

**ENGINEERING PROJECTS (INDIA) LIMITED—
LOSS IN EXECUTION OF FOREIGN PROJECTS**

**MINISTRY OF INDUSTRY
(Department of Heavy Industry)**

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1992-93**

TENTH LOK SABHA

**LOK SABHA SECRETARIAT
NEW DELHI**

**TWENTY FIRST REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1992-93)**

(TENTH LOK SABHA)

**ENGINEERING PROJECTS (INDIA) LIMITED—
LOSS IN EXECUTION OF FOREIGN PROJECTS**

**MINISTRY OF INDUSTRY
(DEPARTMENT OF HEAVY INDUSTRY)**

**[Action taken by Government on the recommendations contained in the 2nd
Report of the Committee on Public Undertakings (Tenth Lok Sabha)]**



सत्यमेव जयते

*Presented to Lok Sabha on 30.4.93
Laid in Rajya Sabha on 30.4.93*

**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1993/Vaisakha, 1915 (Saka)

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Corrigenda to 21st Report of Committee
on Public Undertakings (1992-93) on
Engineering Projects (India) Limited-
loss in Execution of Foreign Projects.

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1992-93)

CHAIRMAN

Shri A. R. Antulay

MEMBERS

Lok Sabha

2. Shri Basudeb Acharia
3. Shri Chandulal Chandrakar
- *4. Shri M. V. Chandrasekhar Murthy
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2. Smt. P. K. Sandhu—*Deputy Secretary*
- * 3. Shri T. R. Sharma—*Under Secretary*

*Ceased to be a Member of the Committee consequent on appointment as Minister in the Council of Ministers w.e.f. 18th January, 1993.

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS (1992-93)**

1. **Shri A. R. Antulay—*Chairman***
2. **Shri Basudeb Acharia—*Convener***
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5. **Shri Madan Lal Khurana**
6. **Prof. (Smt.) Rita Verma**
7. **Shri Santosh Kumar Sahu**
8. **Smt. Kamla Sinha**

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Twenty-First Report on Action Taken by Government on the recommendations contained in the Second Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Engineering Projects (India) Ltd.—Loss in Execution of Foreign Projects.

2. The Second Report of the Committee on Public Undertakings (1991-92) was presented to Lok Sabha on 10th December, 1991. Replies of Government to all the recommendations contained in the Report duly vetted by Audit were received on 27th November, 1992. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 27th April, 1993. The Committee also considered and adopted this Report at their sitting held on 27th April, 1993.

3. An analysis of the action taken by Government on the recommendations contained in the Second Report (1991-92) of the Committee is given in Appendix III.

NEW DELHI;
April 29, 1993

9 Vaisakha, 1915 (Saka)

A. R. ANTULAY
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Second Report (Tenth Lok Sabha) of the Committee on Public Undertakings on Engineering Projects (India) Limited which was presented to Lok Sabha on 10th December, 1991.

2. Action Taken Notes have been received from Government in respect of all the 7 recommendations contained in the Report. These have been categorised as follows:

- (i) *Recommendations/observations that have been accepted by Government*
Sl. Nos. 1, 2, and 5
- (ii) *Recommendations/observations which the Committee do not desire to pursue in view of Government's replies.*
Sl. No. 7
- (iii) *Recommendations/observations in respect of which replies of Government have not been accepted by the Committee.*
Sl. Nos. 4 and 6
- (iv) *Recommendations/observations in respect of which final replies of Government are still awaited.*
Sl. No. 3.

3. The Committee desire that the final reply in respect of the Recommendation for which only interim reply has been given by Government should be furnished to the Committee expeditiously.

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

A. Supervisory Role of Government

(Recommendation Serial No. 3, Para 1.32)

5. The Committee noted that in all the eight projects undertaken by Engineering Projects (India) Limited (EPI) for execution in Kuwait and Iraq there were huge time overruns and consequently EPI had suffered heavy losses. The Committee observed that the Ministry as a nodal body had failed to discharge their supervisory role efficiently. They also took serious note of the fact that though a sufficient period had elapsed but no enquiry had been conducted by the Government. The Committee recommended that machinery for project monitoring & implementation should be further improved upon so that immediate action could be taken in the case of slippages. They also desired that an enquiry be conducted into the whole matter immediately with a view to identify the lapses and

fix responsibility on the defaulting officials. They further desired that the outcome of the enquiry should be reported to the Committee within 3 months from the presentation of the Report.

6. In their reply, the Government have stated that a one-man Committee had been appointed by the Board of Directors of EPI to enquire into the losses of foreign projects and to fix the responsibility. The enquiry is currently in progress and the report is awaited.

7. The Audit in their vetted remarks have stated that a one-man Committee appointed to comment upon the various lapses made by EPI and fixing of responsibility etc. had submitted its Report to the Government on 31-7-1992 and the same is pending with the Government.

8. The Committee regret to note that even though the one-man Committee had submitted the report to the Government on July 31, 1992, the Government have not so far reported to the Committee the outcome of the inquiry. The Committee desire the Government to process the report of the enquiry Committee expeditiously and direct EPI to take suitable action against the persons found guilty. Any further delay in this respect would only result in diluting the very sanctity of the enquiry. They also desire that the action taken against the defaulting officials of EPI as also the steps taken to improve the project monitoring and implementation machinery be reported to the Committee within three months of the presentation of the Report.

B. Appointment of Vigilance Officer

(Recommendation Serial No. 5, Para 1.41)

9. The Committee express their unhappiness over the fact that under the cover of uncertainty over the future of EPI, no independent officer was appointed to head such a sensitive Department as Vigilance in EPI. The Committee noted that though belatedly, an officer from outside the Organisation had been appointed to head this Department and they desired that the same practice should be continued in the future also.

10. The Government in its reply stated that an IPS Officer has been appointed on 11.9.1990 as Executive Director to head the Vigilance Department of EPI.

11. The Audit in their remarks have stated that an IPS Officer was appointed in the company but he has been relieved of his duties from the company with effect from 17.9.92. New incumbent has not been appointed so far upto October, 1992.

12. The Committee desire that the vacancy should be filled by appointment of an officer from outside EPI without any further delay and

the action taken reported to the Committee at the earliest. They also desire that the post should not be kept vacant for long in future.

C. Recovery of Unsecured Advances

(Recommendation Serial No. 4, Para 1.37)

13. The Committee in their earlier report on EPI (1981-82) presented to Parliament in 1982 had recommended against the practice of giving unsecured advances to sub-contractors and to take suitable steps to recover the outstanding amounts. The Committee were however shocked to learn that an amount of Rs. 6037.30 lakhs as on 31.3.1990 was still outstanding on account of ad-hoc advances against the associates. In order to thwart EPI's claim of ad-hoc advances, it was stated that the associates had filed inflated claims against EPI and the matter had been referred to arbitration. The Committee expressed their unhappiness over the manner in which their earlier recommendation had been flouted. They desired that a vigorous joint effort should be made by EPI as well as the Ministry for expeditious settlement of all outstanding claims with a view to reduce the net losses suffered by EPI.

14. The Government in its reply stated that the recommendation of COPU made in their 50th Report (1981-82) was followed and strict instructions were issued for discontinuing the practice for giving unsecured advances. The ad-hoc advances outstanding as on 31.3.1990 represents the unadjusted ad-hoc advances paid before 1982-83. EPI is making all-out efforts to complete the arbitration proceedings. However, the procedure for arbitration is time consuming as lot of formalities are to be followed. Latest status of pending arbitration cases indicating the progress thereon is being submitted to the Board of Directors from time to time. The Department has constituted a task force to examine the pending cases in detail to work out steps for their expeditious resolution.

15. The Audit in their remarks have stated that a task force has been constituted by the Government on 15.6.92. but no further action has been taken by the task force till October, 1992.

16. It is disquieting to note that some of the cases of arbitration were referred to the arbitrator as early as in 1980-81 but the cases are either still pending or even the arguments are not yet completed, while in some others the award is yet to be published. The Committee are distressed to find that the task force constituted by the Government in June, 1992 had not taken any concrete action till October, 1992 let alone take speedy action to settle the cases. The Committee, therefore, desire that the Government should make all out efforts to get the cases under arbitration expedited. They would also like to be apprised of the action taken in the matter.

D. Losses/Financial restructuring of EPI

(Recommendation Serial No. 6, Para 1.42)

17. The Committee had observed that according to the Annual Report of Engineering Projects (India) Limited total losses of the Company at the end of the year 1988-89 were to the tune of Rs. 241.32 crores. During 1989-90 alone the losses had been of the order of Rs. 104.32 crores. A turnover of Rs. 125 crores was projected for the next year. One of the remedial measures taken for bringing the Company out of the red was a proposal for financial restructuring which had been submitted to the Government.

18. In reply, the Government have stated that the cumulative losses as on 31.3.1990 stood at Rs. 345.65 crores mainly on account of (i) Govt. Interest Rs. 180.20 Crores, (ii) Bank Interest Rs. 82.12 crores, (iii) Depreciation Rs. 34.62 crores, and (iv) Provision for project contingency Rs. 62.00 crores.

The provision for project contingency was made to meet the unexpected liability which may arise due to pending legal/arbitration cases. The bank overdraft taken for implementation of foreign projects has been cleared after taking non-plan loan from the Government of India. During the year 1991-92, EPI has been able to secure projects worth Rs. 222.00 crores (Approx.) till date and the turnover during 1991-92 is expected to be nearly 40% more (around Rs. 150.00 crores) compared to the turnover during 1990-91.

19. The audit in its remarks has stated that EPI has secured 12 projects valuing Rs. 24.50 lakhs during 1991-92. The turnover during 1990-91 was Rs. 105.36 crores and during 1991-92 Rs. 114.70 crores. An increase of 28% over previous year in value terms. No action has been taken by Government regarding financial restructuring till October 1992. It has been verified that the bank loan has since been cleared after taking loan from the Government of India.

20. The Committee deprecate the sanctioning by Government of non-plan loan to EPI to clear their bank loan taken for implementation of foreign projects. The Committee need hardly caution that in future such measures should not be undertaken even as a short-term remedy by the Government. The Committee desire that the wide variation in figures supplied by Government and the audit in respect of the value of projects secured by EPI during the year 1991-92 should be reconciled to the satisfaction of the Audit to project a true picture of the financial position of the Company. The Committee need hardly stress that the Government should expedite decision on the proposal submitted to them for financial restructuring of the Company.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Serial No. 1

The Committee note that towards the end of 1987-88 Engineering Projects (India) Ltd. has been able to secure 27 projects of the value of Rs. 67,476.30 lakhs which was almost 46% of the total projects in their hands both in India and abroad. Out of these, 8 projects had been undertaken in Kuwait and Iraq on which Company had to incur heavy losses against the anticipated profits. The Committee were informed by EPI that it was primarily with a view to earn foreign exchange that they secured orders from foreign countries. At that time, EPI was still in an incipient stage and they had not executed any large value Civil Engineering work in India and in Kuwait, the only project undertaken by them was Kuwait Airport. There were also not many projects in Kuwait which had been completed earlier and as such reputation of the client was not known. The management of EPI had also not acquired sufficient experience and expertise for executing projects of such magnitude and besides the foreign companies with whom they were required to compete were highly developed and organised. They had underestimated the difficult conditions in Kuwait. The Secretary, Ministry of Industry also conceded that at that point of time their input must have been sketchy.

The Committee regret to note that EPI(Ltd.) out of their sheer enthusiasm to earn foreign exchange undertook the execution of foreign projects. They did not make any efforts to equip themselves adequately with sufficient market input before embarking upon such projects. The Committee are not at all satisfied with the contentions put forward by them that the reputation of the client could not be ascertained since at that time not many projects had been completed in Kuwait. In view of the heavy losses that EPI(Ltd.) had to incur on these projects, the Committee are of the firm view that it was decidedly not a prudent and judicious decision on the part of EPI (Ltd.) to have entered into contracts of such high magnitude in the absence of sufficient managerial experience and expertise. They however desire that in future at least EPI (Ltd.) must gear itself fully and acquire adequate proficiency in project implementation before taking up such big projects so that no further drain is caused on country's exchequer.

Reply of the Government

EPI has taken 27 projects of the value of Rs. 67,476.30 lakhs. Out of these projects, loss was incurred in 8 projects. The situation in Iraq deteriorated severely due to outbreak of war between Iran-Iraq in September, 1980. The war conditions can not be anticipated in advance and the projects were quoted assuming normal conditions. While EPI engaged sufficient manpower and had technology to execute the projects, the losses on foreign projects were mainly due to unforeseen circumstances like Iran-Iraq war unduly extrigent conditions for inspection by client, etc. EPI had executed 7 projects valuing Rs. 27,343.53 lakhs and made net loss of Rs. 5,508.48 lakhs in Kuwait. In case of Al-Firdous Housing Project (AFHP) Kuwait, valuing Rs. 14,892.25 lakhs, EPI had incurred a loss of Rs. 5,307.24 lakhs. Thus, the major amount of loss is only from one project *i.e.* (AFHP). This loss is due to unjustifiably and unprecedented rigid inspection of client, which resulted in rejection of materials like steel, teak wood, doors, frames, aluminium windows, etc., even after passing in first instance. It may also be submitted that due to Iran-Iraq war, Kuwait Government also ran into financial difficulty, thus denying EPI their rightful claims. However, the Company assures the Committee that in future before taking up such big projects, EPI will gear itself fully and adequate proficiency since acquired by EPI, will be utilised.

Vetted Version

The figures contained in the para were verified. The EPI has not secured any foreign project after the year 1986-87 except Bhutan Project which was awarded in 1987. The revised value was Rs. 9.22 crores. The corporation earned a profit of Rs. 2.16 crores in the Bhutan Project.

[Ministry of Industry OM No. 16(4)92-TSW dated 27.11.1992]

Recommendation Serial No. 2

The Committee are constrained to find that when Engineering Projects (India) Ltd. tendered for the projects in Kuwait they had anticipated that the best quality of materials which were available in India would be considered suitable for the project, but later on it was discovered that each and every item with the exception of a very few was rejected enmass for phase I and subsequent phases by them even without inspecting. Kuwait was insisting that they should go strictly by British specifications and materials supplied by them were not considered to be meeting their requirements. The rejected items like Cement and Steel had therefore, to be either exported to other projects in Iraq or disposed of and particularly the Steel had to be imported in regard to the provision contained in the contract pertaining to specifications, the Committee were informed that the specifications for acceptance of materials and fabricated items as contained in the contract were Kuwaiti specifications. The rejection of materials is stated to be due to Clients' literal insistence on EPI's compliance with

these specifications. So far as keeping proper safeguards with respect to cost escalation in the contract are concerned, the Committee were informed that the contracts were standard fixed rate contracts without escalation provision except for escalation provided for Government controlled materials in case of Iraq projects only. There was very little choice given to the contractors to make alterations etc. from the conditions stipulated in the contracts. The Secretary, Ministry of Steel however, admitted that it should have been agreed upon before getting the contracts that the materials manufactured in India would be used but it did not happen.

The Committee regret to note that no proper safeguards were taken by Engineering Project (India) Ltd., to protect their commercial interests before entering into the contracts with Kuwait. Instead of incorporating suitable provisions in the contract, they simply based their expectations regarding the acceptability of the materials manufactured in India on conjectures. A greater care and caution exercised in this regard would have saved EPI from the heavy losses which they had to bear subsequently. The Committee would however, recommend that in future at least before entering into such contracts, all steps should be taken by EPI to vouch safe their own interests.

Reply of the Government

The Company entered into contracts in Kuwait after examining all commercial conditions. The loss was mainly from one project, *i.e.* AFHP, Kuwait. As regards rejection of material which was sent from India, the material from India was inspected by reputed inspection agency "General Superintendence" and duly approved material was shipped. It is also to be stated that the cement and steel exported to Kuwait were purchased from reputed manufacturers in India which were strictly as per ISI standards. However, AFHP Client rejected the material after inspection at Kuwait. The company assures that in future a sufficient safeguards will be taken before entering into such contract to vouch safe for the company's interest.

Vetted Version

No further remarks in view of para 1 above.

[Ministry of Industry OM No. 16(4)/92-TSW dated 27.11.1992]

Recommendation Serial No. 5

The Committee note that till recently the Vigilance Department of EPI was being run by the Manager (Material). The Committee were informed by the Ministry that an effort was made to appoint an Officer from an Organized Service as Chief Vigilance Officer, however due to the uncertainty of the company during 1985 to 1987 a short-term arrangement to appoint an EPI Officer as Chief Vigilance Officer was made in consultation with Chief Vigilance Commissioner. However, the Secretary conceded that the appointing of an Officer from within the organisation as

Vigilance Officer is not desirable. The Committee have been informed that now an IPS Officer has been appointed to head this division.

The Committee express their unhappiness over the fact that under the cover of the uncertainty over the future of EPI, no independent officer was appointed to head such a sensitive Department as Vigilance in EPI and the same was being run by the Manager (Material) who was responsible for buying, storing and supplying material. The Committee doubt whether under these circumstances Vigilance Department of the Corporation was serving any effective purpose. The Committee note that though belatedly, but at least now an Officer from outside the Organisation had been appointed to head this Department and they desire that the same practice should be continued in the future also.

Reply of the Government

An IPS Officer has been appointed on 11-9-1990 as Executive Director to head the Vigilance Department of EPI.

Vetted Version

An IPS Officer was appointed in the company but he has been relieved of his duties from the company with effect from 17-9-92. New incumbent has not been appointed so far (Oct. '92).

[(Ministry of Industry OM No. 16(4)/92-PSW dated 27.11.1992)]

Comments of the Committee

(Please see paragraph No. 12 of Chapter I of the report)

CHAPTER III

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

Recommendation Serial No. 7

The Committee are distressed over the recurring losses suffered by the Engineering Projects (India) Ltd. over a period of years. They desire that some concrete steps should be taken by the Government urgently to retrieve the situation. They, therefore, recommend that no further time should be lost by the Government in expediting an early appointment of full time Chairman-cum-Managing Director as well as the Director (Finance). They further desire that a high powered committee of experts be constituted to monitor all foreign contracts right from the inception to the end of the contract period so that any violation or breach of contract or any attempt to hide facts of concerned companies can be effectively dealt with and appropriate action initiated. The Committee also desire that the compliance/results be reported to them within a period of six months.

Reply of the Government

Three functional Directors including a CMD had been appointed. EPI has no foreign projects at present to be implemented, However, the directive of COPU are noted for future compliance.

Vetted version

No comments.

[Ministry of Industry OM No. 16(4)/92/TSW dated 27.11.1992]

CHAPTER IV

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

Recommendation Serial No. 4

The Committee on Public Undertakings in their 50th Report (1981-82) on Engineering Projects India Limited presented to Parliament in the year 1982 had recommended that the practice of giving unsecured advances should be discontinued forthwith and steps be taken to recover the outstanding amount along with the interest expeditiously from all subcontractors. The Committee are however shocked to learn that an amount of Rs. 6037.30 lakhs as on 31.3.90 was still outstanding on account of ad hoc advances against the associates. In order to thwart EPI's claim of ad hoc advances, it is stated that the associates have filed inflated claims against EPI and the matter has been referred to arbitration. According to Engineering Projects (India) Limited an effort was made to restrict these within the framework of respective sub-contracts except in cases where it became compulsory for them to pay these. Besides EPI has also informed that their claims pending with the Iraqi clients are to the tune of Rs. 58 crore approximately. Efforts at the level of Indian Embassy, Government of India and even discussions held by the Board of Directors with the top Iraqi clients have stated to have failed to bring out any results.

The Committee are unhappy to find that a huge amount of advance is still outstanding against the associates. They are not convinced with the justification put forward by EPI for having paid these advances on account of certain compulsions. They are of the view that the management has not cared at all to seriously ponder over their earlier recommendation given in this regard. At this stage, however, the Committee can not but express their unhappiness over the manner in which their recommendation has been flouted. They would however, desire that a vigorous joint effort should be made by EPI as well as the Ministry for expeditious settlement of all outstanding claims with a view to reduce the net losses suffered by EPI so far.

Reply of the Government

The Recommendations of COPU in thier 50th Report (1981-82) was followed and strict instructions were issued for discontinuing the practice for giving unsecured advances. The ad-hoc advances outstanding as on 31-3-1990 represents the unadjusted ad-hoc advances paid before 1982-83. EPI is making all-out efforts to complete the arbitration proceedings. However, the procedure for arbitration is time consuming as lot of formalities are to

be followed. Latest status of pending arbitration cases indicating the progress thereon is being submitted to the Board of Directors from time to time. The Department has constituted a task force to examine the pending cases in detail to work out steps for their expeditious resolution.

Vetted Version

A task force has been constituted by the Government (15-6-92) but no further action has been taken so far (Oct. '92).

The statement shows the details of the outstanding amounts against the parties and the claim cases which are in the arbitration. (APPENDIX II)

[Ministry of Industry OM No. 16(4)/92/TSW dated 27.11.1992]

Comments of the Committee

(Please see Paragraph No. 16 of Chapter I of the Report)

Recommendation Serial No. 6

The Committee find that according to the Published account of Engineering Projects (India) Limited, total losses at the end of the year 1988-89 were to the tune of Rs. 241.32 crores. During 1989-90 alone the losses have been to the order of Rs. 104.32 crores. One of the remedial measures taken for bringing the Company out of the red as stated by EPI, was a proposal for financial restructuring which has been submitted to the Government. The Committee were informed by EPI that an effort has been made by them to re-organise the Company, and a proposal to appoint a full time CMD as well as Director (Finance) has also been submitted to the Government. A turnover of Rs. 125 crores has been projected for the next year, which towards the end of 8th Plan is expected to go up to Rs. 250 crores. Besides the Company was also stated to have entered into some hi-tech areas especially in metallurgy and the future of the Company was stated to be bright.

Reply of the Government

The Cumulative loss as on 31-3-1990 was Rs. 345.65 crores which is mainly on account of the following:

| | |
|--|-------------------|
| i) Govt. Interest | Rs. 180.20 crores |
| ii) Bank Interest | Rs. 82.12 crores |
| iii) Depreciation | Rs. 34.62 crores |
| iv) Provision for project contingency. | Rs. 62.00 crores. |

The provision for project contingency was made to meet the unexpected liability which may arise due to pending legal/arbitration cases. The bank overdraft taken for implementation of foreign projects has been cleared after taking non-plan loan from the Government of India. During the year 1991-92, EPI has been able to secure projects worth Rs. 222.00 crores (approx.) till date and the turnover during 1991-92 is expected to be nearly 40% more (around Rs. 150.00 crores) compared to the turnover during 1990-91.

Vetted Version

EPI has secured 12 projects valuing Rs. 24.50 lakhs during 1991-92. The turnover during 1990-91 was Rs. 105.36 crores and during 1991-92 Rs. 114.70 crores. An increase of 28% over previous year in value terms. No action has been taken by Government regarding financial restructuring so far (Oct. 92). It has been verified that the bank loan has since been cleared after taking loan from the Government of India.

[Ministry of Industry OM NO. 16(4)/92-TSW dated 27.11.1992]

Comments of the Committee

(Please See Paragraph No. 20 of Chapter I of the Report.)

CHAPTER V

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

Recommendation Serial No. 3

The Committee note that in all the eight projects undertaken by Engineering Projects (India) Ltd. for execution in Kuwait & Iraq there were huge time overruns. The causes of delay in the project implementation have been attributed by EPI to a number of factors, like rigid and non co-operative attitude of the client, delay in handing over site, drawings, approval of sample material and industrial unrest etc. The Committee find that due to heavy time overruns involved in their projects heavy losses have been incurred by EPI. The actual loss as booked on 31.3.88 was to the tune of Rs. 7957.18 lakhs which finally came down to Rs. 4927.66 lakhs as on 31.3.90. Losses incurred in Iraq projects are stated to be on account of the outbreak of war between Iran-Iraq. The Ministry is stated to have been apprised of the difficulties being faced by EPI in the early 1979, when a high powered delegation including representatives from the Ministry went to Kuwait in order to sort out the issues. Though they succeeded in solving some problems they could not get rid of the loss making propositions, since at that point of time they could also not withdraw prematurely and were left with no other alternative but to complete the projects. A decision to institute an enquiry into the whole matter is stated to have been taken by the Board of Directors of EPI and it was stated that the same would be implemented soon.

The Committee are distressed to note that as a result of the time overruns as well as other operational problems involved in the implementation of the projects; Engineering Projects (India) Ltd. had to bear huge financial losses. Whereas losses borne out of the projects undertaken in Iraq, could to a certain extent be attributed to Iran-Iraq war the Committee find little justification in the grounds advanced by EPI for the losses incurred with regard to projects executed in Kuwait. They also regret to note that though the projects in Kuwait started posing problems right from the year 1976, the Ministry constituted a high powered Committee only in 1979. In the Committee's view the Ministry as a nodal body have failed to discharge their supervisory role efficiently. They also take a serious note of the fact that though a sufficient period has elapsed but so far no enquiry has been conducted by the Government. They would, therefore, recommend that machinery for project monitoring & implementation should be further improved upon so that immediate action could be taken in the case of slippages. They also desire that the enquiry

be conducted into the whole matter immediately with a view to identify the lapses and fix responsibility on the defaulting officials. The outcome of the enquiry should be reported to the Committee within 3 months from the presentation of this report.

Reply of the Government

A one-man Committee had been appointed by the Board of Directors of EPI to enquire into the losses of foreign projects and to fix the responsibility. The enquiry is currently in progress and the report is awaited.

Vetted Version

One-man Committee headed by Shri B. Swaminathan was appointed to comment upon the various lapses made by EPI and fixing of responsibility etc. The report was submitted by him to the Government on 31.7.92. The same is pending with the Government.

[Ministry of Industry OM No. 16(4)/92-TSW dated 27.11.1992]

Comments of the Committee

(Please See Paragraph No. 8 of Chapter I of the Report.)

NEW DELHI;
April 29, 1993

Vaisakha 9, 1915 (S)

A.R. ANTULAY
Chairman,
Committee on Public Undertakings.

APPENDIX II

Statement to Recommendation Serial No. 4

AD-HOC ADVANCES

As Outstanding

(Rs.)

| | | | |
|----|--|--------------------|---------------------|
| 1. | Sief Palance, Kuwait (M/s. Noor Mohd. & Sons) | | 7,16,92,121 |
| 2. | 35th Brigade Camp Project: | | |
| | (i) M/s. GDC | 63,54,472 | |
| | (ii) M/s. Sikand | 1,22,20,694 | |
| | (iii) M/s. Bhasin | <u>63,82,048</u> | 2,49,57,214 |
| 3. | Al-Firdous Housing Project, Kuwait: | | |
| | (i) Janta Nirman | 3,02,96,920 | |
| | (ii) Prime Builder | 2,62,02,833 | |
| | (iii) Punjab Chemi | 3,83,44,330 | |
| | (iv) Seth Talwar | 1,53,04,717 | 11,01,48,800 |
| | (v) Ravinder Singh | | |
| 4. | CMBP Main, Iraq: | | |
| | (i) M/s. ACCPL | 2,60,42,125 | |
| | (ii) KPR Reddy | <u>86,54,648</u> | 3,46,96,773 |
| 5. | CMBP Modification Iraq | | |
| | (i) KPR Reddy | <u>5,94,714</u> | 5,94,714 |
| 6. | Lot 4, Iraq-M/s. NPCC | | 12,81,22,648 |
| 7. | Lot 3, Iraq-M/s. Ansals | <u>1,44,81,050</u> | 1,44,81,050 |
| 8. | SAAD-3, Iraq-M/s. Ansals | | 11,91,88,998 |
| 9. | Radio & TV Iraq: | | |
| | (i) M/s. Som Dutt Builders | 9,34,17,240 | |
| | (ii) M/s. Blue Star | 33,22,206 | |
| | (iii) M/s. Crompton Greaves | <u>31,12,224</u> | 9,98,51,670 |
| | | | <u>60,37,33,988</u> |

SUMMARY REPORT — ARBITRATION CASES AS ON 27.8.92

| Sl. No. | Name of the Project | EPI's Claim (Rs. in Lakhs) | Associate's Claim (Rs. in Lakhs) | Name of the Arbitrator/ date of entering on reference | Present Status |
|---------|--|-------------------------------|-------------------------------------|--|--|
| 1 | 2 | 3 | 4 | 5 | 6 |
| 1. | <u>SAAD-3 (Iraq)</u> Ansal Properties & Industries Pvt. Ltd. New Delhi. | Rs. 3602.66 | 3407.73 | i) Mr. R.S. Gahlwot October, 83— removed. ii) Mr. Justice V.S. Deshpande, Sept.'88. | Ansals are continuing their arguments. They have completed the arguments upto Claim No. 5.10. They have started the arguments on Claim No. 5.11 Arbitrator expired on 11.7.92. New Arbitrator is being appointed. |
| 2. | <u>CMBP (Iraq)</u> K. Battabhi Rama Reddy Vizag | 617.57 | 1531.08 | Mr. Justice Madusudan Rao, Hyderabad Sept.'88— Resigned New Arbitrator Mr. Justice K.B. Asthana (Retd.) | Final arguments are over. Arbitrator is to publish his award. |
| 3. | <u>LOT-3A (Iraq)</u> Ansals Properties | 1428.72 | 1468.10 | Mr. R.S. Gupta, June, 1985 | Arguments upto EPI's Claim 11 have been completed. Ansals' counter-claims are in progress. |

| 1 | 2 | 3 | 4 | 5 | 6 | |
|----|--|---------|---------|---|----------|--|
| 4. | LOT-4 (Iraq) NPCC, New Delhi | 5305.12 | 1610.40 | Mr. Sarvesh January' 89 | Chandra, | The arbitrator has entered upto reference. He has asked both the parties to file their respective pleadings. EPI have filed its statement of claim. Replies of NPCC are awaited. |
| 5. | 35th Brigade (Kuwait) Sikand Constn. Co. New Delhi. | 615.32 | 928.38 | Mr. K.D. Bali June'84. | | Both parties filed their written arguments. The arbitrator has reserved the case for making and publishing the award. |
| 6. | Bhasin Constn. Co. New Delhi. | 324.84 | 445.52 | Mr. K.D. Bali June'84. | | Both parties filed their written arguments. The Arbitrator has reserved the case for making and publishing the award. |
| 7. | Gannon Dunkerley Co. Ltd., New Delhi. | 485.16 | 1182.28 | Mr. Justice V.S. Deshpande, Feb., 88 | | EPI has argued some of its claims. M/s. GDC are to begin their reply arguments. Arbitrator expired on 11.7.92. New Arbitrator is to be appointed. |

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----|---|---------|---------|--|--|
| 11. | Punjab Chemi Plant, Chandigarh | 1065.77 | 1143.96 | i) Mr. Y. Krishan 1980-90 ii) Mr. Justice H.L. Anand June 24, 1990 | Both parties have filed their claims statement and replies. EPI has filed its rejoinder. |
| | Contract No. & Date CON/2/AHP/5 dt. 3.11.76 | | | | |
| 12. | Seth Talwar & Co. New Delhi. | 371.69 | 362.06 | Mr. Y. Krishan May, 1989 | Pleadings are completed. M/s. Seth Talwar & Co. Arguing their claims. |
| 13. | CASES LINKED UP WITH ARBITRATIONS BETWEEN EPI AND MITSUBISHI CORPORATION, JAPAN, OUR CLIENT Radio & TV Expansion Project, Iraq a. Som Dutt Blders. b. Blue Star Ltd. c. Crompton Greaves | | | | EPI has filed its claims on MC in Arbitration. MC has also filed their counter claims and reply to EPI's statement of claim. Thereafter EPI has also filed its rejoinder and reply to MC's counter claims. |

APPENDIX III

(Vide Para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 2nd Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Engineering Projects (India) Ltd.

| | |
|--|-------|
| I. Total number of recommendations | 7 |
| II. Recommendations that have been accepted by the Government (Vide recommendations at Sl. Nos. 1, 2 and 5) | 3 |
| Percentage of total | 42% |
| III. Recommendations which the Committee do not desire to pursue in view of the Government's replies (Vide recommendations at Sl. No. 7) | 1 |
| percentage to total | 14.5% |
| VI. Recommendations in respect of which replies of Government have not been accepted by the Committee (Vide recommendations at Sl. Nos. 4 and 6) | 2 |
| Percentage to total | 29% |
| V. Recommendations in respect of which final replies of Government are still awaited (Vide recommendations at Sl. No. 3) | 1 |
| Percentage to total | 14.5% |