at the time of preparation of D.P.R. and by the suppliers at the time of designing the plant.

1.21. The Managing Director admitted during evidence that if the machinery could have been properly designed that much loss would not have been there. Even though a sum of Rs. 25,000 representing about 30 per cent of the cost of equipment supplied by M/s. K.C.P. for dust recovery system had been recovered from the plant supplier due to the faulty performance of equipment, the Committee could not but express their unhappiness at the routine and casual manner in which the DPR appeared to have been prepared and the orders for plant were placed.

1.22. The Committee had recommended that Government should investigate the whole matter with a view to fixing responsibility and draw lessons in the future.

1.23. In their reply, Government have stated as under:—

"The Negotiating Committee was entrusted with the job of selection of standard equipment suited to varying conditions in any one of the 3 or 4 sites then under consideration by the Corporation. It was not possible for the Corporation to indicate the exact site to the negotiating Committee prior to placement of orders, as the site investigation were in progress. Initially the two sites under consideration were Neemuch and Seram (Kurukunta) when the orders were placed. As the Limestone investigation and arrangement for other infrastructure like water supply etc., were not finalised for Neemuch project, the Government was informed that instead of Neemuch, Mandhar would be taken up along with Seram and this proposal was approved by the Government. Thus the site for the two plants already ordered on KCP & Walchandnagar could be decided only after the orders were placed.

A copy of the note of the negotiating Committee, which recommended placement of order on M|s. K. C. P. which plant was installed at Mandhar, is enclosed (Appendix II) to enable the Committee to have a full appreciation of the factors that weighed with the Corporation in adopting the procedure that it did. The observations contained in paras 5 & 7 of this note are particularly relevant. In view of this reply, it is respectfully submitted that the matter may be allowed to rest."

1.24. The Committee note that it was not possible for the Corporation to indicate the exact sites to the Negotiating Committee for selection of equipment prior to the placement of orders for the plants as the site investigations were in progress and the sites for the two plants could be decided only after the orders were placed.

The Committee are not convinced of the reasons advanced by the Ministry/Corporation in this connection. They would, therefore, reiterate that Government should investigate the whole matter with a view to fixing responsibility and drawing lessons for the future.

F. Quarry Operations—(Mandhar Plant)

Delay in introduction of Mechanical Operation

Recommendation (S. No. 42, Para 5.137)

1.25. The Committee were informed that because of low utilisation of the machinery the cost of raising limestone through departmental machinery was almost double the cost of the contractor which had got an effect on the cost of production of cement. They were also informed that delay in the commencement of the mechanical operation was due to delay in the acquisition of the land. In the opinion of the Committee, this could have been avoided by proper planning and the machinery put to effective use. They desired the Government to investigate the reasons for delay in the commencement of the mechanical operations and examine why the cost of raising limestone through departmental machinery was almost double the cost of doing this work through a contractor and draw lessons therefrom.

Recommendation (S. No. 43, Paras 5.150 to 5.151)

1.26. The Committee had noted that the initial expectation on the basis of prospecting work done was that a single face of the quarry could be developed to raise the required quality and quantity of limestone but as the limestone deposit was erratic in disposition, it was found necessary to develop a number of face. The existing three dumpers and one shovel were, therefore, considered inadequate and additional equipment (one additional shovel and 2 dumbers) costing Rs. 10.64 lakhs had been/were being procured to raise the entire requirement of 30,000 tonnes of limestone per month. The Committee desired the Corporation to review the quantum of additional equipment being procured and make sure that only the minimum number of additional items were procured so that none of them had to be kept idle and the cost of unnecessary items did not increase the capital cost of the project.

Recommendation (Serial No. 44, Para 5.152)

1.27. The Committee were distressed to note that the cost of raising limestone mechanically was much more than that of manual raising. They had desired the Corporation either to reduce the cost of mechanical operations within a stipulated period or leave the idea of mechanisation and avail of the manual labour for the purpose which is easily available. They also desired the Government| Corporation to take adequate precautions in future while importing such machines in the light of their experience and examine the advisability of importing machines which either could not be utilised fully or which were likely to prove costlier than the manual labour in actual practice.

1.28. In their reply, Government have stated as under:—

"The observations of the Committee have been noted carefully.

The Corporation applied for an area of about 583 acres under mining lease at Mandhar. The Government of Madhya Pradesh granted in the first instance only 403 acres out of 583 acres asked for by the Corporation, that too in disconnected blocks. The Madhya Pradesh Government did not grant the entire area asked for, as certain public utilities like village roads, village tanks and irrigation canals were passing through the area asked by the Corporation. The grant of mining lease area in 9 disconnected blocks posed problem to the Corporation to plan an integrated mechanised mine. The Corporation was in correspondence with the State Government and the Central Government (Ministry of Mines) to have the area granted as one compact block for efficient and economic working. This was later agreed to and was given effect to by the Government of Madhya Pradesh. The case was finally settled in 1972 only, although the Government of Madhya Pradesh had agreed to do this somewhat earlier. Thus, about four years were lost before the Corporation would have one compact block of mining lease. Because of this reason the Corporation could not properly plan the mechanised mining operations. The Corporation had, therefore, to begin work on available pieces of land in dis-connected blocks.

As stated above, the mechanised working could not be started in September, 1969, because sufficient land was not available for mechanised mining. The details of land acquired for the Mandhar quarry were as follows:—

Date	Land acquired in acres
15-9-1970 .	13·31
22-9-1970 .	1·66
26-9-1970 .	3·75
28-7-1971 .	5·85
17-8-1971 .	49·98
17-9-1971	9·14
14/3 to 18-3-72	105·84
25-4-1972	18.43
TOTAL	207.97

From the above it will be seen that the land was made available in September, 1970 and removal of over burden for development work with the mechanised equipment was started in December, 1970 without any loss of time.

Manual working was started in September, 1969 in small isolated patches of Government land which were available with the Corporation. These patches were too small for mechanised working. Even though action for acquisition was initiated as early as March, 1968, the corporation was able to acquire the first lot of land in September, 1970.

Normally in a quarry the development work has to be done for a period of at least one or two years depending on the quarry site conditions before full fledged mechanised mining can be carried out there. In the case of Matia-Lalpur mines, the development of the quarry could not be done well in advance owing to the difficulties of land acquisition as indicated above. In view of the limited area of land available for mining operations the maximum quantity of limestone was raised manually in order to feed the factory where the raw mill and the kiln were commissioned in early 1970. Since the limestone has to be given priority over the development work, advance development work could not be carried out to permit full use of the mechanised equipment. The limestone of Matia-Lalpur mines occurs under a thick overburden of 3-4 metres and the formation of the deposit is not regular to enable Corporation to undertake any planned developmental work. Under the circumstances maximum quantity of limestone was raised manually during the years 1971 and 1972 both in order to expedite the development work for commissioning of the mechanised quarry as well as to keep the factory fed with the limestone for production purposes. Besides the rail track between the quarry and the factory was newly constructed and embankments had not got consolidated and it was feared by the Corporation, that there may not be uninterrupted supply of stone from the quarry to the factory by the NG wagon transport. As a result large quantities of limestone were stocked in the factory area also during this period. During the year 1971, the shovel and machines from the quarry were shifted to the factory before the mansoon period and a large quantity of the manually stocked stone at factory was loaded back for crushing. The machines were shifted to quarry only in the last part of the year 1971. Even at this stage the quarry was not fully developed in order to utilise the equipment for mechanised mining. Ultimately the machanised mining was started on a regular way only by the middle of 1972. But the quantity of mechanised limestone in proportion to the manual limestone could not be stepped up as the quality of limestone mined by the machines was low, due to contamination with inter-statial clay and embedded shales in the limestone. Hence the factory was forced to utilise large percentage of manually mined stone in order to maintain the quality of the clinker and cement produced in the plant. Since the production from the mechanised mine was far less than the capacity of the equipment, the cost of mechanised stone has been relatively high.

The quality of limestone in the Matia-Lalpur quarries is very marginal in nature and embedded shales which bring down the quality. Besides there is interestatial clay which is quite deep seated, thus contaminating the limestone even from the second benches where there is no over-burden. Therefore, the Corporation had to resort to manual mining in part as there was deterioration in quality of the stone raised by mechanised mining.

A consultant has recently been appointed by the Corporation to advise them on the best techno-economic combination of manual *vs.* mechanised mining in their present mines and raising additional quantities from a new mining lease taken by the Corporation at Silliari. As soon as the Consultant's report is received, the Corporation expects to normalise the working of the limestone quarry at Mandhar. In case the percentage of mechanised mining cannot be increased appreciably, the Corporation will explore the possibility of diverting surplus equipment and personnel to other projects in hand with the Corporation.

The entire set of acts relating to this recommendation has been set out in detail to bring out the constraints which the Corporation had to face and overcome in regard to mining of limestone in this project."

1.29. The Committee find that the reply of the Government is incomplete. They reiterate that the Government should examine as to why the cost of raising limestone through departmental machinery is almost double the cost of doing this work through a contractor and draw lessons therefrom.

1.30. The Committee have also not been informed whether, as recommended by them in para 5.150 of their Report, the Corporation has since reviewed the quantum of additional equipment proposed to be procured. They therefore reiterate that the Corporation should review the quantum of additional equipment being procured and make sure that only the minimum number of additional items are procured so that none of them has to be kept idle and the cost of unnecessary items does not increase the capital cost of the project.

1.31. The Committee note that a consultant has recently been appointed by the Corporation to advice them on the best techno-economic combination of manual Vs. mechanical mining and as soon as the consultant's report is received, the Corporation expects to normalise the working of the limestone quarry at Mandhar. They have been informed that in case the percentage of mechanical mining cannot be increased appreciably, the Corporation will explore the possibility of diverting surplus equipment and personnel to other projects on hand with the Corporation.

The Committee would, however, like to reiterate that Government/Corporation should take adequate precaution in future while importing such machines for mechanical mining in the light of their experience and examine the advisability of importing machines which either cannot be utilised fully or which are likely to prove costlier than the manual labour in actual practice.

G. **Project Estimates (Mandhar Expansion)**

Recommendation (S. No. 52, Para 6.22 to 6.24)

1.32. The Committee had noted that in response to the tenders for plant and machinery invited in January, 1972 in anticipatioin of Government sanction to project estimates, quotations were received in May, 1972 from only two out of the six firms on the approved list. The offer of M/s. ACC was for Rs. 238 lakhs with bought-out items and that of M/s I.S.G.E.C. Ltd. For Rs. 197 lakhs, both the offers being valid upto 31st July, 1972. As the Corporation could not finalise examination of tenders by this date, the firms were asked to extend the period of validity upto 30th September, 1972. In view of the substantial increase in price, the ACC did not agree to extend the validity of the earlier tender but sent a revised offer in August, 1972 (Rs. 264 lakhs) which was valid upto 30th September, 1972. This offer was again revised to Rs. 267 lakhs on the 2nd October, 1972. Since the I.S.G.E.C. Ltd. had not supplied any cement plant in India therefore it was not considered and the tender of M/s. ACC was also not accepted. Fresh tenders were invited in October, 1972 to be submitted by February, 1973 and subsequently extended to April, 1973. The Committee were informed that the Corporation could not finalise the tender as they were awaiting the sanction of the revised estimates sent to Government in September, 1972 as the cost of plant and machinery had doubled. The Committee regretted to observe that in view of the delay in the finalisation of the tenders by the Corporation, the cost of plant and machinery had escalated, resulting in increased capital investment on plant and machinery by the Corporation.

1.33. The Committee were informed that the fresh tenders invited in October, 1972 were finalised and orders for packing plant were placed in November, 1973 and for the slag drawer and cement mill in March, 1974. It was stated that the prices quoted in the tender of ACC in May, 1972 were inclusive of bought-out items. Further, the capacities of the 2 slag cement grinding mills offered in May, 1972 were of 19 tonnes per hour whereas the order placed was for a single mill of 50 tonnes per hour.

1.34. The Committee had failed to understand why the requirements were not correctly assessed earlier in 1972 and the tenders invited at that time for the exact specifications and requirements. The Committee were also informed that even the item-wise break-up of rates given in May, 1972 were not available. The Committee were not sure how in the absence of the break-up, the reasonableness of the rates was assessed. The Committee desired that that entire matter should be thoroughly examined by Government and the Committee informed of the results.

1.35. In their reply, Government have stated as under:—

"The observations of the Committee have been noted. In this connection the following points are submitted respectfully for the consideration of the Committee:—

(i) The Government approved the project report for the Mandhar Expansion at Rs. 211 lakhs in March, 1972. This sanction provided for an expenditure of Rs. 151 lakhs for the 'plant & machinery'. However, when the tenders were invited for the supply of plant & machinery by the Cement Corporation, the offer of M/s. A.C.C. was Rs. 238 lakhs with bought-out items and that of M/s. ISGEC Ltd., for Rs. 197 lakhs, against the provision of Rs. 151 lakhs made in the sanctioned cost estimates. Because of the steep increase in the price of plant and machinery, about 70 per cent between 1969—72 (as concluded by the Study Group on Task Force on cement industry), the Corporation had to prepare the revised cost estimates and to obtain the sanction of the Government. The revised cost estimates for Rs. 412 lakhs sanctioned by Government, provided for an expenditure of Rs. 325 lakhs for the 'plant & machinery'.

(ii) The offer received in May, 1972 was inclusive of bought-out items and the offer received in 1974 were exclusive of bought-out items. These two offers were not directly comparable and there was phenominal increase in machinery price during the intervening period.

(iii) For the Mandhar, Kurkunta and Kokajan projects of the Corporation plant and machinery were ordered from one main machinery supplier each who undertook the responsibility of supplying the items which are not manufactured by them (bought-out) also. Such package deals and turns key jobs are not in vogue abroad. In view of the complex problems and local conditions prevailing in this country cement plants have been in the past generally set up under package deal and on turn key basis. The machinery manufacturers include their own margin on bought-out items, resulting in a net higher cost. This was known to the Corporation based on its own experience in the earlier plants. The Bokajan plant was ordered on M/s. A.C.C. including bought-out items. The Corporation had to pay handling charges to A.C.C. on machinery ordered by A.C.C. on other suppliers like Bharat Heavy Electricals Limited, a public sector undertaking in addition to the price paid by A.C.C. to such suppliers. Because of this background the Corporation took a policy decision to exclude bought-out items from the tender of main machinery manufacturers even though this would result in extra work to the Corporation, but with a view to reducing costs. Accordingly even though the offer received in May, 1972 was inclusive of bought-out items, the offer received and accepted in 1974 was without bought-out items. Apart from the price difference between bought-outs through the machinery suppliers and the direct purchase, it is also not felt generally advisable to rely on one single contractor for the supply and installation of different units and execution of the project.

In an offer for a cement project approx 45 per cent of the items fall in the category of bought-out items and the rest are manufactured by the main plant supplier. Broadly classified these are:—

1. Belt conveyer
2. Compressors
3. Packing Machines
4. Electrical motors both HT and LT
5. Gear Boxes
6. Transformers
7. Switch Gears
8. Cables
9. Startors
10. Refractory bricks
11. Grinding Media
12. Lining plates
13. Diaphragms
14. Piping
15. Chutes
16. Ductings
17. Other types of castings
18. Fans
19. Instruments
20. Bucket elevators.

If these items are arranged by the Corporation through consultancy services, it is felt that there will be appreciable savings. The consultants not only help the Corporation in the purchase of bought-out items but also inspect the machinery at suppliers work and at sites and give performance guarantee of the plant as a whole for a sustained period of 7 days. The consultants co-ordinate the activities of the various contractors entrusted with the jobs of different units of the project. Taking into consideration all these things, the Cement Corporation decided to engage a consultant for Mandhar Expansion and for Rajban. Subsequently, the Corporation has adhered to this policy of making its own arrangements for boughtout items through a consultant.

(iv) Regarding the observations of the Committee, about placing orders for 50 tonnes per hour grinding mill, it may be mentioned that the present tendency is for installing higher capacity single units as the economy of size is related to the scale of operation, in place of a battery of units of smaller sized which was the practice earlier. As per the prevailing practice, prior to 1972, 2x19 tonnes per hour slag cement grinding plant was considered. Later when 1200 tonnes per day kiln has came to be installed, the capapcity of the cement mill has also been upwardly revised. Accordingly a single unit of 50 tonnes per hour was ordered which was due to technological advancement in the Indian Cement industry during the period."

1.36. From the reply of the Ministry, the Committee have not been able to find as to how in the absence of the kreak-up in respect of the prices quoted for various items in the tenders received in May, 1972, the reasonableness of the rates was assessed. They feel that the period of seven days for testing the performance of the plant was not adequate. The Committee reiterate that the entire matter should be thoroughly examined by Government and Parliament informed of the results.

Recommendation (S. No. 55, Paras 6.40 to 6.41)

1.37. The Committee had found that on the plea of want of sanction to revised project estimate as a whole, the cases where even the original project provision was not exceeded, had not been considered. The Committee had felt that the Corporation should be clear about its requirements before they acted, so that the labour might not become infructuous. The Committee also found that because of the delays in construction for one reason or other, there had been an upward revision of the capital cost of the project which had ultimately brought down the estimated return on capital from 14 per cent to 7.8 per cent. The Committee had recommended that planned, concerted and co-ordinated measures should be taken to ensure that such delays were avoided.

1.38. The Committee had also felt that as such situations were not uncommon in other public undertakings, Government should consider issuing suitable guidelines to all public undertakings to avoid such delays as they had the effect of pushing up the capital cost and affecting the profitability of the project.

1.39. In their reply Government have stated that the recommendation of the Committee had been brought to the notice of the Bureau of Public Enterprises for necessary action.

1.40. The Committee note that their recommendation has been brought to the notice of Bureau of Public Enterprises for necessary action. The Committee would like to reiterate that the Government should consider issuing suitable guidelines to all public undertakings to avoid delays in construction as such delays have the effect of pushing up the capital cost and affecting the profitability of the project.

H. Appointment of consultants for Mandhar Expansion and Paonta Projects

Recommendation (S. No. 56, Para 6.66)

141. The Committee had noted that the Corporation had appointed M/s. Holtec Private Limited as consultants for its Paonta and Mandhar Expansion projects on a fee of Rs. 25 Lakhs (Rs. 16.4 lakhs for Paonta and Rs. 8.6 lakhs for Mandhar Expansion). The Committee were informed that no firm of consultants other than M/s. Holtec was considered for this appointment as no other firm was known to the Corporation in this field and therefore no offers were invited for the purpose. The Committee did not appreciate the procedure followed by the Corporation in selecting the consultancy firm. They did not think it was prudent to select consultants on the basis of personal knowledge of the Management or of some individual officers and without inviting open offers. This procedure also did not enabe the Corporation either to select the most competent of the parties available in the field or to assess whether fee demanded by the favoured firm was reasonable or not. The Committee had felt that the Corporation should have made an independent assessment of the reasonableness of the cost with reference to its own estimates and not depended only on the offer of another firm. The Committee had desired the Government to issue suitable guidelines to all undertakings in this regard.

1.42. In their reply, Government have stated that the recommendation of the Committee had been brought to the notice of the Bureau of Public Enterprises for necessary action.

1.43. The Committee note that their recommendation has been brought to the notice of the Bureau of Public Enterprises for necessary action. The Committee reiterate that it is not prudent to select consultants on the basis of personal knowledge of the Management or of some individual officers and without inviting open offers as such procedure does not enable the Corporation either to select the

most competent of the parties available in the field or to assess whether fee demanded by the favoured firm is reasonable or not. They would like the Government to issue suitable guidelines to all the public undertakings in this regard.

I. Project estimates (Kurkunta Plant)

Recommendations S. Nos. 63 & 65,

Recommendation (S. No. 63, Para 7.18)

1.44. The Committee had noted that it was within the knowledge of the Ministry that the expenditure on Kurkunta Project had exceeded the aproved estimates by the permissible limit of 10 per cent. The Committee were constrained to observe that in spite of the excess, the Government had not brought to the notice of Parliament the effect of the excess on the cost of production and on the economics of the Project. The Committee expected Government to bring these to the notice of the Parliament without any further delay.

1.45. In their reply, Government have stated that the Cement Corporation of India has submitted on 31-1-1976, the final revised cost estimates (Rs. 689.62 lakhs) for the Kurkunta Project. These are being examined."

Recommendation (S. No. 65, Para 7.28)

1.46. The Committee had desired that the reasons for the excess of expenditure on civil works should be examined critically to see how far the excess was justified and its effect on the cost of production and economics of the project should also be brought to the notice of Parliament.

1.47. In their reply, Government have stated as under:—

> "The observations of the Committee have been noted carefully. As recommended by the Committee, the reasons for the excess expenditure under 'Civil Works' at the Kurkunta project were analysed by the Cement Corporation.
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> * * * *
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> The main reasons for the increase in the cost of excavation was meeting of soft rock at a shallow depth and requirement of foundation sizes as per actual designs. The increase in cost due to use of slip form of shuttering was as per the decision of the management to use this form in place of ordinary form of work. The increase in other items was

mainly due to the actual design requirements *vis-a-vis* the provisions made in the estimate, which were made before getting the load data and working out the actual design of civil works."

1.48. The Committee note that the Corporation has submitted in January, 1976 the final revised cost estimates (Rs. 689.62 lakhs) for the Kurkunta Project which are being examined by the Ministry. They find that the revised cost estimates have gone up considerably high. The Committee reiterate that the cost estimates may be examined expeditiously and the effect of the excess expenditure on the cost of production and on the economics of the projects should be evaluated and reported to Parliament.

J. Project Estimates (Kurkunta Plant)

Recommendation (S. No. 64, Para 7.27)

1.49. The Committee had noted that as against a provision of Rs. 16.50 lakhs in the original sanction towards erection cost the actual expenditure upto 31st March, 1973 amounted to Rs. 55.58 lakhs of which Rs. 16.40 lakhs was the expenditure on erection work got done on contract basis though originally it was proposed to be done departmentally and erection knowhow and Rs. 39.18 lakhs was spent on maintenance of establishment during construction. The Commitee had also noted that the DPR included a consolidated provision of Rs. 16.50 lakhs under erection cost and Government had also given their sanction accordingly. The revised estimates of February, 1971, however, provided Rs. 16.50 lakhs for erection cost and a sum of Rs. 22.86 lakhs for establishment expenditure during construction. The Committee were not happy that even after the decision to get the work done through contractor, the establishment expenditure during construction had increased abnormally. They desired that Government to critically analyse the reasons for the excess over the provision made in the originally sanctioned estimates to see how far it was justified.

1.50. In their reply, Government have stated as follows:—

"The DPR was submitted in 1967. The rates adopted in the DPR were the prevailing rates for the time being in the region. The erection contract was awarded subsequently in 1971 during which period there was price rise. The establishment expenditure during construction was on the high side in respect of Kurkunta project because the construction period extended beyond the originally visualised period. The observations of the Committee have been carefully noted for guidance in dealing further with this and similar cases."

1.51. The Committee find that their recommendation has been merely "noted for guidance". They would like to reiterate their recommendation and urge that Government should critically analyse the reasons for the excess over the provision made in the originally sanctioned estimates to see how far it is justified and inform Parliament accordingly.

K. **Project estimates (Bokajan Project)**

Recommendation (S. No. 80, Para 8.11)

1.52. The Committee had regretted to note that the Government took more than a year to accord its approval to the Feasibility Report (for setting up a 600 tonnes per day Plant at Bokajan) submitted by the Corporation and they took more than 18 months to approve the DPR. They had felt that the time taken by the Government in either case was too long especially in view of the keenness of Planning Commission and the State Government to have another plant in upper Assam, in the deficit area.

1.53. The Committee had desired the Government to look into the whole system of according approval to feasibility report/DPR which was delayed in this case and which had also been delayed in many other cases that had come to Committee's notice and take remedial measures to ensure that such delays were avoided in the interest of the expeditious execution of the projects.

1.54. In their reply, Government have stated that the Public Investment Board has been constituted precisely to avoid the delays of the nature noticed in the Bokajan case and also to consider in depth viable alternatives at an early stage of the project history.

1.55. The Committee note that Government have constituted Public Investment Board precisely to avoid delays of the nature noticed in the Bokajan case and also to consider in depth viable alternatives at an early stage of the project history. They have, however, not been informed of the improvement made in this regard after the formation of the Public Investment Board. The Committee would reiterate their earlier recommendation that the Government should look into the whole system of according approval to feasibility re-

port/DPR which was delayed in this case and which has also been delayed in many other cases that have come to Committee's notice and take remedial measures to ensure that such delays are avoided in the interest of the expeditious and economical execution of the project.

L. Marketing Arrangements

Recommendation (S. No. 99, Para 10.45)

1.56. The Committee had found that the selling and distribution expenses per tonne incurred by the Corporation in respect of Mandhar Plan inclusive of the selling agency commission, had increased from Rs. 2.64 in 1970-71 to Rs. 4.35 in 1972-73 and came down to Rs. 3.58 in 1973-74. The Committee were not able to understand the phenomenon of the selling and distribution expenses being highest in 1972-73 when the production in Mandhar Plant was the highest (90 per cent of the capacity) achieved so far. They desired the Corporation to analyse the reasons for this sharp increase in the selling and distribution expenses in 1972-73. They had also recommended that the Corporation should work out norms in this respect, after studying, if possible, the pattern adopted in private sector, and ensure that expenses on selling and distribution were kept to the minimum.

1.57. In their reply, Government have stated as follows:—

"The Tariff Commission report based on the study of the figures of 23 factories for selling and distribution expenses during different years (*i.e.*, December, 1970, December, 1971 and December, 1972) reveals that the per tonne selling cost varied from 70 paise to Rs. 6.44. While in the case of one factory, it was Rs. 6.44 per metric tonne, and in the case of another company it was Re. 0.70 per M.T., for 11 factories it ranged between Rs. 3.01 and Rs. 3.63. The selling cost in respect of the factories of the Corporation compares with the average cost prevalent in the other units. The system of regional distributorship, in which a selling agency commission of Rs. 1.25 per tonne was abolished in 1973-74."

1.58. The Committee are not convinced of the reply given by Government. They reiterate that the Corporation should analyse the reasons for the sharp increase in the selling and distribution expenses in 1972-73. The Committee also reiterate that the Corporation should work out norms in this respect, after studying, if possible, the pattern adopted in private sector, and ensure that expenses in selling and distribution are kept to the minimum.

M. Complaints regarding under-weight cement bags

Recommendation (S. No. 100, Paras 10.48 to 10.50)

1.59. The Committee had noted that reports of under-weight cement bags and unsatisfactory quality of cement have occasionally been brought to the notice of Government. They had learnt that the Cement Research Institute had prepared experimental bags to prevent loss of cement from the bags due to seepage and possible admission of moisture from the atmosphere leading to deterioration in the quality of cement and national loss of this basic and much needed construction material.

1.60. The Committee had regretted that even though this was an age old problem, the cement manufacturers had not done anything concrete so far to devise a foolproof method of packing cement. The fate of experimental bags made by the Cement Research Institute was also not known. The Committee had urged that the Government should give a thought to this question seriously and examine how far the experimental bags made by the Cement Research Institute would be advantageous. Government, might also consider the feasibility of using bags lined with polythene for packing cement as was being done in the case of fertilizers and also lay down specifications for improved quality of bags for packing cement. The Committee had felt that use of such bags should be made obligatory on the cement manufacturers so that the consumers got their money's worth and there was no wastage of a scarce and precious commodity like cement of which there was already serious shortage in the country. Pending this, the Government might consider the feasibility of introducing retail sale of cement and fixing its price by weight, and not by bags as at present, to save the consumers of the loss which they had to suffer on this account.

1.61. The Committee strongly emphasised the urgent need for concrete steps to prevent the seepage of cement from the gunny bags and the possibility of unscrupulous dealers adding foreign matter in cement by tampering with the bags used at present, if the interests of consumers, who found themselves completely at the mercy of such dealers, were to be safeguarded.

1.62. In their reply, Government have stated as under:—

"The observations of the Committee have been carefully noted. The Packaged Commodities (Regulation) Order, 1975, issued under the Defence and Internal Security India Rules, 1971, which came into effect from 2nd October, 1975, prohibits the packing and sale of cement, which is not of the prescribed weight subject to the tolerance limits indicated in the said Order. It is anticipated that this will act as deterrent to anti-social elements. The question of finding a suitable substitute for packing cement to the conventional system of packing in jute bags with a view to avoid seepage is engaging the attention of the Government. The Sixth Meeting of the Panel on Cement Industry recommended that the Bitumen-bonded double hessian bags developed by he Cement Research Institute may be used as a substitute for the conventional jute bags, as there is no seepage of cement in these bags except that a small amount of cement struck inside the bag. The cost of these bags is slightly higher than the conventional jute bags. The question of using the bituman bonded double hessain bags for packing cement and their economics are being examined by this Ministry in consultation with the Cement Manufacturers Association and the Cement Research Institute."

1.63. The Committee note that the question of using Bituman-bonded double hessian bag developed by the Cement Research Institute as a substitute for the conventional jute bags for packing cement and their economics are being examined by the Ministry in consultation with the Cement Manufacturers' Association and the Cement Research Institute. The Committee regret to note that such a simple matter has taken considerably long time. They reiterate that this matter should at least now be finalised and the improved bags introduced without further delay and their use made obligatory on the cement manufacturers as already recommended. The Committee also reiterate that pending introduction of new bags, Government may consider the feasibility of introducing retail sale of cement and fixing its price by weight, instead of by bags as at present and save the consumers from the loss which they have to suffer on this account.

.. ..

N. Material Management (Inventory Holdings)

Recommendation (S. No. 101, Para 11.16)

1.64. The Committee had regretted to observe that the Corporation had not appreciated the importance of the proper inventory control and in spite of the suggestion made by the Bureau of Public Enterprises as far back as October, 1972 it had not fixed norms for all the items of inventory nor had it brought down the levels of various items of stores, spares etc., it had not also segregated the insurance items either. The Committee had recommended that the Corporation should not lose any more time to segregate the insurance items, fix norms of each item of inventory and ensure that the stock holdings were within these norms to avoid unnecessary blocking of capital. The Committee had also recommended that the Corporation should not rest satisfied with merely issuing instructions on the basis of Bureau of Public Enterprises circulars but also ensure that the instructions were properly implemented. The Corporation should review the stock items to identify non-moving obsolete or surplus stores and take action for their disposal by transfer to other projects or Public Undertakings.

1.65. In their reply, Government have stated as under:—

> "Action is being taken by the Corporation as recommended by the Committee. M/s. Engineers India Ltd., have been appointed as 'Materials and Maintenance Management Consultants' for Kurkunta factory on 17-11-1975 for carrying out studies on all aspects of Material Management. A team from M/s. Engineers India Ltd., has already visited Kurkunta factory and has collected most of the data. They are expected to submit the draft report by May, 1976."

1.66. The Committee note that M/s. Engineers India Ltd. have been appointed as 'Materials and Maintenance Management Consultants' for Kurkunta factory in November, 1975 for carrying out studies on all aspects of Material Management. A team from M/s. Engineers India Ltd. has already visited Kurkunta factory and has collected most of the data and is expected to submit its draft report by May, 1976. The Committee hope that the Corporation would lose no time after the receipt of the report of the Consultants to streamline the system of inventory control so as to avoid unecessary blocking of capital.

O. Costing system and cost of production

Consumption of ra wmaterials *vis-a-vis* Norms.

Recommendation (S. No. 105, Para 12.19)

1.67. The Committee had learnt that coal and gypsum were not physically weighed on their receipt in the factories for want of weigh bridge, the installation of which was not considered economical by the Corporation. They had desired the Corporation to examine the present system of their transportation in consultation with the Railways and devise measures to obviate the likelihood of pilferages and losses in transit. They had felt that there was a snag in the present arrangement for computing the quantities of coal and gypsum on the basis of volumetric measurements in as much the pilferages and losses in transit could not be known exactly in the absence of a weigh-bridge. The Committee had desired the Corporation to consider the economics of installation of exact measurement *vis-a-vis* the benefits that may accrue to the Corporation from exact weighment and adopt a suitable system which could enable it to check the R/R weight of coal and gypsum with their exact weight on receipt thereof at destination.

1.68. In their reply, Government have stated that—

> "installation of weigh-bridge to check the exact weight on receipt is not considered as an economical proposal by the Corporation as the railways are not prepared to entertain claims for shortages in transit."

1.69. The Committee are not satisfied with the reply given by the Ministry. They would like to reiterate that the Corporation should examine the present system of transportation in consultation with the Railways and devise measures to obviate the likelihood of pilferages and losses in transit. The Committee would also like the Corporation to consider the economics of installation of exact measurement vis-a-vis **the benefits that may accrue to the Corporation from exact weighment and adopt a suitable system which would enable it to check the R/R weight of coal and gypsum with their exact weight on receipt thereof at destination.**

P. Pricing Policy

Recommendation (S. No. 111, Paras 12.37 to 12.38)

1.70. The Committee had noted that the cost of production at Kurkunta unit was much higher (Rs. 171.53 in 1972-73 and Rs. 153.57

per tonne in 1973-74) than the Mandhar plant mainly due to lower volume of production, resulting in higher incidence of depreciation, overheads, etc. per tonne. The Committee were unhappy to learn that even at 85 per cent capacity utilisation in Kurkunta, the cost of production was expected to be more than that taken into consideration by the Government because of higher capital outlay. They had desired the Government/Corporation to study the working of the Kurkunta factory in depth and take concerted measures to bring about reduction in the cost.

1.71. In their reply, Government have stated that the recommendations of the Committee had been noted.

1.72. The Committee note that the Ministry have merely "noted" the recommendation made by the Committee and have not indicated as to what action has been taken in the matter. The Committee reiterate that the Government/Corporation should study the working of the Kurkunta factory in depth and take concerted measures to bring about reduction in the cost of production.

Q. Man Power Analysis Productivity

Recommendation (S. No. 125, Para 14.35)

1.73. The Committee had noted that it had not been possible for the corporation to make a comparative study of the productivity (man-hour/tonne) and cost of salaries and wages per tonne etc. in Mandhar Plant and other cement factories due to non-availability of relevent data in respect of factories in private sector. The Committee had desired the Corporation to work out the norms of productivity in respect of each of its plants in operation and appraise the performance of each plant with reference to the norms from year to year.

1.74. In their reply Government have stated that necessary action was being taken on this recommendation of the Committee.

1.75. The Committee are informed that necessary action is being taken to fix the norms of productivity and to appraise the performance of each plant with reference to the norms. The Committee desire that the Corporation should finalise action in this regard expeditiously so that the performance of each plant may be evaluated with reference to the norms from year to year.

R. Defects in the Plant and Machinery in the Mandhar Plant

(Recommendations S. Nos. 33, 34 and 38)

(Recommendation S. No. 33, Paras 5.71 to 5.73)

1.76. The Committee had failed to understand as to why the Corporation had not insisted on a guaranteed performance of integrated working of the plant (Mandhar) with all its operations for the usual period of 24 hours according to the agreement. The Committee were distressed to note that no action was taken against the civil engineering contractors and supplier of plant and machinery who were responsible for the defective positioning of feeder and hopper which had resulted in employment of extra labour with a recurring expenditure of Rs. 15,000 per year. The Committee had recommended that this matter should be investigated with a view to fixing responsibility and the Committee informed of the results.

1.77. The Committee had noted that the guaranteed output of 50 tonnes per hour of the Raw Grinding Mill on dry basis was obtained at the time of guarantee test by working the mill below 80 per cent of the full load and even at this low load the flexible coupling towards Mill end and the pinion and girth gear of the Mill were seen wearing out fast, possibly because of wrong specifications and defective materials used by the suppliers. As the period of six months from the date of commissioning during which free replacement of the equipment could be obtained had passed, the suppliers refused to own any responsibility for these defects. The Mill was not running to the guaranteed output and many of the components had worn out in course of operations and they had to be replaced. The Committee could not understand why the guarantee test was done by working below 80 per cent of the full load and not with full load. The Committee were not sure whether the guaranteed performance was established after 24 hours of working as stipulated in the agreement. They desired the Government to examine the matter and determine whether the initial laps of not conducting the guarantee test with full load had not resulted in the wrong specifications and defective material remaining undetected within the guarantee period causing recurring loss to the undertaking, and if so, who was responsible for the lapse.

1.78. The Committee had noted that though the guaranteed output of Cement Mill was achieved during the guarantee performance test, due to certain defects developing later on, the Mill had to be run at a low load resulting in lower output varying between 67—70 per cent of the rated capacity. Besides, the major breakdown of tersion shaft and certain other breakdowns due to faulty design and defective materials caused stoppage of the Mill for nearly 600 hours in January, 1972 resulting in loss of production of 21,000 tonnes. The breakdowns had occurred after 2 years of the working of the Cement Mill and the Corporation did not find it possible to fix responsibility on machinery suppliers who were also the erection contractors. The defects had since been attended to and the Mill was now stated to be running satisfactorily. It appeared that under the present scheme of things it was not normally possible to hold the plant supplier responsible for any defect in the working of the machinery after guarantee period. But if after the guarantee period, any plant broke down not due to design defect, but due to the material, of which it was made being of inferior or defective quality how, the plant supplier could escape responsibility therefore was matter which required to be gone into critically. The Committee desired the Government to examine this matter from legal angle and if necessary, consider whether the responsibility of the plant supplier for using defective material, even if the defective material was detected after the guarantee period, could not be explicitly incorporated in the agreement for supply of plant and machinery.

1.79. In their reply Government have stated as under:—

> "The observations of the Committee have been noted carefully. As recommended by the Committee, the matters referred into in recommendation No. 33, 34 & 38 were examined by this Ministry in consultation with the Cement Corporation of India. As the matter are of a technical nature and need to be probed in some detail in the light of the observations of the committee, One Man Committee had been appointed to examine this. The Committee's Report is awaited. The findings of the Committee and the Government's decision thereon will be communicated as early as possible."

S. **Contract for Civil Work (Kurkunta Plant)**

(Recommendation S. Nos. 67, 68 and 69)

(Recommendation S. No. 67, Paras 7.50 to 7.51)

1.80. The Committee had regretted to note that there had been delays ranging from 10 to 21 months in the completion of civil works in the various departments. The contractor was allowed because of his difficulties, hypothecation of his machinery of the market value of Rs. 5.4 lakhs in lieu of the bank guarantee though this proposal was not put up before the Board for their approval. The Committee had regretted that no periodical progress reports were obtained from the contractor. It was also stated that the use of steel sliding shuttering was approved by Board. It was surprised that, in spite of these delays, no action was taken against the contractor and the contractor was allowed to hypothecate his machinery worth Rs. 5.4 lakhs. The Management had admitted that the matter was not placed before the Board and their prior approval was not obtained. It was also stated during evidence in this connection that 'at this stage it is difficult to clarify that point'. It was also surprising that the management had not even verified the reasonableness of the rates before allowing the contractor to undertake hydraulic shuttering. It had been admitted by the management that 'from the records it appears that no separate exercise was made to verify its reasonableness'.

1.81. The Committee had taken serious views of these lapses. They had desired that the matter should be thoroughly investigated, responsibility fixed and the Committee informed.

(Recommendation S. No. 68, Paras 7.61 to 7.62)

1.82. The Committee had regretted to note that, though the crane gantry structure was completed by the civil contractors on 12th August, 1970 at a cost of Rs. 13 lakhs, during the operation of the stock yard gantry in September, 1971, vibrations were observed and difficulty was experienced in the operation of the crane. The rail alignment was also found to be incorrect and the crane wheels were rubbing against the rails at a number of places.

1.83. The Committee were surprised as to how in the face of these defects the work done by the civil contractors was accepted at all by M/s Master Sathe and Kothari, the civil consultants who were to supervise the work. The Committee were not sure whether any performance guarantee of the crane was insisted upon before it was taken over. The Committee had desired that this matter may be investigated and a report furnished.

(Recommendation S. No. 69, Paras 7.63 to 7.66)

1.84. When the matter regarding crane gantry structure was referred to the Board, it was decided that civil consultants of Kurkunta project should be entrusted with the work of preparing detailed designs and drawing for the strengthening work and they should undertake the work on priority basis free of cost and furnish a guarantee for due performance of the crane gantry. The Board also decided that the question of fixing responsibility for the existing defects in the crane gantry should be duly examined by the C.P.D.O. and the Civil Engineering Adviser and a joint report furnished to the Board.

1.85. It was also stated that the Joint report of the Civil Engineering Adviser and the Chief Project Development Officer could not be prepared as the Civil Engineering Adviser was repatriated to his parent department. The Committee failed to understand how the Civil Engineering Adviser was permitted to go back to his parent department without his having completed the enquiry.

1.86. It was also surprising as to how in the absence of the report, the Board, which considered the matter, decided that it should not be possible to fix responsibility for underdesigning the stock yard gantry.

1.87. The Committee were also surprised that while the defects in the gantry came to notice in 1971, the decision to fix responsibility was taken after a delay of almost two years. The Committee had felt that because of the failure of the consultants, a defective crane gantry had to be accepted which had involved an extra expenditure of Rs. 5 lakhs to the Corporation. The Committee had desired that the entire matter should be thoroughly investigated with a view to pin-point the responsibility for the lapses and the Committee informed of the action taken.

1.88. In their reply, Government have stated as under:—

> "The recommendation Nos. 67, 68 & 69 were considered at the 85th Board of Directors Meeting of the Cement Corporation of India, held on the 26th December, 1975 and it was decided that a Committee may be constituted to go into the recommendations of the Committee and submit a report to the Board."

T. Supply and erection of plant and equipment and defects in the equipment (Kurkanta Plant)

(Recommendation S. Nos. 70, 71, 72)

(Recommendation S. No. 70, Para 7.75)

1.89. The Committee had regretted to note that there were delays ranging from 10 months to 20 months in the supply of various items of plant and equipment by the plant suppliers Though the contract provided for payment of liquidated damages in case of delays by the plant suppliers no liquidated damages were leviable in case, among other things, the late delivery of a particular machine etc.; did not delay the Corporation's erection programme. The Committee had learnt that the erection work in a number of cases was delayed due to delay in the supply of machinery but no liquidated damages have been levied against the plant suppliers. The Committee had found that erection work was delayed by the plant suppliers in certain cases due to non-completion of civil foundations by the Corporation itself. However, no clear record of the dates on which erection work of the various units of the plant was actually completed was kept. The Committee had recommended that each case of delay in supply of plant and equipment and completion of civil foundations and erection work should be critically analysed so as to allocate the responsibility in the matter between the Plant suppliers and the contractor for civil works. The Committee had also recommended that Government/Corporation should make sure that the withheld amount of Rs. 12.29 lakhs would be adequate to cover damages recoverable on account of delays in supply of equipment, deficiencies in the manufacture of crane gantry structure and non-fulfilment of performance guarantee.

Recommendation (S. No. 71, Paras 7.83 to 7.84)

1.90. The Committee had regretted to note that apart from the delays in civil construction the trial runs of the plant and equipment revealed a number of defects and deficiencies in the equipment supplied by the plant suppliers which were attributed by the Works Manager of the project to "sub-standard quality of machinery supplied and design failure."

1.91. The Committee found that the Corporation had not so far assessed the loss of production due to the defective supplies and the delays. The Committee had recommended that the entire matter regarding supply of machinery, their erection, performance guarantee etc. should be thoroughly investigated with a view to fixing responsibility and Committee informed of the action.

Recommendation (S. No. 72, Para 7.85)

1.92. The Committee were informed that the Action Committee on public enterprises appointed by the Government of India scrutinised the working of the plants of the Corporation at Kurkunta and as the defects and deficiencies pointed out by the Action Committee had been rectified/were being rectified either by the Corporation or by the plant suppliers, it had not been considered necessary to appoint another Technical Committee to investigate the working of the plant. The Committee felt that the purpose of the Action Committee was not to decide whether the plant supplied was of sub-standard quality and of bad design or not but to remove the defects and help the Corporation achieve higher production in the plant. In their opinion, an investigation was still called for to determine whether the plant and equipment supplied by the plant suppliers were of sub-standard quality and poor design and, if so, what action should be taken against the plant suppliers in this regard. In the circumstances, the Committee did not agree that no investigation was called for. The Committee had recommended that Government should appoint a Technical Committee to go into the working of the plant with a view to identifying its deficiencies.

Recommendation (S. No. 77, para 7.107)

1.93. The Committee had regretted to observe that when the crusher was put to trial run in May, 1971, neither the Railway Track nor the Service Road was ready by that time. Since Service Road was not found suitable on completion, the transportation of limestone was done by the contractors through private lands. As a result, the Corporation had to forego the rebate in rates offered by two contractors and had to allow an extra rate to the 3rd contractor. The Committee had failed to understand why the Management could not implement the decision to black top the surface. As a result, the service road had not served its purpose and extra expenditure to the tune of Rs. 53986 had to be incurred for transportation of lime stone through the third contractor. The Committee had suggested that the matter may be investigated and responsibility for the lapses fixed.

U. Production Performance ..

Recommendation (S. No. 78, Para 7.120)

1.94. The Committee were distressed to find that there was already a delay of about 2 years in commissioning the plant and even after 2½ years of the plant going into commercial production, the plant was not able to attain its rated capacity due mostly to mechanical defects. Although the Committee were assured that the suppliers of plant and machinery were yet to give performance guarantee and the Corporation was withholding more than Rs. 12 lakhs, the fact remains that 5 years of valuable time had been lost and even then there had been under-utilisation of capacity and consequential loss in production. The Committee recommended that an expert Committee should go into the working of Kurkunta Plant, diagnose the ills and demarcate the responsibilities of the suppliers so that Corporation might be in a position to improve its performance and maximise production.

1.95. In their reply to all the above recommendation (S. Nos. 70, 71, 72, 77 and 78) Government have stated as under:

> "As recommended by the Committee on Public Undertaking, the Government has appointed a Technical Committee consisting of three experts to go into the question of supply of plant and machinery and related matters concerning the Kurkunta plant of the Cement Corporation of India. Facts of the case and Government's decision in these matters will be forwarded to the Lok Sabha Sectt. after the report of the Committee is received."

V. **Erection of Plant and Machinery (Bokajan Project)**

Recommendation (S. No. 86, Paras 8.41 to 8.42)

1.96. The Committee had regretted to note that for erection and commissioning of plant and machinery, though M/s Associated Cement Companies (A.C.C.) had submitted in September, 1969 their tender for Rs. 22.28 lakhs which amount was reduced to Rs. 21 lakhs in November, 1969 after negotiations, no action was taken by the Corporation to finalise the erection contract with M/s. A.C.C. along with that of supply of plant and machinery.

1.97. The Committee had also noted that the Corporation on further invitation of tenders and negotiation with M/s Western India Erectors had finalised on 15th November, 1973, a contract for erection for Rs. 25 lakhs. In addition on 17th March, 1974, the A.C.C. was engaged for supervision of the erection work being undertaken by M/s Western India Erectors.

1.98. The Committee were not sure whether the dual system of supply and erection by two different agencies would serve the best interest of the Corporation and would not result in any delay. The Committee had felt that it would have been advantageous for the Corporation to have the supply and erection of the plant and machinery done through the same contractor in the overall interest of co-ordination and fixing of responsibility for the entire work instead of through the different contractors. The Committee had regretted to observe that because of the initial failure on the part of the Corporation to finalise the erection contract in November, 1969 it had to go in for this dual arrangement which had resulted in an extra expenditure of Rs. 4 lakhs with an additional uncertain liability for supervision charges. The Committee had desired Government to investigate the matter and communicate their findings.

1.99. In their reply, Government have stated as under:

> "The observations of the Committee have been noted carefully. As recommended by the Committee, the matters referred into in recommendation No. 86 were examined by this Ministry in consultation with the Cement Corporation of India. As the matters are of a technical nature, and need to be probed in some detail in the light of the observations of the Committee, a Two Men Committee has been appointed to examine this. The Committee's Report is awaited. The findings of the Committee and the Government's decision thereon will be communicated as early as possible."

W. Civil Works (Bokajan Project)

Recommendation (S. No. 88, Para 8.57)

1.100. The Committee had regretted to note the delay of nearly two years in construction work of plant structure by the contractors. They had desired the Corporation to assess the effect of the delay in construction work on the erection of plant and machinery and to determine the liability of the contractors for the delay before finally settling their bills.

1.101. In their reply, Government have stated that the Corporation was investigating into this matter.

Recommendation (S. No. 90, Para 8.80)

1.102. The Committee had noted that the Phase-I of the construction of residential and other buildings at Bokajan which was required to be completed by 4th June, 1972 was completed by 30th September, 1972. As regards Phase-II, which was scheduled to be completed by 15th July, 1974, the contractor had completed work of the value of Rs. 28.40 lakhs by 30th September, 1974, out of the tendered value of Rs. 35 lakhs. They were told that the Bokajan Site Office had recommended extension upto 15th January, 1975 and had intimated that there was no valid reasons for levy of liquidated damages as the delay in execution was partly due to delay in supply of drawings and materials by the Corporation. The Committee had desired the

Corporation to examine the question of delay independently with a view to fixing responsibility and also the liability of the contractor.

1.103. In their reply, Government stated that the question of delay was being examined.

X. Inventory Holdings

Recommendation (S. No. 102, Paras 11.27 to 11.28)

1.104. The Committee had regretted to note that the physical verification of the inventory of the Limestone Investigation Division lying at Delhi, Kurkunta, Mandhar and Bokajan had not been conducted after March, 1969.

1.105. The Committee had also noted that as a result of physical verification done in 1974, a net shortage of limestone boulders from inception to 31st March, 1974 of 38,726 tonnes valued at Rs. 4.96 lakhs (approximately) was discovered. The Committee had felt that if the stock verification of limestone had been done at regular intervals, the Corporation would have detected the shortage right in the beginning and could have taken preventive measures to avoid loss on this account which swelled to Rs. 4.96 lakhs in 1974. They were not convinced by the reasoning given by the Corporation against the possibility of short delivery or pilferage and they also did not agree that the embedding of limestone was entirely unavoidable due to softness of the land, etc. The Committee had desired that the reasons for the shortage should be investigated with a view to fix responsibility and the Committee informed of the action taken.

1.106. In their reply Government have stated as under:

"In order to keep a check on the shortages at the year end, a system of monthly and quarterly stock taking has been introduced in the factories and it is expected that such shortages will not occur in future. As regards shortages that occurred in the past, the Corporation has been requested to constitute an internal Committee with a view to examining the circumstances more closely in the light of the observations of the Committee.

The request of the Government was considered by the Board of Directors in their 85th meeting held on the 26th December, 1975 and it was decided that a Committee consisting of Director (Operations) as Chairman and Manager, Mandhar Works and, Manager (Monitoring and Evaluation) as Members, may investigate the matter and submit a report to the Board."

1.107. The Committee note that, in pursuance of their recommendations at serial Nos. 33, 34, 38, 67, 68, 69, 70, 71, 72, 77, 78, 86, 88, 90 and 102, the Ministry/Corporation have already instituted or have decided to institute enquiries into the cases referred to therein, regarding defects in and delays in supply and erection and other related matters pertaining to the equipment and plants for Mandhar, Kurkunta and Bokajan projects award of civil works in connection with these projects and delays and defects in their execution, and shortages in inventory holdings at the various projects of the Corporation. The Committee stress that enquiries into all these matters should be completed with promptitude and the findings together with the action taken in regard to each of these matters reported to Parliament at the earliest opportunity

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (S. No. 1)

The Committee regret to note that even though the Bureau of Public Enterprises had asked all the Public Undertakings as far back as November, 1970 to formulate a statement of their objectives/obligations clearly and communicate the same to the Government and even though the need for formulating such a statement was reiterated in the 40th Report (5th Lok Sabha) of the Committee on Public Undertakings on Role and Achievements of Public Undertakings, the CCI has not so far formulated its statement of objectives obligations, except that it has only taken action to define the scope of work of the Corporation. The Committee recommend that the Corporation/Ministry should finalise the statement of objectives/obligations of CCI without any further delay and place it before Parliament.

(Para 1.8)

Reply of Government

The observations of the Committee have been noted carefully. A draft statement of objectives/obligations of the Cement Corporation of India Ltd., has been drawn up in consultation with the Corporation. It has been sent to the Bureau of Public Enterprises for their comments. The statement is expected to be finalised soon.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10/75-Cem, dated 6-4-76].

Comments of the Committee

Please see paragraph 1.5 of Chapter I of the Report.

Recommendation (S. No. 2)

The Committee note that the Cement Corporation of India (CCI) was set up in 1965 to create cement manufacturing capacity of 5 million tonnes by the end of 4th Plan by setting up two very large cement plants of one million tonne capacity each and the remaining plants of smaller capacity. Just when the Corporation was taking preparatory steps towards the attainment of the capacity, Government decontrolled cement w.e.f. 1st January, 1966 and extended certain fiscal reliefs to the industry and later on delicensed the cement industry w.e.f. May, 1966. In the anticipation that the private sector would, in the changed circumstances, put up additional capacity in a big way, the target set for the CCI was scaled down from 5 million tonnes to 1.6 million tonnes in the first instance and then to 1.2 million tonnes and an outlay of Rs. 23 crores was earmarked for the CCI for the purpose. Subsequently in July, 1967 Government asked the CCI to set up cement plants in the deficit areas only as the private sector was not expected to give its full co-operation in this regard but in June, 1972 the restriction laid down for the CCI to invest only in the deficit areas was removed as it was found that the private sector was not coming up as expected and there was acute shortage of cement in the conutry. After clearing two projects, *viz.*, Mandhar and Kurkunta, each with a capacity of 2 lakh tonnes, the Corporation was advised by the Government to go slow with its projects. The Committee find that in the short span of time between 1965 and 1972 the policy of the Government in regard to the role of CCI changed rather frequently with the result that no time bound programme for setting up of capacity with complete details could be laid down and acted upon by the Corporation. The Committee are unhappy at the lack of planning and the inconsistency displayed by the Government in this respect and feel that the role and targets set for a public sector organisation should be worked out after great thought and care taking into account the demand of the product, availability of technical and financial resources etc., and once these are worked out and communicated to the undertaking, frequent changes therein should be avoided to enable it to concentrate its energies on the fulfilment of its role and to formulate concrete time bound schemes to achive the targets.

(Para 2.19)

Reply of Government

The observations of the Committee have been noted carefully. Government fully appreciate the need, as stressed by the Committee to define the role and determine the target of activities for the Cement Corporation after taking into account all the relevant factors so that frequent changes are avoided.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem, dated 6-4-76].

Recommendation (S. No. 3)

The Committee regret to note that the Government delicensed the cement industry with effect from May, 1966 in the anticipation that the private sector would put up additional capacity in a big way, and scaled down the target of the CCI from 5 million tonnes to 1.6 million tonnes and reduced it further to 1.2 million tonnes. The Committee are also surprised at the decision of the Government in July, 1967 to restrict the CCI to set up cement plants only in the deficit areas and allowing the private sector to have the benefit of developing the industry in the more profitable areas. The Committee regret that it took five years for Government to remove this restriction. (Para 2.20).

Reply of Government

The Ministry has taken careful note of the various points mentioned in this recommendation. It shares with the Committee the anxiety that planning in respect of such an essential commodity as cement and its production programme for the major public sector units in this industry should be worked out after a careful assessment of all the relevant factors and this too on a stable basis. In this connection the Ministry would like to submit that in certain respects the policy in regard to a particular industry such as cement has to conform and adjust itself to changes in over-all industrial development policy. The role of the public sector unit is manifold. It has to contribute to additional production to the maximum extent possible. This becomes all the more important in an industry such as cement where the private sector has had an overwhelming share of the total production. At the same time taking into account the expenditure incurred under the Cement Regulation Account by the Government for subsiding movement of cement to remote and deficit areas, it is but natural that the Cement Corporation is asked to take special steps to set up units in such areas, even though the capital and other costs may be higher and private sector continue to exploit reserves readily available in more favourable areas that are also already surplus in cement. Within this broad framework of policy, the ability of the Corporation to go ahead with the new projects is also conditioned by the amount of financial assistance that is forthcoming from the Government from time to time. The quantum of this assistance is itself subject to the vicissitudes of budget allocations. Subject to these limitation, every effort will be made to regulate policy and programmes in the industry, in keeping with the observation of the Committee.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 4)

The Committee feel that even when a decision was taken in February, 1970 to bring the cement industry under the purview of the licensing provisions of the Industries (Development and Regulation) Act, the Government had an opportunity of reviewing their earlier decision restricting the activities of CCI to deficit areas and could have rectified the position and gone ahead with the implementation of their schemes. But it took more than two years for Government to remedy the situation and withdraw their earlier order. As admitted by the representative of the Ministry, 'at that point of time it might have been a wrong decision on the part of Government'.

The Committee also feel that it should not have been difficult for Government to foresee that with only two projects in the deficit areas and the capacity already taken up, the maximum capacity that could be developed would only be 8 lakhs tonnes against the target of 1.2 million tonnes. (Para 2.21).

Reply of Government

The observations of the Committee have been carefully noted. Some of the circumstances relevant to this recommendation have been explained in reply to recommendation No. 3. After approval was given to Bokajan and Paonta projects efforts were continued for enabling Cement Corporation to plan additional projects, subject of course to over-all constrain of budget and of technical and managerial skill on the part of the Corporation itself as then constituted. The need for constantly exploring the potential for new projects and for generating a shelf of such projects for consideration and approval at appropriate times by the Planning Commission has been already well recognised by the Cement Corporation.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 5)

Even against the reduced target of 1.2 million tonnes, a capacity of 0.4 million tonnes only could be installed by March 1974 and no other project was scheduled to be commissioned by the end of Fourth Plan. The Corporation was thus far behind the revised projection of 1.2 million tonnes envisaged in the Fourth Plan nor could it realise its own expectation of December, 1969 of attaining production level of 4 lakh tonnes by March, 1971 and 6 lakh tonnes by March, 1974. The Committee have given separate recommendation in regard to non-attainment of the capacity elsewhere in the Report. (Para 2.22).

Reply of Government

Observations of the Committee have been noted.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 6)

The Committee regret to observe that because of frequent changes in the decisions and placing of the restrictions, for an unduly long period, on the Cement Corporation for putting up Cement Plants only in the deficit areas, valuable time was lost in developing the cement capacity in the Public Sector in the country with the result that shortage of cement persist. (Para 2.23).

Reply of Government

The observations of the Committee have been duly noted. Some of the circumstances relevant to the state of affairs referred to by the Committee have been mentioned in our replies to recommendation S. Nos. 3 and 4. All the same the point made by the Committee in this recommendation has been taken careful note of.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 7)

The Committee note that due to delay in setting up of cement plants by the Corporation, there has been a substantial increase in the capital outlay. In the case of Mandhar, while according to the feasibility report of March, 1966, the cost was Rs. 3.78 crores, in the Detailed Project Report of January, 1967, the cost was estimated at Rs. 4.65 crores, i.e., an increase of Rs. 0.87 crore. Similarly, in the case of Kurkunta, the increase in cost was from Rs. 3.78 crores in March, 1966 to Rs. 4.69 crores in January, 1967 almost a crore of rupees. In the case of Bokajan, the cost increase was from Rs. 8.32 crores in January, 1968 to Rs. 11.26 crores in October 1969. In the case of Paonta, the increase was from Rs. 6.08 crores in August, 1968 to Rs. 7.61 crores in February, 1970.

The Committee understand that a plant with indigenous castings normally takes 4-1/2 to 5 years time for being set up after the approval of the Detailed Project Report and financial sanction. The time could, however, be reduced only if certain critical parts and equipments are allowed to be imported.

The Committee were informed that while the Mandhar plant had taken normal lead time of 48 months, in the case of Kurkunta, the lead time was more than the normal lead time by over one year and there was cost over-run due to late delivery of plant and machinery and prolonged teething trouble. In the case of Bokajan, there have been delays due to transport bottlenecks, delay in receipt of castings, power shortage etc. In the case of Paonta and Mandhar Expansion, it was stated that the position could not be indicated at this stage. Lack of experience was also stated to be as one of the reasons for the delay. The Committee were assured that the delays in future will be eliminated or kept to the minimum through a monitoring organisation. The Committee were also informed that advance action has been taken to procure critical equipments, components and machinery which are long delivery items in respect of new projects and a system of PERT has already been introduced to work out the responsibility of the Corporation and that of the Government.

The Committee feel that it should be possible for Government/ Corporation to reduce the lead time for setting up the plant after approval of the DPR and financial sanction by proper planning, procurement of equipment and adherence to schedules which should be monitored through a system of PERT/critical path and other management techniques. The Committee would also like Government to investigate the causes for the abnormal increase in the lead time in regard to Kurkunta and Bokajan plants so that suitable action to arrest the delays is taken. The Committee recommend that Government should draw lessons from their experience so that they may guard against such delays in the future plants being set-up. (Paras 2.32 and 2.35).

Reply of Government

The observation of the Committee have been carefully noted. The Cement Corporation and the Ministry have also been extremely concerned at the long lead-time that some of the ongoing projects have been taken in the past. As a result of an analysis of the more general causes leading to delay, and with a view to making institutional and procedural improvements to enable the Corporation and the Ministry to monitor progress against approved time-schedules the following steps have been taken:

1. A Monitoring organisation has been established in the Corporation.
2. Other public sector organisations and Ministries connected with supply of equipment etc., are constantly being approached to expedite deliveries.
3. Constant liaison is maintained with railways in regard to facilities to be provided by them.
4. Similarly, authorities dealing with the foreign exchange are also being connected wherever allocations of foreign exchange for certain critical equipments is needed.
5. Periodical progress reports are obtained from the Corporation and delays if any located and remedial steps taken.
6. A Committee consisting of the Chairman and Managing Diretcor of CCI, the Director (Projects) in that Corporation, a representative from the DGTD another from the Department of Industrial Development and one from the Department of Heavy Industry is being constituted. This Committee is expected to monitor supply of plant and machinery to public sector projects and to sort out technical problems of an inter-institutional nature affecting timely commissioning of such projects.

It was found that the increase in the lead time in regard to the Bokajan project was mainly due to the delay in the supply of plant and machinery and delay in its transportation. As the Committee themselves observed in para 7.75 of the report, there were delays ranging from 10 months to 20 months in the supply of various items of plant and equipment by the plant suppliers for the Kurkunta project. This had led to the delay in the completion of the Kurkunta project. As past experience showed that the delay in the commissioning of the projects was mainly due to the late supply of the plant and machinery, as indicated in item 6 above, a Committee has been constituted to monitor the supply of plant and machinery to the projects of Cement Corporation, including that for Bokajan. Other action taken by the Ministry, for early implementation of the Project is enumerated in reply to Recommendation No. 84.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 12)

The Committee find that the Government have already set up a panel under NCST programme to evaluate the possibility of setting up of cement plants of 2,000 tonnes per day capacity and to that extent to develop the facilities of technical know-how in the country to manufacture such plants and also to undertake feasibility study of indigenous production like larger castings, larger gear boxes and also transport problems of ODC components connected with 2000 tonnes per day capacity plant. It has been stated that the report of the NCST is awaited. The Committee recommend that as soon as the report is received, Government should work out the economics of setting up plants of 2000 tonnes per day capacity *vis-a-vis* plants of 1000 to 1200 tonnes per day now proposed by CCI and take a decision about the standardising the capacities of the plants and machinery required therefor. (Para 2.55)

Reply of Government

The recommendation of the Committee has been noted. As it relates to future development of design and development of Cement Plants, it is also being taken to the notice of Department of Heavy Industry and the Department of Science and Technology.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 13)

The Committee note that the Task Force set up by the Government of India identified that 12 million tonnes of cement capacity was to be added in the Fifth Plan period. As a sequel to this, in May, 1973 after the discussion with the Ministry of Industrial Development and Planning Commission, an exercise was made on bringing up projects under crash programme during the Fifth Five Year Plan. According to the revised proposal, the Corporation is to put up six new projects—Akaltara, Yerraguntla, Neemuch, Tandur, Adilabad and Kurkunta Expansion with a total capacity of 26 lakhs tonnes at an estimated cost of Rs. 98 crores. Thus, the total capacity set up and to be set up by the Corporation at the end of the Fifth Plan will be 35.8 lakhs tonnes. Of these, project estimates of four plants (*viz.*, Tandur, Yerraguntla, Akaltara and Adilabad) have already been approved and those of Neemuch are under the consideration of the Government. The preparation of detailed project report in respect of the Sixth Plan (*viz.*, Kurkunta Expansion) has not been taken up for the present in view of the power shortage in Karnataka State which is considered likely to continue during the 5th Plan period. The Committee feel that the estimates for all the projects which are to be implemented in the Fifth Plan should have been ready after the economic viability of the projects had been examined by Government.

The Committee feel that, on the assumption of power shortage in Karnataka State, the postponement of Kurkunta expansion project is unfortunate. They would like the Corporation/Government to take up the question of supply of power for their Kurkunta expansion project with the State Government at a high level with a view to finding out a solution thereto and go ahead with the Kurkunta expansion programme. (Para 2.65).

Reply of Government

The observations of the Committee have been noted. As desired by the Committee, the question of supply of power for the Kurkunta Expansion Project is being taken up with the State Government.

[Ministry of Ind. & Civil Supplies, Dept. of Indl. Dev. O.M. No. 10-70|75-Cem., dated 6-4-76]

Recommendation (S. No. 14)

The Committee expect that the estimates in respect of the sixth Project Kurkunta expansion would also be approved by Government soon and be available for operation before the project is taken up for implementation. The postponement of Kurkunta Expansion Project will have effect of scaling down the targets set for the Fifth Plan. The Committee recommend that this should be avoided to prevent the gap between the demand and supply of cement becoming wider to the detriment of construction activity. (Para 2.66).

Reply of Government

The observations of the Committee have been noted. The preparation of feasibility report for the Kurkunta expansion scheme has been deferred by the Corporation on account of anticipated power shortages in Karnataka State in the coming years. The power requirement for the Kurkunta expansion has been ascertained from the Cement Corporation of India and the Government of Karnataka has been specifically requested to give a commitment that the requisite power would be made available so that this Ministry could ask the Cement Corporation of India to go ahead the preparation of the feasibility report. The final reply is awaited from the State Government. As soon as the question of power supply is decided and the Corporation submits the feasibility report, the Government will ensure quick examination of the estimates of the estimates and take a final decision as expeditiously as possible with reference to all relevant factors.

[Ministry of Ind. & Civil Supplies, Dept. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 19)

The Committee note that one of the functions of the Corporation is to act as the store house of information on the cement grade limestone deposits in the country for the expansion of capacity in the public as well as private sector. The Corporation has been receiving enquiries from private parties and submitting quotations in reply to the enquiries but only one site (Nimbahera—Rajasthan) has been investigated by the Corporation for a private party so far, for a fee of Rs. 1.98 lakhs.

The Committee are informed that M/s. Associated Cement Co., a private sector organisation, which also has a Limestone Investigation Division, had been doing work for the private parties. Further, the parties had set up plants in very good areas where deposits were already known. The Committee were also informed that when LID was started there were not much known deposits and the Corporation had to work on the basis of a 5 million tonnes capacity of cement.

The Committee recommend that Government should critically analyse the reasons as to why it has not been possible for the Corporation to secure work from private parties, so that suitable remedial action may be taken.

In view of the past experience the Committee, however, suggest that Government|Corporation should consider whether the L.I.D. on revival should at all undertake work on behalf of private parties.

Reply of Government

Major cement manufacturing companies have their own Limestone Investigation teams, and they employ their own teams for the purpose of investigation. Hence it was not possible for the Corporation to secure orders in the past subsequently the LID was also closed.

L.I.D. has been revived to cater to the needs of the Corporation in the manner as outlined in para 3.27 Reply to Recommendation at S. No. 17. The present structure of LID has not been evolved to take up contract jobs for private parties. However, in particular cases, if an offer is found profitable, taking up this work would not be ruled out, consistent with Corporation's own priorities and schedule of work.

[Ministry of Ind. & Civil Supplies, Dept. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 21)

The Committee regret to note that, while selecting the sites and employing the parties for investigation work, no estimate of cost was framed for any of the sites nor the scope of work mentioned. It was stated that, the organisation being in initial stage, estimates could not be prepared and they would be prepared in future. The Committee need hardly stress that estimates of cost are essential for the purpose of control of cost and assessing the performance. The Committee therefore, recommend that the Corporation should take steps to see that, before taking up the work, estimates of cost are prepared with complete details so that the investigating parties known in advance the parameters of work and the ceiling of expenditure within which they have to operate. (Para 3.50).

Reply of Government

Earlier no norms existed before taking up limestone investigation work. However, subsequent to discussions in a seminar attended, *inter-alia* by representatives of ISI, CRI, Cement Corporation of India and other parties, norms were laid by the Cement Research Institute of India in August, 1975. Accordingly estimates for some additional investigation work in Akaltara and Rajban have been prepared by the Corporation as per these norms.

[Ministry of Ind. & Civil Supplies, Dept. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 22)

The Committee note that the cement plants are of two types—drdy process plants and wet process plants. In a dry process plant there is a saving of about 30 per cent in coal consumption and the requirement of water is also less, as compared to wet process—but power consumption is 10 to 15 per cent more in the dry process plant than in the wet process plant. On comparison, the dry process plant is stated to be more economical. At the time when Mandhar and Kurkunta Plants were set up wet process plants were more in vogue in India. All the plants envisaged by the Corporation to be undertaken during 5th Five Year Plan are dry process plants and 95 per cent of the new letters of intent which have been issued in the last two years are also for dry process plants. Even if the dry process plants are stated to have advantages over wet process plants, the Committee cannot but take note of the acute shortage of power experienced almost all over the country. They hope that the Corporation too is not oblivious of this phenomenon. The Committee also understand that there are two main constraints in the dry process *viz.*, the minor mineral content (alkali and chloride content) in the raw material and the calcium carbonate content of the limestone in India being just marginal. Introduction of high ash coal may, therefore, derpess some of the minerals which give rise to early strength and hence may have an effect on the quality of cement. The Committee would iike that Government should review the economics of each one of the projects approved in the Fifth Plan after taking into account the availability of power and keeping in view the constraints of the dry process. The Committee would like to be informed of the results. (Para 4.13).

Reply of Government

The feasibility report of CCI indicates the merits and demerits in individual case from the point of the process for each specific site. In all the projects limestone is just marginal, hence dry process has been preferred, otherwise selective mining has to be resorted to at a relatively much higher cost and with rejections of limestone. Apart from saving in fuel slightly higher power consumption is there in case of dry process. In dry process large quantity of off-grade limestone can be utilised which is an important factor for conserving mineral resources. Apart from this even inferior grade coal can be used in dry process which is not possible in wet process. Thus utilisation of off-grade coal resources also is important.

Before the submission of the detailed project report for each project, approved for the Fifth Plan, the Cement Corporation of India obtained an assurance from the concerned State Government, that the requisite power for the dry process plant will be made available.

Superiority of the dry process is now a generally accepted phenomenon. The Corporation had examined in detail the economics of the dry process plant in each case taking into account the power position and the quality of limestone and there is no constraint in the implementation of the projects on this account. It is respectfully submitted that the Corporation may be allowed to go ahead with the dry process plants for these projects, for which orders have already been placed for the plant and machinery based on dry process system.

[Ministry of Ind. & Civil Supplies, Dept. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 24)

The Committee note that the Corporation has started manufacturing fly-ash pozzolana cement at its Kurkunta Plant from February, 1974. The results of the test are stated to have proved that the fly-ash pozzolana cement is even better than the prescribed Indian Standard specifications of ordinary portland cement in certain respects. Fly-ash is an industrial waste obtainable from the thermal power plants in different parts of the country. According to the Cement Research Institute, the manufacture of portland fly-ash cement using fly-ash from the Delhi-Badarpur-Faridabad complex of thermal power stations will be technically and economically a feasible proposition. The Institute has also completed a feasibility report for manufacture of cement from fly-ash from Nellore thermal power plant in Andhra Pradesh for a cement manufacturer and is now engaged on the question of utilising fly-ash from Panki thermal power plant in Uttar Pradesh for another cement manufacturer. The Committee would urge the Corporation to examine the economics of this new process and see how it can make use of this process to set up new cement factories in areas particularly in the deficit Northern and Eastern regions, wherever the fly-ash is available in plently. (Para 4.21).

Reply of Government

This Corporation is aware of the advantages of manufacturing fly-ash pozzolana cement wherever feasible. Utilisation of fly-ash in the new factories for manufacture of fly-ash podzolana cement will be considered as suggested by the Committee taking into account the mineralogical composition of clinker to be ground and the economics of manufacture.

[Ministry of Ind. & Civil Supplies, Dept. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 25)

The Committee note that under the Cement (Quality Control) Order, 1962, manufacture and sale of cement not conforming to the prescribed standards is prohibited. The Corporation has a Quality Control Organisation to ensure quality control upto the point of despatch but it has no organisational set up to check the quality of cement at consumers' end. They feel that the Corporation is responsible not only for manufacturing cement of the prescribed standard but also for ensuring that the cement being sold by the dealers authorised by it under its trade name conforms to those standards. The Corporation should not merely wait for complaints from consumers but should also conduct surprise checks on the quality of cement stocked with the dealers. In this connection they would wish to draw the attention of the Corporation to the recommendation made by the Estimates Committee of Lok Sabha in paragraph 6.32 of their 60th Report (Fifth Lok Sabha April, 1974) on availability and distribution of Cement and reterate that suitable measures should be taken by the Corporation in respect of the cement manufactured by it and sold by its authorised dealers to ensure that cement of requisite quality is supplied to the ultimate consumers. (Para 4.28).

Reply of Government

The observations of the Committee have been noted. The Cement Corporation of India is having a full fledged laboratory at each of its running units and day-to-day testing is being done there to ensure that the cement manufactured is of requisite quality. Whenever required, the samples are also sent for examination to the National Test House and Cement Research Institute of India. Regular samples of cement are being drawn and tested in production stage and before packing the same. Any complaint regarding quality of cement received by the Corporation, is attended to promptly.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Comments of the Committee

Please see Paragraphs 1.13 to 1.15 of Chapter I of the Report.

Recommendation (S. No. 27)

The Committee also note that the increase in the estimates for Mandhar Plant sanctioned in July, 1972 for Rs. 490 lakhs over those included in the Detailed Project Report and sanctioned by Government in June, 1969 for Rs. 451 lakhs was mainly under Establishment expenditure during construction (Rs. 14.35 lakhs), civil works (Rs. 7.47 lakhs), electrical installation (Rs. 4.63 lakhs) and headquarters overheads (Rs. 16.23 lakhs). The actual expenditure on erection cost including establishment expenditure during construction amounted to Rs. 29.64 lakhs against the provision of Rs. 16.50 lakhs in the project report. It was stated that the erection of the plant and machinery was originally proposed to be done departmentally and it was anticipated by the Management that the provision of Rs. 16.50 lakhs made in the approved estimates would be adequate to cover the expenses of the staff employed during construction period as well as staff employed for erection purposes though no break up of the provision under the two heads was indicated. Subsequently, the Management decided to get the erection work done through the suppliers (M/s K. C. P. Ltd Madras) of the plant and machinery so as to avoid the problem of surplus labour and also the complaints from suppliers. The contract for erection and technical knowhow for erection absorbed Rs. 15.29 lakhs and after meeting the expenditure on the maintenance of establishment during construction, the total actual expenditure on this account exceeded the sanctioned estimate by Rs. 13.14 lakhs, thus registering an increase over the provision in the revised estimate by 80 per cent. In the opinion of the Committee, such an excess is too high and indicative of the original estimates not being realistic. The Committee are informed that the excess expenditure on erection and establishment expenditure during construction was contemplated to be met out of the provision of Rs. 18.69 lakhs under contingencies. Though the inadequacy of the provision was brought to the notice of Government before sanction of the DPR, Government had not chosen to revise the provision on the basis of known factors but reduced the provision under contingencies. In the opinion of the Committee, meeting the expenditure on establishment during construction out of the provision for contingencies is irregular and the erection cost should have been broken up so as to indicate the provision for establishment during construction separately so that control of costs over establishment was possible.

The Committee recommend that the Government/Corporation should ensure that estimates of the project are realistic and not so wide off the mark as otherwise the very purpose of having the estimates is likely to be defeated. (Paras 5.28 to 5.29).

Reply of Government

The observations of the committee have been noted. Excess expenditure over the estimated project cost due to inflation, which cannot be correctly estimated at the time of preparation of the project report, cannot be completely ruled out. The Corporation is being advised to ensure that in future realistic project cost estimates are prepared taking into account all the known factors, which contribute to the increase in cost estimates, so that the gap between the actual expenditure and the cost estimates is narrowed as far as possible as we could not eliminate altogether, the excess expenditure over cost estimates in project of such magnitude.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 29)

The Committee note that the Headquarters overheads which were estimated to be Rs. 5.20 lakhs and approved at that level by Government in 1969 rose to Rs. 20.43 lakhs registering an increase of almost 300 per cent which is stated to be due to less number of cement projects having been taken up than earlier anticipated and due to the longer time taken in the implementation of the project. They also note that the fact that Headquarters overhead was likely to increase due to less number of projects sanctioned was brought to the notice of Government but the Government were not agreeable to increase the provision under this head. In spite of this, the Committee are surprised that Government had not taken any action to reduce the overhead expenses by pruning the establishment to the extent necessary. The Committee find that the staff strength increased from 97 in 1969 to 155 in 1973. It was stated by the Management that the staff strength was always realistic to meet immediate needs. The Committee recommend that Government should examine the justification for such huge expenditure on Headquarters which has caused the increased allocation of overheads to the individual projects and fix the strength on a realistic basis. (Para 5.40).

Reply of Government

The observations of the Committee have been noted carefully. We fully appreciate and share the anxiety of the Committee that the "Headquarters overheads" should not affect the profitability of the projects of the Corporation and that the staff strength of the headquarters should be realistic to meet only recognised needs.

The staff Inspection unit of the Ministry of Finance had undertaken staff study of the Headquarters office of the Cement Corporation of India in 1972. After assessing the work load in the Corporation, the S.I.U. submitted its report recommending *inter-alia* a staff strength of 119 against to then existing staff strength of 137. In the meanwhile, the Action Committee on Public Enterprises a high powered Committee examined the structure of the head-quarters of the Cement Corporation of India in order to evaluate its capability to plan and execute projects competently and to run them efficiently. The report submitted by the Action Committee was accepted by the Government. The Action Committee had found that the then existing organisation of the Cement Corporation was inadequate to handle the projects which they were expected to undertake during the V plan and afterwards. In 1973, during the V Plan discussions held in the Planning Commission also, it was agreed that the organisation of Cement Corporation of India should be strengthened to enable it to tackle effectively the programmes envisaged during the V plan.

Apart from the two plants in production, two projects and one expansion scheme are under construction and five new projects have been approved for implementation during the V Plan period. It will be appreciated that as the number of units increase, it becomes necessary to strengthen the different departments of the Head Office. The various posts in the Corporation are being filled in only when there is sufficient justification and need for the same. The assessment of requirements has to be a continuous exercise in the light of changing workload and the Corporation has been requested to keep the very valid points made by the Committee in this regard when they undertake such exercises in the future.

The Administrative Staff College, Hyderabad has been engaged by the Cement Corporation of India to study the organisation structure and organisation relationship in the Corporation. The extent to which the functions may be transferred from the Head Office to the factories/Projects are being studied by the experts of the Administrative Staff College. The Industrial Engineer of the Corporation has also taken up the work of determining work load/method studies in the Headquarters. The Staff position will be reviewed on receipt of reports of the experts.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 17-4-76]

Recommendation (S. No. 31)

The Committee note that the contract for Civil works was awarded to one M/s. Wig Bros. in July, 1967 and the work was to be completed in a period of 12 months. The item-wise schedule for completion of civil works was finalised in May, 1967 and envisaged completion of various items between October, 1968 and February, 1969. There was, however, delay ranging from one month to eleven months in the completion of civil works by the contractor. It has been stated that keeping in view the magnitude of the work and the circumstances prevailing the date of completion was extended from time to time till 30th April, 1970. Even though in a number of cases the progress was much below the mark, no liquidated damages were imposed on the contractor. On the contrary, the contractor filed with the Arbitrator a claim amounting to Rs. 23.29 lakhs (Rs. 15.62 lakhs on account of prolonged period of execution of work and Rs. 7.67 lakhs for additional items of work and other reasons) and the Arbitrator awarded an amount of Rs. 2.46 lakhs in favour of the contractor. The Committee are unhappy to find that not only the Corporation failed to make out a case for imposing liquidated damages on the contractor for delays but also it was held liable to pay an additional sum of Rs. 2.46 lakhs to the contractor.

The Committee further note that the supply of plant and machinery which was first required to be made by December, 1967 and then by May, 1968 was actually completed by November, 1970. Similarly there was delay ranging from 1 month to 12 months in the completion of erection work. Taking into account all the facts and as the delay on the part of the contractor and the Corporation was 11 months, the Corporation did not levy any liquidated damages which amounted to Rs. 16,000 as per terms of contract. The delay in delivery of plant and machinery and in erection is stated to have delayed the implementation of the project by 2/3 months which in a project of this size was not considered to be a serious lapse. Though the Corporation withheld Rs. 7.49 lakhs from the payments due to the firm, the question of defects and delays in supply of plant and machinery was considered by the Board which ultimately decided to condone the delay and release the payment after adjustment/recovery of certain amounts to the extent of Rs. 2.5 lakhs. In effect the Corporation has lost the claim for liquidated damages to the extent of Rs. 16,000. The Committee feel that in both the contracts relating to construction of civil works and supply and erection of plant and machinery, because of the delays on the part of the Corporation, it could not sustain its claims against the contractor. The Committee recommend that the Corporation should learn a lesson from this experience and avoid such delays in future. (Paras 5.52 to 5.59).

Reply of Government

The observations of the Committee have been noted.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 32)

The Committee are informed that a Monitoring and Evaluation Cell has now been set up to co-ordinate and monitor all activities connected with the implementation of the new projects. They hope that at least now such delays will be avoided and the new projects will be completed as per schedule. (Para 5.54).

Reply of Government

Observations of the Committee have been noted.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-76].

Recommendation (S. No. 33)

The Committee regret to note that though the guarantee performance runs for the individual units commenced from 21st March, 1970 and continued upto 24th December, 1970, and performance efficiency of all the units of the plant as stipulated in the agreement was not established, the plant was taken over by the Corporation on 12th September, 1970. It was stated that the performance test in the case of Crushing Plant, Raw Grinding Mill, Coal Mill and Cement Mill was given subsequently. The Committee are surprised at the statement of the Ministry that "there is no irregularity. Only when we run it we will come to know the defects". The Committee have given their comments separately in regard to the defects noticed in the plants.

The Committee note that as against the guaranteed output of 200 tonnes per hour the crushing plant had been giving only 160 tonnes per hour because of the defective positioning of the push feeder and hopper with respect to wagon tippler which necessitated employment of extra labour at a cost of Rs. 15,000 per year to push the blocked boulders manually. The plant was not capable of running continuously and producing the required quantity of 1032 tonnes in one shift as originally contemplated with the result that it had to be run in two shifts necessitating employment of extra staff costing about Rs. 30,000 per year. The plant supplier had fulfilled the guarantee test with an output of 200 tonnes per hour, but the granulometry of limestone was little short for which the plant supplier had paid the penalty. The spread over of operation to second shift was necessary because the sequence connected with the winning of the lime-stone, transport of lime-stone by means of dumpers into wagons and thereafter by tipping mechanism into the hopper could not be maintained at 200 tonnes per hour. The Committee are informed that so far as crushers are concerned there was no difficulty. It is only in the design of the hopper that there is a defect because of which the material does not flow smoothly. The machinery supplier and civil engineering consultants were responsible for the defective design of the hopper. Though the Corporation was able to maintain the output or capacity, the loss was to the extent of the wages of the labourer. The Committee are also informed that though in the initial stage, there was the problem of keeping the sequence of supply of lime-stone, the problem was solved by employment of extra labour. However, the main problem of maintaining continuity of trains still remained. The operation in one shift was posing problem due to (a) transportation because the N. G. locomotives purchased from Railways were very old; (b) raising of lime-stone partly manually and partly mechanically; and (c) synchronisation in winning, transportation and tipping being a time consuming factor. The Committee are also informed that normally test performance in crushing plant was given for 8 hours to 24 hours and it was usually for 24 hours. The Managing Director stated during evidence "as per records we find that they have given test for crushing plant for 8 hours. During that 8 hours, it was fulfilled subsequently, we find that we get an output of 160 tonnes per hour instead of 200 tonnes per hour". The Committee fail to understand as to why the Corporation had not insisted on a guaranteed performance of integrated working of the plant with all its operations for the usual period of 24 hours according to the agreement. The Committee are distressed to note that no action was taken against the civil engineering contractors and supplier of plant and machinery who are responsible for the defective positioning of feeder and hopper which had resulted in employment of extra labour with a recurring expenditure of Rs. 15,000 per year. The

Committee recommend that this matter should be investigated with a view to fixing responsibility and the Committee informed of the results. The Committee would also like the Corporation to study the problem of maintaining continuity of trains and maintenance of locos with a view to evolving a solution in the interest of better utilisation of the capacity and avoid second shift operation which entailed an expenditure of Rs. 30,000 per year. The Committee would also like the Corporation/Government to study the economics of raising lime-stone partly by manual and partly by mechanical operations in the context of maintaining continuity of supply. (Paras 5.72 to 5.73).

Recommendation (S. No. 34)

The Committee note that the guaranteed output of 50 tonnes per hour of the Raw Grinding Mill on dry basis was obtained at the time of guarantee test by working the mill below 80 per cent of the full load and even at this low load the flexible coupling towards Mill end and the pinion and girth gear of the Mill were seen wearing out fast, possibly because of wrong specifications and defective materials used by the suppliers. As the period of six months from the date of commissioning during which free replacement of the equipment could be obtained had passed, the suppliers refused to own any responsibility for these defects. The Mill is not running to the guaranteed output and many of the components have worn out in course of operations and they have to be replaced. The Committee cannot understand why the guarantee test was done by working below 80 per cent of the full load and not with full load. The Committee are not sure whether the guaranteed performance was established after 24 hours of working as stipulated in the agreement. They would like the Government to examine the matter and determine whether the initial lapse of not conducting the guarantee test with full load had not resulted in the wrong specification and defective material remaining undetected within the guarantee period causing recurring loss to the undertaking, and if so, who was responsible for the lapse. (Para 5.81).

Recommendation (S. No. 38)

The Committee note that though the guaranteed output of Cement Mill was achieved during the guarantee performance test, due to certain defects developing later on, the Mill had to be run at a low load resulting in lower output varying between 67—70 per cent of the rated capacity. Besides, the major breakdown of tersion shaft and certain other breakdowns due to faulty designs and defective materials caused stoppage of the Mill for nearly 600 hours in January, 1972 resulting in loss of production of 21,000 tonnes.

The breakdowns had occurred after 2 years of the working of the Cement Mill and the Corporation did not find it possible to fix responsibility on machinery suppliers who were also the erection contractors. The defects have since been attended to and the Mill is now stated to be running satisfactorily. It appears that under the present scheme of things it is not normally possible to hold the plant supplier responsible for any defect in the working of the machinery after guarantee period. But if after the guarantee period, any plant breaks down not due to design defect, but due to the material, of which it is made being of inferior or defective quality how the plant supplier can escape responsibility therefor is a matter which requires to be gone into critically. The Committee would like the Government to examine this matter from legal angle and if necessary, consider whether the responsibility of the plant supplier for using defective material, even if the defective material is detected after the guarantee period, cannot be explicitly incorporated in the agreement for supply of plant and machinery. (Para 5.115).

Reply of Government

The observations of the Committee have been noted carefully. As recommended by the Committee, the matters referred into in recommendation Nos. 33, 34 & 38 were examined by this Ministry in consultation with the Cement Corporation of India. As the matters are of a technical nature and need to be probed in some detail in the light of the observations of the Committee. One Man Committee has been appointed to examine this. The Committee's Report is awaited. The findings of the Committee and the Government's decision thereon will be communicated as early as possible.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. Dated 6-4-76].

Comments of the Committee

Please see paragraph 1.107 of Chapter I of the Report.

Recommendation (Serial No. 35)

The Committee also note that though guaranteed output of the coal mill was obtained during the guaranteed performance test, the outlet flange bolts failed and the mill went out of alignment after one and a half year of working resulting in small pieces of grinding media and coal powder coming out and contaminating the lubricants and damaging the girth gear pinion. Though these defects have been set right, the Committee are informed that both the raw grinding mill and coal mill are not running to the guaranteed output as guaranteed out-put depends on the replenishment of many parts. The Committee are also informed that performance guarantee for raw mill was for 24 hours and the Corporation has recently introduced a guarantee for a sustained production for 7 days continuously. At the time of agreement, as there was no such element of sustained production, the Committee feel that this factor should have been taken into account and suitable clauses stipulated in the agreement.

The Committee hope that the Corporation/Government will learn a lesson from the experience and ensure that clauses for guarantee performance in agreements should provide for a sustained production for a continuous period with deterrent penalty for failure. The Committee would like the Government to issue suitable instructions in this regard for the guidance of all the public undertakings. (Para 5.82 to 5.83).

Reply of Government

The observations of the Committee have been noted carefully. The Cement Corporation is being requested to ensure that clauses for guarantee performance in agreements provide for a sustained production for a continuous period with deterrent penalty for failure. They are being requested to follow scrupulously the guidelines issued by the Bureau of Public Enterprises in this regard.

The recommendation of the Committee, regarding issuing suitable instructions in this regard, for the guidance of all the public undertakings, was brought to the notice of the Bureau of Public Enterprises. The Bureau of Public Enterprises is however of the opinion that the point made by the Committee is suitably covered in their comprehensive guidelines on "Scrutiny and Approval of Agreements involving foreign collaboration by PSEs" issued to the Public Enterprises BPE's O.M. No. 35(1)/73-BPE/MM dated 14-11-74 (page 10 item 23). Hence, they are of the view, that there is no necessity to issue further instructions to Public Sector Enterprises on this subject.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (Serial No. 37)

The Committee note that a scheme for modifications to be made in the dust collecting system and arresting the dust losses etc., had been approved by Government as early as October 1972 and this scheme has not been implemented so far. The Ministry have admitted that 'there is delay in implementing this small scheme, which is costing over Rs. 32 lakhs and we are now expecting that this will be completed in another six months' time, by the third quarter of 1975'. The Committee recommend that this work should be completed without further delay in the interest of arresting dust losses. (Para 5.108).

Reply of Government

The dust insuffolation scheme at Mandhar has already been taken in hand. All Civil Engineering work in connection with this scheme has been completed. Erection of all the equipments is expected to be completed by the 3rd week of January 1976 excepting fixing of stainless steel chain in the kiln. The delay in the implementation of this scheme was mainly due to (i) procurement of belt conveyor and (ii) obtaining certain stainless steel items. The belt conveyor supply was found to be defective and the supplier had to be instructed to do the necessary modifications at his cost. Since the modifications required were fairly substantial, there occurred a delay in the completion of the project. The scheme required certain stainless steel items, for which it was difficult to locate a suitable supplier. This material as per our original specifications could not be procured locally. Therefore the specifications were changed. Thus there was a delay in placing the orders for these items and the orders have been placed in the month of November, 1975. Delivery of this item is expected in March, 1976. However, without waiting for fixing of the stainless steel chains, the erection of the other equipments for this scheme will be completed by the 3rd week of January 1976 and dust recovery system will be commissioned during February, 1976 after pre-commissioning trials have been taken in the 4th week of January, 1976.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (Serial No. 39)

The Committee note that the Corporation procured a packing plant at a cost of Rs. 8.36 lakhs and though the guaranteed output of 60 tonnes per hour of each packing machine was achieved during the guarantee performance test, certain automatic devices of the Packing Plant had not been functioning since installation with the result that the Corporation had to get the work done manually. The Committee were informed that the Packing Plant was an imported one and due to environmental conditions of heavy dust which prevailed in the Plant, these automatic devices did not work after some time and to the knowledge of the management these were not working in other units also. If these automatic devices do not work satisfactorily in cement plants in general, the Committee fail to understand as to why such automatic equipments be procured at all for Packing Plant particularly when the plants are imported after spending scarce foreign exchange. The Committee would like the Government and the Corporation to examine the desirability of procuring such automatic devices for packing purposes in cement units and decide whether it is at all prudent to go in for such automatic devices when these cannot and do not function smoothly. (Para 5.120).

Reply of Government

The packing plants are now indigenously available and the automatic devices of the indigenously manufactured packing plants are known to be working satisfactorily.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (Serial No. 41)

The Committee note that all the defects noticed in the plant and machinery supplied by M/s. K. C. P. for Mandhar Unit were discussed at a meeting convened by the Ministry of Industrial Development at which the technical experts of the Government and representatives of the Corporation and the plant supplier were present and after considering pros and cons of all the matters recoveries aggregating to Rs. 2,50,448.58 in terms of the contract were made from the plant supplier. Even if the amount of penalty realised from plant supplier for the defective machinery may be reasonable in terms of the contract as stated by the Ministry, how far this amount is an adequate compensation for the low production and under utilisation of the plant is a point which the Committee would like the Government to consider while assessing the overall performance of the plant supplier and derive lessons therefrom.

Reply of Government

The observations of the Committee have been carefully noted and the Cement Corporation has been advised to keep them in view while assessing the performance of the plant supplier and placing orders in future.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (Serial No. 45)

The Committee note that as already stated the Corporation purchased 1 shovel of 1½ c.y.d. and dumpers of 10 tonnes each in March, 1969 and August, 1969 respectively against the 2½ c.y.d. shovel and 16 tonne dumper provided for in the D.P.R. It had been clarified by the Management that at the time of placing orders for dumpers and shovels, it was technically held that dumper of 16 tonne capacity would not be able to withstand the impact and shock stock loading of 2½ c.y.d. capacity shovel. Besides, the dumper capacity had to be matched with capacity (10 tonnes) of narrow gauge wagons. The Committee do not understand how, in spite of these, the DPR provided for procurement of shovel of 2½ c.y.d. and dumper of 16 tonne capacity without taking into account all relevant factors. The Committee had been repeatedly pointing out that the DPR should be prepared taking into account all known factors. The Committee reiterate that the DPR should be prepared realistically taking all known factors into account. (Para 5.153).

Reply of Government

The observations of the Committee have been noted.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (Serial No. 46)

The Committee note that as against the installed capacity of 2 lakh tonnes, the target of production for Mandhar Plant in 1973-74 was 1.68 lakh tonnes and the actual production was 1.53 lakh tonnes.

The Committee were informed that the Task Force on cement industry had assessed the attainable capacity at a figure of 85 per cent utilisation of capacity which worked out to 1.70 lakh tonnes and due to expected short supply of wagons for the movement of cement the target was fixed at 1.68 lakh tonnes in 1973-74. The Committee see no reason why the target for 1973-74 should be fixed at 1.68 lakh tonnes less than the attainable capacity. When the plant attained 90 per cent utilisation in 1972-73, the Corporation considering the shortage of wagon supply reduced it further to 1.68 lakh tonnes.

The Committee note that the actual working hours of the different plants of the project have always been less than the available working hours during the period 1970-71 to 1973-74. The total number of stoppages in the working of crusher increased from 1255 hours in 1970-71 to 3796 hours in 1973-74. Similarly, in the case of Packing Plant, the total number of hours stopped increased from 2814 hours in 1970-71 to 5370 in 1973-74. The stoppages were mainly caused by mechanical and electrical defects, power cuts and other 'miscellaneous constraints'. To obviate the stoppages on account of mechanical and electrical defects, systematic preventive maintenance is stated to be in vogue but from the large number of hours lost on this account, the Committee recommend that there should be regular and periodical preventive maintenance to all the points so that stoppages due to mechanical troubles could be reduced, if not eliminated. (Para 5.153).

Reply of Government

A preventive maintenance scheme is already in vogue at both the factories. Maintenance schedules have been prepared, which provide for daily/weekly checks and also checking out mechanical and electrical equipments at prescribed intervals. Copies of these schedules have been given to the Departmental Heads and it is ensured that these schedules are followed. In order, however, to improve upon the existing maintenance the Corporation has also engaged M/s. Engineers India Limited for providing consultancy Services in maintenance management for the Kurkunta unit. On receipt of their recommendations, necessary improvements will be introduced at Kurkunta and a suitable scheme on the same lines will be introduced at Mandhar also.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (Serial No. 47)

The Committee also note that the Mandhar Plant has a rated capacity of 2 lakh tonnes per year and its capacity utilisation has been 74 per cent in 1970-71, 82 per cent in 1971-72, 90 per cent in 1972-73 and 76½ per cent in 1973-74. The setback in the utilisation of capacity in 1973-74 is stated to be due to power shortage, abnormal repairs of equipment, railway strike and inadequate supply of wagons. The Corporation stated that the power interruption were still there and the question of wagon supply was being pursued with authorities concerned from time to time and there had been no improvement in the quality of coal supplied even though the matter had been taken up with Linkage Committee. As against this, the representative of the Ministry stated that the coal supply had improved tremendously and so also the wagon supply. The Committee would like Government to study the difficulties of the Corporation in depth and do all that is in their power to resolve them to enable the plant authorities to increase production. (Para 5.175).

Reply of Government

The Government have taken careful note of the observations of the Committee. It is also impressing on the Corporation the need for careful observance of these instructions.

The difficulties that are faced by the Mandhar Unit in increasing production are ascertained from the Cement Corporation from time to time and necessary assistance to overcome these difficulties wherever sought is rendered by the Government.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem., dated 6-4-1976].

Recommendation (Serial No. 50)

The Committee would also like the Corporation to work out fresh profitability projections with reference to the current prices and wages and assess the performance to see how far the efforts made have improved the profitability with reference to such profitability indices. (Para 5.190).

Reply of Government

The standard cost per tonne of cement has been worked out for both the factories namely Mandhar and Kurkunta, with reference to present cost of inputs and labour. With the present selling price of Rs. 160.75 per tonne including selling distribution expenses of Rs. 3, it is estimated that Mandhar and Kurkunta factories will break even at production and despatches of about 1,50,000 tonnes p.a. i.e., at 75 per cent of the installed capacity of 2,00,000 tonnes p.a. The working shows that at 90 per cent capacity utilisation, there will be a minimum profit of Rs. 25 lakhs per annum per factory after charging depreciation and interest on borrowings but before payment of Income Tax.

The clinker production at Mandhar and Kurkunta has picked up since August|September, 1975 and is expected to stabilize around or above 90 per cent of clinker rated output of 1,90,000 tonnes per annum. Efforts are under way that the cement production and despatches also at both Mandhar and Kurkunta stabilize between 90 and 95 per cent capacity of cement output. M/s. Walchandnagar Industries Ltd. have shown reluctance to give performance trial of Plant and Machinery supplied for Kurkunta Factory. The Corporation is examining the steps to be taken for correction of the various bottlenecks in getting the desired production and despatches. Some steps have already been taken to remove these bottlenecks.

Once the production of cement and despatches stabilize at Mandhar and Kurkunta factories at 95 per cent of installed capacity for cement production, they will surely make a profit of a minimum of 11.5 per cent before tax and 5 per cent after tax.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (S. No. 51)

The Committee note that HSL had a proposal of setting up cement plant of its own for using the slag available at the Bhilai Steel Plant. Although it was decided as early as July, 1965 that this work could be advantageously taken up by the Cement Corporation of India, no action was taken on the proposal till January, 1969. The Committee note that in May, 1969, the H.S.L. informed the Ministry that it would be in a position to meet the requirement of the granulated slag of the Cement Corporation of India to the extent of 1.8 to 2 lakh tonnes per annum at the price which was being paid by M|s. A.C.C. for slag supplied to them and accordingly they intimated the price in August, 1969 to the Corporation. Even then it was only in November, 1970 that the Corporation prepared the project report for expansion of Mandhar Project on the basis of granulated slag and after approval by the Board, it was sent to the Ministry in February, 1971. The approval of the Ministry was acconded in March, 1972. The Committee regret to observe that the Corporation lost more than four years of valuable time in initiating action to prepare the project report. There was also a delay of over one year on the part of the Ministry in according the approval to the project estimates. The Committee are informed that the time taken by the Corporation in fulfilling the preliminaries in connection with this project was necessary to evaluate the mineralogical composition of the clinker at Mandhar to determine the maximum quantity of slag that could be exploited to manufacture cement. The Committee are not at all convinced with this explanation. They are not happy at the leisurely way in which the entire proposal was processed both by the Corporation and by the Ministry. The Committee recommend that in view of the terms and conditions stipulated by HSL and the escalation in prices during the period, Government should review the proposal and its effect on the cost of production and economics of the project and bring the details to the notice of the Parliament. (Para 6.11).

Reply of Government

The observations of the Committee have been noted carefully. The first unit of the Corporation *i.e.* the Mandhar plant with 2 lakh tonnes per annum capacity was commissioned only in July, 1970. The Corporation desired to formulate the Project Report after evaluating the mineralogical composition of clinker at Mandhar to determine the maximum quantity of granulated slag of Bhilai plant which could be exploited to manufacture slag cement in view of marginal quality of limestone available at Mandhar. As intimated to the Committee earlier, the Hindustan Steel Limited wanted the Cement Corporation of India to take up the project along with the surplus labour working in their Nandini Mines which was, however, not acceptable to the Corporation, and hence the proposal mooted in 1965 by HSL did not materialise.

The Corporation prepared the project report for the Mandhar Expansion and submitted the same in February, 1971 and this was approved by Government in March, 1972.

Regarding the observation of the Committee regarding escalation due to the delay in finalising the proposal with the Hindustan Steel Limited, it is submitted that the slag price quoted by Hindustan Steel Limited from time to time had a built-in escalation clause. Even if the Corporation had entered into contract with

Hindustan Steel Limited as early as 1970, the increase in price of slag would have been imposed on the Corporation, as the agreed terms include escalation in the price of the slag proportionately related to the increase in the price of portland blast furnace slag cement. The increased price of slag at present at Rs. 29.55 per tonne (with stipulation of escalation) is still an economically viable proposal, as during the corresponding period, the cement price has been increased from Rs. 100 per tonne to Rs. 157.75 per tonne. The provision of escalation clause in the slag price is not likely to adversely affect the economic viability of the project as the escalation in slag price is generally related to the increase in the price allowed to Portland Blast Furnace Slag cement.

As desired by the Committee, the economics of this expansion scheme will be placed before the Parliament, after the expansion programme is commissioned.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-cem. dated 6-4-76]

Recommendation (S. No. 53)

The Committee note that though the Corporation invited tenders for civil works and the amount of tender was well within the provision in the project estimates, the Corporation did not accept the tender on the ground that the DPR was being revised in view of the over all increased cost of the project. Moreover, it was stated that early acceptance of the tender would not have resulted in any advantage, as the execution drawings could be supplied only when the civil engineering designs based on machinery suppliers layout drawings and load data were prepared and the details thereof were not available due to non-finalisation of supply order for plant and machinery.

The Committee regret to note that the delay in finalisation of the order for plant and machinery *inter alia* led to the non-acceptance of the tender for civil works even though the tender was well within the sanctioned estimates. The Committee hope that such situations would be avoided in future so that the Corporation is not burdened with extra-expenditure which usually results from such delay. (Paras 6.36 to 6.37).

Reply of Government

The recommendations of the Committee have been noted for future guidance.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-75|75-Cem. Dated 6-4-76].

Recommendation (S. No. 54)

The Committee regret to note that the Corporation invited tenders for residential welfare and other buildings in July, 1972 and even after negotiations were conducted, the lowest tenderer was requested to extend the date of validity. No response was, however, received from the tenderer till February, 1973. The Committee were informed that as the tenders were high, action was being taken to make fresh arrangements. Subsequently, the provision of residential welfare and other buildings was not considered necessary in view of construction of quarters under the scheme for subsidised Industrial Housing by Madhya Pradesh Housing Board. Besides, there was a ban by the Government for the construction of residential and other non-functional buildings.

The Committee feel that the Corporation should have first taken a decision in regard to provision of buildings under the Madhya Pradesh Housing Board Scheme or otherwise before the invitation of tenders. (Paras 6.38 to 6.39).

Reply of Government

In case of Mandhar Expansion Project, the tenders for residential and welfare buildings were invited initially so as to complete these buildings timely co-ordinating it with the plant civil works. Since the M.P. Housing Board decided to construct 48 quarters out of the subsidised Industrial Housing Scheme, the work was not taken up. However, in case of our other projects, we are taking up the township works in different phases as per actual requirement so as to provide residential facility to the staff as and when they are posted.

It is further proposed that for the new projects, a more careful scrutiny can be carried out and the phased programme can be made in advance and got approved by the competent authority before taking up the construction of these buildings.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-476].

Recommendation (S. No. 55)

The Committee also find that on the plea of want of sanction to revised project estimate as a whole, the cases where even the original project provision was not exceeded, had not been considered. The Committee feel that the Corporation should be clear about its requirements before they act, so that the labour may not become infructuous. The Committee also find that because of the delays in construction for one reason or other, there had been an upward revision of the capital cost of the project which has ultimately brought down the estimated return on capital from 14 per cent to 7.8 per cent. The Committee recommend that planned concerted and co-ordinated measures should be taken to ensure that such delays are avoided.

The Committee also feel that as such situations are not uncommon in other public undertakings, Government should consider issuing suitable guidelines to all public undertakings to avoid such delays as they have the effect of pushing up the capital cost and affecting the profitability of the project. (Paras 6.40 to 6.41).

Reply of Government

The recommendation of the Committee has been brought to the notice of the Bureau of Public Enterprises for necessary action.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70|75-Cem. dated 6-4-76]

Comments of the Committee

Please see paragraphs 1.37 to 1.40 of Chapter I of the Report.

Recommendation (S. No. 56)

The Committee note that the Corporation has appointed M/s. Holtec Private Limited (who are in collaboration with M/s. Mike Holder Bank of Canada) as consultants for its Paonta and Mandhar Expansion projects on a fee of Rs. 25 Lakhs (Rs. 16.4 lakhs for Paonta and Rs. 8.6 lakhs for Mandhar Expansion). The consultants will, among other things, ensure that there is no delay in the commissioning of the project after installation of all machines and the performance guarantee of the plant as a whole would also be their responsibility. The Committee are informed that no firm of consultants other than M/s. Holtec was considered for this appointment as no other firm was known to the Corporation in this field and therefore no offers were invited for the purpose. Although according to Ministry, A.C.C. was there in the field, they are also producing cement manufacturing equipment, and as such there would be problem in selecting them. Apart from the fact that M/s. Holtec had done consultancy work for private parties, one other consideration in their favour was stated to be that theirs was an independent consultancy firm and they had no direct interest in the manufacture of cement equipment. The Committee were informed that M/s. Holtec's offer was considered reasonable with reference to an earlier quotation of M/s. A.C.C. for the Mandhar Expansion project. The Committee do not appreciate the procedure followed by the Corporation in selecting the consultancy firm. They do not think it is prudent to select consultants on the basis of personal knowledge of the Management or of some individual officers and without inviting open offers. This procedure also does not enable the Corporation either to select the most competent of the parties available in the field or to assess whether fee demanded by the favoured firm is reasonable or not. The Committee feel that the Corporation should have made an independent assessment of the reasonableness of the cost with reference to its own estimates and not depended only on the offer of another firm. The Committee would like the Government to issue suitable guidelines to all undertakings in this regard. (Paras 6.66).

Reply of Government

The recommendation of the Committee has been brought to the notice of the Bureau of Public Enterprises for necessary action.

[Ministry of Industry and Civil Suplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76]

Comments of the Committee

Please see paragraphs 1.41 to 1.43 of Chapter I of the Report.

Recommendation (S. No. 58)

The Committee also note that one of the Directives issued by the Government was that the Corporation should develop its expertise and build up its own strength of technical persons for the growth of cement industry in the country. In the meeting held on the 16th April, 1973 with the Special Secretary of the Ministry of Industrial Development, while the engagement of a consultant was considered to be in the interest of the Corporation, it was also felt that in the context of the Corporation's large programme of setting up additional capacity in the Fifth Plan and the likely pre-occupation of the existing consultants with various plants coming up in the private sector, "It would be worthwhile for the Cement Corporation to consider seriously the development of a consultancy organisation of their own". The Committee note that according to the Corporation the overheads would be exhorbitant, if it had developed its expertise on the basis of the capacity indicated by Government in the initial stages on the limited number of projects approved by them during the period 1965-71. In the opinion of the Committee, this aspect should have been brought to the notice of Government to consider whether any change in this directive is necessary. However, the Committee find that CCI has now been developing its own consultancy services and is already acting as consultant for Royal Government of Bhutan Undertaking for their cement project and the Private consultant for its own Paonta and Mandhar Expansion projects were appointed by the Corporation in order to cope with the crash programme of development of cement industry, as it was considered difficult to recruit good experts within a short time available and also to keep the overheads low. Even though in view of the critical importance of cement in the present context of economic development, the Planning Commission has also approved the idea of employment of competent and well experienced firm of consultants to design and construct the cement plants, the Committee feel that the need for private consultants would not have arisen if the Corporation had made a small beginning in the early years of its existence for the development of its own expertise. The Committee would, however, like Government to examine the question of the Corporation developing a consultancy organisation of its own after taking into account, the existence of other consultancy organisations like NIDC, Engineers India Ltd., etc. (Para 6.68).

Reply of Government

It is understood that there is a certain degree of specialisation in regard to consultancy work by N.I.D.C. & E.I.L. Keeping the above point in view Cement Corporation of India has already made a beginning in the field of consultancy and is now the Consultants for the Royal Government of Bhutan for implementing a 300 tonnes per day cement plant. It will however be appreciated that in view of its heavy commitments to put up a number of new plants, the Corporation's activities in the field of consultancy will be of a modest nature for the present.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76]

Recommendation (Serial No. 59)

The Committee find that the Project Estimates of Mandhar Expansion and Paonta did not provide for any consultancy services and extra expenditure of Rs. 25 lakhs on the private consultants required approval of Government. They were informed that the consultancy work was awarded after consultation with Government and the Planning Commission and as the expenditure on this work would be met from within the savings from these two projects, specific Government approval was not considered necessary. During evidence, the Secretary of the Ministry admitted that "it was quite valid that the Corporation should have sought Government's sanction. Strictly technically the sanction should have been accorded prior to incurring the expenditure."

The Committee need hardly stress that as this item was not already covered by the estimates originally sanctioned and was in material deviation of the same, the specific approval of Government should have been obtained before the expenditure was incurred. The Committee therefore recommend that at least now Government should consider and accord the necessary sanction. (Para 6.69).

Reply of Government

As recommended by the Committee, the matter has been examined and formal approval for engaging consultants for the Mandhar (Expansion) and Paonta project, at a consultancy fee of Rs. 25 lakhs has been issued on 27th March, 1976.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem, dated 6-4-1976].

Recommendation (Serial No. 61)

The Committee need hardly stress that revised estimate should not be treated as a mere routine exercise but as an instrument of financial control. (Para 7.16).

Reply of Government

Observations of the Committee have been duly noted for future guidance.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem, dated 6-4-1976].

Recommendation (Serial No. 62)

The Committee regret to note that the sanction to the first revised estimates of Rs. 510.27 lakhs, though agreed to by the Ministry of Finance, was not issued just because the Corporation was in the meantime reported to be re-assessing the total capital cost and thinking of submitting the second revised estimates to the Government for approval. They feel that estimates should be considered by Government as soon as these are received from the Corporation and the whole exercise should be taken to the logical end by issuing a formal sanction so that no one remains in suspense about the expenditure actually authorised and the Corporation is not held liable for spending in excess of the sanctioned amount. (Para 7.17).

Reply of Government

The observations of the Committee have been duly noted for future guidance.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem, dated 6-4-1976].

Recommendation (Serial No. 63)

The Committee also note that it was within the knowledge of the Ministry that the expenditure on Kurkunta Project had exceeded the approved estimates by the permissible limit of 10 per cent. They were informed that the facts of excess expenditure and first upward revision of project estimates had been duly brought to the notice of Parliament, through the Supplementary Demands for Grants. The Committee are constrained to observe that in spite of the excess the Government have not brought to the notice of Parliament the effect of the excess on the cost of production and on the economics of the Project. The Committee expect Government to bring these to the notice of Parliament without any further delay. (Para 7.18).

Reply of Government

The observations of the Committee have been noted carefully. The Cement Corporation of India has submitted on 31st January, 1976, the final revised cost estimates (Rs. 689.62 lakhs) for the Kurkunta Project. These are being examined.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem, dated 6-4-1976].

Comments of the Committee

Please see paragraphs 1.44 to 1.48 of Chapter I of the Report.

Recommendation (Serial No. 64)

The Committee note that as against a provision of Rs. 16.50 lakhs in the original sanction towards erection cost the actual expenditure upto 31st March, 1973 amounted to Rs. 55.58 lakhs of which Rs. 16.40 lakhs was the expenditure on erection work got done on contract basis though originally it was proposed to be done departmentally and erection knowhow and Rs. 39.18 lakhs was spent on maintenance of establishment during construction. The Committee also note that the DPR included a consolidated provision of Rs. 16.50 lakhs under erection cost and Government have also given their sanction accordingly. The revised estimates of February, 1971 however provided Rs. 16.50 lakhs for erection cost and a sum of Rs. 22.86 lakhs for establishment expenditure during construction. According to the Corporation, the provision in the DPR was grossly inadequate and excess over this sub-head would be met from the provision under "contingency". The Committee are of the opinion that this procedure is not regular. The Committee are not happy that even after the decision to get the work done through contractor, the establishment expenditure during construction has increased abnormally. The Committee would like Government to critically analyse the reasons for the excess over the provision made in the originally sanctioned estimates to see how far it is justified. (Para 7.2).

Reply of Government

The DPR was submitted in 1967. The rates adopted in the DPR were the prevailing rates for the time being in the region. The erection contract was awarded subsequently in 1971 during which period there was price rise. The establishment expenditure during construction was on the high side in respect of Kurkunta Project because the construction period extended beyond the originally visualised period. The observations of the Committee have been carefully noted for guidance in dealing further with this and similar cases.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem, dated 6-4-1976].

Comments of the Committee

Please see paragraphs 1.49 to 1.51 of Chapter I of the Report.

Recommendation (S. No. 65)

The Committee are also informed that the allocation of Head Office overheads was based on the assumption that 5 plants would be set up by the Corporation while the actual number was less.

The Committee fail to understand as to why the provision was not reduced when the capacity to be set up by CCI had been curtailed considerably and the cost of establishment was not regulated accordingly. The Committee also note that the actual expenditure under 'civil works' upto 31st March, 1973 had exceeded the revised estimates of Rs. 177.68 lakhs by about 12 per cent. It has been stated that the increase is due to increase in actual quantity of civil engineering works etc., as the quantity indicated in the tender was *ad hoc*. The Committee are surprised as to how in the absence of detailed drawings and schedule of quantities and technical estimates for the works could tenders be invited and contract finalised. The Committee would like that the reasons for the excesses should be examined critically to see how far the excess was justified, its effect on the cost of production and economics of the project should also be brought to the notice of Parliament. (Para 7.28).

Reply of Government

The observations of the Committee have been noted carefully. As recommended by the Committee, the reasons for the excess expenditure under 'Civil Works' at the Kurkunta project were analysed by the Cement Corporation. The analysis revealed that the excesses in civil works in Kurkunta can be divided broadly into following 7 major heads:—

Item		Excess in amount (Rs. in alkhs)	
1. Earth work excavation .		2·08	
2. Providing and laying cement concrete 1:4:8		1·34	
3. Controled R.C.C. Works		4·52	
4. Slip form shuttering .		9·06	
5. Structural steel .		2·24	
6. Reenforcing Steel . .		5.48	
7. Miscellaneous items		3·07	
TOTAL:—	Rs.	27·79	lakhs

The main reasons for the increase in the cost of excavation was meeting of soft rock at a shallow depth and requirement of foundation sizes as per actual designs. The increase in cost due to use of slip form of shuttering was as per the decision of the management to use this form in place of ordinary form of work. The increase in other items were mainly due to the actual design requirements vis-a-vis the provisions made in the estimate, which were made before getting the load data and working out the actual design of civil works.

On the observations of the Committee, regarding inviting tenders and finalising contract in the absence of detailed drawings and schedule of quantities and technical estimates, it is submitted that if the management had waited for receipt of the entire load data and completion of civil designs before inviting the tenders, there would have besn considerable delay in the commencement of civil works and execution of the project involving not only postponement of production of this essential commodity but escalation in costs. In view of these circumstances and balancing the considerations in regard to gathering all data in the first instance and early completion of the project, the work had to be awarded on the basis of the available data only at a suitable point of time.

As indicated in reply to recommendation No. 63 the economics of the Kurkunta plant will be gone into as soon as the revised cost estimates for this project are received.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70|75-Cem. Dated 6.4.76]

Comments of the Committee

Please see for paragraphs 1.44 to 1.48 of Chapter I of the Report.

Recommendation (S. No. 67)

The Committee regret to note that there had been delays ranging from 10 to 21 months in the completion of civil works in the various departments. Although the Corporation extended time for completion of the work upto 30th November, 1969, subject to recovery of liquidated damages, no drastic action was taken against the contractor in view of unsatisfactory position of supply of plant and machinery. It was felt that any forcible termination of the contract would have resulted in litigation and brought all the civil works to a stand-still. The Committee however find that at the close of 1969, the suppliers for plant and machinery accelerated the pace of delivery of the machinery with the result that the contractor was very much behind schedule. The Management, therefore, decided that the contractor should be permitted to use hydraulic shuttering in the construction of cement silos and chimney, subject to the condition that he would complete the work by September, 1970 failing which he would be allowed rates only for ordinary shuttering and a bank guarantee for Rs. 6 lakhs would be furnished for the civil works not completed according to the schedule. The Committee find that this proposal involved an additional expenditure of Rs. 6.16 lakhs. In spite of the extension of time and facility of hydraulic shuttering, the Committee regret to observe that the contractor was not able to complete the work by 30th September, 1970 although the management claimed that he had achieved the overall target for the completion of the work except in the case of chimneys, mill hoppers, coal and gypsum hopper and inter floors in Raw and Cement Mill. There were also difficulties in the supply of steel and unprecedented heavy rains when the contractor was not allowed to start concreting. The contractor was allowed because of his difficulties, hypothecation of his machinery of the market value of Rs. 5.4 lakhs in lieu of the bank guarantee though this proposal was not put up before the Board for their approval. The Committee are also informed that the plant could not have been commissioned earlier up to clinkering stage even if the civil engineering work could have been completed before September, 1970. The contractor was therefore granted extension upto 30th September, 1971. It is regrettable that no periodical progress reports were obtained from the contractor. It was also stated that the use of steel sliding shuttering was approved by Board without any proposal from the unit backed by technical considerations. It is surprising that, inspite of these delays, no action was taken against the contractor and the contractor was allowed to hypothecate his machinery worth Rs. 5.4 lakhs. The Management have admitted that the matter was not placed before the Board and their prior approval was not obtained. It was also stated during evidence in this connection that 'at this stage it is difficult to clarify that point'. It is also surprising that the management had not even verified the reasonableness of the rates before allowing the contractor to undertake hydraulic shuttering. It has been admitted by the management that 'from the records it appears that no separate exercise was made to verify its reasonableness'.

The committee take serious views of these lapses. They would like that the matter should be thoroughly investigated, responsibility fixed and the Committee informed. (Paras 7.50 to 7.51).

Recommendation (S. No. 68)

The Committee regret to note that, though the crane gantry structure was completed by the civil contractors on 12th August, 1970 at a cost of Rs. 13 lakhs, during the operation of the stock yard gantry in September, 1971, viberations were observed and difficulty was experienced in the operation of the crane. The rail alignment was also found to be incorrect and the crane wheels were rubbing against the rails at a number of places. According to the civil consultants who inspected the structure, the viberations were on account of crane gantry having been designed for a maximum wheel load of 26 tonnes, whereas the actual wheel load was much more. Moreover, the crane rails were not properly aligned by the suppliers of plant and machinery. In the absence of any data regarding surge and longitudinal force of the crane from the crane manufacturer's side, the structure was designed on the basis of I.S. Code. In actual operations, the figures were much higher.

The Committee are surprised as to how in the face of these defects the work done by the civil contractors was accepted at all by M/s. Master Sathe and Kothari, the civil consultants who were to supervise the work. The Committee are not sure whether any performance guarantee of the crane was insisted upon before it was taken over. The Committee would like that this matter may be investigated and a report furnished. (Paras 7:61 to 7:62).

Recommendation (S. No. 69)

The Committee also note that the matter was referred to the National Industrial Development Corporation for suggesting measures for reducing the viberations. According to the National Industrial Development Corporation, extra structural wheel work involving a cost of about Rs. 5 lakhs would be required for carrying about the stiffening measures. The N.I.D.C. quoted a lumpsum of Rs. 97,000 for carrying out the remedial measures. When the matter was referred to the Board, it was decided that civil consultants of Kurkunta project should be entrusted with the work of preparing detailed designs and drawings for the strengthening work and they should undertake the work on priority basis free of cost and furnish a guarantee for due performance of the crane gantry. The Board also decided that the question of fixing responsibility for the existing defects in the crane gantry should be duly examined by the C.P.D.O. and the Civil Engineering Adviser and a joint report furnished to the Board. The Committee were informed that while most of the strengthening work was completed, the erection of some of the structural steel which had been fabricated could not be done due to stacking of material against the columns and it could be taken up as and when conditions permitted without causing interruptions to the running of the plant.

It was also stated that the Joint report of the Civil Engineering Adviser and the Chief Project Development Officer could not be prepared as the Civil Engineering Adviser was repatriated to his parent department. The Committee fail to understand how the Civil Engineering Adviser was permitted to go back to his parent department without his having completed the enquiry.

It is also surprising as to how in the absence of the report, the Board, which considered the matter, decided that it should not be possible to fix responsibility for under-designing the stock yard gantry.

The Committee are also surprised that while the defects in the gantry came to notice in 1971, the decision to fix responsibility was taken after a delay of almost two years. The Committee feel that because of the failure of the consultants, a defective crane gantry had to be accepted which has involved an extra expenditure of Rs. 5 lakhs to the Corporation. The Committee would therefore like that the entire matter should be thoroughly investigated with a view to pinpoint the responsibility for the lapses and the Committee informed of the action taken. (Paras 7.63 to 7.66).

Reply of Government

The recommendation Nos. 67, 68 & 69 were considered at the 85th Board of Directors Meeting of the Cement Corporation of India, held on the 26th December, 1975 and it was decided that a Committee may be constituted to go into the recommendations of the Committee and submit a report to the Board.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Com. Dated 6-4-76]

Comments of the Committee please see paragraph 1.107 of Chapter I of the Report.

Recommendation (S. No. 70)

The Committee regret to note that there were delays ranging from 10 months to 20 months in the supply of various items of plant and equipment by the plant suppliers. Though the contract provided for payment of liquidated damages in case of delays by the plant suppliers no liquidated damages were leviable in case, among other things, the late delivery of a particular machine etc., did not delay the Corporation's erection programme. The Committee learn that the erection work in a number of cases was delayed due to delay in the supply of machinery but no liquidated damages have been levied against the plant suppliers (who were also given the erection contract) for delayed supply of equipment even in those cases though the Corporation has not settled the final bills of the plant suppliers amounting to Rs. 12.29 lakhs. Besides, an additional sum of Rs. 7.67 lakhs payable to machinery suppliers has also been withheld by the Corporation. The Committee find that erection work was delayed by the plant suppliers in certain cases due to non-completion of civil foundations by the Corporation itself. However, no clear record of the dates on which erection work of the various units of the plant was actually completed was kept. The Committee recommend that each case of delay in supply of plant and equipment and completion of civil foundations and erection work should be critically analysed so as to allocate the responsibility in the matter between the plant suppliers and the contractor for civil works. The Committee also recommend that Government/Corporation should make sure that the withheld amount of Rs. 12.29 lakhs would be adequate to cover damages recoverable on account of delays in supply of equipment, deficiencies in the manufacture of crane gantry structure and non-fulfilment of performance guarantee. (Para 7.75).

Recommendation (S. No. 71)

The Committee regret to note that apart from the delays in civil construction the trial runs of the plant and equipment revealed a number of defects and deficiencies in the equipment supplied by the plant suppliers which were attributed by the Works Manager of the project to "sub-standard quality of machinery supplied and design failure".

The Committee were informed that on 6th March, 1972, the plant supplier had agreed to remove the defects/deficiencies within a period of 6 months, but as the suppliers failed to carry out the work as promised, the Corporation gave a period of 2 months from 10th October, 1972 to the firm to complete the rectification work failing which, the supplier was told that the work would be got done through other agencies at his cost and risk. Even though the suppliers had agreed to complete the rectification work within 3 months from 16th October, 1972, the work had not been completed till April, 1974 and many of the defects are reported to be still unrectified. Consequently, the performance guarantee tests, as stipulated in the agreement, are yet to be obtained. The Committee are further informed that the plant suppliers have given performance tests for the cement mill, coal mill and packing plant but they have yet to give the performance tests for the crusher, kiln and power and fuel consumption. The Corporation is stated to have withheld an amount of about Rs. 19 lakhs due to the suppliers on various accounts and has stated that the question of imposing penalty on the plant suppliers for defective plant and machinery would be considered by the Corporation in terms of the contract after the suppliers have given the performance test for all the units. The Committee find that the Corporation had not so far assessed the loss of production due to the defective supplies and the delays. The Committee recommend that the entire matter regarding supply of machinery, their erection, performance guarantee etc. should be thoroughly investigated with a view to fixing responsibility and Committee informed of the action. (Paras 7.33 to 7.84).

Recommendadtion (S. No. 72)

The Committee were informed that the Action Committee on public enterprises appointed by the Government of India scrutinised the working of the plants of the Corporation at Kurkunta and as the defects and deficiencies pointed out by the Action Committee have been rectified/are being rectified either by the Corporation or by the plant suppliers, it had not been considered necessary to appoint another Technical Committee to investigate the working of the plant. The Committee feel that the purpose of the Action Committee was not to decide whether the plant supplied was of substandard quality and of bad design or not but to remove the defects and help the Corporation achieve higher production in the plant. In their opinion, an investigation is still called for to determine whether the plant and equipment supplied by the plant suppliers were of sub-standard quality and poor design and, if so, what action should be taken against the plant suppliers in this regard. In the circumstances, the Committee do not agree that no investigation is called for. The Committee recommend that Government should appoint a Technical Committee to go into the working of the plant with a view to identifying its deficiencies. (Para 7.85).

Recommendation (S. No. 77)

The Committee find that pending the completion of the narrow gauge track the Corporation took up in January, 1971 the construction of a service road and completed it at a cost of Rs. 1.25 lakhs in July, 1972. Even after completion it was found unsuitable for plying dumpers for transportation of limestone boulders. Though a decision was taken in September, 1972 to black top the surface and work was to be completed by November, 1972, the work has not so far been completed. The Committee regret to observe that when the crusher was put to trial run in May, 1971, neither the Railway Track nor the Service Road was ready by that time. Since Service Road was not found suitable on completion, the transportation of limestone was done by the contractors through private lands. As a result, the Corporation had to forego the rebate in rates offered by two contractors and had to allow an extra rate to the 3rd contractor. The Committee fail to understand why the Management could not implement the decision to black top the surface. As a result, the service road had not served its purpose and extra expenditure to the tune of Rs. 53,986 had to be incurred for transportation of limestone through the third contractor. The Committee suggest that the matter may be investigated and responsibility for the lapses fixed.

Recommendation (S. No. 78)

The Committee note that the project was scheduled to be completed and commissioned by August, 1969. However, due to delay in completion of civil works, supply of plant and machinery and erection thereof, the individual units were put to trial runs between May, 1971 and April, 1972. A number of defects and deficiencies were noticed during trial runs. The Plant was deemed to have gone into commercial production from 1st October, 1972. The Committee regret to note that even after this, the performance was very unsatisfactory. As against the rated capacity of 1 lakh tonnes, the actual production from 1st October, 1972 to 31st March, 1973 was 43,443 tonnes. During 1973-74 against the target of 1.25 lakh tonnes, the production was only 1.10 lakh tonnes or 55 per cent of the installed capacity. The plant was expected to achieve 70 per cent of capacity during 1974-75. The non-achievement of capacity was stated to be due to—

(a) the gap between primary crusher outlet and belt conveyor resulting in sever damage to the belt and lower output;

(b) performance of EOT crane being unsatisfactory due to weak gantry;

(c) total failure of slurry mixer basin drive mechanism due to defective design and faulty equipment;

(d) the chain system in the kiln being defective;

(e) inadequacy of cooling arrangements for clinker;

(f) defective clinker transport system through drag chain conveyor; and

(g) frequent break-down of high pressure fine cold fan.

As a result of these defects the actual output of the various sections has been less than the guaranteed output. There were also frequent stoppages due to mechnical defects and other reasons. The Committee are informed that though rectification of some defects had been done, the slurry mixer basin and chain system have not been rectified by the suppliers. Though, according to foreign collaborator of the Plant suppliers the chain system was in order, the CCI feels that this is not up to the mark. It has also been stated that the plant suppliers are yet to give performance guarantee for Crusher, Raw Mill, Kiln, Power and Fuel Consumption and the Corporation is with-holding more than Rs. 12 lakhs, and the suppliers are bound to rectify the defects. The Committee are distressed to find that there was already a delay of about 2 years in commissioning the plant and even after 2½ years of the plant going into commercial production, the plant is not able to attain its rated capacity due mostly to mechanical defects. Although the Committee are assured that the suppliers of plant and machinery are yet to give performance guarantee and the Corporation is with-holding more than Rs. 12 lakhs, the fact remains that 5 years of valuable time has been lost and even then there has been under-utilisation of capacity and consequential loss in production. The Committee recommend that an export Committee should go into the working of Kurkunta Plant, diagnose the ills and demarcate the responsibilities of the suppliers so that Corporation may be in a position to improve its performance and maximise production. (Para 7.120).

Reply of Government

As recommended by the Committee on Public Undertaking, the Government has appointed a Technical Committee consisting of three experts to go into the question of supply of plant and machinery and related matters concerning the Kurkunta plant of the Cement Corporation of India. Facts of the case and Government's decision in these matters will be forwarded to the Lok Sabha Sectt. after the Report of the Committee is received.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70|75-Cem Dated 6-4-76]

Comments of the Committee

Please see paragraph 1.107 of Chapter I of the Report.

Recommendation (S. No. 73)

The Committee regret to note that though the DPR envisaged mechanical operation of the quarry and accordingly equipments worth Rs 17.70 lakhs were purchased during the period June, 69 to August, 71, the initial development of the quarry was taken up in February, 1971 through the agency of piece-rate contractors and the mechanical operations commenced *w.e.f.* November. 1971. They are constrained to remark that the equipment purchased as early as June, 1969 was kept idle till November, 1971. They cannot but express their displeasure at this lack of co-ordination and planning in the development of the quarry, purchase of equipment and commencement of mechanical operation and hope that lessons will be learnt from this in future. (Para 7.103)

Reply of Government

The recommendations of the Committee have been noted by the Corporation. The Ministry is also impressing upon the Corporation the need for scrupulously following the suggestions of the Committee.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 74)

The Committee also note that although in 1971-72 the cost of raising limestone through mechanical operations was higher, the Corporation has since examined the economics of quarry operations and has come to the conclusion that under the present labour-wage structure and the cost of inputs, mechanical operations will be economical. They, however, regret to note that the per tonne cost of raising and transportation of limestone in 1972-73 (Rs. 8.86) and 1973-74 (Rs. 8.48) was higher than the standard cost prepared in March, 1974 (Rs. 8.08). The Committee would like the Corporation to identify the deficiencies and defects in the mechanical operations which account for higher cost of raising and transporation of limestone and take suitable remedial steps to bring the cost of mechanical operation at least to the level of standard cost. (Para 7.104).

Reply of Government

The Committee's views have been carefully noted. In this connection, we may submit that the entire raising of limestone in Kurkunta Factory is being done Departmentally by mechanised quarrying. The standard costs fixed in March, 1974 was with reference to the cost of input and wages prevailing in December, 1973 and at 90 per cent capacity utilisation. The Factory could not achieve a production level of 90 per cent during 1973-74 and raising of limestone was also therefore lower. In view of the lower raising of limestone, the cost of limestone was higher than the standard cost, which was fixed at 90 per cent capacity utilisation.

The standard cost is now being revised and the standard cost of limestone works out about Rs. 9.75 per tonne at 90 per cent capacity utilisation.

Industrial Engineering Studies are being done by the Corporation to locate and eliminate the deficiencies, if any, and to reduce the cost wherever possible.

[Ministry of Industry & Civil Supplies Deptt. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 75)

The Committee note that the DPR envisaged transporation of limestone from quarry to factory through 3.5 kms. long narrowgauge track and a sum of Rs. 1 lakh was deposited with Railways for supply of rails. Since Railways could supply rails worth Rs. 25,564 till July, 1970 and thereafter further supplies were stopped through a court order the Corporation decided in February, 1971 to award the work to the Railways and deposited Rs 4 lakhs with Railways in June, 1971. Although the work was completed in February, 1972, the final bill from Railways is still awaited. The Committee feel that the long delay of over 4 years could have been avoided if the work had been entrusted to Railways from the beginning. (Para 7.104).

Reply of Government

The railway track for the limestone transport from the quarry to Kurkunta factory was delayed due to the fact that there was a court injunction in the sale of the N.G. Rails on the party on whom the Corporation had already placed orders. Hence the delay was unavoidable. However the point made by the Committee has been duly noted.

[Ministry of Industry & Civil Supplies Deptt. of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 76)

The Committee also note that the wagons for the transportation of limestone were received during the period from January to October, 1970 and a locomotive was purchased in February, 1972. But the wagons and the locomotive could not be put to use till November, 1972, due to the time taken in the completion of the narrow gauge track and thereafter on account of the non-registration of the boiler. Another loco was purchased on 15th December, 1972 but it was registered on 23rd April, 1973. The Committee regret to note that there was no synchronisation in the completion of railway track, purchase of wagons and locomotives and the registration of the boilers with the result that the rolling stock had to remain idle for a number of months. They would have liked the Corporation not to have proceeded with the construction of the railway track and the procurement of the various items of rolling stock in such a haphazard and un-coordinated manner. (Para 7.106).

Reply Same as 75.

[Ministry of Industry & Civil Supplies Deptt. of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 79)

The Committee note that the management expects to achieve 85 per cent capacity utilisation at Kurkunta as has been fixed by the Task Force of Government of India on Cement Industry provided power restrictions imposed by the Karnataka Electricity Board are completely withdrawn and the Railways supply wagons for inward movement of coal and gypsum and for outward movement of cement and the naturual calamities like floods and drought do not hamper cement production. They feel that the availability of adequate number of wagons for the plant should not be very difficult if the Corporation and the Department of Industry maintain a close and constant liaison with the railway authorities at the centre and in the region. The Committee would also like the Central Government to take up the question of adequate power supply to Kurkunta plant with the State Government authorities and persuade them to find out ways and means of meeting the power requirement of the plant.

They would urge the Corporation to make all out concerted efforts to achieve the target of 85 per cent utilisation of capacity in the current year. (Para 7.121).

Reply of Government

"The observations of the Committee have been carefully noted. The Corporation and the Ministry fully share the anxiety of the Committee that capacity utilisation should reach a minimum of 85 per cent. Thanks to better coal supplies and transport facilities, the production performance has shown substantial improvement. The following table will indicate the extent of improvement during the past 3 months compared with the position during the corresponding period in 1974:

	1974			1975		
	Installed capacity	Actual production (In tonnes)	Capacity utilisation %	Installed capacity	Actual production (In Tonnes)	Capacity utilisation %
September	33,400	20,737	62·09	33,400	32,610	97·6
October	,,	24,388	73·00	,,	22,510	67·4
November	,,	15,492	46.38	,,	33,490	100

The need for maximising capacity utilisation is being constantly impressed upon the Corporation and every assistance is being extended to the Corporation for this purpose".

[Ministry of Industry & Civil Supplies Deptt. of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 80)

The Committee note that a Feasibility Report for setting up a 6000 tonnes per day plant at Bokajan (Assam) was prepared and submitted by the Corporation to Government in January, 1968. Pending approval of the Feasibility Report, the Corporation proposed to the Government on 13th March, 1969 that it might be allowed to take up further preliminary surveys so as to be in a position to take up the preparation of Detailed Project Report (DPR) immediately on receipt of Government's approval for the projects, thus cutting short the time for the completion of the project On 19th March, 1969, the Government accepted the proposal and in April 1969 they conveyed the approval for the setting up of the Plant. In October, 1969 the Corporation submitted the Detailed Project Report to the Government which was approved by the latter in May, 1971. The Committee regret to note that the Government took more than a year to accord its approval to the Feasibility Report submitted by the Corporation and they took more than 18 months to approve the DPR. They feel that the time taken by the Government in either case was too long especially in view of the keenness of Planning Commission and the State Government to have another plant in upper Assam, in the deficit area.

The Committee would like the Government to look into the whole system of according approval to feasibility report/DPR which was delayed in this case and which has also been delayed in many other cases that have come to Committee's notice and take remedial measures to ensure that such delays are avoided in the interest of the expeditious execution of the projects (Para 8.11).

Reply of Government

The Public Investment Board has been constituted precisely to avoid the delays of the nature noticed in the Bokajan case and also to consider in depth viable alternatives at an early stage of the project history.

[Ministry of Industry & Civil Supplies Deptt. of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Comments of the Committee

Please see paragraphs 1.52 to 1.55 of Chapter I of the Report.

Recommendation (S. No. 81)

The Committee find that the DPR envisaged an investment of Rs. 1125.91 lakhs but the Government approved the project in May, 1971 for a capital outlay of Rs. 1097.91 lakhs. The Committee find that the actual expenditure on headquarters over-heads has already exceeded the provision made in the project report—and the sanctioned estimates by more than 10 per cent and the increase is reported to be due to lesser number of projects being under implementation as compared to the number originally envisaged. The Committee were also informed that the commitment against the aerial ropeway had also exceeded the amount envisaged in the DPR and this fact had been brought to the notice of the Government which had asked the Corporation to submit revised estimates for their approval indicating the exact amount for which Government sanction was required. As the implications of the escalation clause are still not definitely known pending installation and commissioning of the ropeway, the Corporation has not so far intimated the Government the exact expenditure on this account. The Committee would like the Corporation to apprise the Government of the probable/actual excess both under Aerial Ropeway and on Headquarters overheads also and get the approval of Government thereto. They feel that the revised estimates as required by the Government ought to have been prepared as early as possible and got approved by the Government before the actual expenditure exceeds the amounts sanctioned by the Government under various heads. (Para 8.12).

Reply of Government

Action is being taken on this recommendation.

[Ministry of Industry & Civil Supplies Deptt. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 85)

The Committee understand that M/s. A.C.C. have a contractual liability for delay in the supply of plant and machinery subject to force majeure condition and the delay due to force majeure condition is being assessed by the Corporation. The Committee would like the Corporation to complete the assessment of delay due to force majeure condition quickly and consider the question and quantum of penalty to be levied on M/s. A.C.C. for the delay which is not due to force majeure condition, before settling their bills. (Para 8.27)

Reply of Government

The observations of the Committee have been noted and that the question of recovery/penalty will be carefully gone into by the Corporation in the light of all the relevant circumstances.

[Ministry of Industry & Civil Supplies Deptt. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (Serial No. 86)

The Committee regret to note that for erection and commissioning of plant and machinery, though M/s. Associated Cement Companies (A.C.C.) had submitted in September, 1969 their tender for Rs. 22.28 lakhs which amount was reduced to Rs. 21 lakhs in November, 1969 after negotiations, no action was taken by the Corporation to finalise the erection contract with M/s. A.C.C. along with that of supply of plant and machinery. In September, 1972, the Corporation approached M/s. A.C.C. for undertaking the erection work but they declined to accept the work unless a revised price of Rs. 40 lakhs was accepted. The Corporation did not accept the revised price. The Committee were informed that M/s. A.C.C.'s original offer for erection at Rs. 21.00 lakhs was accepted by the Corporation and in that connection it had sent the draft agreement also. The Corporation wanted to club both the supply and erection together due to difficulties of sales tax etc. but, later on M/s. A.C.C. did not want to accept the erection contract and is reported to have adopted delay tactics and avoided taking up the erection job. The Committee have not been able to understand why M/s. A.C.C. after tendering for the erection work and negotiating a reduced price of Rs. 21 lakhs in November, 1969, backed out and if actually they had backed out in 1969, why the Corporation waited till 1972 and approached them again in 1972.

The Committee note that the Corporation for further invitation of tenders and negotiation with M|s. Western India Erectors had finalised on 15th November, 1973, a contract for erection for Rs. 25 lakhs. In addition on 17th March, 1974, the A.C.C. was engaged for supervision of the erection work being undertaken by M|s. Western India Erectors. The incidence of the cost as estimated by the management is stated to be of the order of Rs. 3.06 lakhs. It has been stated that a suitable provision would be made in the contract with Western India Erectors to provide for supervision of the erection by A.C.C. The Committee are informed that this arrangement was necessary to bind the A.C.C. to give the performance guarantee of different sections of the plant under the agreement with them and the incidence of such a provision would be borne by the Corporation. Although the Corporation estimated the incidence of supervision at rupees 3.06 lakhs based on certain terms and conditions, it has been stated that the expenditure is likely to increase as the conditions have changed. The Committee are not sure whether the dual system of supply and erection by two different agencies would serve the best interest of the Corporation and will not result in any delay. The Committee feel that it would have been advantageous for the Corporation to have the supply and erection of the plant and machinery done through the same contractor in the overall interest of coordination and fixing of responsibility for the entire work instead of through the different contractors. The Committee regret to observe that because of the initial failure on the part of the Corporation to finalise the erection contract in November, 1969 it had to go in for this dual arrangement which has resulted in an extra expenditure of Rs. 4 lakhs with an additional uncertain liability for supervision charges. The Committee would like Government to investigate the matter and Communicate their findings. (Paras 8.41 to 8.42).

Reply of Government

The observations of the Committee have been noted carefully. As recommended by the Committee, the matters referred into in recommendation No. 86 were examined by this Ministry in consultation with the Cement Corporation of India. As the matters are of a technical nature, and need to be probed in some detail in the light of the observations of the Committee, a Two Men Committee has been appointed to examine this. The Committee's Report is awaited. The findings of the Committee and the Government's decision thereon will be communicated as early as possible.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/'75-Cem. dated 6-4-1976].

Comments of the Committee

Please *see* paragraph 1.107 of Chapter I of the Report.

Recommendation (Serial No. 87)

The Committee note as against the provision of Rs. 200 lakhs in the DPR for installation of an aerial ropeway the Corporation invited tenders in August, 1969 for a turn-key project. Although eight tenders were received in October, 1969, all of them had been rejected for one reason or the other. Tenders were therefore re-invited and revised offers were received in October, 1971. The negotiating committee recommended the offier of M/s. Usha Breco which was Rs. 207 lakhs with DGS&D escalation clause or a fixed price of Rs. 219.5 lakhs. The Government to whom the matter was referred in December, 1971 decided on 23rd February, 1972 that the order may be placed on M|s. Jessops at a cost of Rs. 227.70 lakhs with escalation. It has been stated that the Corporation placed the order in March, 1972 for Rs. 227.70 lakhs on M/s. Jessops. Although the Committee appreciate the idea of placing the order of M/s. Jessops, which is now a Government Company, the Committee cannot but express their regret that there had been a delay of about 3 years in placing the ordei. The Committee are not sure about the financial implications of the escalation before the advantage of placing the order with M/s. Jessops could be assessed as *prima facie* there has been an extra cost of Rs. 8 lakhs over the firm offer of M|s. Usha Breco and the excess will be more if the effect of escalation clause is taken into account. (Para 8.53). ..

Reply of Government

The observations of the Committee have been carefully noted. The circumstances leading to the delay in placing orders with M/s. Jessops have been recorded by the Committee itself. The matter is being pursued vigorously now.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Recommendation (Serial No. 88)

The Committee note that though the lowest offer of M/s. Gannon Dunkerley and Company for the construction of plant structure was for Rs. 161.20 lakhs the value of the contract as finalised in August, 1971 was Rs. 162.33 lakhs. The Committee do not understand as to why the final contract was in excess of the original offer by over a lakh of rupees. Though in terms of the agreement, the entire work was to be completed by 4th August, 1973. 85 per cent of the work is reported to have been completed upto 31st December, 1974, the date upto which the contractor has been granted extension. The Committee are informed that the factory foundation and structures are likely to be completed by June, 1975. The Committee regret to note the delay of nearly two years in construction work of plant structure. They would like the Corporation to assess the effect of the delay in construction work on the erection of plant and machinery and to determine the liability of the constructcrs for the delay before finally setting their bills. (Para 8.57).

Reply of Government

As recommended, the Corporation is investigating into this matter.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-1976].

Comments of the Committee

Please *see* paragraph 1.107 of Chapter I of the Report.

Recommendation (Serial No. 89)

The Committee note that the Board of Directors decided on 23rd January, 1971 that in case Government approved the DPR for Bokajan Plant or approved awarding of construction work in anticipation of the sanction of DPR, the Corporation might accept the lowest tender of Shri Sohan Singh for construction of the residential and other buildings. At the meeting of the Board held on 15th March, 1971, it was confirmed that the brief on the subject considered by the Board on 23rd January, 1971 "had the concurrence of the Financial Adviser and Chief Accounts Officer (FA & CAO) though the same had not been specifically indicated in the brief". But in the subsequent meeting of the Board held on 16th June, 1971, the Managing Director clarified that when he mentioned about the concurrence of FA & CAO, that he had in mind was that all the tenders had been examined by the financial wing of the Corporation and the note of FA & CAO had been considered by him before putting up the recommendation to the Board. At that meeting (on 16-6-1971), the Managing Director had informed the Board that as per decision of the Board he had accepted the tender on receipt of sanction of the Government to the DPR and according to the recommendations of the Civil Engineering Adviser but that, as a measure of precaution he had asked the contractor to undertake only 50 per cent of the work in the first phase, the cost of the total work being Rs. 60 lakhs. The Committee were informed that the FA & CAO had expressed some doubt about the contractor's capability to perform the contract and the Managing Director should have placed the views of the FA & CAO before the Board. They were told that on receiving the comments of the FA & CAO the Managing Director entrusted the civil Engineering Adviser with the job of making enquiries about the past performance and financial resources of Shri Sohan Singh. The Civil Engineering Adviser reported on 4th June, 1971 that the contractor was quite capable of performing of the work in question and on the basis of the note submitted by the Civil Engineering Adviser on 4th June, 1971 that the tender was accepted by the Managing Director on the same date without consulting the FA & CAO further. At its meeting held on the 4th September, 1971, the Board felt that the tender should not have been accepted on 4th June, 1971 *i.e.* 12 days before 43rd meeting of the Board which was scheduled to meet on 16th June, 1971. The Committee are constrained to remark that the procedure followed by the Managing Director in dealing with this tender has been, to say the least, strange throughout. There are a number of points which if not fully investigated will leave a lingering suspicion about the fairness of the whole affair *e.g.* why the doubts expressed by the FA & CAO about the competence of the contractors were not brought to the notice of the Board at its meeting held on 23rd January, 1971, at which the original brief was submitted by the Managing Director recommending the award of work to Shri Sohan Singh; why the brief put up at that meeting did not contain a comparative statement giving merits of various tenders; why an erroneous statement was made at the Board's meeting held on 15th March, 1971 that the brief submitted by the Managing Director had the concurrence of the FA & CAO, why the comments of the FA & CAO were not brought to the notice of the Board even at its meeting held on 15th March, 1971 or at the next meeting held on 16th June, 1971 at which the Board was asked to approve the award of contract, why the FA & CAO was not consulted again after the receipt of the note of the Civil Engineering Adviser about the competence of the contractor and before the acceptance of tender on 4th June, 1971 by the Managing Director; and why undue haste was shown by Managing Director in accepting the tender on 4th June, 1971 when the Board was scheduled to meet on 16th June, 1971. In the context of the other circumstances of the case the Committee cannot but also take notice of the speed with which the enquiry was conducted by the Civil Engineering Adviser who joined towards the end of April, 1971, visited Bokajan in May, 1971, and gave a favourable report to the Managing Director on 4th June, 1971. The Committee strongly feel that in order to clear the air, a thorough and independent enquiry should be held into all the aspects of this case and results of the enquiry communicated to the Committee. (Para 8.79).

Reply of Government

The matters referred in this recommendation were examined in detail by this Ministry. The Central Bureau of Investigation went into these and certain other complaints against the then Managing Director and came to the conclusion that while there was a suspicion about the manner in which Shri K. N. Misra, the then Managing Director had handled the matters concerning award of contract to Sardar Sohan Singh, it was not considered feasible to proceed against Shri Misra, except to relieve him of his post. The CBI was also of the view that open enquiries against Shri Misra would not serve an·

useful purpose. Extracts from the CBI report are reproduced below:—

"Para 33: Shri K. N. Misra misrepresented to the Board of Directors of Cement Corporation of India in their 41st Meeting, held on 23rd January, 1971 and suppressed the report of FA & CAO regarding award of Contract for Civil Works at Bokajan, Assam in favour of contractor S. Sohan Singh.

Para 37: It might be mentioned that though the above stated allegations have been substantiated, but open enquiries by CBI would not serve any useful purpose. This is because of the reasons that all the decisions contained in the allegations were got approved by the Board of Directors. It would, therefore, not be possible to hold Shri K. N. Misra alone responsible for these decisions.

Para 40: In view of the above stated reasons, it is therefore, felt that open enquiries into these allegations are not likely to prove useful. But there seems to be reasonable suspicion that this officer's integrity is doubtful and so Ministry may take some administrative action against him like retiring him compulsorily."

In the first instance (June 1972) it was decided that the tenure of the officer should not be extended. The report of the CBI was received on 15-11-72 and the officer was relieved of his duties on 21-11-72. The Central Vigilance Commission, who were consulted in the matter, also felt in May 1973 that the case be closed.

Under all these circumstances further enquiry at this stage is not likely to serve any purpose.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. Dated 6-4-76].

Recommendation (Serial No. 90)

The Committee note that the Phase-I of the work which was required to be completed by 4th June, 1972 was completed by 30th September, 1972. As regards Phase-II, which was scheduled to be completed by 15th July, 1974, the contractor had completed work of the value of Rs. 28.40 lakhs by 30th September, 1974, out of the tendered value of Rs. 35 lakhs. They were told that the Bokajan Site Office had recommended extension upto 15th January, 1975 and had intimated that there was no valid reason for levy of liquidated damages as the delay in execution was partly due to delay in supply of drawings and materials by the Corporation. The Committee would like the Corporation to examine the question of delay independently with a view to fixing responsibility and also the liability of the contractor. (Para 8.80).

Reply of Government

As recommended, the question of delay is being examined.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. Dated 6-4-76].

Comments of the Committee Please see paragraph 1.107 of chapter I of the Report.

Recommendation (S. No. 91)

The Committee note that, after the completion of the limestone investigations by the Geological Survey of India at Rajban (Paonta)—Himachal Pradesh, a Feasibility Report for the setting up of a 600 tonnes per day dry process cement plant at Rajban was prepared and submitted to the Government on 6th August, 1968. When the Feasibility Report was under consideration, Government asked the Corporation to examine the scheme in the light of decontrol on distribution of cement *w.e.f.* November, 1970. The matter remained under consideration and the Detailed Project Report was prepared and submitted to Government in February, 1970. While the DPR was under the consideration of Government, the Ministry desired in February, 1971 that the proposed projects at Paonta and Baruwala (Dehra Dun) may be combined into one with separate kilns and that the economic viability/profitability of the integrated project should be got examined in detail by an independent specialised agency, M/s Holtec Engineers Pvt. Ltd. who had offered their services free of cost (excluding TA & DA). However, Government approved the DPR on Paonta in May, 1971. In December, 1971 Holtec recommended an integrated plant at Dehra Dun with separate kilns for the two projects. The Corporation did not accept the recommendations of M/s Holtec and communicated its rejection to the Government in January, 72. In March, 1972, Government allowed the Corporation to proceed with the installation of a 600 tonnes per day plant at the site originally selected, namely, Rajban, for which the Government had already in May, 1971 given their approval to the DPR on the consideration that the criteria of viability could not be applied to this project as it was essential to promote the development of industry in a relatively backward area. The Committee see no reasons as to why when the DPR was prepared after examining the economic standpoint as desired by Government in April, 1967 Government should have asked the Corporation in February, 1971 for consideration of the integration of the two projects when it was clearly known that the criteria of economic viability would not be applicable to a deficit area project. The Committee regret to note that it has taken a period of 4½ years from the date of completion of limestone investigations to clear the project for implementation, a delay which in the opinion of the Committee could have been avoided. The representative of the Ministry admitted during evidence that "we should have expedited it". The Committee cannot but express their displeasure at the inordinate delay on the part of the Corporation to prepare the DPR and of Government in according approval to the project. It is surprising that even after communicating the sanction to DPR in May, 1971, it was only in March, 1972 that Government allowed the Corporation to proceed with the project. The Committee see no reason for this delay of 10 months. The Committee expect that such delays will be avoided in future as they have a bearing on the capital cost and the profitability of the project. (Para 9.13).

Recommendation (S. No. 92)

The Committee find that the DPR of the Paonta Project envisaging an expenditure of Rs. 761.30 lakhs for a 600 tonnes per day plant was revised upwards to Rs. 1178 lakhs on receipt of tenders for the plant and equipment in January, 1972. The Board made alternative proposal to the Government in September 1972 for the setting up a 750 tonnes per day plant at a cost of Rs. 1326 lakhs after considering the comparative cost/profitability but the Government sanctioned the revised cost estimates of Rs. 1178 lakhs for a 600 tonnes per day plant in April, 1973. The Committee note that due to the changes in the proposal from time to time, the project which was originally scheduled to be commissioned on 1st October, 1976, is now expected to be commissioned in February, 1977.

The Committee were informed that even though tenders for the supply of plant and machinery were invited in September, 1971 and a negotiating Committee to negotiate the technical details, price, etc. with the tenderers was appointed in January, 1972, the orders for the main plant and machinery were placed in August, 1973 in view of the fact that the Government's sanction for the revised cost estimates was received only on 7th April, 1973. They feel that even if the Corporation could not place orders before receiving the Government's sanction, the delay of over 4 months in placing the orders after the receipt of Government's sanction remains unexplained and could have been avoided if preliminary action to scrutinise the tenders and hold the negotiations with the tenderers had been completed by the Corporation in anticipation of the receipt of Government's sanction. The Committee find that the ordering for bought out items is yet not complete. They feel that such delays, though short in each case, have a cumulative effect and add up to long periods of delay in the final commissioning of the plant which has a far reaching effect on the profitability of the project. The Committee cannot but express their unhappiness at the delay of over 4 months on the part of the Corporation in placing the orders for plant and machinery and at not finalising the orders for bought out items so far. (Paras 9.26 to 9.27).

Reply of Government

The observations of the Committee have been noted carefully, with a view to avoiding such delays in future. It is respectfully submitted to the Committee that considerable progress was in fact made in preparatory work for the project like acquisition of land, inviting tenders for plant and machinery, having approach roads to Paonta, constructed by the Haryana and Himachal Pradesh authorities, arranging for the supply of power, civil construction work, water supply etc., during the period in question. The alternative proposal had to be examined as, on the face of it, it had some merits. More detailed examination, which necessarily took some time, disclosed that there would be advantages in proceeding with the Paonta project as originally conceived.

The Corporation was not sure as to when exactly the Government's sanction would be received. It is common knowledge that during the year 1973 the country was facing inflationary tendency. As it would not have been possible to complete the negotiations and hold on to the terms and conditions valid without knowing the time limit, the negotiations had to be conducted and were conducted expeditiously after receipt of the Government's sanction. In any case the work had been completed in just 4 months. The orders for bought out items involved considerable amount of work including collection of information from various agencies. These are being done item-wise and the work on this will be completed to suit the erection requirement.

The Corporation and the Ministry have nevertheless taken careful note of the observations of the Committee of the need to finalise all such proposals with the utmost expedition.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. Dated 6-4-76].

Recommendation (S. N. 93)

The Committee note that notice inviting tenders for civil works relating to plant structures and machinery foundation has already been issued. They would like the Corporation to finalise the orders for civil works as early as possible and include in the contract a detailed schedule for the completion of various items of civil works in juxtaposition with the scheduled dates of supply of the various items of plant and equipment and take all possible steps right from the beginning to ensure that neither the execution of civil works nor the supply of plant and equipment is in any way delayed. (Para 9.28).

Reply of Government

'The work relating to plant structures and machinery foundations has been awarded to M/s H.S.C.L. The contract agreement is being drawn out. A schedule for execution of civil works to suit the machinery supply and erection programme will be included in the contract'.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. Dated 6-4-76].

Recommendation (S. No. 95)

The Committee note that, anticipating that Mandhar Plant would go into production in October, 1969, the Corporation created the post of a Marketing Advisor to advise the Corporation on the pattern of the marketing organisation. The incumbent joined on 21st October, 1969 though the Mandhar Plant was formally commissioned 9 months later on 19th July, 1970. The Committee find that the staff strength (including officers both in Units and Branch Offices) was 29 on 31-3-1972, 38 on 31-3-1973 and 37 on 31-3-1974 and the expenditure on the organisation rose from Rs. 3.11 lakhs in 1971-72 to Rs. 4 lakhs in 1973-74. The Committee were informed that the marketing organisation at Headquarters and the factories are in charge of the entire sales and other related matters. According to the Corporation, the Marketing Organisations essential to see that provisions of Cement Control Order were complied with and distribution was fair in all areas. The Corporation's marketing division is stated to be a small one as compared to any other factory of the same capacity. The Committee however find that the organisation at Headquarters consists of a Marketing Adviser assisted by a Sales Officer and supporting staff. The Committee feel that as the two plants at present in production are separated by a great distance and each will behaving its own marketing problems, they recommend that the marketing organisation may be decentralised and except for policy issues including compliance with the provision of Cement Control order and inter-plant coordination, all other matters should be left to be dealt with at the plant level. This will also enable the Corporation to judge the interse efficiency of the marketing organisations of the plants. The Committee also recommend that the marketing organisation at Headquarters should be compact and be such as may be necessary to deal with all policy matters connected with sales of the individual units. The Committee also suggest that Government should review the necessity for the post of high powered Marketing Adviser at Headquarters. The Committee also recommend that the Corporation should keep a strict eye on the staff strength of the marketing organisation and see that it does not expand unnecessarily unrelated to the volume of the business of each plant and the Corporation as a whole. (Para 10.14).

Reply of Government

The recommendations of the Committee have been noted carefully. The marketing organisation of the Corporation has been decentralised to a certain extent. Some of the measures taken in this direction by the Corporation are:

(i) The factories have been advised to receive all orders at the works and execute the same; attend to correspondence, complaints, payments etc., of the stockists. The rate contract and outside rate contract authorisations will be received and executed by the factories;

(ii) The Managers of the works have been authorised to appoint stockists direct upto a certain extent; and

(iii) The factories have been authorised to take up independent sales promotion work.

We also share and appreciate the anxiety of the Committee that the head office overheads should not affect the profitability of the Corporation. This consideration will be carefully kept in view.

In modern business management as the Committee will no doubt appreciate marketing is a specialised technique and occupies a very important role in every organisation. This is true even where the product, as in the case of cement happens to be in short supply. The top marketing executive in a Corporation has to promote and sustain a high level liaison with consumers on the one hand and with Govt., agencies on the other. In this broad sense his job is not merely selling as such but it also involves a number of other matters such as appointment of stockists, evaluation of their performance, attending to complaints from consumers, economising on expenses. The Cement Corporation has an over-all responsibility for distribution in respect of production from different factories under its ownership. The product of different factories may have to be sold to the same stockists, as the marketing zones are likely to overlap in many areas and as such the marketing problems will have to be dealt with as per the centralised policy of the Corporation which can only be done by a sufficiently strong organisation at Head Office. As the number of factories of Cement Corporation that will be coming into production is bound to increase in the coming years and as there will be about 7 units of the Corporation with 2.18 million tonnes production capacity by the end of the fifth plan period, there are strong grounds for the Corporation to keep a marketing organisation with a top executive as its chief as it exists today in many of the multi-unit companies in the private sector. We might further add that the staff Inspection unit of the Ministry of Finance, who conducted the staffing study of the Head Qtrs. of the Cement Corporation also agreed to the continuance of the post of marketing Adviser in the existing scale. However, as recommended by the Committee the Corpn., is being advised to keep a strict eye on the staff strength of marketing organisation and see that it does not expand out of proportion.

Recommendation (S. No. 96)

The Committee note that Corporation appointed 4 regional wholesale dealers in 1970 for the sale of Mandhar Plant Cement and agreed to pay token commission at the rate of Rs. 1.25 per tonne which is the rate allowed by the Government in calculating the controlled price of cement. The agreement with the distributors was renewed for a further period of five years with effect from July, 1972. Out of the four regional distributors, the agreement with two of them laid down that security deposits of stockists were to be collected and held by them and in the case of the other two distributors, the security was to be collected and held by the Corporation. As a result of these agreements, the former two distributors retained the security deposits worth Rs. 11 lakhs and when subsequently the Corporation tried to persuade them to allow the Corporation to hold the security deposits, they did not agree on the plea that they had bigger areas to cover involving large number of stockists and heavier risks, particularly as they were indemnifying the Corporation for any losses. The Committee do not appreciate the rationale of treating the distributors differently and allowing two of them the advantage of holding security deposits and denying the same advantage to the other two. They feel that this was an initial mistake which should have been avoided. They note that the services of the regional distributors were terminated *w.e.f.* 1-12-1973 under the directive from the Ministry of Industrial Development and the stockists were brought under the direct control of the Corporation. (Para 10.39).

Reply of Government

The observations of the Committee have been noted.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. Dated 17-4-76].

Recommendation (S. No. 98)

The Committee were informed that complaints were received from certain Members of Parliament alleging that the cement manufacturers wanted their own men as dealers and distributors and in collusion with them higher prices for cement were charged. The Ministry examined the matter to see how far it would be possible to take up the wholesale distribution of cement through public sector agencies and in particular, to start with, whether the cement produced by the Corporation can be distributed through the Corporation itself. Having come to the conclusion that it was feasible to do so, a directive in this regard was issued by the Ministry to the Corporation. The Committee note that in pursuance of the directive issued by the Ministry of Industrial Development, the Corporation terminated the agreements with the regional distributors and stockists with effect from 1-12-1973 and appointed stockists afresh under its direct control thereby avoiding payment of selling agency commission at the rate of Rs. 1.25 per tonne to the distributors and also saved expenditure on the maintenance of branches.

The Committee consider that the new distribution arrangement under which the middlemen have been eliminated and the Corporation itself is required to undertake the distribution through a net work of dealers appointed by it directly is a step in the right direction. In the opinion of the Committee such a step could and should have been taken much earlier.

The Committee further note that the Corporation claims to be trying to distribute cement as evenly as possible to all the stockists and feed them to the maximum extent possible. The Corporation is stated to be making surveys and checking the stockists record, etc., to keep a watch over the possible malpractices. The Committee cannot too strongly emphasize the importance of streamlining distribution of cement and eliminating hoarding, adulteration, black-marketing and profiteering in the sale of cement. The common man will judge the Corporation not so much by its production performance as by its distribution system. The Committee feel that the Corporation should spare no efforts to ensure that good quality cement is easily available to the needy persons at the controlled price in rural areas no less than in urban areas. (Paras 10.42 to 10.44).

Reply of Government

The recommendations of the Committee have been noted. Stockists have already been appointed in the rural areas as well.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. Dated 6-4-76].

Recommendation (S. No. 100)

The Committee note that reports of underweight cement bags and unsatisfactory quality of cement have occasionally been brought to the notice of Government. They learn that the Cement Research Institute has prepared experimental bags to prevnt loss of cement from the bags due to seepage and possible admission of moisture from the atmosphere leading to deterioration in the quality of cement and national loss of this basic and much needed construction material. The Government of India have issued instructions to the cement Manufacturers Association, all the cement producers and to the State Governments to ensure that the weight of cement in a bag should not be less than 50 kgs. The State Governments have also been asked to issue instructions to their Weights and Measures Departments to carry out periodical randum checks of the cement bags received at different stations to find out whether the cement bags conform to the prescribed standards and to take suitable action against defaulters.

Despite the instructions issued by Govt., it is a matter of common knowledge that as the gunny bags packed with cement pass through the various loading and unloading operations after leaving the plant, they lose some quantity of cement by way of seepage in each such operation and the bags also get torn in this process because of the very nature and quality of texture of the gunny bags and by the time they reach the consumer many, if not most; of the bags are under-weight and the consumers by and large being too needy and helpless cannot do anything but accept the under-weight bags. The Committee regret that, even though this is an age old problem; the cement manufacturers have not done anything concrete so far to devise a foolproof method of packing cement. The fate of experimental bags made by the Cement Research Institute is also not known. The Committee urge that the Government should give a thought to this question seriously and examine how far the experimental bags made by the Cement Research Institute would be advantageous. Govt., may also consider the feasibility of using bags lined with polythine for packing cement as is being done in the case of fertilizers and also lay down specifications for improved quality of bags for packing cement. The Committee feel that use of such bags should be made obligatory on the cement manufacturers so that the consumers get their money's worth and there is no wastage of a scarce and precious commodity like cement of which there is already serious shortage in the country. Pending this, the Government may consider the feasibility of introducing retail sale of cement and fixing its price by weight and not by bags as at present, to save the consumers of the loss which they have to suffer on this account.

The Committee cannot too strongly emphasise the urgent need for concrete steps to prevent the seepage of cement from the gunny bags and the possibility of unscrupulous dealers adding foreign matter in cement by tampering with the bags used at present, if the interests of consumers, who find themselves completely at the mercy of such dealers, are to be safeguarded. (Paras 10.48 to 10.50)

Reply of Government

The observations of the Committee have been carefully noted. The Packaged Commodities (Regulation) Order 1975, issued under the Defence and Internal Security India Rules, 1971; which came into effect from 2nd October, 1975; prohibits the packing and sale of cement; which is not of the prescribed weight subject to the tolerance limits indicated in the said Order. It is anticipated that this will act as deterrent to anti-social elements.

The question of finding a suitable substitute for packing cement to the conventional system of packing in jute bags with a view to avoid seepage is engaging the attention of the Government. The Sixth Meeting of the Panel on Cement Inudstry recommended that the Bitumen-bonded double hessian bags developed by the Cement Research Institute may be used as a substitute for the conventional jute bags, as there is no seepage of cement in these bags except that a small amount of cement struck inside the bag. The cost of these bags are slightly higher than the conventional jute bags. The question of using the bitumen bonded double hessian bags for packing cement and their economics are being examined by this Ministry in consultation with the Cement Manufacturers' Association and the Cement Research Institute.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Comments of the Committee

Please see paragraphs 1.59 to 1.63 of Chapter I of the Report.

Recommendation (S. No. 101)

The Committee note that the stocks of stores spares etc. instead of going down, went up from Rs. 44.34 lakhs in 1971-72 to Rs. 53.50 lakhs and to Rs. 65.26 lakhs in 1972-73 and 1973-74 in the case of Mandhar. In the case of Kurkunta the stocks of spares and strores increased from Rs. 16.08 lakhs in 1971-72 to Rs. 34.71 lakhs and to Rs. 51.03 lakhs in 1972-73 and 1973-74 respectively. There have been increases in the stocks of spares and stores in the case of other projects also. The increased in inventories in the case of Mandhar was stated to be due (partly) to procurement of certain stores intended for Mandhar Expansion and in the case of Kurkunta it was stated to be due to the plant being in full production in 1973-74 requiring larger inventiries as compared to 1972-73. Besides the value of inventories had also gone up due to overall increase in prices. The Committee regret to note that though the Bureau of Public Enterprises had considered the stocks of stores and spares held by the Corporation for maintenance and operation at the end of 1971-72 rather high and had suggested segregation of insurance items and fixation of stock level for each such item and fixation of stock level for each such item the Corporation had not made any systemattic review of the Stocks. The Committee are informed that it is proposed to make such a review after recruiting Industrial Engineering personnel. The Bureau had also suggested that norms should be fixed for different categories of inventories, reviewed at Board's level from time to time and a proper catalogue should be prepared of items stocked. Though stock levels of certain items of stores in excess of the normal recruitment unavoidable in view of the difficulty in arranging easy availability of different items of stores etc. according to fixed time schedules. bottlenecks in transport and inflationary tendency. The Committee regret to observe that the Corporation has not appreciated the importance of the proper inventory control and in spite of the suggestion made by the Bureau of Public Enterprises as far back as October, 1972 it has not fixed norms for all the items of inventory nor has it brought down the levels of various items of stores, spares etc.; it has not also segregated the insurance items either. The Committee recommend that the Corporation should not lose any more time to segregate the insurance items fix norms of each item of inventory and ensure that the stock holdings are within these norms to avoid unnecessary blocking of capital. The Committee also recommend that the Corporation should not rest satisfied with merely issuing instructions on the basis of Bureau of Public Enterprises circulars but also ensure that the instructions are properly implemented. The Corporation should review the stock items to identify non-moving, obsolete or surplus stores and take action for their disposal by transfer to other projects or Public Undertakings. (Para 11.16).

Reply of Government

Action is being taken by the Corpoartion as recommended bv the Committee. M/s. Engineers India Ltd. have been appointed as 'Materials and Maintenance Management Consultants' for Kurkunta factory on 17-11-75 for carrying out studies on all aspects of Material Management. A team from M/s. Engineers India Ltd., has already visited Kurkunta factory and has collected most of the data. They are expected to submit the draft repoprt by May, 1976.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development O.M. No. 10-70|75-Cem Dated 6-4-76]

Comments of the Committe

Please see paragraphs 1.64 to 1.66 of Chapter I of the Report.

Recommendation (S. No. 102)

The Committee regret to note that the physical verfication of the inventory of the Limestone Investigation Division lying at Delhi, Kurkunta, Mandhar and Bokajan had not been conducted after March, 1969. The periodic assessment of limestone stock is stated to have been done at end of each financial year but the exact stock verification of limestone was not considered possible earlier to February, 1974 because of the scattered uneven nature of limestone stocks. The Committee are not convinced of the reasons advanced by the Corporation and regret that the Corporation had negelcted to conduct an exact physical verification of limestone between March, 1969 and February, 1974.

The Committee, however, note that as a result of physical verifiaction done in 1974, a net shortage of limestone boulders from inception to 31st March 1974 of 38.726 tonnes valued at Rs. 4.96 lakhs (approximately) was discovered. The shortage was attributed to overbooking of departmental raisings (12,480 tonnes), embedding (14,490 onnes) and embedding and loss of fine materials at various transfer points (11,756 tonnes). The Corporation has ruled out under delivery of limestone by contractors or pilferage by any outsider on the ground that the material raised through contractors was taken on actual weighment and there was good watch and ward arrangement. The Committee learn that after going into the matter, the Board approved the writing off of the shortage of 38.726 tonnes of limestone boulders valued at Rs. 4.96 lakhs and decided to give a warning to the Quarry Manager at Mandhar to be more careful in future. The Committee feel that if the stock verification of limestone had been done at regular intervals, the Corporation would have detected the stortage right in the beginning and could have taken preventive measures to avoid loss on this account which swelled to Rs. 4.96 lakhs in 1974. They are not convinced by the reasoning given by the Corpoartion against the possibility of short delivery or pilferage and they also do not agree that the embedding of limestone was entirely unavoidable due to softness of the land, etc. The Committee would like that the reasons for the shortage should be investigated with a view to fix responsibility and the Committee informed of the action taken. (Paras 11.27 to 11.28).

Reply of Government

In order to keep a check on the shortages at the year end, a system of monthly and quarterly stock taking has been introduced in the factories and it is expected that such shortages will not occur in future.

As regards shortages that occured in the past, the Corporation has been requested to constitute an internal Committee with a view to examining the circumstances more closely in the light of the observations of the Committee.

The request of the Government was considered by the Board of Directors in their 85th meeting held on the 26th December, 1975 and it was decided that a Committee consisting of Director (Operations) as Chairman and Manager, Mandhar Works and Manager (Monitoring and Evaluation) as members, may investigate the matter and submit a report to the Board.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Comments of the Committee

Please see paragraph 1.107 of Chapter I of the Report.

Recommendation (S. No. 103)

The Committee note that the Corporation has been following *w.e.f.* 1972-73 a system of process costing under which cost at each process viz., raising, transportation of limestone; crushing; preparation of slurry; manufacture of clinker and cement and packing, is determined separately. However, costing records are not being maintained on the basis of integrated system of cost and financial accounts. It has been stated that draft recommendations regarding the system of cost & financial accounts were received recently and a final decision regarding their implementation is to be taken. The Committee recommend that the system be introduced soon in the interest of testing of accuracy of cost figures with reference to financial acounts. The Committee recommend that the system should be finalised and implemented without delay. (Para 12.17).

Reply of Government

Instrutcions regarding the system of cost and financial accounts to be issued to the factories are under finalisation stage in the Corporation and will be issued shortly for implementation.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 104)

The Committee are also informed that the Corporation has said down standard cost per unit of final output including quantitative consumption standard of limestone, gypsum, power, coal and explosives but standards in physical terms for consumption of stores and spares per tonne of limestone raising and clinker and cement production per unit are yet to be finalised. The Committee expect that these standards will also be finalised soon so that the standard costs both in regard to quantity and the value may be available for purposes of budgetary and material control. (Para 12.18).

Reply of Government

The observations of the Committee have been noted. Standards in terms of quantity are expected to be finalised shortly.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 106)

The Committee regret to note that, as compared to the norms laid down in DPR, the consumption of limestone was higher at Mandhar in 1970-71 and 1971-72; the consumption of gypsum was higher both at Mandhar and Kurkunta in 1972-73 and 1973-74: the consumption of coal was higher at Mandhar in 1970-71 and 1973-74 and at Kurkunta in 1972-73 and 1973-74; and the consumption of power was higher in all the years of operation both at Mandhar and Kurkunta. The higher consumption of limestone was attributed to abnormal dust losses; that of gypsum to high percentage of tri-calcium aluminate in the cement produced; that of coal due to inferior quality of coal supplied by the collieries linked by the Linkage Committee to the Corporation's cement plants and due to teething troubles at Kurkunta plant; and the higher consumption of power was due to higher hardness of the limestone at Kurkunta and higher percentage of tri-calcium silicate in the linker at Mandhar. The Committee feel that it would be possible for the Corporation to control the higher consumption of coal and power at Kurkunta by removing the defects and deficiencies in the working of the plant without loss of time.

As regards the supply of good quality coal, the Committee have recommended in paragraph 12.36 that the matter may be taken up by the Ministry with the authorities concerned at the highest level and pursued vigorously till the supply of good quality coal is assured. (Paras 12.20 to 12.21)

Reply of Government

Necessary modifications in the coal circuit are being made to reduce the consumption of coal at Kurkunta. Efforts are also being made to ontrol the higher consumption of power.

Supply of inferior quality coal by the Collieries is a common problem to the cement industry as a whole. The question of supply of good quality coal to the cement factories has been taken up with the concerned authorities.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 108)

The Committee are not sure whether in view of the hardness of the limestone and the high percentage of tri-calcium aluminate in the cement discovered at Mandhar, the norms of consumption of limestone and gypsum laid down in the DPR would be the correct basis of comparison. They recommend that realistic norms for consumption of the materials, *e.g.*, limestone, gypsum, coal, and power may be worked out keeping in view the characteristics of limestone so that a true assessment of cost and consumption of materials may be possible. **(Para 12.23)**

Reply of Government

The recommendation of the Committee has been noted and necessary action has been taken by the Corporation. The Board of Directors of Cement Corporation in their 86th Board meeting held on 17-1-1976, approved the revised standard costs in quantitative and monetary terms for the Mandhar and Kurkunta factories, which were worked out on the basis of revised norms of consumption of raw materials etc.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 109)

The Committee note that on the basis of the cost studies made by the Tariff Commission and 85 per cent utilisation capacity, the Government have been fixing fair uniform ex-works retention prices for cement from time to time. The last revision in the retention prices for cement was announced in September, 1974 when it was fixed at Rs. 139.15 per tonne. This price will be valid for the period till 1978-79 and will be subject to escalation on 1st July each year in accordance with laid down formulae following increase in (i) wages and dearness allowance, (ii) price of coal, (iii) power tariff and (iv) freight on coal. As retention prices now fixed are considered quite reasonable for the existing cement units, Government envisage no change in them. The Committee feel that as the retention prices have been fixed after a proper study by Tariff Commission and are subject to escalation on 1st July each year in accordance with the laid-down formulae, the Corporation has no ground to attribute its losses to lower retention prices as it has sought to do in the Chapter of profitability. They would like the Corporation to bear in mind that the only way to run its factories on profit is to bring down the cost of production and operate the plants at the maximum capacty. It would do well to identify constraints in the way of maximising production and lowering costs and make concerted efforts to remove them. (Para 12.29)

Reply of Government

The recommendations of the Committee have been noted by the Corporation.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 110)

The Committee note that the cost of production per tonne (excluding interest on loan) at Mandhar factory was Rs 124.66, Rs. 126.36 and Rs. 144.06 during 1971-72, 1972-73, and 1973-74. They were informed that the actual cost of production at Mandhar in 1971-72 was less then the average cost of production computed by Tariff Commission for the 23 costed units. Even the cost of production in 1972-73, after giving allowance for the selling and distribution expenses, was less than the average cost computed by Tariff Commission. The per tonne cost of production in 1973-74 was less than the cost projected for that period thought the capacity utilisation was only 7.4 per cent. They learn that the cost of production could be further improved if the capacity utilisation is maintained at 85 per cent which has not been possible due to non-availability of suitable quality of coal and wagons and power cuts. Besides, increases in the cost of inputs and wages of labour are beyond the control of the Corporation. The questions relating to quality of coal and supply of wagons are reported to have been taken up by the Ministry with the concerned authorities. The Committee are distressed to note that the cement factories at Mandhar and Kurkunta are not able to get good quality of coal and adequate number of wagons. They would urge the Ministry to pursue the matter more vigorously with the concerned authorities at the highest level and not to relent till regular supply of good quality coal and adequate number of wagons is assured on a firm basis. They would also like the Ministry to take up the question of power supply to Kurkunta factory with the authorities concerned in Karnataka State and make efforts to get adequate and uninterrupted power supply for the factory. (Para 12.36)

Reply of Government

The observations of the Committee have been noted carefully.

All possible assistance to the Cement Corporation for maximising their capacity utilisation is being rendered by the Ministry.

At present, there is no wagon supply problem. The supply of inferior quality of coal is a common problem to the cement industry. The question of supply of good quality coal to the cement factories has been taken up with the concerned authorities.

The question of increasing the power energy entitlement for the Kurkunta plant was taken up with the Chief Minister of Karnataka by the Minister of Industry and Civil Supplies and as a result, the energy entitlement for this plant has been raised from 20,41,080 units per month to 22,39,000 units per month. Thanks to this step there is at present no power shortage problem at the Kurkunta unit.

The question of exempting the Mandhar Plant from the proposed power restrictions by the Madhya Pradesh Electricity Board during the coming Rabi crop season is being taken up with the concerned state authorities.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 111)

The Committee were also informed that the cost of production for 1973-74 at Mandhar Plant was higher than the standard cost fixed by the Board during that year due to lower volume of production and higher usage of limestone, coal and power as compared to the standards. Having achieved 90 per cent utilisation of capacity in 1972-73 they are distressed to note that the production fell in

1973-74 and resulted in higher cost production. They have dealt with the fall in production and the higher usage of limestone, coal and power elsewhere in this report.

The Committee note that the cost of production at Kurkunta unit was much higher (Kg. 171.53 in 1972-73 and Rs. 153.57 per tonne in 1973-74) than the Mandhar Plant mainly due to lower volume of production, resulting in higher incidence of depreciation, overheads, etc., per tonne. They are informed that production in Kurkunta factory has not yet established due to various constraints and the comparison of cost of production with that assumed by the Tariff Commission would not be meaningful. During the quarter ended December, 1974 when the average capacity utilisation at Kurkunta was 76 per cent (as compared to 43 per cent in 1972-73 and 55.5 per cent in 1973-74) the actual cost of production excluding the interest charges was Rs. 134.05 per tonne as against the cost of Rs. 127.15 taken into consideration by Government in allowing the retention price of Rs. 142.15 (including selling expenses). The Committee are unhappy to learn that even at 85 per cent capacity utilisation in Kurkunta, the cost of production is expected to be more than that taken into consideration by the Government because of higher capital outlay. They would like the Government/Corporation to study the working of the Kurkunta factory in depth and take concerted measures to bring about reduction in the cost. (Paras 12.37 to 12.38)

Reply of Government

The recommendations of the Committee have been noted.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Comments of the Committee

Please see paragraphs 1.70 to 1.72 of Chapter I of the Report.

Recommendation (S. No. 112)

The Committee note that, besides other factors accounting for high cost of production, the cost of limestone is high. They were informed that necessary steps were being taken to reduce the cost of limestone. The Committee have already expresssd their views on making the quarry operations more efficient and economical. They hope that all possible measures will be taken to maximise departmental production and lower the cost of production of limestone. (Para 12.39).

Reply of Government

All the limestone at Kurkunta is being raised departmentally now. However, at Mandhar in order to get desired quality limestone part of the limestone is being raised through contractor, manually.

Efforts will be made by the Corporation to lower the cost of limestone.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 113)

The Committee are informed that under normal circumstances the utilisation of capacity during the Fifth Plan period is expected to go upto 90 per cent of rated capacity in Mandhar and Kurkunta and on this expectation and at prices and wages prevailing in December, 1974, the cost of production (without interest charges) would come to Rs. 127.62 and Rs. 128.65 per tonne at Mandhar and Kurkunta respectively as compared to the cost of Rs. 127.15 assumed by Tariff Commission including escalation allowed by Government upto 15th September, 1974. They hope that the Corporation would spare no efforts to realise its expectation of 90 per cent utilisation of rated capacity in each of these two factories during the 5th Plan period and will keep its cost of production below the level determined by the Government from time to time. (Para 12.40)

Reply of Government

The recommendations of the Committee have been noted and every effort is being made to improve capacity utilisation.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 114)

The Committee note that as against the permissible limit of 27½ per cent upto June, 1973 and 33½ per cent afterwards for the use of old gunny bags, the Mandhar plant used less number of old gunny bags in 1970, 1972, 1973 and 1974 (upto March) and the Kurkunta plant used less number of such bags in 1972 and more in 1973-74. Lessor use of old gunny bags which required excessive use of new gunny bags resulted in an extra expenditure of Rs. 2,48,530 till 1973 and the excessive usage of old bags brought about a saving of Rs. 92,449. The Committee are informed that the Corporation used excessive number of new gunny bags during the initial period of the commissioning of its plants (1970 and 1971 in the case of Mandhar and 1972 in the case of Kurkunta) to create an image for its product. While the Committee appreciate the anxiety of the Corporation to create a good image when it entered the market for the first time, they cannot understand why the excessive use of new gunny bags was continued in 1973-74 in the case of Mandhar. They regret to note that by resorting to exeessive use of new bags, the Corporation not only added to the cost per tonne of cement unnecessarily but also violated the orders issued by the Cement Controller in this regard. The Committee would like the Corporation to ensure that the use of new gunny bags does not exceed the permissible limits at Kurkunta or Mandhar hereafter. (Para 12.51).

Reply of Government

The recommendations of the Committee have been noted. The Ministry is instructing the Corporation once against about the strict observance of Control Orders.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 115)

The Committee were also informed that the excessive use of old gunny bags had to be resorted to due to unsatisfactory supply position of new gunny bags. They would like the Corporation to plan the purchase of new gunny bags in such a way that each plant always has enough stock of ntw gunny bags and temporary dislocation in the supply of new bags does not create any difficulty in the packing of cement. (Para 12.52)

Reply of Government

The recommendations of the Committee have been noted by the Corporation.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 116)

The Committee find that while the actual cost of production per tonne of cement (including interest on loans) was less than the average sales realisation, it was more than that assumed by Government for working out the retention price in 1971-72 and 1972-73, leading consequentially to reduction in margin of profit. They are however concerned to note that, in 1973-74 cost of production (including interest on loans) per tonne went upto Rs. 154.42 as against the average sales realisation of Rs. 141.74. During 1974-75, the gap has further widened inasmuch as the increase allowed by Government in the retention price is Rs. 8.15 per tonne while the cost of production had gone up by Rs. 10.79 per tonne upto September, 1974 and has further increased by Rs. 2.82 by December, 1974. The Committee have no doubt that the Corporation is fully aware of the consequences of the higher rise in cost of production than covered by the increased retention price during 1974-75 which is sure to affect adversely the profitability of the Corporation further if nothing is done in the meantime to reduce the cost of production. The Committee recommend that the Corporation should spare no efforts to bring down the cost of production by increasing the output and by effecting economies in consumption of materials and expenses on overheads so that the profitability may be improved. (Para 12.64)

Reply of Government

The recommendations of the Committee have been noted, by the Corporation. The matter will also be constantly watched by the Government.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76].

Recommendation (S. No. 118)

The Committee are surprised to learn that in 1972-73, when the Mandhar Plant utilised 90 per cent of its installed capacity it suffered a loss of 0.64 lakhs as compared to a profit of Rs. 2.56 lakhs in 1971-72 when capacity utilisation was 82 per cent, even though there were savings accruing from recoveries made towards the cost of containers and selling agency commission. The loss swelled to Rs. 25.86 lakhs in 1973-74 reportedly due to under-utilisation of capacity (76½ per cent), increases in coal and power consumption, costs of inputs and wages and adjustments relating to previous years. The losses suffered by Kurkunta plant were Rs. 39.60 lakhs and Rs. 28.61 lakhs in 1972-73 and 1973-74 respectively. On the basis of selling price and costs prevailing in December, 1974, the Mandhar factory is expected to break even at 83 per cent utilisation of capacity. The Committee recommend that the Corporation should take concerted measures to maximise production avoid excess consumption of materials and effect economies in overhead expenses so that the cost of production may be reduced and the plants are in a position to breakeven. (Para 13.21)

Reply of Government

The recommendations of the Committee have been noted and every effort is being made to economies on costs and improve realisations.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 119)

The Committee note that the Internal Audit Cell started functioning in March 1968 and was strengthened first in 1970 and then again in 1972. It had not till October 1973 conducted any appraisal of the performance of the Corporation as a whole on the lines recommended by the Committee in their 15th Report (4th Lok Sabha —April, 1968), reportedly due to inadequate staff. They are informed that the supporting staff was enhanced and the increased strength is considered enough in view of the size and economic viability of the organisation. By the middle of 1975-76, the Head Office based internal audit unit is proposed to be supplemented by two field units and each field unit will attend to regular internal audit of two projects/plants/establishments. The Committee recommend that the Corporation should organise the internal audit wing on a sound footing, to enable it to discharge effectively its functions, including critical review of systems, procedure and the operation of the undertaking as a whole as recommended by the Committee in their 15th Report (Fourth Lok Sabha). (Para 13.26).

Reply of Government

The recommendation of the Committee has been noted.

A proposal for strengthening internal audit department has been finalised. Action is being taken to bring the staff in position. The earlier thinking of establishing 2 field parties has been given up in favour of peripatetic parties.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 120)

The Committee note that in response to the recommendations made by the Action Committee on Public Enterprises headed by Shri M.S. Pathak, which examined the structure of Corporation's headoquarters office and the Mandhar and Kurkunta Plants, a Director (Projects) and a Director (Operations) has been appointed but no action appears to have been taken on that part of their recommendation which related to the appointment of 3 part-time Directors, two of them representing the Administrative and Finance Ministries and the third an eminent specialist from the Industry. The Committee recommend that an early decision may be taken, particularly, in regard to the appointment of an eminent specialist from the Industry as a part-time Director on the Board. (Para 14.13).

Reply of Government

The observations of the Committee have been noted. It is respectfully submitted that a representative of this Ministry and that of the Ministry of Finance are on the Board of Cement Corporation as part-time directors. In the light of the Action Committee's recommendation the third part-time, Director—an eminent specialist from the cement industry (Dr. H.C. Visvesvaraya, Director, Cement Research Institute of India) has also been appointed with effect from 5th February, 1975.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-76].

Recommendation (S. No. 121)

The Committee also note that the Action Taken Committee recommended that there should be General Managers incharge of operating plants as well as those under construction. The Action

Taken Committee pointed out that the existing structure at Mandhar Plant suffered from a number of weaknesses, *viz.*, as many as 11 people reported directly to the Works Manager, direct responsibility for production was shared between Resident Engineer and production Superintendent, the chain of command and line of communication was not rational and adequate specialised service support to production department seemed to be lacking. The Committee are informed that the Corporation does not consider the post of General Manager necessary because of the small size of the units at present and the appointment General Manager will be considered as and when the capacities of the plant expand. The plants are at present under the charge of Works Managers who are assisted by other functional officers in the running of the plants. The Committee note that posts of Project Manager have been/are being filled up for each project under construction from initial stages, as recommended by the Action Committee. The Committee would like that Government/Corporation should rationalise the chain of command and line of communication and build up a scientific management information system. The Committee recommend that the organisation structure at the plant level may be suitably reframed keeping in view the recommendation of Action Committee after carefully considering the financial implication thereof with a view to removing the defects and deficiencies in the set-up and providing well defined areas of responsibility for attaining maximum production coupled with economy. (Para 14.14).

Reply of Government

The recommendations of the Committee have been noted. In this connection we may submit that the matter is under constant review and further changes in the light of the changing working load in the headquarters will be made, keeping in view the recommendations of the Action Committee.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 122)

The Committee note that in 1972 when the staff strength was 138, the Staff Inspection Unit of the Ministry of Finance had conducted a work study of the Headquarters of the Corporation and found that 16 persons (including 6 officers) were surplus. The Management stated (November, 1973) that in view of the two new projects sanctioned by Government and the increased activities of the Corporation arising out of the advance action to be taken for Fifth Five Year Plan projects, the implementation of the recommendations of the Staff Inspection Unit was not possible The staff strength as on 31st March, 1974 has risen to 156. The Committee have already found that on account of the excessive staff in Headquarters which was stated to have been based on the original anticipation of 5 million tonnes capacity the overheads on the individual projects have been very high. The Committee would like to caution the Corporation that if the staff strength at the Headquarters is not kept under strict control and if the man-power is allowed to increase unrelated to the volume of work, the surplus manpower will become a permanent liability which will have an adverse effect on the profitability of the Corporation. (Para 14.32)

Reply of Government

The recommendations of the Committee have been noted and the word of caution contained in the recommendations will be fully kept in mind while periodically reviewing staff strength of the head office.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 123)

The Committee also note that as against the strength of 511, provided in the 'DPR', for Mandhar plant, the personnel in position as at the end of March of 1971, 1972 and 1973 were 694, 699 and 677 respectively. The strength of the personnel in position as on 31-3-1974 came down to 629. The Staff Inspection Unit of the Ministry of Finance recommended a strength of 481 for all the departments except (i) Quarry Department, (ii) Accounts Department and (iii) Drawing Office. On the basis of the Staff Inspection Unit's recommendations the Board approved the permanent strength of 488 (481 recommended by the Inspection Unit and 7 for preventive maintenance for which no provision had been made by the Inspection Unit) for the departments covered by the Unit. The Board subsequently sanctioned a strength of 89 for Accounts, Drawings and Quarry Departments which were not covered by the Inspection Unit, thus sanctioning a total strength of 577 for the entire Mandhar plant as against the actual staff strength of 629 as on 31-3-1974. The Committee note that no fresh appointments are being made by the Corporation and the surplus staff is being adjusted against the vacancies arising from time to time. They hope that the Corporation will continue efforts to bring the actual staff strength down to the level of sanctioned strength. (Para 14.33).

Recommendation (S. No. 124)

The Committee note that as against the strength of 511 indicated in the DPR of Kurkunta Plant the actual strength on 31st March, 1974 is 573. The Committee are informed that, as against the provision of 511 personnel in DPR, the Board in November, 1974 approved the permanent staff strength of 27 personnel. Explaining the increase over the strength provided in DPR, it has been stated that the DPR provided the minimum requirements on the basis of average conditions prevailing at that time (1966) but it did not take into consideration the exact lay-out of the plant which was given by the plant supplier later. The permanent staff strength sanctioned by the Board in 1974 is stated to be as per Industrial Engineering Study. The Committee see no justification for sanctioning temporary strength of 27 over and above the permanent strength fixed as per the Industrial Engineering Study when the Plant is already carrying a large surplus. They would like the Corporation to regulate the staff strength in the light of the Industrial Engineering Study and avoid carrying surplus as surplus staff will have an adverse effect on the cost of production and the profitability. (Para 14.34)

Reply of Government

The recommendations of the Committee have been noted.

The position of the sanctioned strength and men in position in the Mandhar and Kurkunta factories as on 31-3-75 and 31-12-75 were as follows:—

	As on 31-3-1975		As on 31-12-1975	
	Sanctioned Strength	Persons in position.	Sanctioned strength	Persons in position
Mandhar . . .	574	574	574 +(3 staff of Mandhar expansion)	574
Kurkunta .	574 + 27*	576	574 + 27*	564

*27 supernumerary posts were sanctioned by the Board.

Thus it will be seen that the Corporation is continuing its efforts to bring the actual staff strength down to the level of sanctioned staff and they were able to achieve the same as desired by the Committee.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 125)

The Committee note that it has not been possible for the Corporation to make a comparative study of the productivity (man-hour/tonne) and cost of salaries and wages per tonne etc. in Mandhar Plant and other cement factories due to non-availability of relevant data in respect of factories in private sector. The productivity for the Mandhar Plant works out to 6.5 man-hour per tonne which is stated to be comparing favourably with 3 cement factories (names not disclosed) having an average of 7 man hour per tonne. As the 3 factories referred to above are admittedly not exactly identical with the Mandhar Plant, the Committee feel that the comparison is of no relevance. The Committee would like the Corporation to work out the norms of productivity in respect of each of its plants in operation and appraise the performance of each plant with reference to the norms from year to year. (Para 14.35).

Reply of Government

Necessary action is being taken on this recommendation of the Committee.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Comments of the Committee

Please see paragraph 1.73 to 1.75 of Chapter I of the Report.

Recommendation (S No. 126)

The Committee note that under Articles 117(26) and (27) of the Articles of Association, the Directors of the Corporation delegated certain powers to the Managing Director in 1965 and the same delegation is still in force. The Bureau of Public Enterprises had emphasised in September, 1970 that the system of delegation of powers throughout the managerial hierarchy upto the lowest level of each enterprise should be reviewed on a comprehensive basis in order to ensure that, at all levels, the centres of responsibility corresponded exactly to the centres of powers but no such review was done till November 1973 nor was the demarcation of the detailed powers and functions of the Financial Advisor made as required under the guidelines issued by the Bureau in May, 1969. They are informed that the draft delegation of powers to the Chairman-cum-Managing Director, functional Directors and heads of Departments was prepared but it was considered necessary to revise it in the context of changes recommended in the organisational structure by the Action Taken Committee headed by Shri M. S. Pathak and the revised delegation of powers is being finalised currently. The Committee do not, however, see any justification for handing over this work to a firm of Chartered Accountants when this function is for the management to finalise. As the matter has already been delayed for too long, the Committee would like the Corporation to finalise without any further delay the delegation of powers not only to the Managing Director, functional Directors and Heads of Departments but also to subordinate officers throughout the hierarchy in the light of the recommendations made by the Bureau of Public Enterprises in May, 1969 and September 1970 and the Action Taken Committee and implement the same as soon as possible. (Para 14.45).

Reply of Government

The Board of Directors, in their 87th Board Meeting held on 10-2-76, approved the revised delegation of powers to the Chairman-cum-Managing Director. The revision of the delegation of powers to the Functional Directors and other executives is under consideration of the Corporation and it is expected to be finalised shortly.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

CHAPTER III

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

Recommendation (S. No. 8)

The Committee are informed that the Northern and Eastern Regions had been deficit for the last 15 years and there are not many known favourable sites in these regions where cement plants could be set up. The Corporation is therefore proposing to revive the Limestone Investigation Division to locate beneficial sites in the deficit northern and eastern regions to be taken up in the Sixth and subsequent Plans. Since limestone deposits are not uniform, Government propose to tackle this problem by utilising the slag coming out of the steel plants. Although the need to put up cement factories in the deficit areas was considered to be urgent even as early as July, 1967 no plants in the deficit area have come up so far. Bokajan in the eastern region and Paonta in the Northern region are still under erection/construction.

The Committee regret to observe the absence of an advance action in the matter of planning project in the deficit areas where necessary, by linking these with the slag from the steel plants. The regions. The Committee expect that at least now Government should have been utilised much earlier to locate limestone deposits in these regions. The Committee expect that at least now Government should view this with concern and take serious immediate and definite steps to set up cement capacities in the deficit areas of northern and eastern region. (Paras 2.43 to 2.44).

Reply of Government

The observations of the Committee have been respectfully noted. The planning for a better utilisation of available slag has been taken on hand in right earnest. The production of slag cement which used to be in the region of *13 lakhs tonnes annually till a few years back reached a level of *23 lakhs tonnes during 1975. Unit-wise allocation on a fairly long term basis in respect of slag from Bokaro and Rourkela Steel Plants has been made, in consultation

*At the time of factual verification Audit had stated as follows.

"Production figures of slag cement are not susceptible of verification".

with the Planning Commission and the Steel Authority of India Ltd. As a fillip to setting up of production units in deficit areas, Govt., have also accepted in principle the recommendation of the Tariff Commission that the cost of transport of clinker and slag to grinding/inter-grinding units should also be brought within the purview of freight pool, provided the movement conform to certain principles. With all these measures, it is hoped that more entrepreneurs will come up to set up cement plants and create additional capacity in the deficit areas.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 9)

The Committee also note that the Western region is also becoming deficit and according to the projections of the Fifth Plan, the deficit would be of the order of 1 million tonnes by 1978-79, 1.3 million tonnes in 1979-80 and 1.8 million tonnes by 1980-81. The Committee recommend that Corporation should lose no time to take advance action for locating the areas and setting up the capacities in the western region also so that it may not face the same situation as in the northern and in the reastern regions. (Para 2.45).

Reply of Government

The Western Region comprises of three States *viz.* Maharashtra, Madhya Pradesh and Gujarat. The Cement Corporation of India is already setting up two cement plants in Madhya Pradesh, at Akaltara in Bilaspur district and Neemuch in district Mandsaur, apart from the existing Mandhar Plant in district Raipur, which is being expanded.

Of the other two states, Maharashtra is not known to have limestone deposits except in a small belt. Three private parties have already been granted letters of intent (two for Chandrapura district and one for Yeotmal District) for setting up cement plants for a total capacity of 11.30 lakh tonnes per annum. As such the promising place where the Cement Corporation of India can on the basis of available data consider setting up of a cement plant in the Western Region is Gujarat. In Gujarat, most of the railway lines are meter gauge, particularly in Saurashtra where useable cement grade limestone is known to occur.

In case of Neemuch in Mandsaur district, Madhya Pradesh, and in case of Banas in Sirohi district, Rajasthan (close to the Western

Region), the railways have regretted their inability to handle traffic that would be generated by the setting up of a cement plant of 1200 tonnes per day capacity. Because of this, the Corporation has not taken up investigation of the Banas site and at Neemuch double handling will be involved at a considerable cost to the Corporation, in view of the fact that sizeable quantity will have to be transported by Broad Gauge from Ratlam. In view of the above factors, it may be difficult for the Corporation to find economically viable sites in the Western Region, other than Madhya Pradesh. The Corporation will consider taking up further sites in Madhya Pradesh, subject to techno economic feasibility.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76]

Recommendation (S. No. 10)

The Committee note that the Government had issued a directive in 1965 that the Corporation, should take steps to set up two very large cement plants each of one million tonne capacity per annum. They were informed that there were certain practical difficulties in the setting up of such large size plants and in view of these difficulties the Corporation decided to go in for setting up a number of standard size plants of smaller capacity. The Committee are surprised to note that the Government chose to issue a directive which turned out to be impracticable and which had to be modified later on in view of certain constraints of which Government ought to have been aware at the time of issuing the directive.

The Committee were informed that, as against the maximum capacity of 1200 tonnes per day designed so far by the CCI for its plants, a plant in a private sector has already been established with a capacity of 1500 tonnes per day. They would like the CCI to study as to how the private sector plants of such a high capacity could be set up in the face of constraints which are stated to have been standing in the way of CCI going in for plants of a capacity higher than 1200 tonnes per day and draw lessons therefrom. (Paras 2.52 to 2.53).

Reply of Government

Development of cement capacity of the magnitude envisaged in the successive Plan periods warrants establishment of large capacity plants. Keeping this in view and considering the advantages of scale of operation to total investment (including materials and production cost), the CCI has already made a major break through in ordering out three 1200 tonnes per day cement plants as against 600/1000 tonnes per day plants hitherto in vogue in the country, excepting one plant of single unit 1200 tonnes per day, which is being implemented by a private party. As far as the Corporation is aware, there is no 1500 tonnes per day single unit plant in operation in the country. The main constraint in establishing larger capacity plant is transport bottlenecks.

[Ministry of Industry and Civil Supplies, Department of Industrial Development O.M. No. 10-70/75-Cem. dated 6-4-76]

Recommendation (S. No. 11)

Cement Industry being one of the oldest industries, the Committee feel that Government should have standardised their cement plants according to economy of scale and utilised the capacity available in the country for machinery manufacture to produce equipment required for cement plants in the public sector. In this context, Government should have also examined the feasibility of utilising the unutilised capacity of MAMC, HMT and HEC for the manufacture of cement plants. (Para 2.54).

Reply of Government

Seized of the problems arising out of multiplicity of designs and sizes of cement plants manufactured in India and their effect on cost and delivery schedules, the Government are trying to bring about rationalization and unification in the field of cement plant and machinery. A technical Committee has been constituted for the purpose. The Committee has so far finalized and issued two draft standards one on Dimensioning Cement Rotary Kilns and Auxiliaries, and the other on Design Criteria for Dimensioning Cement Rotary Kilns and Auxiliaries. The Drafts have been widely circulated within and outside the country for eliciting comments.

As recommended by the Committee, the feasibility of utilising the unutilised capacity of MAMC, HMT and HEC for the manufacture of the cement plants is being examined by the Department of Heavy Industry in consultation with the above undertakings.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 17-4-76]

Recommendation (S. No. 15)

The Committee note that while the dates of completion have been proposed only in the case of three of the five plants, the dates in respect of Tandur and Adilabad have not yet been indicated. The Committee are not clear as why the target dates for the completion of these two projects have not been finalised especially as project estimates for these projects have already been approved by Government. The Committee expect that the Government/Corporation should work out the realistic target dates for the completion of the projects and ensure that these dates are adhered to so that the targets set for the 5th Plan may be realised. The Committee also note that, out of the five projects which have been approved, the Corporation had placed orders for the main plant and machinery for three projects and the question of placing orders for the remaining two is stated to be under consideration in consultation with the Ministry of Finance. The Committee recommend that the progress in respect of the supplies of the machinery for these projects should be monitored to ensure that there is no slippage in the schedule of supplies resulting in delay in the completion of the projects. (Para 2.67).

Reply of Government

The observations of the Committee have been noted carefully. It has been decided that in view of the constrainton resources and taking into account the current projections of demand, the need for starting work on Tandur and Adilabad projects and placing orders for the plant and machinery, will be considered towards the end of 1976-77.

As indicated in an earlier reply, with a view to monitor the supply of machinery for the projects, and to ensure that there is no slippage in the schedule of supplies, a Committee consisting of Chairman-*cum*-Managing Director, Cement Corporation, Director (Projects), Cement Corporation, a representative each of the D.G.T.D. the Deptt. of Heavy Industry and the Department of Indl. Dev. is being constituted. This Committee will monitor, the supply of plant and machinery to the projects and will tackle the problems affecting the timely supply of plant and equipment. The Controller of Imports and Exports and the machinery manufacturer will also be invited to the meeting of Committee whenever necessary.

A separate monitoring units has been set up in the Corporation to monitor and locate the bottlenecks and to take necessary remedial action.

Thus it will be seen that no effort is spared at the level of the Corporation or of the Ministry in expediting construction and commissioning of each project.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 16)

The Committee note that the Limestone Investigation Division (LID) of the Corporation, was set up in April 1965 by taking over the Limestone Investigation Division of the Hindustan Steel Ltd. to carry out investigations at 6 sites simultaneously. In view of delicensing of cement industry in 1966, the Corporation decided to reduce the site investigation work from 6 sites to 3 sites at a time after March, 1967 by which time the limestone investigation programme for the Fourth Five Year Plan had been nearly completed. By November, 1967, the Corporation had prospected for cement grade limestone at 12 sites (including one site investigated by the Geological Survey of India) and the investigation work at 3 other sites was on hand. As a result of investigation of 12 sites, a total reserve of 1074.33 million tonnes (898.33 million tonnes proved reserve and 176 million tonnes indicated reserve) was established. As the Corporation could at best set up 5 or 6 plants capable of producing one million tonne of cement during Fourth Five Year Plan with the funds placed at its disposal, for which the company would require proved deposits of about 75 million tonnes of limestone as against proved deposits of 898.33 million tonnes already investigated, Government directed the Corporation in January 1968 to maintain a skeleton Investigation Division capable of conducting investigation at the rate of one site a year. The investigation of the 3 sites already in hand was completed by July 1969 and the Limestone Investigation Division was wound up by 31st March, 1970. The Committee note that after the direction of Government was received in January, 1968, the Corporation selected only one site in Madhya Pradesh for detailed prospecting in July, 1968. The Committee regret to note that after incurring an expenditure of Rs. 11747 the prospecting work done on this site was abandoned in February, 1973 because of heavy over-burden and low percentage of Lime. In November, 1973, the Min., of Indl. Dev. approved the proposal of the Corpn., for the revival of the L.I.D.

The Committee were informed that the 14 sites approved by the CCI, cement plants were set up or are proposed to be set up at 8 sites and the remaining 6 sites (Alampur, Baruwala, Jagdalpur, Gokak, Katni and Chittorgrah) on which a total expenditure of Rs. 34.66 lakhs had been incurred are not suitable for setting up cement plants due to certain inherent difficulties, such as transport difficulties, lack of infrastructure, quality of limestone, distance from railhead etc. It was therefore necessary to revive the LID as there were not many limestone deposits in the country which could be exploited in the Sixty Five Year Plan and subsequently, particularly in the deficit Northern and Eastern Regions.

The Committee cannot understand why the so-called 'inherent difficulties' which are now stated to be standing in the way of setting up cement plants at these 6 sites could not visualised before starting investigation work there.

They would like the Government to look into the so-called 'inherent difficulties' and independently examine the feasibility of utilising these sites for the purpose of setting up cement plants in public sector.

They would also like that Government should investigate how these sites were at all selected for investigation with a view to fixing responsibility.

They would also like the Corporation to make sure before taking up any new site for limestone investigation work that the facilities and infrastructure necessary for setting up a cement plant at that site is available or will definitely become available in due course at that site if ultimately adequate deposits of lime-stone happen to be located there. The Committee recommend that before taking up investigation the Corporation should ensure that selection of sites for investigation should as far as possible be related to the prospects of establishing cement manufacturing capacity. (Paras 3.24 to 3.29).

Reply of Government

The prospecting results at Katni and Gokak sites revealed that the Magnesia content in the limestone showed erratic distribution which would pose manufacturing problem in respect of quality of cement. Hence these projects could not be taken up.

In respect of Jagdalpur, the Corporation anticipated that the Kirundel-Kotavalsa DBK Railway line can be made available for public transportation, including the requirement of the Corporation, for locating a cement factory there. Investigation of these sites was taken up with the approval of the Board of Directors and with the directive of the Government. Recently a private party was granted a letter of intent for setting up a cement plant in the Jagdalpur area. However, due to the non-availability of rail transport facilities this party have since applied for shifting the location of the plant to some other place from Jagdalpur.

The Alampur site is a good site with infrastructure facilities nearby. At the instance of the Board of Directors, the mining lease was not taken up immediately after the prospecting was completed. This was due to Government's directive in 1967 that the Corporation should concentrate in developing cement capacity in Northern and

Eastern Regions. Subsequently after this was lifted by the Government, the Board of Directors decided at the 71st meeting held on 5-11-74 that the Corporation should apply for mining lease for this site. Accordingly, the mining lease application was filed on 29-1-1975 by the Corporation. Baruwala site was taken up with the approval of the Board of Directors. Before taking up the prospect of this site, the Government of U.P. advised the Corporation that there was already a proposal to bring a Railway line to Dakpathar about 3 kms. from the factory site. The setting up of a cement plant would add to the justification of this new proposed line. According the investigation work was taken up to determine the feasibility of setting up a cement plant at this location. The railways have communicated that it is not possible to increase the line capacity between Laksar and Dehradun. The Railway suggested that the Corporation should go in for alternative Rail head at Khanalampura near Saharanpur. Due to this the lead from the plant to Rail head would increase from 50 kms. to 80 kms. Hence the Corporation had to defer the implementation programme of setting up a cement factory at Baruwala.

Chittorgrah site is located in Metre Gauge Section. The Board's approval was taken before starting the investigation at this site. The limestone deposit in this site is suitable for Cement manufacture.

The Board of Directors, at 71st meeting held on 5-11-1974, desired that the Corporation should take a mining lease for this site. Accordingly an application was filed by the Corporation on 27-12-74. This application was however, rejected by Rajasthan Govt. on 19-5-75 as the land belonged to other parties and was not vancant.

The Corporation before taking up any new site for investigation are ensuring that the facilities and infrastructure necessary for setting up a cement plant will be available if ultimately adequate deposits of right quality of limestone happen to be located there.

'Survey, prospecting and proving of cement grade limestone deposits in the country' is one of the principal objectives of the Cement Corporation. It was stipulated by Government in 1965, that the Corporation should create a capacity of 5 million tonnes by the end of the IV plan period. It was further stipulated that "the Company should take steps to set up, two very large cement plants, each of approx. 1 million tonnes per annum capacity as soon as possible, suitable locations for these plants to be investigated *inter-alia* in the Jagdalpur, Bastar area and in the Kotha-gudam area". It was also stipulated that the Corporation should undertake establishment of about six plants of smaller capacity in lieu of the schemes of private parties who were unable to implement their licences. Further the

Company was given to understand that the prospecting of limestone should not only be for its own use but also for putting the knowledge thus gained to commercial use by placing it at the disposal of private sector. For achieving the target of 5 million tonne capacity by 1970-71, the Company assessed in March, 1965 that it should have atleast 12 manufacturing plants of 0.2 to 0.4 million tonnes capacity each and two plants of a million tonnes each. Hence the Corporation organised its staff and equipment so as to carry out investigation simultaneously at 6 sites. Out of the 14 sites proved by the Cement Corporation the Corporation is utilising 8 sites and 6 sites are not utilised for the reasons enumerated above. As the investigation of limestone is a first step in establishing the possibility of locating a cement plant, the company has to take to some extent a calculated risk, in this regard as this is a preliminary work to be undertaken by any cement company. It will also be observed that the difficulties faced by the Corporation in utilising the Jagdalpur site in 60s still exists even today.

In this connection Ministry, while noting with respect and for future guidance the observations of the Committee on the subject, would like to submit that at this stage when preliminary investigations of limestone availability for the purpose of establishing a cement plant are taken, many of the infrastructural requirements are usually lacking or inadequate. On that ground however, it would not be prudent to defer investigation. It becomes necessary to take a calculated risk and proceed with investigation, with the expectation that if raw material of good quality and quantity are in fact located, some of the infrastructural obstacles could be overcome step by step. This will be increasingly so as well probed deposits in readily accessible places gets scarce and it becomes necessary to look for raw material in remote and somewhat inaccessible places. The Ministry has however noted with deference the observation of the Committee of the need for circumspect and close monitoring at every stage of prospecting work and is impressing this point on the Cement Corporation of India.

[Ministry of Industry and Civil Supplies, Deptt. of Indl. Dev. O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 17)

The Committee also note that besides Limestone Investigation Division Geological Survey of India and Mineral Development Corporation are also working in the field of survey and investigation of limestone deposits. They were informed that the Geological Survey of India do not normally give detailed indication of the availability of the various raw materials throughout the country and it does not normally carry out detailed investigation, about the total quantum or availability quality and other characteristics of the limestone and because of these limitations of the Geological Survey of India, it was considered necessary to have a separate Limestone Investigation Division of the Corporation. The Corporation also thought it necessary to have a separate Limestone Investigation Division as each cement factory should and does have such a division, big or small, and as it has to investigate sufficient quantities of limestone deposits not only to meet the immediate needs of the existing plants but also for the next 50 years. The Committee are not quite convinced of the reasons advanced in support of a separate Limestone Investigation Division. They would like the Government to examines before reviving the Limestone Investigation Division of the Corporation whether the role of the already existing organisation (*viz*. Geological Survey of India and Mineral Development Corporation) cannot be suitably enlarged to cover the functions which the proposed Limestone Investigation Division of the Corporation is expected to perform or whether the working of all these organisations cannot be integrated in the interest of economy, coordination and better results. While undertaking the proposed examination, Government should also keep in view the recommendation of the Estimates Committee made in paragraph 4.24 of its Sixtieth Report (1973-75). (Para 3.27)

Reply of Government

Although the Limestone Investigation could be done by the Geological Survey of India, Mineral Exploration Corporation with competent geologists and drilling engineers, it is necessary for the exploiting agencies to demarcate the areas for mining lease to work out mining programmes, planning of various quality stones and advising Mining Engineers on a day to day basis.. This work is of a detailed and continuing nature. So the L.I.D. is not for doing one time job which ends at the completion of the proving of the Limestone deposits required to justify setting up Cement Factory.

C.C.I. itself have selected two sites *viz*. Rajban (H.P.) and Akaltara in M.P. where the Geological Survey of India had done investigation earlier. In both cases it has become necessary for the Corporation to carry out further exploration in order to demarcate the actual mining blocks. Apart from this it is necessary for the Corporation to have the assistance in the Head Quarter Office to co-ordinate and collate the mineral concession requirements in the country, certificate of approval, mining leases, revision cases as these are not based on individual factory establishment but on State wide level. For instance, there is legislation on the area, a party can hold under prospecting licence and/or Mining Lease for a particular mineral in a State. If the Corporation has more than one factory in one State, it is necessary to coordinate the mineral concession requirement in all the factories of the Corporation. For the present, the Corporation has three schemes in M.P. and three schemes in A.P. Hence a Central establishment is required for controlling quality which is of paramount importance for larger size dry process plant which are being implemented by the Corporation. Apart from the above, very often quality problems do crop up in the running plants. For instance at Mandhar, the L.I.C. has been charged to demark high grade zones which are required for further utilisation. Although the Corporation had itself carried out the investigation in the year 1966 and 1975, it is found that some further work is needed to guide mining department. Such requirements are best met by an organisation within and not on a consultancy basis. In the context of all these above the revival of LID in a smaller measure has been undertaken. Apart from the above, even to implement the recommendations of the consultants an organisation is required within the Corporation.

As indicated in the previous paragraphs, because of the special functions that has to be discharged by the Limestone Investigation Division, which is not taken care of by the Geological Survey of India, in respect of prospecting limestone deposits for setting-up cement plants, it is necessary to have a separate limestone investigation division in the Cement Corporation.

The Estimates Committee was also earlier informed, in reply to their recommendation at S.No. 64 (Para 4.24) contained in the Sixtieth Report, "Under the existing arrangements, that there is effective liaison between G.S.I. IBM, MEC, CCI, Department of Mines and Geology of the various States and other Public and Private Sectors through Mineral Advisory Board, State Ministers Conference, Central Geological programming Board and its various Sub-Committees. If any modification is needed in the light of the experience in relation to the specific problems for bringing about better co-ordinations, should normally be no difficult in effecting such changes and improvements. Precise practical steps can be formulated in relation to specific difficulties and requirements, since existing arrangements are satisfactory and adequate."

The Ministry has taken careful note of the observations of the Committee and is impressing on the CCI to streamline and rationalise work relating to investigation and exploitation of limestone deposits and in particular to keep only the minimum staff required for this purpose and take full advantage of the work of other agencies in the field.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-76]

Comments of the Committee

Please see Paragraphs 1.8, 1.9 and 1.12 of the Chapter I of the Report.

Recommendation (S. No. 18)

The Committee note that in November, 1973 the Ministry approved the proposal of the Corporation for the revival of the Limestone Investigation Division. The Committee also note that the revival is mainly for carrying out prospecting operations for the Corporation both for projects under construction and for new projects to be taken up in the Sixth and subsequent Plans, particularly in the deficit areas. The Corporation may also take up work for private agencies on payment basis or undertake exploration work abroad. The Committee are, however, informed that the Ministry are still thinking in terms of cement demand in the Sixth Plan and in which region the Government should go for establishing cement plants so that transport costs are reduced. Though the Broad projections are there, no location for the Sixth Plan had been finalised. The Corporation is also stated to be in touch with the G.S.I. and other Corporations. The Committee are surprised that how in the absence of any information about the demand in the Sixth Plan or about the location of the plants, the Ministry have approved the proposal of the Corporation for the revival of the LID. The Committee suggest that before the Division is actually revived, Government should assess the usefulness of the Division especially in the context of the sites already prospected and utilised. (Para 3.28).

Reply of Government

In respect of various sites investigated and not implemented the reasons have been given in paras 3.24 to 3.26 (Reply to Recommendation at S. No. 16). Apart from this the necessity of revival of LID in a smaller measure has been explained in para 3.27 (Reply to Recommendation at S. No. 17) to cater to the needs of the existing plants, plants under implementation and the sites to be taken up for the Sixth Five Year Plan.

As per the present indications, the demand for cement for the rest of the Fifth Plan period is likely to exceed availability of cement in the country; this position is likely to continue beyond the Fifth Plan period. It is true, that no accurate assessment has been made of the demand for cement during the Fifth Plan period. But it can be safely assumed that the demand will increase in the coming years. As such it is necessary to create additional capacity. Government also wish to bring up as much of this additional capacity as feasible in the public sector. Hence, CCI will be very significantly involved in this effort.

Investigation for limestone is work of a preliminary nature, for establishing the possibility of locating cement plant in a particular location. It is necessary that this work is carried on a continuing basis so that when it is found that the setting up of a cement plant is feasible technoeconomically at a particular location, the Corporation could prepare feasibility report|Detailed project report and submit the same to the Government for approval. As pointed out earlier, there are not many known limestone deposits in the deficit northern and eastern zones and hence it is necessary to carry out limestone investigations especially in the northern and eastern zones. It is in this over all context that as one of the major cement manufacturing company in public sector, it has been felt that the Corporation has to develop its own investigation division, capable of carrying out investigations for limestone deposits suitable for setting up cement plants. In this connection, our comments on recommendation No. 17 will also be relevant.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-76]

Comments of the Committee

Please see Paragraphs 1.10 to 1.12 of Chapter I of the Report.

Recommendation (S. No. 20)

The Committee note that in November, 1967 the Corporation took up prospecting work near Baruwala in Dehra Dun which was a deficit area and after proving limestone deposits, prepared a project report for setting up standard size plant of 600 tonne per day capacity. Since the consultants suggested a higher capacity plant for achieving economy in scale, the project report was re-cast and the revised project report envisaged installation of a ropeway which had to go down a very steep slope. The Corporation was therefore studying the problems. In the meantime, the execution of the project stood deferred.

The Committee are informed that the study of the alignment of the ropeway has been entrusted to an expert who had surveyed the area and the project could be taken up only after this work is over. The Committee are also informed that the execution of this project could not be taken up because the Railways are not inclined to provide any siding facilities at the nearest rail-heads. The Committee regret to point out that the Corporation should have foreseen the necessity for the installation of the serial ropeway even at the t me of the feasibility study of the Project and should have tied its arrangements with the Railways before taking up the project and incurring an expenditure of Rs. 10.56 lakhs and ultimately deferring the Project. The Committee would like Government to investigate as to why these aspects were not considered before the execution of this project in the deficit area was taken up responsibility fixed and Committee informed of the action taken.

The Committee would also like the Government to press upon the Railways for providing siding facilities at the nearest rail-heads in view of the cement shortage in the region. (Paras 3.46 to 3.47).

Reply of Government

The Ministry have taken careful note of the observation of the Committee in this regard. The connected papers have been looked into and the matter reviewed afresh in considering the specific comments of the Committee.

2. It may be stated at the outset that Government were anxious that the limestone deposits available in Dehra Dun area of U.P. and Paonta area of Himachal Pradesh should be utilised for the manufacture of cement, even though it was clear from the beginning that there would be a number of problems relating to infrastructural facilities in locating a cement plant in these regions. The State Governments concerned were naturally anxious that this ill-developed, but potentially mineral-rich localities should be opened up for industrial development, even if it meant that the initial costs are high and special support, subsidy or other arrangements from Government would become necessary. Accordingly both the projects one for setting up a cement plant in the Paonta region and the other to set up a plant at Baruwala|Dehra Dun region were being pursued. Towards the end of December, 1970 when the project

report for Paonta was being finalised and the scheme itself was about to be submitted to the Cabinet for final clearance, it was felt that there could be sizeable economies in overheads, particularly in the development of infrastructural facilities in these regions if the Paonta and the Baruwala projects could be combined into one project, but with separate kilns. As the Committee are aware, it naturally took some time for all the pros and cons of this proposal for a combined project to be examined from the technological, the managerial and the economic point of view. The factors that finally lead to the Government decision to go ahead with the Paonta project separately, have been brought out earlier and they need not be enumerated in detail at this stage. The specific point now raised in this recommendation relates to installation of the aerial rope way and arrangement for railway siding for Baruwala project at the time when the Cement Corporation was examining it. The matter has been examined further with reference to the records and in consultation with the Cement Corporation. In this connection a copy of the letter dated 30/31-1-1973 addressed by the Cement Corporation to the Chief Operating Supdt. Northern Railway, New Delhi is enclosed (Appendix I). It will be seen that in the initial stages, the idea was one railway siding will be taken at Dehra Dun to serve both these projects namely Paonta and Baruwala. As per this letter at one stage the Ministry of Railways had conveyed its approval to this proposal. Towards the middle of 1971 in further meetings held between the Cement Corporation and the Railway authorities it became clear that, contrary to the earlier assurance, a siding at Dehra Dun would not be feasible. An alternative location for this siding, namely, Harawala Station was suggested by the Railways. At a later stage even this station was not found feasible on the ground that the entire Hardwar-Dehra Dun Section was incapable of handling this additional traffic. By the time this decision was conveyed to the Cement Corporation it was September, 1972.

3. In this connection the Committee would no doubt appreciate that in taking up a complicated project in a particularly difficult zone, there are a number of aspects that need to be examined in detail before a final decision to invest funds can be taken. In the particular case under review, the agencies directly involved besides the Cement Corporation were the Ministry of Railways and the two State Governments. One can, no doubt, think of a step-by-step approach whereby until each specific issue (such as railway siding, mineral lease, etc.) is examined in all its aspects by all the authorities concerned and the final decision on that issue is given, the other

issue will be taken up. But this would be a time-consuming process of consultation and examination. It is for this reason of saving time that a number of steps are initiated simultaneously and different aspects tackled with different authorities simultaneously, hoping that the outstanding differences could be resolved and the necessary linkages ensured before proceeding with the project further.

4. As regards construction of a rope-way, the following extracts from the project Report for Baruwala prepared by the Cement Corporation of India will clarify the position:—

> "The limestone quarry is situated at Mandarsu at an elevation of 1395 metres above sea level whereas the crushing plant is proposed to be located at an elevation of 1350 metres. The cement plant is proposed to be located at an elevation of 500 metres at Baruwala. The intervening area between is of hill ranges. At present only a mule tract exists to reach the quarry. Development of a dumper road for transportation of limestone to the factory will be expensive as two major bridges will have to be constructed over a length of not less than 26 kms. In addition to this, the maintenance of the dumper road will be perpetual heavy expenditure due to possible frequent land slides in the hilly sections. In view of the above, it is proposed to instal an Aerial Ropeway for the transport of crushed limestone from the crushing plant at quarry to the factory. The length of the ropeway will be approximately 8 kilometres and the transport capacity of the ropeway will be 400 tonnes/hr.
>
> The Ropeway installation including tensioning-stations, loading and unloading-stations, etc., is expected to cost about Rs. 152.00 lakhs."

"The factory and township have been located near village Baruwala. The place is known as village Dumet. The site is located at the foot of hill ranges and by the side of river Yamuna. The land selected for factory and township is a cultivated one as a patch of plain forest land available there has been taken on lease by the army. The area is well drained and above H.F.L. of river Yamuna. The land is in terraces. The soil in the area is generally sandy loam containing pebbles and boulders and is suitable for resting foundations of plant structures. There are some village huts and houses which too will be acquired alongwith the land. The site has been selected on the following considerations.

1. This is the nearest flat land from the Mandarsu quarry. Thus the length of aerial ropeway for transportation of limestone from quarry to factory site, will be shortest to the proposed site.

2. The site is by the side of river Yamuna. Therefore water which is very important for the plant as well as township is easily available.

3. The site is close to the state highway Dehra Dun-Chakrata and is approachable by only a 2 Kms. long approach road.

4. The nearest rail head is Dehra Dun which is connected by a good state highway Dehra Dun-Chakrata and movement of construction materials and raw materials to site and that of finished goods from the factory will be convenient.

5. Power is also available close by."

Under the circumstances the Ministry would like to submit to the Committee that the various technical and other problems likely to arise in the implementation of this admittedly difficult project were, in fact, fairly well appreciated by the Corporation. If efforts were pursued, indeed there were, inspite of disappointing and sometimes disheartening answers and difficulties at various stages in the processing of this project, it is primarily because the opening-up of this difficult area by sizable public investment was considered worthwhile from an overall social and economic point of view. This explains why the proposal was undeterred by difficulties and extra costs for infra-structural developments. Nor can it be said that the time and resources spent by the Cement Corporation in generating and processing this project have gone to waste merely because that Corporation has not been able to take it up for implementation. The U.P. State Government continues to evince interest in this project and has been suggesting to the Cement Corporation, that they put it up and manage it on behalf of the State Government. Unfortunately it has not been possible for the Corporation to accede to this request, in view of the heavy commitments it has already undertaken for putting up several new projects elsewhere in the country. The Ministry has however suggested to the U.P. Government that their State Cement Corporation may consider making use of the data collected and the proposals worked out by the Cement Corporation in order that this scheme may become reality.

Under all these circumstances the Ministry would hope that the Committee would feel satisfied with the rationale behind the various steps taken and the monies spent in giving shape to this project.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (Serial No. 23)

The Committee also note that the Action Committee on Public Sector Undertakings headed by Shri M. S. Pathak, Member, Planning Commission, had made a suggestion that for long term improvement of operation of Mandhar Plant, converting the existing wet process to a dry process system in the plant should be taken in hand but the Board of Directors decided that in view of the present financial position it may not be possible to undertake this work on immediate basis. They would like the Government to give a serious thought to the considerations and the objectives underlying the recommendations made by the Action Committee and see whether the decision taken by the Board of Directors of the Corporation, is in the interest of the Corporation in the long run. (Para 4.14).

Reply of Government

The Board of Directors had noted the recommendations of the Action Committee with a sense of appreciation. The Corporation also realises that this conversion of the existing wet process plant into dry process at Mandhar can be advantageous in the long run. Since the plant has only been put into commission in 1970 and also in the context of present shortage in the country the conversion programme, which will entail long stoppage of the plant, is not being pursued now. The position will however be kept under constant review in the light of emerging circumstances and requirements.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-76]

Recommendation (Serial No. 26)

The Committee note that though the State Government granted the mining lease for 404 acres of land in April, 1967 which included 332 acres of private land and the lease agreement was executed in October, 1967, there was a delay of 16 months in the Corporation taking action for acquisition of the private land and only 236 acres were acquired through negotiations upto November, 1972 for Rs. 4.73 lakhs. Negotiations for balance are still stated to be in progress.

The Committee are informed that as the proceedings for acquisition were pending with Government till 1969, the Corporation sought permission for direct negotiation.

It has also been stated that in the absence of acquisition of the entire land, there had been difficulties regarding disposal of overburden and heavy blasting operations.

On an application of the Corporation in December, 1971 for an additional area of 198 acres of which 98 acres was private land a mining lease of 195 acres of which 92 acres was private land, was given by State Government in January, 1973 after one year. It has been stated even now the acquisition proceedings were still in progress and a small piece of land was left to be acquired from the private owners.

The Committee see no reason why the Corporation should not have felt the sense of urgency and taken up the matter through the Ministry with the State Government and why it should have waited till November, 1969 to seek the permission. The Committee recommend that this matter should be settled without further delay and the Committee informed. (Paras 5.24 to 5.27).

Reply of Government

The Cement Corporation of India moved the Collector, Raipur in March, 1968 for giving advance possession of the land under the Land Acquisition Act. The Collector, Raipur referred the matter to the Government of Madhya Pradesh on 25th June, 1969. The State Government decided on 20th July, 1970 that notification under the Land Acquisition Act was not necessary and that the land could be acquired within the provisions contained in the Mining Lease Deed. Accordingly, as per the provisions in the Mining Lease Deed, the Collector was approached for giving award in cases where the land owners were not inclined to part with their land in favour of the Corporation. There were, however, procedural delays in the Collector's Court.

The Corporation started acquiring land from September, 1970 onwards. Till January, 1976, the Corporation had acquired/obtained surface rights for 382.72 acres of land out of 599.58 acres leased to it. The balance of 216.86 acres of land is yet to be acquired.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. dated 6-4-76]

Comments of the Committee

Please see paragraphs 1.16 to 1.19 of the Report.

Recommendation (Serial No. 28)

The Committee also note that there was an over-all increase of Rs. 13.39 lakhs in the actual expenditure under civil works over the provision in the DPR after absorbing the savings under water supply and sewage disposal and residential buildings. The excess has been attributed to an extra expenditure of Rs. 25 lakhs on factory buildings, foundations and welfare buildings due to increase in the quantities of work as compared with the provision made in the DPR and deeper foundation as a result of change in the design of the crusher plant.

The original design of the crusher plant had to be altered as the quality of lime-stone was found (1968) to be harder than originally assessed (1966) by the plant suppliers, thereby leading not only to a more powerful crusher and conveyor but also to deeper foundations. As a result, not only was there an extra expenditure of Rs. 8 lakhs under civil works on account of deeper foundation but the plant suppliers had also to be paid an extra amount of Rs. 1.5 lakhs because of the change in the design of the crusher necessitated in the light of analysis of the raw materials etc. The committee were informed that in terms of letter of intent dated 29th June, 1965 sample of raw material was to be collected by the plant suppliers in association with the undertaking and tested before commencement of manufacture of machinery. There was no mention in the letter of intent for varying the quoted price of Rs. 137.58 lakhs.

The agreement with the suppliers also mentioned that in the light of the test conducted by the supplier, the party agreed for change in the specification of the crusher unit. There was no mention about price escalation on this account. Actually when contract was concluded subsequently, the price was changed and various adjustments not only on account of the Crusher Plant (in which extra amount of Rs. 1.5 lakhs was involved) but on account of some other equipments also were made. As a result of these adjustments, the over-all price of Rs. 137.58 lakhs was reduced to Rs. 137.08 lakhs.

The Chairman and Managing Director of the Corporation informed the Committee that they were not in a position to say under what circumstances the adjustment upwards was agreed to and that this matter was not approved by the Board at that time. The Committee were informed that as a result of adjustments upwards in some cases and downwards in other cases, the ultimate contract price is stated to have been reduced from Rs. 137.58 lakhs to Rs. 137.08 lakhs. The Committee need hardly stress that letters of intent formed the basis of contracts and there should not be any change in the provisions stipulated in the letters of intent. The Committee are also not happy that such changes should have been made without the approval of the Board although the overall effect of the changes is a reduction in the total value of the contractual amount. The Committee recommend that Government should closely examine the justification for such changes which have led to an extra contractual obligation. The Committee may be informed of the results. (Paras 5.30 to 5.31).

***Reply of Government**

The Ministry agree with the view of the Committee that the letters of intent should normally form the basis of the contracts and they should not ordinarily be changed piece-meal. The Government also fully share the anxiety of the Committee that assumption of extra contractual obligations leading to additional payments should as a rule be avoided. However, the following facts in respect of the change made in the design of the crusher for the Mandhar plant are submitted for the consideration of the Committee.

The letter of intent for the supply of plant and machinery including crusher was placed on M/s. K. C. P. based on standard eqiupments which included the specification of crusher having single toggle crusher with ordinary hammer mill. The normal hardness of limestone in use in cement factories in India is around 3 according to Moh's scale of hardness, which is also the position in the case of limestone at the Kurkunta and Bokajan plants of the Cement Corporation of India. However, when pilot plant tests were carried out subsequently, when approximately 300 tonnes of limestone was test evaluated by the plant and machinery suppliers, i.e. M/s. K. C. J. in their associate company's works at Vijayawada, it was observed that:—

1. The hardness of the stone was 4 according to Moh's scale of hardness.

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* At the time of factual verification, Audit had stated as follows:—

"In the absence of test report, the facts stated in the reply are not susceptible of verification."

2. While crushing, it was observed that the standard crusher was breaking the stone with 50 per cent more power consumption.

3. When the crushed stone was fed to the raw grinding mill, the first chamber of raw mill got jammed very often even with 50 per cent of normal feed.

4. It took 2½ times more time than normal for grinding limestone to required fineness.

The test was carried out in the presence of a Senior Officer of the Cement Corporation of India, in their works. M/s. K.C.P. submitted the details of these tests to the Cement Corporation in the first week of February 1968 and in their subsequent letter they suggested change of equipments.

The limestone was also later test evaluated in the laboratory of Government of Madras and found to be high-resistant to crushing. Considering all these factors, which could not be fully foreseen when the design of machinery was initially drawn up, the Corporation was convinced that the crusher section had to be redesigned with a double doggle jaw crusher and reversible impact type hammer mill to give better officiency as against the original provision of single toggle crusher with ordinary hammer mill. Eventhough the increase in the price due to the change was quoted at Rs. 3.51 lakhs by the machinery suppliers, after discussion the Corporation was able to restrict the additional cost to Rs. 1.5 lakh only. This increase was bonafide and the change in the equipment was made in the interest of the Corporation and with the knowledge of the technical Director representing the Directorate General of Technical Development. It is true that before agreeing to the change in the specifications of equipments and resultant increase in price, no specific reference was made to the Board of Directors. However it may be mentioned that generally the Board of Directors approves the placement of order in broad and general terms, both in respect of technical specifications and commercial conditions. In the interest of the expeditious implementation of the projects it is not considered necessary nor feasible for the Corporation to refer every change that may be necessary during the implementation stage of the project to the Board. The Board or the concerned members of the Board are however consulted/kept informed by the Corporation of the major changes.

Thus it will be seen, that because of the peculiar quality of the limestone (variation in the hardness from the normal limestone in use in cement factories in India and high resistance to crushing) the design of the crusher had to be changed with a double toggle jaw crusher and reversible type hammer mill to give better efficiency, against the original provision of single toggle crusher with ordinary hammer mill in standard equipments. This has, no doubt, led to an extra expenditure of Rs. 1.5 lakh, but this had to be carried out in the interest of the efficient working of the crusher and this was done with the knowledge of the technical director. The action taken was bonafide and in the interest of the project and the matter need not be pursued further.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 30)

The Committee note that the M.P. Government Tariff indicated that H.T. power can be made available at 33/11 K.V. While formulating the project report, an estimate was prepared for supply of power by Madhya Pradesh State Electricity Board at 11 K.V. and in the body of the report it was mentioned at 33 K.V. power supply.

The M.P. Government having regretted to supply power at 11 K.V. an extra transformer had to be installed by the Corporation for stepping down the supply of power from 33 K.V. to 11 K.V., for which no provision existed in the D.P.R. The Committee would like that this matter may be investigated with a view to pin-point responsibility for this costly lapse. The Committee may be kept informed of the results. (Para 5.41).

Reply of Government

It will be seen from body of the Detailed Project Report for Mandhar Project that the DPR envisaged the stepping down of Power from 33 KV to 11 KV by 7000 KVA Transformer, as the Madhya Pradesh State Electricity Board agreed to supply power for the Mandhar Plant to the extent of 6500 KVA at 33 KV. Thus the DPR (Chapter-IV) envisaged the purchase of a 7000 KVA Transformer. However, as admitted by the ement Corporation, no provision for this was made while preparing the cost estimates. Thus this is an error due to oversight. However, while the examination of the DPR was nearly completed, the Cement Corporation intimated in August 1968, that

"In the case of Mandhar Project, the estimates were prepared on the basis of power being avilable at 11 K.V. The

Madhya Pradesh Electricity Board have agreed to supply power at 33 K.V. only and we are incurring an expenditure of Rs. 4.3 lakhs for stepping down the power from 33 KV to 11 KV. This will be additional expenditure which was not provided in the project estimates."

As this was not included in the original estimates, the Corporation felt that this expenditure and expenditure on some other items (not covered in the original estimates) could be met from the provision under "Contingencies," if the amount asked for under this head is sanctioned. However, the Finance Ministry did not agree to make a provision for such a large amount under "contingencies," and hence the cost estimates approved on 7th June, 1969 for Rs. 451.51 lakhs did not contain provision on this account.

In the revised cost estimates submitted in February, 1971, the Corporation anticipated an excess expenditure of Rs. 4.63 lakhs under "electrification" and stated that

> "the estimates were prepared on the basis of power being available at 11 K.V. The Madhya Pradesh Electricity Board however agreed to supply power at 33 K.V. only. The Corporation had therefore, to incur an expenditure of about Rs. 4.50 lakhs for putting up its own sub-station for stepping down the power from 33 K.V. to 11 K.V.".

In view of the above position, the expenditure on sub-station was approved and included in the Revised Cost estimates sanctioned in July, 1972.

Thus it will be seen, that the Madhya Pradesh Electricity Board agreed to supply power of 33 KV and accordingly the body of the D.P.R. envisaged purchasing of a 7000 KVA Transformer for stepping down the power from 33 KV to 11 KV. But in the estimates prepared, no provision had been made earlier for the expenditure on account of the purchase, of the Transformer. As this item was not included in the original estimates, the same was not included in the approved estimates and it was sanctioned in the revised cost estimates only. The expenditure incurred was an essential one and there was an error of omission in the preparation of the initial cost estimates which was corrected later. The Corporation is being advised to be more careful in the preparation of estimates at all stages of its prospects.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem. Dated 6-4-76]

Recommendation (S. No. 40)

The Committee note that the automatic devices have started functioning from November, 1973. In spite of the mobile bag conveyors functioning now, manual labour has to be engaged for lifting the bags from the mobile bag conveyors and proper stacking of the same in wagons/trucks. The Committee recommend that the Corporation should be in the interest of fuller utilisation of the mobile bag conveyor consider elimination of manual labour and avoid the expenditure thereon. (Para 5.121).

Reply of Government

The Mobile bag conveyors are working now and most of the operation is being carried out mechanically. However, handling of bags from the chate of bag conveyor and stacking the same into wagons has to be done manually only. Total elimination of manual handling for this operation is not possible.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-75/75-Cem. Dated 6-4-76]

Recommendation (S. No. 42)

The Committee regret to note that though the Corporation procured machinery worth Rs. 18.47 lakhs during February 1969 and August, 1969 for quarry operations, the mechanical operation in the quarry were commenced in December, 1970. As a result, certain equipment of the value of Rs. 18.17 lakhs could not be put to any use upto December, 1970. Besides, the Corporation had to resort to raising of limestone w.e.f. September, 1969 through the agency of contractors. Even after December, 1970 the mechanical operation had to be suspended during May, 1971 to October, 1971 as the machinery was diverted to rehandling of accumulated stock of limestone The Committee were informed that out of 9.25 lakhs tonnes of limestone raised from September, 1969 to March, 1973, a quantity of 8.38 lakhs tonnes was raised through contractors and the balance through departmental machinery. It has been stated that because of low utilisation of the machinary, the cost of raising limestone through departmental machinery is almost double the cost of the contractor which has got an effect on the cost of production of cement. The Committee were informed that delay in the commencement of the mechnical operation was due to delay in the acquisition of the land. In the opinion of the Committee, this could have been avoided by proper planning and the machinery put to effective use. The Committee would like the Government to investigate the reasons for delay in the commencement of the mechanical operations and examine why the cost of raising limestone through departmental machinery is almost double the cost of doing this work through a contractor and draw lessons therefrom. (Para 5.137).

Recommendation (S. No. 43)

The Committee note that the DPR envisaged mechanical operations in the quarry to meet the factory's requirement of 30,000 tonnes of limestone per month. Three dumpers, one shovel and other equipment valued at Rs. 18.47 lakhs were purchased for the purpose. The Cost Auditor in his report for 1972-73 stated that the existing capacity for raising limestone through mechanical operations was 15,000 tonnes per month i.e. 1,80,000 tonnes annually, but against this, the Corporation raised only 86 000 tonnes of limestone (including over burden—25464 tonnes) in 1972-73. They regret to note the under-utilisation of the mechanical equipment deployed for raising limestone.

The Committee note that the initial expectation on the basis of prospecting work done was that a single face of the quarry could be developed to raise the required quality and quantity of limestone but as the limestone deposit was erratic in disposition, it was found necessary to develop a number of faces. The existing three dumpers and one shovel were, therefore, considered inadequate and additional equipment (one additional shoval and 2 dumpers) costing Rs. 10.64 lakhs have been/are being procured to raise the entire requirement of 30,000 tonnes of limestone per month. They were informed that limestone at Mandhar being just of marginal quality, it would be difficult to maintain the required quality of limestone if cent per cent mining was done by mechanical means. It was considered necessary to blend the mechanically raised limestone with manually raised limestone in the ratio of 66:33. On this basis, mechanised raising of limestone to meet the daily requirement of 1,000 tonnes per day would be 650 tonnes per day, while the capacity of the additional equipment procured being procured is to raise 1,000 tonnes per day. The Committee would like the Corporation to review the quantum of additional equipment being procured and make sure that only the minimum number of additional items are procured so that none of them has to be kept idle and the cost of unnecessary items does not increase the capital cost of the project. (Para 5.150).

Recommendation (S. No. 44)

The Committee note that during 1973-74, 97,133 M.T. of limestone were raised by mechanical mining and 71,000 M.T. by mannual mining. The costs per tonne of raising limestone mechanically and manually were Rs. 16.10 and Rs. 10.39 per M.T. respectively. The effect of this was that the incidence of cost of limestone in the cost of production is Rs. 18.68 in 1973-74 against the rate of Rs. 7.70 assumed in DPR. The Committee were informed that out of 3,25,000 M.T. of limestone required per year for Mandhar Plant, about two-third i.e. over 2,00,000 M.T. would be raised by mechanical means, and this will bring down the cost of mechanical operations. It was however stated that it was not feasible to raise the full quantity of 3,25,000 M.T. of limestone per annum mechanically only and as such recourse to manual mining could not be avoided. The Committee regret to note that the mechanical equipment deployed for raising limestone had not been fully utilised. They would like the Government to go into the reasons for under-utilisation of equipment with a view to fixing responsibility.

The Committee are distressed to note that the cost of raising limestone mechanically is much more than that of normal raising. They would like the Corporation either to reduce the cost of mechanically operations within a stipulated period or leave the idea of mechanisation and avail of the manual labour for the purpose which is easily available. They would also like the Government/Corporation to take adequate precautions in future while importing such machines in the light of their experience and examine the advisability of importing machines which either cannot be utilised fully or which are likely to prove costlier than the manual labour in actual practice. (Para 5.152).

Reply of Government

The observations of the Committee have been noted carefully. The Corporation applied for an area of about 583 acres under mining lease at Mandhar. The Government of Madhya Pradesh granted in the first instance only 403 acres out of 583 acres asked for by the Corporation, that too in dis-connected blocks. The Madhya Pradesh Government did not grant the entire area asked for, as certain public utilities like village roads, village tanks and irrigation canals were passing through the area asked by the Corporation. The grant of mining lease area in 9 disconnected blocks posed a problem to the Corporation to plan an integrated mechanised mine.

The Corporation was in correspondence with the State Government and the Central Government (Ministry of Mines to have the area granted as one compact block for efficient and economic working. This was later agreed to and was given effect to by the Government of Madhya Pradesh. The case was finally settled in 1972 only, although the Government of Madhya Pradesh had agreed to do this somewhat earlier. Thus, about four years were lost before the Corporation would have one compact block of mining lease. Because of this reason the Corporation could not properly plan the mechanised mining operations. The Corporation had, therefore, to begin work on available pieces of land in dis-connected blocks.

As stated above, the mechanised working could not be started in September, 1969, because sufficient land was not available for mechanised mining. The details of land acquired for the Mandhar quarry were as follows:—

Date	Land acquired in acres
15-9-1970	13·32
2-9-1970	1·66
2[illegible]-9-1970	3·75
28-7-1971	·85
17-8-1971	49·98
17-9-1971	9·14
14/3 to 18/3-72	105·84
25-4-1972	18·43
Total:	207·97

From the above it will be seen that the land was made available in September, 1970 and removal of over burden for development work with the mechanised equipment was started in December, 1970 without any loss of time.

Manual working was started in September, 1969 in small isolated patches of Government land which were available with the Corporation. These patches were too small for mechanised working. Even though action for acquisition was initiated as early as March, 1968, the Corporation was able to acquire the first lot of land in September, 1970.

Normally in a quarry the development work has to be done for a period of atleast one or two years depending on the quarry site conditions before fullfledged mechanised mining can be carried out there. In the case of Matia-Lalpur mines, the development of the quarry could not be done well in advance owing to the difficulties of land acquisition as indicated above. In view of the limited area of land available for mining operations the maximum quantity of limestone was raised manually in order to feed the factory where the raw mill and the kiln were commissioned in early 1970. Since the limestone has to be given priority over the development work, advance development work could not be carried out to permit full use of the mechanised equipment. The limestone at Matia-Lalpur mines occurs under a thick over-burden of 3-4 meters and the formation of the deposit is not regular to enable Corporation to undertake any planned developmental work. Under the circumstances maximum quantity of limestone was raised manually during the years 1971 and 1972 both in order to expedite the development work for commissining of the mechanised quarry as well as to keep the factory fed with the limestone for production purposes. Besides the rail track between the quarry and the factory was newly constructed and embankments had not got consolidated and it was feared by the Corportion, that there may not be uninterrupted supply of stone from the quarry to the factory by the NG wagon transport. As a result, large quantities of limestone were stocked in the factory area also during this period. During the year 1971, the shovel and machines from the quarry were shifted to the factory before the monsoon period and a large quantity of the manually stocked stone at factory was loaded back for crushing. The machines were shifted to quarry only in the last part of the year 1971. Even at this stage the quarry was not fully developed in order to utilise the equipment for mechanised mining. Ultimately the mechanised mining was started on a regular way only by the middle of 1972. But the quantity of mechanised limestone in proportion to the manual limestone could not be stepped up as the quality of limestone mined by the machines was low, due to contamination with inter-statial clay and embedded shales in the limestone. Hence the factory was forced to utilise larger percentage of manually mined stone in order to maintain the quality of the clinker and cement produced in the plant. Since the production from the mechanised mine was far less than the capacity of the equipment, the cost of mechanised stone has been relatively high.

The quality of limestone in the Matia-Lalpur quarries is very marginal in nature and embedded shales which bring down the quality. Besides there is inter-statial clay which is quite deep seated, thus contaminating the limestone even from the second benches where there is no over-burden. Therefore, the Corporation had to resort to manual mining in part as there was deterioration in quality of the stone raised by mechanised mining.

A consultant has recently been appointed by the Corporation to advise them on the best techno-economic combination of manual *vs.* mechanised mining in their present mines and raising additional quantities from a new mining lease taken by the Corporation at Silliari. As soon as the Consultant's report is received, the Corporation expects to normalise the working of the limestone quarry at Mandhar. In case the percentage of mechanised mining cannot be increased appreciably the Corporation will explore the possibility of diverting surplus equipment and personnel to other projects on hand with the Corporation.

The entire set of facts relating to this recommendation has been set out in detail to bring out the constraints which the Corporation had to face and overcome in regard to mining of limestone in this project.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-176].

Comments of the Committee

Please see paragraph 1.25 to 1.31 of Chapter I of the Report.

Recommendation (S. No. 48)

The Committee also note that the utilisation of capacity in Mandhar Plant during the years 1971-72, 1972-73 and 1973-74 was comparatively better than the average percentage of utilisation of capacity achieved by the Cement industry as a whole. It achieved the maximum utilisation of capacity (*i.e.* 90 per cent) in 1972-73 as compared to the maximum of 80 per cent achieved by the industry in 1972. But what is disappointing is that after achieving 90 per cent utilisation of capacity in 1972-73, it slumped to 76½ per cent in the following year (1973-74). The Committee find that the various sections of the plants actually worked between 300 days (5840 hours) and 343 days (7946 hours) in 1971-72 and 1972-73. The Committee find that except for kiln, all other sections of the Mandhar Plant have sufficient built in capacity to achieve a rate of production of cement higher than that of 2 lakh tonnes. Even in the case of kiln the capacity is more than what is required to produce 2 lakh tonnes of cement in a year. The Committee feel that the Mandhar Plant is capable of producing more than 2 lakh tonnes of cement per annum, and utilisation of even 90 per cent of the capacity should not lead to any sense of complacency in any quarter. The Committee urge that the Corporation should determine the attainable capacity of the Mandhar Plant as a whole taking into account the available in-built capacity and make all out effort to operate each secton of the Mandhar Plant to the maximum level and compare its performance with reference to the attainable capacity and not with reference to the capacity of 2 lakh tonnes as originally envisaged. (Para. 5.176)

Reply of Government

Due to marginal quality of limestone and poor quality of coal, the grindability of clinker at Mandhar is poor. As a result the Unit is able to achieve an output rate of about 28 tonnes per hour only from cement mill. The capacity of the plant as worked out on this basis comes to 2.04 lakhs tonnes per annum. It is felt that for comparing the performance of the plant the attainable capacity of the plant should be taken as 2 lakh tonnes per annum only. It is expected that if there are no stoppages on account of reasons beyond the control of the Corporation, like power shortages and interruption, wagons shortage, cement market conditions, the factory will be able to achieve 90 per cent of the rated capacity.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-76].

Recommendation (S. No. 49)

The Committee note that the DPR prepared in January, 1967 envisaged a return of 8.3 per cent on the capital investment of Rs. 465.48 lakhs after making provision for depreciation, interest on working capital/loans and development rebate. According to the revised profitability projections worked out in June, 1971, it was anticipated that the plant would be incurring losses unless production and despatch of cement was at 80 per cent of the installed capacity and even with the attainment of 90 per cent capacity utilisation the return on equity would be only 3 per cent before making any provision for tax. The plant earned a net profit of Rs. 2.56 lakhs in 1971-72 when capacity utilisation was 82 per cent and there were losses of Rs. 0.64 lakh in 1972-73 and Rs. 25.86 lakhs in 1973-74 when capacity utilisation was 90 per cent and 76.5 per cent respectively. Due to continued control of cement price and continuance increase in the cost of production, the profitability in the cement industry as a whole is stated to have been adversely affected. With a view to bring down the cost of production, action is stated to have been taken to procure additional quarry equipment for maximising mechanical mining and to lay down standards for consumption of stores and spares but more than this the fixing of realistic retention price is considered imperative for the economic viability of the plant. The Committee note that the Government revised the retention price once in 1973 and twice in 1974. They feel that it will be wrong for the Corporation to depend entirely on the increase in retention price to achieve economic viability. So long as the Corporation does not maximise production of each section of the plant, make the mechanical mining economical, keep stores, spares, and staff strength under strict control and take other measures to cut cost of production all round, small increases in retention prices, which might ultimately be neutralised by rise in costs of wages and inputs are not going to contribute much towards the achievements of economic viability. They would like the Corporation to work out the efficiency ratio at which each section of the plant should be operated to achieve the objective of 8.3 per cent return on capital investment as envisaged in the DPR, identify the problems that stand in the way of achieving the desired efficiency ratio and then concentrate all efforts on solving these problems. (Para 5.180).

Reply of Government

At the time of preparation of DPR of Mandhar factory in January, 1967, a return of 8.3 per cent on capital investment of Rs. 465.48 lakhs was envisaged with reference to retention price of Rs. 96 per tonne. The cost of production at that time was estimated at Rs. 79.65 per tonne including depreciation and interest of loan and working capital. The above cost of production was based on production of 2,00,000 tonne per annum of cement *i.e.* at 100 per cent utilisation of installed capacity. The capital investment in the factory factually come to Rs. 490.53 lakhs instead of Rs. 465.48 lakhs. The retention price on date is Rs. 157.75 excluding selling and distribution commission which is at present Rs. 3 per tonne. The revised standard cost prepared as of date (30-9-1975) for Mandhar Cement factory works out to Rs. 144.55 per tonne at 90 per cent capacity utilisation. At 100 per cent capacity utilisation the standard cost for Mandhar Cement Factory works out to Rs. 138.45. At 100 per cent capacity utilisation (as envisaged in the DPR) the return on equity based on the present retention price and standard cost of production as worked out now will work out to about 7 per cent instead of 8.3 per cent after payment of income tax.

Seeing the present conditions, it will not be possible to achieve 8.3 per cent return after tax as envisaged in DPR due to the following reasons.

(1) (a) The supposition in DPR of achievement of 100 per cent of capacity in actual output of cement is too high a target to materialise on continuing basis.

(b) Moreover the quarry operation efficiency also is not, what was envisaged in the DPR. However, to improve the quarry efficiency, the Corporation has appointed Consultants. Further action will be taken by the Corporation after their report is received.

(2) At the present selling price and cost base, 8.3 per cent return cannot be achieved even on actual output turning out to be 100 per cent of installed capacity on continuing basis. We need 105 per cent efficiency *i.e.* 2,10,000 tonnes of cement/year to achieve 8.3 per cent return.

(3) Increase in cost such as increase in dearness allowance, wages, freight, price of coal, electricity etc., keep taking place day to day but compensating increase in retention price comes after sufficient time lag.

The Management has already taken up a scheme for improvement in cement/clinker output at a cost of Rs. 33 lakhs and this scheme is expected to be completed by April, 1976. This will definitely improve the profitability of the factory. Various steps for improvement of quarry operation also are receiving close attention though it will not be possible to have 100 per cent mechanisation of the quarry due to characteristics of the limestone in the mining lease area. The Management considers that achievement of a return of 5 per cent after tax is a practical position for near future *i.e.* next three years or so.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-176].

Recommendation (S. No. 52)

The Committee note that in response to the tenders for plant and machinery invited in January, 1972 in anticipation of Government sanction to project estimates, quotations were received in May, 1972 from only two out of the six firms on the approved list. The offer of Messrs ACC was for Rs. 238 lakhs with bought-out items and that of Messrs ISGEC Ltd. for Rs. 197 lakhs, both the offers being valid upto 31st July, 1972. As the Corporation could not finalise examination of tenders by this date, the firms were asked to extend the period of validity upto 30th September, 1972.

In view of the substantial increase in price, the ACC did not agree to extend the validity of the earlier tender but sent a revised offer in August, 1972 (Rs. 264 lakhs) which was valid upto 30th September, 1972. This offer was again revised to Rs. 267 lakhs on the 2nd October, 1972. Since the ISGEC Ltd. had not supplied any cement plant in India therefore it was not considered and the tender of Messrs. ACC was also not accepted. Fresh tenders were invited in October, 1972 to be submitted by February, 1973 and subsequently extended to April, 1973. The Committee were informed that the Corporation could not finalise the tenders as they were awaiting the sanction of the revised estimates sent to Government in September, 1972 as the cost of plant and machinery had doubled. The Committee regret to observe that in view of the delay in the finalisation of the tenders by the Corporation, the cost of plant and machinery had escalated, resulting in increased capital investment on plant and machinery by the Corporation.

The Committee are informed that the fresh tenders invited in October, 1972 were finalised and orders for packing plant were placed in November, 1973 and for the slag drawer and cement mill in March, 1974. It was stated that the prices quoted in the tender of ACC in May, 1972 were inclusive of bought-out items. Further, the capacities of the 2 slag cement grinding mills offered in May, 1972 were of 19 tonnes per hour whereas the order placed was for a single mill of 50 tonnes per hour.

The Committee fail to understand why the requirements were not correctly assessed earlier in 1972 and the tenders invited at that time for the exact specifications and requirements. The Committee are also informed that even the item-wise break-up of rates given in May, 1972 were not available. The Committee are not sure how in the absence of the break-up, the reasonableness of the rates was assessed. The Committee would like that the entire matter should be thoroughly examined by Government and the Committee informed of the results. (Paras 6.22 to 6.24).

Reply of Government

The observations of the Committee have been noted. In this connection the following points are submitted respectfully for the consideration of the Committee :

(i) The Government approved the project report for the Mandhar Expansion at Rs. 211 lakhs in March, 1972. This sanction provided for an expenditure of Rs. 151 lakhs for the 'plant and machinery.' However, when the tenders were invited for the supply of plant and machinery by the Cement Corporation, the offer of Messrs ACC was Rs. 238 lakhs with bought-out items and that of Messrs ISGEC Ltd., for Rs. 197 lakhs, against the provision of Rs. 151 lakhs made in the sanctioned cost estimates. Because of the steep increase, in the price of plant and machinery, about 70 per cent between 1969—72 (as concluded by the Study Group on Task Force on cement industry), the Corporation had to prepare the revised cost estimates and to obtain the sanction of the Government. The revised cost estimates for Rs. 412 lakhs sanctioned by Government, provided for an expenditure of Rs. 325 lakhs for the 'plant and machinery'.

(ii) The offer received in May, 1972 was inclusive of bought-out items and the offer received in 1974 were exclusive of bought-out items. These two offers were not directly comparable and there was phenominal increase in machinery price during the intervening period.

(iii) For the Mandhar, Kurkunta and Bokajan projects of the Corporation plant and machinery were ordered from one main machinery supplier each who undertook the responsibility of supplying the items which are not manufactured by them (bought-out) also. Such package deals and turnkey jobs are not in vogue abroad. In view of the complex problems and local conditions prevailing in this country cement plants have been in the past been generally set up under package deal and on turnkey basis. The Mechinery manufacturers include their own margin on bought-out items, resulting in a net higher cost. This was known to the Corporation based on its own experience in the earlier plants. The Bokajan plant was ordered on Messrs. ACC including bought-out items. The Corporation had to pay handling charges to ACC on machinery ordered by ACC on other suppliers like Bharat Heavy Electricals Limited, a public sector undertaking in addition to the price paid by ACC to such suppliers. Because of this background the Corporation took a policy decision to exclude bought-out items from the tender of main machinery manufacturers even though this would result in extra work to the Corporation, but with a view to reducing costs. Accordingly even though the offer received in May, 1972 was inclusive of bought-out items, the offer received and accepted in 1974 was without bought-out items. Apart from the price difference between bought-outs through the machinery suppliers and the direct purchase, it is also not felt generally advisable to rely on one single contractor for the supply and installation of different units and execution of the project.

In an offer for a cement project approx. 45 per cent of the items fall in the category of bought-out items and the rest are manufactured by the main plant supplier. Broadly classified these are:

1. Belt conveyer
2. Compressors
3. Packing Machines
4. Electrical motors both HT and LT
5. Gear Boxes
6. Transformers
7. Switch Gears
8. Cables
9. Starters
10. Refractory brisks
11. Grinding Media
12. Lining plates
13. Diaphragms
14. Piping
15. Chutes
16. Ductings
17. Other types of castings
18. Fans
19. Instruments
20. Bucket elevators.

If these items are arranged by the Corporation through consultancy services, it is felt that there will be appreciable savings. The consultants not only help the Corporation in the purchase of bought-out items but also inspect the machinery at suppliers work and at site and give performance guarantee of the plant as a whole for a substained period of 7 days. The consultants coordinate the activities of the various contractors entrusted with the jobs of different units of the project. Taking into consideration all these things, the Cement Corporation decided to engage a consultant for Mandhar Expansion and for Rajban. Subsequently, the

Corporation has adhered to this policy of making its own arrangements for bought-out items through a consultant.

(iv) Regarding the observations of the Committee, about placing orders for 50 tonnes per hour grinding mill, it may be mentioned that the present tendency is for installing higher capacity single units as the economy of size is related to the scale of operation, in place of a battery of units of smaller sized which was the practice earlier. As per the prevailing practice, prior to 1972, 2×19 tonnes per hour slag cement grinding plant was considered. Later when 1200 tonnes per day kiln has come to be installed, the capacity of the cement mill has also been upwardly revised. Accordingly a single unit of 50 tonnes per hour was ordered which was due to technological advancement in the Indian cement industry during the period.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-1976].

Comments of the Committee

Please *see* paragraphs 1.32 to 1.36 of Chapter I of the Report.

Recommendation (S. No. 57)

The Committee regret to note that though the Board of Management decided on 1st May, 1973 that legal opinion should be taken and a formal contract with M/s. Holtec entered into under other normal terms and conditions applicable to such contracts, so far a formal contract has not been entered into with them. The Committee find that one of the terms of appointment of M/s. Holtec was that they would inspect various plants and machines, draw specifications for bought-out items etc. The Committee feel that since orders for plant and machinery for the Paonta Project had already been placed in November, 1973 directly by the Corporation, even before the appointment of the consultants, a suitable reduction in fee should have been secured from M/s. Holtec, in this regard. Moreover since M/s. Holtec would be responsible for the performance guarantee of the plant as a whole and a penalty would be levied in the event of delay in the commissioning of the project after installation of machinery, the Committee are doubtful whether the Corporation would be able to enforce such a condition when the supplies of machinery are dependent on another firm who are responsible for performance guarantee also. The Committee recommend that these aspects should be kept in view before a formal contract is concluded with M/s. Holtec. The Committee also find that the terms include payment of penalty by the consultants if there is delay in the commissioning of the project after installation of machines and/or if performance of the whole plant for a sustained period of 7 days is not fulfilled. As this is a vital provision having financial implications and it verges on imprudence not to incorporate them in a legal document, the Committee would like the Corporation not to lose any more time to execute a formal contract with the consultants in which their responsibilities and liabilities should be clearly mentioned. (Para 6.67)

Reply of Government

A letter of Intent is issued by the Corporation to the consultants and/or the major machinery suppliers in order that the work could get started. There is a provision in the Letter of Intent itself in each case including the present case in question of M/s. Holtec that the Letter of Intent will be valid till the formal contract is executed. Work relating to finalisation of a formal contract will be vigorously pursued.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-1976].

Recommendation (S. No. 60)

The Committee note that the Detailed Project Report envisaging a capital investment of Rs. 469.49 lakhs for setting up cement plant at Kurkunta with a capacity of 2 lakh tonnes per annum was submitted by the Corporation directly to the Government in January 1967 without obtaining the approval of the Board and was sanctioned by the Government at a cost of Rs. 442.79 lakhs in June, 1969. The Management have admitted that "it has not been possible to locate as to how the lapse occurred." The Committee are surprised at the omission. As the actual outlay exceeded the amount approved by Government and the project was in the last stages of construction, the Corporation submitted the revised estimates of Rs. 514.77 lakhs in February, 1971. The revised estimates were examined by the Ministry in consultation with the Ministry of Finance which agreed to sanction the estimates at Rs. 510.27 lakhs but before the formal sanction was issued, the Corporation informed the Ministry in March, 1972 that due to delay in the commissioning of the plant and certain additional works, the total cost of the project was expected to exceed the revised project estimates and that the Corporation was reassessing the total capital cost and second revised estimates would be submitted to the Government for consideration. Meanwhile, the actual outlay had exceeded the revised project estimates of Rs. 514.77

lakhs. The Corporation was able to submit the second revised estimates of Rs. 617.08 lakhs only in June, 1974. As regards the reasons for delay in submitting the revised estimates the Committee were informed that after the plant was commissioned, various defects and deficiencies in the performance of the plant started coming to light from time to time and it was, therefore, considered that the revised estimates might be prepared only after the decisions were taken on the various items of work that were to be taken up including those suggested by the Action Committee for removing the defects and deficiencies in the operation of the plant. The Committee are distressed to note that the Government have taken more than 2 years to approve the original project estimates. The Committee regret to observe that the Corporation was allowed to continue to incur expenditure in excess of the sanctioned estimate without an appropriate sanction of Government. (Para 7.15).

Reply of Government

The reasons for the delay in issuing formal sanction to the original cost estimates in respect of Kurkunta plant have already been explained to the Committee *vide* information, furnished to the Lok Sabha Secretariat along with this Ministry's O.M. No. 10-13/74-Cem. dated the 16th April, 1975 (copy enclosed) Appendix III. However, it may be mentioned that this has not delayed the setting up of the cement plant, as with the approval of the Cabinet Committee, the Corporation was allowed to place orders for plant and machinery and the Corporation placed the order with M/s. Walchand Nagar Industries in February, 1967 itself.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-1976].

Recommendation (S. No. 66)

The Committee regret to note that though the contract for the construction of factory buildings and connected civil engineering works was awarded to M/s. Mysore Construction Company in November, 1967, and the work was to be completed within a period of 12 months, no detailed schedule for the completion of civil works of the various departments was laid down in the contract. The Committee were informed that it would not be possible to lay down the schedule because at the time of invitation of tenders for civil works the machinery lay-out drawings and load data were not available. The priorities for supply of machinery and erection thereof were also not known.

It is surprising that the Corporation has not even been able to fix realistic target dates for completion of the work on the ground that the quantum of work actually involved and erection hold ups etc. for the cement industry were not correctly known at the time of invitation of tenders. The Committee are at a loss to understand as to how without the basic detailes of drawings, design quantities etc., the Corporation went about invitation of tenders and on what basis agreement with contractor was entered into (Paras 7.48 to 7.49).

Reply of Government

The observations of the Committee have been carefully noted. In this connection the Cement Corporation has pointed out that the tenders for civil works for this plant were invited at a time when the machinery lay out and load data etc. were not available. This was done in order to gain time which is spent in preparing tender documents, issuing tender notice and giving time to tenderers for quoting rates, carrying out negotiations and acceptance of tenders etc. For this reason as well as the fact the detailed programme for supply and erection of machinery was also not known at that time, a detailed departmentwise programme schedule was not laid down in the contract.

The tenders for civil works were invited in advance for the reasons explained above. Since the lay out and load data drawings were supplied by the machinery suppliers from time to time over a long period and the same were further modified more than once, it was not considered desirable to defer invitation of tenders till the receipt of complete layout and load details. Therefore, tenders were invited on the basis of approximate *ad hoc* quantities of various items. The contract agreement was entered into on the basis of competitive tenders received. The programme and progress were reviewed from time to time during execution of the work so as to co-relate the progress of civil works with the machinery supply and erection Programme.

[Ministry of Industry and Civil Supplies, Department of Industrial Development, O.M. No. 10-70/75-Cem., dated 6-4-1976].

Recommendation Undertaking

The Committee also note that the project was scheduled to be completed by May 1975, but this scheduled date is not likely to be adhered to and there has been delay reportedly due to the dislocation in the movement of machinery prior to and after the liberation movement in Bangladesh. Besides, another transport difficulty had arisen inasmuch as the meter gauge railway in that part of the country could not carry the large size machinery for the 600 tonnes per day plant. Because of this constraint of transport through railways, the Corporation is now reported to be putting up two smaller units of 300 tonnes per day each, one of which is expected to be completed by August, 1975 and the other by February 1976. The Committee are surprised to note that this difficulty of transport of machinery because of meter gauge railway in Assam was not visualised at the time of the preparation of DPR. They are constrained to remark that this was a lapse which could have been avoided if all the factors had been borne in mind while preparing the DPR. The Committee would like Government to. look into the causes of the failure of the Corporation to visualise the difficulties of transport at the time of preparation of DPR when it was already known that there was a meter gauge railway in that part of the country which could not carry large size, machinery. The hope that such lapses will not recur in future and the DPRs will be prepared after taking into account all the known factors which may have a bearing on the execution of project.

The Committee strongly recommend that Government/Corporation should take serious and concerted measures to ensure that the projects come up by scheduled dates and are not further delayed.

(Para 8.13)

Reply of Government

The observations of the Committee have been noted. In this connection the Ministry would like to point out that it is not quite correct to say that the difficulty of transport of machinery because of meter gauge railway in Assam was not visualised at the time of the preparation of DPR. It was clearly stated in Chapter IV of the DPR for the Bokajan Project that:—

"Diagram of NF railway will indicate the maximum size of consignments that can be transported from New Bongai Gaon to Bokajan. This will indicate the maximum dimensions of 3 MX3.55 M can only be transported. Consignments more than 3.55 metre including packing and lashing cannot be transported. Therefore, dimensions of individual consignments has to be restricted within the limit indicated in Plate XVI.

A 600 tonnes per day Rotary kiln unit having 3.75 M. dia cannot be transported. Hence two 300 tonnes per day Rotary klin units having 3 M dia has been selected.

A single unit dry process Raw mill having 3.403 M. dia. may pose a difficulty in its transport to Bokajan. Taking into consideration the above meter and also in view of the desirability of having two Raw Mills along with two Rotary klin for smooth and uninterrupted operation two Raw Mills of 25 tonnes per hour capacity have been selected instead of one 50 tonnes/hour capacity.

Cement Mill:

A cement mill of 35 tonnes per hour capacity of 3.05 M dia can be transported. Hence a single unit Mill has been resorted to.

Packing Plant Unit:

A single unit of 600 tonnes per day capacity has been provided since there will be no difficulty in its transport."

Thus it will be seen that there was no particular lapse on the part of Cement Corporation, in taking into account the transport problem while preparing the DPR for the project. In view of the transport problem, the DPR envisaged the putting up of two small units of 300 tonnes per day capacity Rotary kiln and Raw Mill instead of bigger single unit of Rotary kiln and Raw Mill.

All the same, the general point made by the Committee about the need for the utmost care in the preparation of DPR and vigilance in completing projects as per schedule have been duly taken not of.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10-70/75, dated 6-4-76]

Recommendation (S. No. 83)

The Committee note that the tenders for the supply of plant and machinery were received in September, 1969 and a Committee to negotiate with the tenderers had been appointed by the Board earlier (July 1969). The Director General, Technical Development, who was earlier a member of the negotiating Committee was subsequently replaced by Senior Industrial Adviser of DGTD's office. After considering the tenders the negotiating Committee came to the conclusion that the choice for the placing of orders should be between M|s. K. C. P. Limited (For Rs. 1,95,50,000) and M/s. A.C.C. (For Rs. 2,04,50,602). The final decision depended on the comparative suitability from the stand point of over all economy, ease of operation and the location etc., of two pre-heaters, namely, Humbolt offered by M/s. A.C.C. and Skoda offered by M/s. K.C.P. under the directions of the Board the matter was referred to the DGTD in December, 1969 but he regretted his inability to give advice on the matter due to certain administrative restrictions. The Engineers India

Limited, who were then approached, stated that they had no specialised knowledge in cement industry. After considering the pros and cons of the offers Board decided to place the order with M/s. A.C.C. after the Managing Director negotiated a reduction of the price quoted by them.

The Committee are unable to understand as to what was the need to refer the matter to DGTD for technical advice on the comparative suitability of the two pre-heaters, when the Senior Industrial Adviser of DGTD's office was already on the negotiating Committee. They do not see the utility of appointing such technical experts on the negotiating Committee if they cannot give positive advice to the Corporation on such technical matters. What has distressed the Committee more is the fact that the DGTD should have regretted his inability to give advice on the matter due to "certain administrative restrictions." The Committee are not able to appreciate the so-called administrative restrictions which prevented DGTD to give his views. The Committee would like that this may be investigated by the Government and results intimated. (Paras 8.24 to 8.25)

Reply of Government

The Board of Directors of Cement Corporation of India at its 29th meeting held on 22nd July, 1969 appointed a Committee consisting of the following for negotiating with various machinery suppliers, the technical details and financial arrangements for the purchase of plant and machinery for Bokajan plant:—

Dr. B.D. Kalelkar . .	. Director General Technical Development
Shri Y. Kishan .	. Joint Secretary, Ministry of Finance
Shri K. I. Vidyasagar	. Joint Secretary, Ministry of Industrial Development.
Dr. S.P. Varma	. IA (Chemicals), D.G.T.D.
Shri K.N. Misra	. Managing Director, Cement Corporation of India Limited

On the 15th October, 1969, the Managing Director, Cement Corporation of India requested Dr. Kalelkar to agree to be a member of the Negotiating Committee. Dr. Kalelkar conveyed his acceptance on 21st October, 1969.

On the 31st October, 1969 Dr. Kalelkar intimated the Cement Corporation that he will not be able to work as a member of this Committee and suggested that Mr. S. K. Sinha, Senior Industrial

Adviser (Engg) D.G.T.D. may be appointed as a member of the Committee in his place. Similarly Shri Y. Kishan also suggested that Shri J. R. Saha may be nominated as a member of the Committee in his place. Accordingly the Negotiating Committee was reconstituted in the 31st Board meeting held on 19th November, 1969.

In its five meetings, apart from scrutinising the tenders from suppliers of the machinery in relation to their technical detail and participating in discussions with the various suppliers to reduce the various parameters of the individual offers to a common denominator for purposes of comparisons, the Negotiating Committee had advised the Cement Corporation on the following:—

(1) Selection of the process, that is, wet or dry in relation to the site and availability of the raw materials.

(2) The size of the plant including kiln and whether the unit should be single kiln unit of 600 tonnes per day or of two kiln unit, each of 300 tonnes per day; and

(3) Choice between electro-static precipitator and multi-cyclone precipitator for collection of dust.

In regard to the cooler system, it was decided by the Committee that all the systems should be considered at par, for the purpose of negotiations. When it came down to the question of choice of pre-heaters the alternatives were between A.C.C. and K.C.P. and verification of their claims about the performance of their individual pre-heaters as related to the particular situation and other equipments of supply. Both had their relative merits and demerits. The Negotiating Committee, therefore, left the matter to the Board of Directors to take a final decision.

The above paragraphs highlight the areas in which the D.G.T.D. officers made a positive contribution in the deliberations of the Negotiating Committee in helping the Corporation to decide on a number of issues with the exception only of pre-heaters. The reasons for their inability to give advice on pre-heater were reported to be as follows:—

(1) Only an expert in the Cement Industry who has seen both the types of pre-heaters (i.e. one of Skoda design and the other of Humbolt design) in operation for over a long period can possibly pronounce judgment as to which of the two would really give better results, taking into consideration also full characteristics of the raw materials, fuel etc. used in a particular set up. Apart from

not having access to the operational data; neither of the two D.G.T.D. officers who were in the Negotiating Committee, has been connected with the actual operation of the two pre-heaters in question, even for a short time, on which such recommendation could have been rightfully based.

(2) The fact remains that in the world market, pre-heaters of both Skoda design as well as Humbolt design are in operation although it is true that the latter has been in the field for a longer period. Accordingly, the D.G.T.D. officers felt that it would not be proper to rule out the K.C.P. offer with pre-heater of Skoda design merely on the ground that was of comparatively recent development. That is why the Negotiating Committee felt that in a case of this nature, the Board should ultimately take an overall view taking all relevant factors into consideration.

(3) It is also reported that the same problem of choice between more than one design of pre-heaters and kiln coolers, arose for the U.P. State Cement Corporation and as they could not take a decision in India, they had to send out a team of experts to see the working of the equipment in nearly half a dozen factories in four countries of Europe some time last year and experts team consisted of a cement machinery design expert from a firm of consultants and the D.G.T.D. officer. It was only after the operation and maintenance of equipment was studied in Europe that the team was able to make its recommendation to the U.P. State Cement Corporation.

Thus it will be seen that the D.G.T.D. officers in the Committee did play a useful role in giving technical advise to the Corporation in the purchase of plant and machinery but lacking field experience as they did they could not give any concrete advice regarding pre-heaters. It is respectfully requested that the Committee on Public Undertakings would consider revising its observation regarding the utility of appointing technical experts in the Negotiating Committee in the light of the position explained in the previous paragraphs.

As the Negotiating Committee failed to pronounce the final judgement as it could not decide which of the three pre-heaters is the best the Board of Directors of Cement Corporation decided at the 32nd Board Meeting held on 8th December, 1969; that a refernce should be made to Dr. Kalelkar D.G. with relevant papers for his opinion as to which of the three pre-heaters offered in different processes by M/s. A.C.C., K.C.P. and Walchandnagar Industries was the best. Accordingly a reference was made to D.G. by the Managing Director on 12th December, 1969.

In his reply dated the 20th December, 1969 Dr. B. D. Kalelkar, Director General of Technical Development observed as follows:—

> "I am afraid I do not appreciate that you are asking a piece-meal opinion about only one aspect of the tender *i.e.* which of the pre-heater is superior out of the three. In such matters, I would recommend that your Committee should take all aspects into consideration which are in the tender than getting some opinion about some aspect of tender and not allowing a particular person, who gives the opinion, to know as to what are other aspects of the tender. This is atleast my advice to you even when you consult any other technical person.
>
> As far as this particular query is concerned, since A.C.C., K.C.P. and Walchandnagar are still in the run, I am afraid due to some administrative restrictions in my Organisation I will not be able to participate in your decision and give any advice to you at this stage.
>
> It was only because of this that I had decided not to be a member of your Committee but recommended Mr. S. K. Sinha, S.I.A. to be member of your Committee."

I hope you will appreciate my position. I am thankful to you for asking my advice but the points which I have raised in my above first paragraph are very important and you should neglect the same."

It will be seen that the late Dr. Kalelkar, the then Director-General did not want to give a piece-meal opinion about only one aspect of the tender *i.e.* pre-heater without knowing the other aspects of the tender. This Ministry is not aware of the nature of the particular administrative restrictions mentioned in the above letter, and we have not been able to ascertain the same as Dr. Kalelkar is no more. Perhaps Dr. Kalelkar functioning as the head of a regulatory agency in Govt. felt he should not even seem to endorse the tender of one party in competition with others. However his other objection based on not wanting to give piece meal opinion about only one aspect of tender and misguide the Board of Corporation in this regard was not without its justification.

In the circumstances stated above, the Ministry would respectly submit that the matter need not perhaps be pursued further.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10—70|75-Cem. dated 6-4-76].

Recommendation (S. No. 84)

The Committee were informed that though according to the letter of intent signed with M|s. A.C.C. the delivery of the plant and machinery should have commenced from May 5, 1971 and completed by February, 1972 M|s. A.C.C. commenced supply of plant and machinery only w.e.f. February, 1972 and have not completed supplies so far. It has been stated that so far 90 per cent of the plant and machinery has been supplied and the balance of the machinery is expected to be supplied by February-March, 1976. The delay in supply is attributed to the lock-out in the works of the sub-contractors of M|s. A.C.C., restriction on the movement of goods in the Eastern sector during war and delays in constructing railway siding for receiving the heavy consignments, delay supply of large size casting by HEC and availability of the M. S. Steel from Hindustan Steel Limited. The delay in also reported to have been due to severe power cuts, wagon shortage and strike in the suppliers works at Shahbad. The Committee regret to note that the supply of plant and the machinery would be delayed by over 4 years in all and some of the reasons for delay do not appear to be entirely unavoidable. The Committee cannot see any justification for delaying the construction of the railway siding till 1972. They also feel that the question of supply of M. S. Steel from HSL and the supply of large size casting by HEC should have been pursued more vigorously at the Ministry level and as the casting have yet not been supplied, the matter may at least now be taken up with HEC at the highest level. They would like the Government to investigate the reasons for the delay in the supply of large size castings by HEC as such delays in supply have a bearing on the cost of the project apart from the delays in erection and commissioning. The Committee are not sure whether the Corporation has taken action to review the conditions of contract in the context of these delays and modify them suitably to provide for guaranteed performance. (Para 8.20).

Reply of Government

The question of delay in the supply of steel and Heavy casting items for the Bokajan project was taken up with the concern authorities whevener the matter was brought to the notice of this Ministry.

In May 1972, the Cement Corporation brought to the notice of this Ministry about the anticipated delay in the supply of castings by M|s. HEC, for the girth gears, feed heads and discharge heads of the raw mills. The matter was taken up with the Secretary, Ministry of Steel & Mines with the request to instruct H.E.C., Ranchi to keep to the agreed schedule so that the commissioning of the project may not be delayed. Similarly, in July, 1972; when the allocation of steel for this project was found to be inadequate, the matter was taken up by the Minister of Industrial Development with the Minister of Steel and Mines. In November, 1974, when the Cement Corporation approached this Ministry, for the immediate allocation of certain steel items, the issue was taken up with the Iron and Steel Controller, Calcutta.

The Girth Gear casted by the HEC for the Bokajan projects was not acceptable to M|s. A.C.C. (plant suppliers) as the same was not as per the design. It was therefore, decided that the Girth Gear may be accepted after necessary machining. Accordingly the Secretary, Department of Heavy Industry requested the Managing Director, H.E.C. to ensure delivery of Girth Gear and opinion without avoidable delay. According to the latest information furnished by the Ministry of Heavy in November, 1975, the Gear pinion has been completed and has been induction-hardened. The HEC has made a reference to the Cement Corporation regarding the hardness. Thus it will be seen that the Ministry is pursuing the matter at the highest level. Regarding the observation of the Committee above reviewing the conditions of contract in the context of the delays and modifying them suitably to provide for guaranteed performance the Corporation has stated that the contract will be modified wherever feasible to provide for necessary guarantee and penalities.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 94)

The Committee note that mining lease for the quarry area is not necessary as the land belongs to the Government. The factory and township are located along state highway and no approach road is therefore required for these. Though no railway siding is envisaged at plant site, a private railway siding is being taken at Jagadhri, and the Northern Railway are taking necessary action in the matter. As regards approach road to quarry, action for land acquisition| lease is being taken. The Committee recommend that keeping in view the target date of the commissioning of the plant (*i.e.* February 1977) different schedules may be fixed for securing the land acquisition|lease for the approach road to quarry and the railway siding at Jagadhri and all action to complete these items of work should be so organised that there is no slippage in the execution of these jobs beyond the scheduled dates. (Para 9.29).

Reply of Government

Land for the factory and township has already been taken. An alternative scheme for approach to the quarry has been prepared. The Railway had turned down the Corporation's request for giving a private railway siding at Jagadhri Railway Station according to previous survey. The matter was referred to the Government which has since taken this up with the Railway. Railways have agreed to allow the use of the land on temporary lease basis and have asked for particulars regarding traffic etc. to look into the possibiilty of providing necessary handling|transport facilities.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S. No. 97)

The Committee note that in order to compete with the other producers who were selling their products through their Branch Offices and thereby avoiding the liability for central sales tax (3 per cent), the Corporation opened Branch Offices at Calcutta, Kanpur and Nagpur, in August 1970 and at Bombay and Hyderabad in August 1972. Consequent upon the opening of these Branch Offices, the regional distributors were appointed as clearing the forwarding agents on a remuneration of Rs. 0.75 per tonne. As against the payment of Rs. 0.75 per tonne to distributors, the Corporation recovered Re. 1|- per tonne from the stockists to whom the cement was despatched by the regional distributors. The Committee find that under this stock transfer system, the Corporation sold 1,37,522.73 tonnes of cement during 1970-71 to 1972-73 and recovered a sum of Rs. 34,382 in excess of the clearing and forwarding charges paid to the distributors while the expenditure on the Branch, Offices during the same period was Rs. 88,860|-, thus resulting in a loss of Rs. 54,478 (Approx) to the Corporation.

The Committee also note that as a result of this arrangement Government was deprived of the Central sales tax amounting to Rs. 5.61 lakhs (approx). In 1973-74, the excess recovery from the distributors amounted to Rs. 3523 as against the expenditure on

Branch Offices (excluding Calcutta) amounting to Rs. 26,711 and a loss to the exchequer of Rs. 90,810|- on account of non-payment of central sales tax.

The Committee are shocked to observe that a public sector Corporation should have thought of resorting to the strategem of opening Branch Offices which aimed at depriving the exchequer of central sales tax amounting to Rs. 5.61 lakhs during the period 1970-71 to 1972-73. The other reason advanced in favour of opening Branch Offices that it was to compete with other producers, does not hold water as, in view of the acute shortage of cement, no competition in fact existed in the sale of cement. To cap it all, the Corporation also suffered a loss of Rs. 77,666 during this period in the bargain. The Committee cannot too strongly deprecate this action on the part of the Corporation and recommend that the Government should issue directive to the public undertakings that they should not resort to any measures which are aimed at evading Central or State taxes or defeating the purpose of such taxes. The Committee feel that in retrospect the very idea of opening branch offices was neither in the best interest of Corporation nor that of Government. It was stated that the stock transfer system was stopped *w.e.f.* 1st June, 1973.

Reply of Government

The recommendaion of the Committee was brought to the notice of the Bureau of Public Enterprises. The Bureau is of the opinion that 'many companies including public sector companies do have branch offices to facilitate collection of regional marketing information and timely supply to various consumers located at various corner of the country. Hindustan Steel Ltd., have so far set up 21 stockyards in different parts of the country and similarly IOC, FCI have a considerable number of branch offices and sale points throughout the country. In the interest of the smooth, even and timely supply at economic cost, the Government feel that opening of branch offices and sales points is necessary for public sector enterprises producing and marketing essential, basic and infrastructural goods like coal, steel, fertilizer, cement, food, petroleum products etc. and is not prejudicial to the interest of the country and Government. Though Cement Corporation had closed down its branches in various States, many private sector cement companies continue to have such branches for valid economic and commercial reasons.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Recommendation (S No. 107)

The Committee note that as against the norm of 1.65 tonne for limestone and gypsum per tonne of cement, the actual consumption of limestone and gypsum together has been less both at Mandhar and Kurkunta. The Committee are not sure whether in view of the high percentage of dust losses in Mandhar the overall less use of limestone any gypsum could produce 1 tonne of cement without detriment to quality. The Committee would like Government/ Corporation to examine this aspect. (Para 12.22).

Reply of Government

The norm of 1.65 tonnes for limestone and gypsum per tonne of cement, referred to in the Committee's note, is correct and is used for purposes of planning raw material resources and for determining the life of plant in relation to the availability of limestone. Broadly the division between the two raw materials is 1.6 tonne of limestone per tonne of cement and 4-5 per cent of gypsum on clinker; the actual consumption depends upon the quality of limestone and quality of clinker which is produced. At the Mandhar and Kurkunta factories, the consumption is less because of the nature of limestone available at these factories and has no relation to either dust losses nor has any detrimental effect on the quality of cement produced at these factories. In actual effect, if the dusting losses are higher the consumption of limestone would be higher than the aforesaid norm.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10-70|76-Cem. dated 6-4-76].

Recommendation (S. No. 117)

The Committee note that the Corporation had made cash credit arrangements upto a limit of Rs. 78 lakhs (Rs. 43 lakhs in respect of Mandhar Plant and Rs. 35 lakhs in respect of Kurkunta Plant) against hypothecation of finished and semi-finished goods etc. with the State Bank of India. Due to the credit curbs imposed by the Reserve Bank of India, the drawing power against the credit limit of Rs. 78 lakhs was reduced to Rs. 60.87 lakhs from December 1973 and to Rs. 49.68 lakhs (Mandhar—Rs. 26 lakhs and Kurkunta— 23.68 lakhs) from July, 1974. The cash credit actually availed of as on 31st March, 1974 amounted to Rs. 36.70 lakhs (Rs. 15.16 lakhs for Mandhar and Rs. 21.54 lakhs for Kurkunta). The Committee are informed that the reduced cash credit limits are not adequate to finance the working capital requirements and the funds received from Government for capital expenditure have been diverted temporarily to meet the working capital, requirement of the two operating plants. In view of the fact that the cash credit actually availed of by the Corporation was much less Rs. 36.70 lakhs as on 31st March, 1974 than even the reduced cash credit limit of Rs. 49.68 lakhs, the Committee are unable to understand the justification for the Corporation to divert capital funds received from Government to meet the working capital requirements. In the opinion of the Committee such a diversion of funds is irregular.

The Committee therefore recommend that Government should examine the implications of this arrangement and take steps to strengthen the financial position of the Company. (Paras 13.10 to 13.11).

Reply of Government

The observations of the Committee have been noted.

As the Corporation has not earned any profit, it is not able to generate internal resources to meet the working capital requirements of the plants in production. The Bokajan plant is also coming into production shortly and hence working capital for building up inventories for this plant is also required to be arranged. The Banks generally provide cash credit arrangements and provides about 65 per cent of the value of inventories as the cash credit limit. As the Corporation is not able to generate enough funds, internally, the margin money (about 35 per cent of the value of inventories held by all the factories of the Corporation) has to be provided for.

The cash credit limit with the State Bank of India for the Mandhar and Kurkunta plants have since been raised to the original limit *i.e.* Rs. 78 lakhs, *w.e.f.* 14th July, 1975. The Corporation is trying to get the cash credit limit raised further to Rs. 110 lakhs.

On the observation of the Committee, regarding the cash credit actually availed of by the Corporation as on 31st March, 74, it is respectfully submitted that the balance in the cash credit accounts on a particular date or the utilisation of cash credit during any month are not good indices for judging the working capital needs of the Corporation. The Corporation is not maintaining any separate account for the funds granted to them by Government from time to time for capital outlay needs of the new plants under construction. On drawal of funds from Government, the Corporation deposits the same in their cash credit accounts and issues cheques and open letter of credits for capital expenditure against the same Accounts.

The irregularity committed by the Corporation by diverting capital funds to working capital has been brought to the notice of the Corporation. However, as they do not have enough internal resources to meet the working capital requirements, the Corporation have sought a short term loan Rs. 94 lakhs, as margin money. The request of the Corporation was examined by the Ministry in consultation with the Ministry of Finance and it was decided to grant a loan of Rs. 54 lakhs in 1975-76 as margin money for the Mandhar and Kurkunta plants and Rs. 40 lakhs for the Bokajan plant during 1976-77. Accordingly a sanction granting a loan of Rs. 54 lakhs was issued on the 20th March, 1976.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10-75/Cem. dated 6-4-76]

CHAPTER IV

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

Recommendation (S. No. 36)

The Committee note that although the performance guarantee of Kiln gave an output higher than that envisaged on the agreement, the operation of the kiln revealed that the dust catching arrangement was inadequate, dust feeding system was unsatisfactory the dust loss was abnormally high and the clinker temperature at the outlet of the cooler was persistently high. It was reported that the physico-chemical characteristics of the slurry made from limestone available at Mandhar without any argillaceous materials and having no binding material in it were prone to breaking due to low strength of nodules, thereby causing excessive dust formation. The Committee see no reason why these physico-chemical characteristics of the lime-stone deposits at Mandhar which were also tested by M/s. K.C.P. Ltd. before designing the plant, could not have been taken care of by the Corporation at the time of preparation of D.P.R. and by the suppliers at the time of designing the plant. The Committee are informed that while placing orders for the plant, CCI had no proper facilities to determine the physico-chemical characteristics of the raw materials and plant suppliers have supplied a standard plant with conventional dust arresting system. The Committee are informed that the raw materials were tested only for chemical composition to determine whether limestone was cement grade or not, and on that basis orders were placed for wet process plant with standard dust arresting system. After opening of quarry, the limestone available was found to be erratic in nature. The Managing Director admitted that "when we take a decision to go ahead with the Project, we supply the material to the party to get the raw material best evaluated in all respect, to get the required data for the designing and sizing on the various equipments and other auxilliary equipments". The Committee are surprised that in spite of this, this information was not supplied to M/s. K.C.P.

The Managing Director admitted that a representative sample of 300 tonnes could have been sent before placing the orders for plant and machinery instead of sending it after placing the orders. Due to these lapses on the part of the Corporation, the plant supplier supplied a standard plant for Mandhar with a conventional dust arresting system which proved to be inadequate to cope with the excessive dust formation in the process of breaking of the limestone which turned out to be of higher hardness than expected. The result of all this is that dust losses in the plant were high and in 1972-73 alone, the value of dust loss over and above the normal loss was estimated to be Rs. 0.78 lakhs. The Managing Director admitted during evidence that if the machinery could have been properly designed that much loss would not have been there. Even though a sum of Rs. 25,000 representing about 80 per cent of the cost of equipment supplied by M/s. K.C.P. for dust recovery system has been recovered from the plant supplier due to the faulty performance of equipment, the Committee cannot but express their unhappiness at the routine and casual manner in which the DPR appears to have been prepared and the order for plant were placed.

The Committee recommend that Government should investigate the matter with a view to fixing responsibility and draw lessons in the future. (Paras 5.105 to 5.107).

Reply of Government

The Negotiating Committee was entrusted with the job of selection of standard equipment suited to varying conditions in any one of the 3 or 4 sites then under consideration by the Corporation. It was not possible for the Corporation to indicate the exact site to the negotiating Committee prior to placement of orders, as the site investigation were in progress. Initially the two sites under consideration were Neemuch and Soram (Kurkunta) when the orders were placed. As the limestone investigation and arrangement for other infrastructure like water supply etc. were not finalised for Neemuch project, the Government was informed that instead of Neemuch Mandhar would be taken up along with Seram and this proposal was approved by the Government. Thus the site for the two plants already ordered on KCP and Walchandnagar could be decided only after the orders were placed.

A copy of the note of the negotiating Committee, which recommended placement of order on M/s. K.C.P., which plant was installed at Mandhar, is enclosed (Appendix II) to enable the Committee to have a full appreciation of the factors that weighed with the Corporation in adopting the procedure that it did. The observations contained in paras 5 & 7 of this note are particularly relevant. In view of this reply, it is respectfully submitted that the matter may be allowed to rest.

[Ministry of Industry and Civil Supplies, Department. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Comments of the Committee

Please see Paragraphs 1.20 to 1.24 of Chapter I of the Report.

Recommendation (S. No. 99)

The Committee find that the selling and distribution expenses per tonne incurred by the Corporation in respect of Mandhar Plant inclusive of the selling agency commission, had increased from Rs. 2.64 in 1970-71 to Rs. 4.35 in 1972-73 and came down to Rs. 3.58 in 1973-74. The Committee are not able to understand the phenomenon of the selling and distribution expenses being highest in 1972-73 when the production in Mandhar Plant was the highest (90 per cent of the capacity) achieved so far. If anything, the expenses should have gone down during that year and in any case should not have increased by 50 per cent over those in 1971-72 when the production was 82 per cent of the installed capacity. They would like the Corporation to analyse the reasons for this sharp increase in the selling and distribution expenses in 1972-73. The Committee also recommend that the Corporation should work out norms in this respect, after studying, if possible, the pattern adopted in private sector, and ensures that expenses on selling and distribution are kept to the minimum.

Reply of Government

The Tariff Commission report based on the study of the figures of 23 factories for selling and distribution expenses during different years (*i.e.* December, 1970, December, 1971 and December, 1972) reveals that the per tonne selling cost varried from 70 paise to Rs. 6.44. While in the case of one factory, it was Rs. 6.44 per metric tonne, and in the case of another company it was Rs. 0.70 per M.T., for 11 factories it ranged between Rs. 3.01 and Rs. 3.63. The selling cost in respect of the factories of the Corporation compares with the average cost prevalent in the other units. They system of regional distributorship, in which a selling agency commission of Rs. 1.25 per tonne was involved, was abolished in 1973-74.

[Ministry of Industry and Civil Supplies, Department. of Industrial Development, O.M. No. 10-70|75-Cem. dated 6-4-76].

Comments of the Committee

Please see paragraphs 1.56 to 1.58 of Chapter I of the Report.

Recommendation (S. No. 105)

The Committee learn that coal and gypsum are not physically weighed on their receipt in the factories for want of weigh bridge, the installation of which is not considered economical by the Corporation. The difference between the R/R weight and physical balance computed on the basis of volumetric measurement is treated as consumption. The Committee are informed that coal and gypsum are transported in open wagons and that the railways and suppliers do not accept responsibility for transit losses. The Corporation has claimed that the actual consumption of coal and gypsum per tonne of cement at Mandhar unit inclusive of transit anl handling losses compared favourably with the percentage of consumption given in the DPR. The Committee have dealt with this aspect in a separate section. They would like the Corporation to examine the present system of their transportation in consultation with the Railways and devise measures to obviate the likelihood of pilferages and losses in transit. They feel tht there is a snag in the present arrangement for computing the quantities of coal and gypsum on the basis of volumetric measurements in as much the pilferages and losses in transit cannot be known exactly in the absence of a weigh-bridge. The Committee would like the Corporation to consider the economics of installation of exact measurement *vis-avis* the benefits that may accrue to the Corporation from exact weighment and adopt a suitable system which can enable it to check the R/R weight of coal and gypsum with their exact weight on receipt thereof at destination. (Para 12.19).

Reply of Government

Installation of weigh bridge to check the exact weight on receipt is not considered as an economical proposal by the Corporation as the railways are not prepared to entertain claims for shortages in transit.

[Ministry of Industry and Civil Supplies, Deptt. of Industrial Development, O.M. No. 10-70-75|Cem. dated 6-4-76.]

Comments of the Committee

Please see paragraph 1.67 to 1.69 of Chapter I of the Report.

NEW DELHI;
April 26, 1976.
Vaishakha 6, 1898 (*Saka*)

NAWAL KISHORE SHARMA,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(*Vide* reply to Recommendation No. 20)

No. CEA|7(5)|71-Vol. I|46656 Dated 30/31-1-73

Chief Operating Supdt.,
Northern Railway,
Baroda House,
New Delhi-1.

SUBJECT.—*Private Railway siding for Paonta and Baruwala Cement Factories.*

Dear Sir,

This Corporation is setting up two cement factories one at Paonta (Distt. Sirmur, H.P.) and the other at Baruwala (Distt. Dehradun, U.P.). While formulating the projects it was proposed that a private railway siding shall be taken at Dehradun which shall serve both plants, Dehradun being the nearest rail head for Paonta as well as Baruwala.

The Ministry of Railway (Railway Board) while giving their clearance for these projects with regard to railway movement had agreed to the siding at Dehradun. *Vide* their letters No. 70-II(1)|10|Cem.|Vol. II, dt. 24th May, 1971 and II(1)10|Cem.|Vol. IV, dated 25th May, 1972.

On receiving the Government of India's sanction for the Paonta Project, a request was made to the General Manager, Northern Railway for taking action for providing a private siding at Dehradun Railway Station, *vide* our letter No. CEA|7|1(71)|6588, dated 5th June, 1971. For deciding the location of take off point and the siding, a meeting was held with the Divisional Supdt. Moradabad on 26th July, 1971. Subsequently a preliminary survey was made by the railways and siding near Dehradun station not found feasible from the traffic part of view and it was enquired if a siding at Harrawala Rly. Station would be acceptable *vide* letter No. 273|187|w, dated 13th January, 1972 from D.S. Moradabad.

Later on in a meeting with D.S. Moradabad it was intimated by the Railways that a additional traffic can be handled by the Rly.

on the entire Hardwar-Dehradun section. In view of the situation it was suggested that a siding near Saharanpur may be taken.

As our projects were formulated on Dehradun as the rail head, their feasibility and detailed estimates would be greatly affected. Therefore the matter was discussed with C.O.P.S. Northern Railway, on 22nd November, 1972 for reconsidering the possibility of providing a siding at Dehradun. During this meeting it was confirmed by C.O.P.S. that a siding at Dehradun was not feasible due to traffic considerations. In view of this there is no option for the Corporation but to accept the siding at Saharanpur (Khanalampur).

It is therefore requested that preliminary proposals for a siding at Khanalampur (Saharanpur) and its approximate cost may kindly be intimated so that further action in the matter may be taken to finalise the proposal.

An Index plan showing the location of Baruwala, Paonta Plants at Saharanpur is enclosed alongwith relevant traffic data for inward and out-ward movement. A short private siding at Khanalampur is Proposed to be taken from and upto which transportation will be done by road.

It is however, requested that proposal for arranging the handling capacity of Dehradun railway station may be kept in view while preparing schemes for future expansion so that at some future stage it would be possible for us to have siding at Dehradun if so required.

Yours faithfully,

Sd/-

(MAHABIR PRASAD)

Civil Engg. Adviser.

APPENDIX II

(*Vide* Reply to Recommendation at S. No. 36)

Cement Corporation of India Ltd.

Note on the negotiation of prices for cement plants and the recommendations thereof

The per Resolution of the Board of Directors dated the 30th Oct. 1965 it was decided to constitute a Negotiating Committee to vet the technical details of the plant and machinery offered by the various manufacturers in the light of the essential features of each, and to negotiate the prices, for recommending to the Board, the sources from which the machinery might be ordered, with the following members:—

1. Mr. N. B. Rao	Officer on Special Duty Ministry of Industry.
2. Dr. B. D. Kalelkar	Dy. Director-Genl., D.G.T.D.
3. Mr. S. K. Majumdar	Joint Secretary, Ministry of Finance.
4. Dr. S. P. Varma	Industrial Adviser, D.G.T.D.

2. The Committee held its first meeting on the 22nd December, 1965 to discuss preliminary matters and decide the line of action regarding the negotiations to be held with the manufacturers of cement machinery who had offered complete cement plants, *viz.*

(a) Messrs. Indian Sugar & General Engineering Corporation, Yamunanagar, near Jagadhari, Punjab.

(b) Messrs. K.C.P. Ltd., 38, Mount Road, Madras-6.

(c) Messrs. A.V.B. Ltd., Durgapur (West Bengal).

(d) Messrs. Larsen & Toubro, Bombay.

It was decided to request the manufacturers to come to Delhi for detailed discussions on the 10th and 11th January, 1966.

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On the 10th January, 1966 the following members of the Committee were present:—

1. Mr. K. B. Rao
2. Dr. B. D. Kalelkar
3. Mr. S. K. Majumdar
4. Dr. S. P. Verma.

From the manufacturers side the following were present:

K.C.P.

1. Mr. V. M. Rao
2. Mr. V. Raman
3. Mr. P. Krishna Rau

A.V.B.

1. Mr. H. J. Canteenwalla
2. Mr. P. N. Gulati
3. Mr. S. J. Dalal

Larsen & Toubro

Their representative attended the meeting but as he was not a technical man he suggested that he will further look into the points raised by the Negotiating Committee and submit the quotation for the wet process plant. Nothing has been heard from him further.

On the 11th January, 1966 the meeting took place between the representatives of Messrs. Walchandnagar Industries and IS&GEC and the Negotiating Committee.

The following were present:—

1. Dr. S. P. Verma
2. Mr. S. K. Majumdar

(The other two members could not attend due to other unavoidable and unexpected engagement).

Walchandnagar Industries

1. Mr. Nachtmann
2. Mr. J. P. Joshi
3. Mr. A. P. Dutta Chaudhury

IS&GEC

1. Mr. D. D. Puri
2. Lt. Col. A. N. Vasudeva
3. Mr. S. S. Kothari

Shri S. P. Chibber, Chief Project and Development Officer of the Corporation was associated with all the discussions.

3. In the first round of discussions the technical features of each equipment, their output and performance, consumption of fuel, energy, etc. were discussed with a view to bringing out the outstanding features of each equipment, particularly that of the type of crushers, raw and cement mills and their drives, specially of kilns and coolers, etc.

The progress made thus far was intimated to the Seventh Board Meeting on 31st January, 1966. The Board decided that the Chairman and the Managing Director should discuss the matter with the Negotiating Committee and take necessary steps to submit proposals to the Government for the procurement of plants.

4. Accordingly a meeting of the Chairman and the Managing Director of the Corporation was held with the Negotiating Committee on the 2nd February, 1966.

5. At the meeting it was considered that attempt should be made to place orders for the plants expeditiously since there is a likelihood of the capacity of some of the manufacturers who had quoted being booked by the Private Sector. For this purpose, it was felt that pending the collection of the sampling data for limestone and the selection of precise sites, it would be technically feasible to give a range of specification for raw material (Limestone that will be available from the likely sites and that on this basis firm orders for plants could be placed with the manufacturers. It was also seen that the quotations varied between Rs. 1.44 crores to Rs. 1.68 crores and that each manufacturer had his own design, which make it difficult for a direct comparison between the offers. The discussions with the manufacturers had therefore been carried ou' in respect of the technical details pertaining to their own plants.

6. As regards the reliability of the manufacturers and their capacity to supply an acceptable cement plant, the following facts were placed before the committee:—

(i) M/s. AVB/ACC: They have collaboration with Vickers Babocok of England and M/s. Fuller & Co., of Catasauqua and Traylor Engineering and manufacturing, Allentown U.S.A. M/s. ACC have been building 300 tonne kilns in their Shahabad Works and A.V.B./A.C.C. have also built dry process plant for their Jamul factory. They have also got an order from Panyam Cement. M/s. A.C.C. have on expansion programme of 5 million tonnes luring the 4th Five-Year Plan and they will get all their plants made by M/s. AVB.

M/s. ACC are the oldest Group of cement manufacturers in India and have wide experience in making cement and cement plants. They are also manufacturing babock boilers.

M|s. Vickers Armistrong of England have supplied 200-300 tonnes kilns for U.P. Government for their Churk factory.

(ii) M/s. K.C.P. have got a cement plant at Mancherial and they have supplied 2 plants to Government of Orissa. They have recently secured orders for two plants from Government of Madras on turn-key basis.

Their collaborators are M/s. Fives Lille Cail of France.

This firm is to supply two kilns to U.P. Government for their Dalla Project. M/s. Vives-Lille Cail have manufactured kilns up to 2500 tonnes/day.

(iii) M|s. Walchandnagar Industries have collaboration with Skoda of Czechoslovakia who are well-known in the field of manufacture of steel and machinery. There are two skoda plants, one each working at Churk and Satna. The Churk kilns are 350 tonnes/day each, Satna 500 tonnes/day. M/s. Walchandnagar Industries who have been manufacturing sugar plants in the past have not yet manufactured or supplied any cement plant to any party in India.

(iv) M/s. Indian Sugar & General Engineering Corporation have also been manufacturing Sugar plants and boilers in their factory at Yamunanagar. They have collbora- tion with M/s. Kawasaki Dockyard Company Ltd., Japan who have supplied about 100 cement plants in and out- side Japan. They also manufacture plants as big as 2000 tonnes per day capacity. M/s. IS&GES have not yet manufactured any cement plant in India.

In the light of the above and keeping in view the past experience of the firms in the manufacture of cement plants and other heavy engineering, equipment, the Committee placed them in the following order.—

1. AVB/ACC

2. K.C.P.

3. Walchandnagar Industries.

4. I.S.&G.E.C.

7. After considerable discussions on all aspects of the case, it was decided that in view (a) of the desirability of booking capacity of the manufacturers at the earliest (b) of the possibility of obtaining basic data for limestone from their sites in the near future (c) of the possibility of limiting the variation clauses in prices, if any, in the design and capacity of the crushers only, the prices for all other components of the plants would be firm, negotiations should be progressed for ordering these plants.

8. The second round of discussions was held on 23rd. 24th and 25th February, 1966 for finalising the technical aspect price and terms of payment.

On the 23rd February, 1966 a meeting took place with M/s. Walchandnagar Industries and the following were present:—

1. Shri K. B. Rao

2. Mr. S. K. Majumdar

3. Dr. S. P. Verma

4. Mr. H. D. Singh

From the manufacturers' side the following were present:—

1. Mr. J. P. Joshi

2. Mr. Ing. K. Obrucnik

3. Mr. Smykal

4. Mr. A. P. Dutta Chaudhury

5. Mr. M. Roman

On the 24th February, 1966 a meeting was held again with M/s. Walchandnagar Industries, A.V.B. and IS&GEC. The following were present.

1. K. B. Rao
2. Mr. S. K. Majumdar
3. Dr. S. P. Verma
4. Mr. H. D. Singh

Walchandnagar Industries

1. Mr. J. P. Joshi
2. Mr. Ing. K. Corucnik
3. Mr. Smykal
4. Mr. A. P. Dutta Chaudhury
5. Mr. M. Roman

A.V.B.

1. Mr. H. J. Canteenwalla
2. Mr. P. N. Gulati
3. Mr. S. J. Dalal
4. Mr. Y. K. Mehta

IS&GEC

1. Mr. D. D. Puri
2. Lt. Col. A. N. Vasudeva
3. Mr. S. S. Kothari

On the 25th February, 1966 the meeting was held with M/s. K.C.P. and the following were present:—

1. Mr. S. K. Majumdar
2. Mr. H. D. Singh
3. Mr. B. C. Banerjee (represented Dr. S. P. Verma).

K.C.P.

1. Mr. V. Raman
2. Mr. P. Krishna Rau
3. Mr. Thampuran

In the above discussions Shri Chibber was associated.

9. *Specification and technical details*

Originally all the four cement machinery manufacturers quoted on the standard equipment manufactured by them according to design of their collaborators. After discussions with manufacturers a considerable measure of standardisation has been effected in regards to equipment both mechanical and electrical as also in respect of performance guarantee of various units of the plant.

(i) *Crushing Department*

M/s. AVB, Walchandnagar Industries and IS&GEC had quoted on two-stage crushing but M/s. K.C.P. offered single-stage crushing. All the manufacturers will now supply two-stage crushing plant as required by us. Single-stage crushing is suitable only if the plant is not to be duplicated in the near future but the Corporation desires to provide for expansion of the plants as soon as feasible.

(ii) *Raw Mill Department*

M/s. AVB and KCP had quoted side drive for the mills, while M|s. Walchandnagar Industries and IS&GEC have quoted centre drive. Side drives has now been stipulated for all manufacturers. Gears for side drive can be manufactured in India, but the symetro-gear for centre drive would have had to be imported.

(iii) *Kiln Department*

The rotary kilns offered are according to the design of each manufacturer and carry a performance guarantee of 600 tonnes per day. The fuel consumption is guaranteed by all the manufacturers at 1450 k.Cal/kg. of clinker, M/s. AVB, K.C.P. and IS&GEC have offered kilns with chain sections only while the kilns offered by M/s. Walchandnagar Industries is fitted with pre-heaters, chains and cross. If klin of 165 m. is purchased from IS&GEC at an extra cost of Rs. 4.72 lakhs the fuel consumption will be reduced to 1350 K.Cal./kg.

The fuel consumption in all cases is 1450 K.Cal per kg. of clinker at 36 per cent moisture in slurry. In case the length of M/s. IS&GEC kiln is increased from 145 to 165 metres as originally quoted (at an additional cost of Rs. 4.72 lakhs), the fuel consumption would go down to 1350 K.Cal/kg. at 36 per cent moisture. With the 165 m. kiln they will also supply cyclone type dust collector. This extra cost would be offset in about two Years' time because of saving in coal consumption. The technical members were of the view that it would be worthwhile to take the longer kiln of 165 metres and cyclone dust collector at an extra cost of Rs. 4.72 lakhs. Their present offer of 145 metres, however, is at par with other offers in respect of fuel consumption and capacity.

(iv) *Cooler*

All the manufacturers are supplying Fuller Kinyon or air quenching cooler. This is the modern equipment required for cooling the clinker received from the kilns.

(v) *Cement Mill*

M|s. AVB and KCP quoted for side drive mills while M|s. Walchandnagar and IS & GEC quoted on centre drive. Side drive has now been accepted from all manufacturers. Also please refer to remarks in the note under "Raw Mills". All offers are for open circuit grinding.

(vi) *Packing Plant*

M/s. AVB, KCP and M/s. IS & GEC had quoted on 3 to 4 spout packing machines. M|s. Walchandnagar Industries had quoted a rotary packer which is standardised. All the machinery manufacturers will now supply rotary packers.

(vii) *H.T. Motors*

In order to improve the power factor it is essential to have synchronous motors for raw and cement mills. M|s. AVB, Walchandnagar Industries and IS & GEC have offered synchronous motors while KCP have offered induction motors with capacitors on the LT side to improve the power factor.

(viii) *Performance Guarantees*

The performance guarantees have also been standardised in respect of various units of the plant.

Fuller details of the technical data and of the performance guarantees are contained in enclosure (Annexures A-3 and A-4).

10. As per original quotations received from the various manufacturers, the prices quoted were as follows:—

K.C.P. Ltd.	Rs. 1,32,00,000
I.S. &. G.E.C.	Rs. 1,44,79,530
Walchandnagar Industries	Rs. 1,53,11,430
AVB	Rs. 1,60,86,700

In this price Messrs. A.V.B. did not include the price of the wash mill department and have offered this equipment as optional for a price of Rs. 2,56,950. Including this the quotation of Messrs. A.V.B. came to Rs. 1,63,43,650. Furthermore, while Messrs. A.V.B. had included a customs duty at the rate of 26½ per cent on the imported component of Rs. 27.5 lakhs, other quotations had not included any duty, which was to be added separately. As the actual customs duty is 45 per cent, the above quotations duly adjusted (including duty at 45 per cent) would be as follows:—

K.C.P. Ltd.	Rs.	1,44,40,000
I.S.&. G.E.C.	Rs.	1,57,19,530
Walchandnagar Industries	Rs.	1,65,51,430
A.V.B.	Rs.	1,68,53,650

In the light of discussions held on January 10 & 11, 1968 Messrs. IS & GEC, Walchandnagar Industries and K.C.P. Ltd., modified their specifications and indicated the revised prices. Messrs. AVB also offered reductions in prices. The relative position of offers resulting from these changes (inclusive of import duty of Rs. 12.40 lakhs) is given below:—

K.C.P. Ltd.	Rs.	1,42,40,000
I.S. &. G.E.C.	Rs.	1,46,58,700
A.V.B.	Rs.	1,51,47,890
Walchandnagar Industries	Rs.	1,56,17,530

11. (a) Since the manufacturers had quoted according to the designs of their own collaborators, an evaluation was made of the four quotations on certain comparable common 'Norms' in consultation with the suppliers. These are explained in the work sheets enclosed (Annexure A-2). The prices that have emerged after the final round of discussions are as follows:—

Final Prices			Weight		Price per tonne
1. I.S.&.G.E.C.	Rs.	1,45,65,200*	2328 tons	Rs.	6,257
2. Walchandnagar Industries	Rs.	1,48,33,530	2555 tons	Rs.	5,806
3. K.C.P. Ltd.	Rs.	1,50,00,000	2019 tons	Rs.	7,429
4. A.V.B.	Rs.	1,51,47,890	2376 tons	Rs.	6,375

* IS&GEC have also offered a longer kiln at an extra cost of Rs.4·72 lakhs. In view of economy in fuel consumption, purchase of longer kiln has been recommended (see para 9 page 7 under specifications and technical details).

These prices *include* an element of Import duty of Rs. 12,40,000 calculated at the rate of 45 per cent on imported component of Rs. 27.50 lakhs.

(b) *Validity*—M|s. IS & GEC, Walchandnagar Industries, K.C.P. and A.V.B. have agreed to extend the validity upto 31st May, 1966.

(c) *Payment Terms.*—The firms had quoted for payment terms which generally involved advance payment of 30 per cent with the order and subsequent payment of 65 per cent on delivery and 5 per cent on the guarantee. After negotiations, the following terms and conditions have been accepted by the suppliers:—

20 per cent with the order

10 per cent after six months of the order

60 per cent on despatch of documents *pro rata*

5 per cent on commissioning of individual units, and

5 per cent on fulfilment of guarantees.

(d) *Repeat Orders.*—The manufacturers were requested to offer reductions in case repeat orders were placed with them within six months or one year. They indicated the following reductions:—

(a) Messrs. IS&GEC Reduction *on second plant if* order placed Immediately.	Rs.	4 lakhs
within 8 months	Rs.	3 lakhs
within 12 months	Rs. 2	lakhs
(b) Messrs. Walchandnagar Industries		Nil
(c) Messrs. K. C. P. Ltd.		
(d) Messrs. A.V.B. reduction on each plant if order placed within six months, viz. by end of August, 1966	Rs.	1·00 lakh

Recommendation

12. In the final meeting of the Chairman and the Managing Director with the Negotiating Committee, consideration was given to the relative experience and the technical know-how of the manufacturers (Reference para 6 of this note), the technical soundness of the offer as well as their price difference. Technically it was considered that the offers of all manufacturers, as have emerged after discussions, were aceptable. It was also noted that the price difference between them was not really significant. It was felt that the Cement Corporation would have to lay some stress at the initial stage on the experience of the manufacturer so that no untoward

difficulties arise in construction and commissioning of the plant. It was therefore, decided that the Government may be approached for the approval of the placement of the order for the four cement plants in the following order, *viz.*, (i) A.V.B. (ii) K.C.P., (iii) Walchandnagar Industries and (iv) IS & GEC, at the prices and terms negotiated. At present only three sites are likely to be ready very shortly, *viz.*, Sedam, Mandhar and Neemuch. It is the intention therefore that the order of the first three plants on AVB, KCP and Walchandnagar Industries may be placed now. There is, however, a possibility of a site being available in the near future at Yerraguntla. The fourth plant may be ordered in IS & GEC as and when the project report of the Yerraguntla site is finalised and provided the prices and terms now settled with them still hold good.

Sd|- S. K. Majumdar
18-3-1966

(H. D. SINGH)
18-3-1966

Sd|- S. P. Varma
18-3-1966

Sd|- K. B. Rao
18-3-1966

Sd|- B. D. Kalelkar
21-3-1966

APPENDIX III

(*Vide* Recommendation at S. No. 60)

Note explaining the reasons for delay in issuing formal sanction to the original cost estimates in respect of Kurkunta Plant

The Cement Corporation of India submitted a Detailed Project Report on the Kurkunta Project in January, 1976. This was examined by this Ministry in consultation with the Directorate General of Technical Development, Ministry of Finance and the Bureau of Public Enterprises. Regarding the cost estimates for this project, personal discussions were held by the officials of the Ministry of Finance, Bureau of Public Enterprises and the Cement Corporation of India. The Ministry of Finance and BPE, suggested certain modifications in civil engineering works etc. and requested the Corporation to submit modified cost estimates in the light of the discussions and suggestions made by them. This was furnished in January, 1968. The Bureau of Public Enterprises scrutinised the revised estimates and suggested that certain surplus materials available with other Government Undertakings for disposal may be obtained by the Corporation. The Cement Corporation was requested to ascertain from the Undertakings, whether the surplus materials available with them could be used by the Cement Corporation. In the meanwhile, the Finance Ministry made certain cuts in the proposal of the Corporation under the heading 'Contingencies'. The Cement Corporation was not agreeable to the cut suggested by the Ministry of Finance. The matter was again taken up with the Ministry of Finance, who did not accept the argument of the Cement Corporation. Hence, the formal sanction could be issued in June, 1969 only, even though the other things were settled as early as in November, 1968.

APPENDIX IV

(*vide* para 5 of Introduction)

Analysis of the action taken by Government on the recommendations contained in the 69th Report of the Committee on Public Undertakings (Fifth Lok Sabha)

1. Total number of Recommendations 126

2. Recommendations that have been accepted by Government (vide recommendations at S. Nos. 1, 2, 3, 4, 5, 6, 7, 12, 13, 14, 19, 21, 22, 24, 25, 27, 29, 31, 32, 33, 34, 35, 37, 38, 39, 41, 45, 46, 47, 50, 51, 53, 54, 55, 56, 58, 59, 61, 62, 63, 64, 65, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 85, 86, 87, 88, 89, 90, 91, 92, 93, 95, 96, 98, 100, 101, 102, 103, 104, 106, 108, 109, 110, 111, 112, 113, 114, 115, 116, 118, 119, 120, 121, 122, 123, 124, 125 and 126.

   Number . 93

   Percentage of total 73·8%

3. Recommendations which the Committee do not desire to pursue in view of Government's reply (vide Recommendations at S. Nos. 8, 9, 10, 11, 15, 16, 17, 18, 20, 23, 26, 28, 30, 40, 42, 43, 44, 48, 49, 52, 57, 60, 66, 82, 83, 84, 94, 97, 107 and 117 . . . . . .

   Number . 30

   Percentage of total 23·8%

4. Recommendations in respect of which replies of Government have not been accepted (vide Recommendations at S. Nos. 36, 99 and 105

   Number 3

   Percentage of total . . . . . 2·4%

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