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BURN STANDARD COMPANY LIMITED

MINISTRY OF INDUSTRY
(DEPARTMENT OF HEAVY INDUSTRY)

COMMITTEE ON PUBLIC UNDERTAKINGS 1996-97

ELEVENTH LOK SABHA

SABHA SECRETARIAT
DELHI

NINTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS (1996-97)

(ELEVENTH LOK SABHA)

MINISTRY OF INDUSTRY (DEPARTMENT OF HEAVY INDUSTRY)

[Action Taken by Government on the recommendations contained in the 47th Report of the Committee on Public Undertakings (1995-96)]

सत्यमेव जयते

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(1996-97)

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Ninth Report on Action Taken by Government on the recommendations contained in the 47th Report of the Committee on Public Undertakings (Tenth Lok Sabha) on Burn Standard Company Limited.

2. The 47th Report of the Committee on Public Undertakings (1995-96) was presented to Lok Sabha on 22nd December, 1995. Replies of the Government to all the recommendations contained in the Report were received on 22nd December, 1996. Further information called for by the Committee on some of the recommendations was received on 15th April, 1997. The Committee on Public Undertakings considered and adopted this Report at their sitting held on 21st April, 1997.

3. An analysis of the Action Taken by the Government on the recommendations contained in the 47th Report (1995-96) of the Committee is given in Appendix-II.

NEW DELHI;
April, 1997
Vaisakha, 1919 (S)

G. VENKAT SWAMY,
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 47th Report (Tenth Lok Sabha) of the Committee on Public Undertakings (1995-96) on Burn Standard Company Limited which was presented to Lok Sabha on 22nd December, 1995.

2. Action Taken notes have been received from Government in respect of all 23 recommendations contained in the Report. They have been categorised as follows:

(i) Recommendations/Observations that have been accepted by Government:
Sl. Nos. 21 and 22

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:
Sl. Nos. 4 and 5

(iii) Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee:
Sl. Nos. 1, 8, 17, 18 and 23

(iv) Recommendations/Observations in respect of which final replies of Government are still awaited:
Sl. Nos. 2, 3, 6, 7, 9—16, 19 and 20

3. Burn Standard Company Limited a subsidiary of Bharat Bhari Udyog Nigam Ltd. is a multi unit company having two Engineering Units, one offshore Division and 8 Refractory Units. The Committee's examination had revealed that all the R & C units except Salem were incurring losses since its nationalisation. Even the profits of Salem unit have started declining of late. The Engineering units at Howrah and Burnpur were also not being fully utilised. The performance of the offshore Division has also not been encouraging. The Committee had found that the Company had surplus manpower, obsolete technology, high employment cost. The accumulated losses of the company having exceeded its net worth, the company had to be referred to BIFR in November, 1994.

4. From the replies, the Committee were constrained to find that no concrete action has been taken in respect of the recommendations made by them on the plea that the final revival package is yet to be prepared by BIFR. As per the direction of BIFR, the Operating Agency (IRBI) appointed M/s M.N. Dastur, an independent consultant for preparing the

revival scheme of BSCL. The salient features of the consultant's report are as under:

(i) Howrah and Burnpur Works should continue with the existing products at enhanced level to take advantage of the market upswing.

(ii) Out of the 8 refractory units, Andal, Raniganj No. II and Jabalpur are not viable. The Consultant has, therefore, recommended closure of these units. In case of Durgapur unit, the Consultant has recommended setting up of Greenfield project.

(iii) The Consultant have recommended for revival of Lalkoti Works. Durgapur, Gulfarbari Niwar and Salem refractory units with new products mix at a total investment of Rs. 86 crore.

(iv) Setting up of a Project Division to look after certain activities of Burnpur Works, Howrah Works and Offshore Division.

(v) Rationalisation of manpower.

(vi) In addition to the total investment of Rs. 272 crore, the Consultant has also suggested financial restructuring like conversion of Government loan into equity and write off of interest due to Government of India. Last BIFR hearing was held on 4.3.97 and BIFR has directed OA to prepare Draft Revival Scheme and to circulate to all the concerned parties.

5. The Committee recommend that the revival package in respect of the company should be finalised and implemented urgently. Based on the revival package final action taken by Government on the recommendations of the Committee should be furnished to them expeditiously.

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

A. Non-satisfactory functioning of BSCL

Recommendation (Sl. No. 1, Para 1)

6. The Committee had observed that although BSCL was incorporated as a Public Sector Undertaking on 1.12.1976, the company has failed to attain a sound financial position. On the contrary it is facing problem like surplus manpower, high incidence of employment cost, out-dated plant and machinery, obsolete technology and accumulated losses exceeding the net worth, as a result of which it had to be referred to BIFR.

7. In their reply, the Government have stated that the performance of the Engineering units have been found satisfactory whereas its Refractory Units barring Salem have been incurring losses since its nationalisation. The wages and salary of the Seven loss making R&C units were being met from the profits earned by the profit earning units at Salem. The performance of the offshore Division has been

found satisfactory upto 1991-92. However, this Division has been lying idle since November, 1993 due to lack of orders. However, audit have pointed out that the Ministry's contention regarding satisfactory performance of the Engineering units is not correct since during 1991-92 to 1994-95 itself these units incurred a loss of Rs. 35.57 crores. They have also stated that the Ministry's contention regarding satisfactory performance of the Offshore Division upto 1991-92 is not correct as the Offshore Division sustained a loss of Rs. 9.75 crores during the years from 1988-89 to 1991-92. This division earned a total loss of Rs. 1.01 crores during 1992-93 and 1993-94 but again sustained a loss of Rs. 3.11 crores in the subsequent year. The profit of Salem unit was also not sufficient to meet the salary and wages of other refractory units during 1993-94 and 1994-95.

8. The Committee do not agree with the reply furnished by Government. Although the performance of the Engineering unit might not have been as poor as that of R&C Units, the performance of the former cannot be said to be satisfactory. The Ministry's contention regarding satisfactory performance of Offshore Division upto 1991-92 is also not correct in as much as this Division incurred a loss of Rs. 9.75 crore during 1988-89 to 1991-92. The Committee express their displeasure over the fact that instead of admitting that the company has failed to attain a sound financial position even after more than 20 years of its existence, the Government have tried to justify the state of affairs in the company. They, therefore, reiterate their recommendation and desire that the Committee should be apprised of the remedial steps taken in this direction.

B. Modernisation of Refractory Plants at Salem
Recommendation (Sl. No. 8, Para 8)

9. While deprecating the delay in getting the import licence for the tunnel kiln, which led to a time overrun of 17 months and cost overrun of Rs. 10.09 crore in the modernisation of Refractory Plants at Salem, the Committee had emphasised the urgent need to achieve high cost-effectiveness in order to maintain profitability in the intensely competitive market. They had desired that all earnest efforts should be made in this direction at least in the future.

10. In their reply Government have stated that as per the new Industrial Policy, import licence has been discontinued for import of the tunnel kiln. It has also been stated that in order to be competitive, both labour and overhead costs have to be reduced drastically. In the draft rehabilitation package, it has been emphasised by the consultant that modern and sophisticated equipments have to be installed, VRS has to be continued and productivity has to be improved. In addition, other cost reduction measures are continuously being taken so that costs per unit are brought down. Accordingly a capital investment of Rs. 134.86 crore has been suggested in the revival scheme.

11. The Committee are constrained to observe that even though the Government have admitted that in order to be competitive, both labour and overhead costs have to be reduced drastically, no specific steps have been taken in this direction. They desire that urgent efforts in this regard should be made without waiting for finalisation of the revival package.

C. Off-take of wagons by Railways from BSCL

Recommendation (Sl. No. 17 & 18, Para Nos. 17 & 18)

12. The Committee had observed that there was under utilisation of wagon manufacturing units of BSCL. While pointing out that it was decided at the level of the Planning Commission that 80% of the orders would be placed on a firm basis for three years, they had desired that the requirement of wagons by Railways should be made known well in advance so that production of wagons could be planned accordingly. The Committee had also recommended that in view of the very fact that the Government had decided not to give any price preference to the Public Sector Units, the whole matter required an urgent and serious action on the part of the Government so that the Wagon Units of BSCL which were set up mainly to cater to the demands of the Railways are put to better utilisation. The Committee desire that at least the present practice of giving 60% orders to the Public Sector should continue.

13. In their reply, Government have stated that Ministry of Railways used to procure Railway Wagons through Wagon India Ltd., till 1994-95 for their total RSP order. Ministry of Railways however, changed the procurement policy from 1995-96 onwards. As per the revised policy, they would procure 50% wagons through Wagon India Limited and remaining 50% through open tender. The shares of the Public Sectors to be procured through Wagon India Limited would be 60% orders from PSUs and 40% from Private wagon builders of the member of Wagon India Limited. Audit have pointed out that the orders received by the Company from the Railways for supply of wagons are 664 for 1994-95 and 3267 for the year 1995-96.

14. The Committee are not satisfied with the reply of Government. The reply is silent about steps taken to ensure either advance intimation of orders to BSCL or increase the capacity utilisation of BSCL's wagon manufacturing unit. They would, therefore reiterate their earlier recommendations that urgent efforts should be made to step up capacity utilisation of BSCL's units. It should also be ensured that 60% of the total orders are placed on public sector units.

D. Vacancy of the post of CMD, BBUNL

Recommendation (Sl. No. 23, Para 23)

15. The Committee had observed that there was no regular full-time Chairman & Managing Director of holding Company namely, Bharat Bhari Udyog Nigam Ltd. since June, 1993. The first Panel was not accepted by Government for certain contradictions in the Panel itself while the Second Panel submitted by Public Enterprises Selection Board is still under

consideration of the Government. The Committee had recommended that in view of the poor financial health of most of the subsidiaries of BBUNL, a regular Chairman and Managing Director of BBUNL should be appointed without any further delay.

16. In their reply, Government have stated that the proposal for appointment of CMD, BBUNL is pending with the Appointments Committee of the Cabinet.

17. The Committee express serious concern over the fact that no regular Chairman of the holding company *viz.* BBUNL has been appointed so far inspite of their recommendation made more than a year ago. Since it is going to be almost four years when the post became vacant, the Committee recommend that the appointment of a regular full time Chairman should be made within three months under intimation to them.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation (Sl. No. 21)

The Committee note that though the strength of the Company has been reduced to 11,911 as on 31.3.1994 and to 9,099 as on 31.3.1995 from about 18,000 at the time of take-over, no formal study has yet been made to identify shop-wise/department-wise over-employment. About 2500 employees attached to the four chronically sick refractory Units are stated to be a burden on the company. The Committee depricate the inaction on the part of the company in making a proper assessment of the surplus labour. Now that the Company has been referred to BIFR, the Committee can only expect that the work-study for rationalisation of workforce will be made in line with the revival plan.

Reply of the Government

BSCL has been referred to BIFR and it is expected that the work-study for rehabilitation of work-force will be examined by Operating Agency while preparing the revival scheme. The manpower position as on 31.3.95 was 11,142 and not 9,099 as indicated in the report.

Comments of the Audit

IRBI has already submitted its report in January 1996. The reply is silent regarding the recommendation made in the report by IRBI and action taken thereon regarding the manpower position.

Further information called by the Committee

Has the revival package since been formulated by BIFR. If so, what are their recommendations in regard to rationalisation of work-force in BSCL and what action has been taken in this regard?

Further reply of the Government

The revival package has since been prepared by the Consultant. As regards man-power, the Consultant has recommended Rs. 27.32 crore for rationalisation of man-power in BSCL. As per the Consultant, the ideal man-power should be 8283 as against the existing strength of 10,041.

Recommendation (Sl. No. 22)

The Committee regret to note that the internal audit system in the Company has been quite inadequate. Earlier, the Audit and Accounts Departments were being managed by the same person. Although, the Audit Department has now been separated and there is a manager for

Internal Audit, it is admittedly not as elaborate as it should be for a Company having multiple Units. The Committee, therefore, recommend that the internal audit system in the Company should be suitably strengthened.

Reply of the Government

The COPU's recommendation has been noted. BSCL has introduced Centralised Internal Audit System from 1995-96 financial year. The strength of Internal Audit has been partially enhanced. However, due to shortage of professional Executives, further strength of Internal Audit Department has not been possible.

Comments of Audit

The strength of Internal Audit Department has been increased from 4 (31.3.1996) to 6 (June 1996).

CHAPTER III

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

Recommendation (Sl. No. 4)

Another plan envisaging an expenditure of Rs. 30 crores was prepared by the Company in 1984, renewals, replacement and modernisation. The investment was subsequently revised to Rs. 62.63 crores. The Committee is surprised to learn that neither the original nor the revised corporate proposal for such renewal, replacement and modernisation was submitted to Government for approval, on the contrary, the Government continued to sanction projects from time to time based on the piece meal proposals received from the company subject to availability of plan funds. The Committee are of the opinion that had a comprehensive view been taken and required funds made available in time, the end result could have been different.

Reply of the Government

BSCL has been referred to BIFR and revival scheme of the Company is being prepared by O.A. On receipt of the OA's report, approval of Competent Authority will be obtained for the revival measures of the Company.

Comments of the Audit

The reply is not relevant to the observations made by the COPU.

Recommendation (Sl. No. 5)

The Renewals and replacement scheme (1984-85) included Machine shop Rebuilding Project at Howrah Works. The Machine was commissioned in May, 1986 after incurring a total expenditure of Rs. 201.42 lakhs. But no high valued sophisticated and high technology orders (*viz.* on shore oil rig structures) could be secured and the machine was used for other works *i.e.* for steel plant equipments of rolling type since 1988-89. Though the machine is reportedly now being fully utilised for machining of heavy parts for steel plant equipment, slag Dump cars, slag pot cars etc. the committee understand that the company has still not been able to secure high value sophisticated orders for which the machine was commissioned. Similarly a plate Bending Machine, commissioned in February, 1987, which was intended for execution of orders for steel plant, mining equipment etc. is lying idle after incurring expenditure of Rs. 75.63 lakhs including civil works. The company had been incurring heavy interest charges on an amount of Rs. 50 lakhs taken under IDBI bill Rediscounting scheme for procurement of the machine. The type of heavy plates which the machine is capable of producing are not now required. The Committee deprecate the commissioning of the machine for which proper orders could not be secured. This only goes to show lack of farsightedness and proper planning on the part of management. The Committee would suggest that the feasibility of disposing of at least the Plate Bending Machine which is lying idle since long should be explored soon.

Reply of the Government

Horizontal boring cum milling machine is being fully utilised for machining of heavy plates for steel plant equipment, slack dump car, slack pot cars etc. Although BSCL could not secure high value sophisticated order earlier for this machine but utilisation of this machine is now being ensured particularly when good number of sophisticated orders are in hand. The Company is exploring possibilities of disposing of the Plate Bending Machine lying idle at Howrah Works with other PSUs. Till now no offer has been received. However, efforts are still being made to dispose of the machine.

Comments of the Audit

The Horizontal boring cum milling machine had remained underutilised till 1994-95 as may be seen from the particulars given below:—

Year	Available hours of utilisation as per norm	Actual hours utilised	Percentage of utilisation
1990-91	4704	3200	68
1991-92	4704	4128	88
1992-93	4704	3840	82
1993-94	4704	1784	38
1994-95	4704	2336	50

The Plate Bending machine is still lying idle undisposed at Howrah works (June 1996).

Further information called by the Committee

What is the present position regarding disposal of the Plate Bending Machine?

Further reply of the Government

While the subject matter was under consideration, BSCL has received order for the BTPGL wagon valuing Rs. 873 lakhs from Railways in January '97. To manufacture this type of wagon the Plante Bending Mahine is essentially required. As such, the Plate Bending Machine will now be required at the Howrah Works. It is also expected that similar type of wagon order will also be received from the Railways in coming years. In view of the above, disposal action is not necessary at present.

CHAPTER IV

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

Recommendation (Sl. No. 1)

Burn Standard Company Limited (BSCL) was incorporated as a public sector undertaking on 1.12.1976 after the acquisition of erstwhile Burn & Company and Indian Standard Wagon Company. It became a wholly owned subsidiary of Bharat Bhari Udyog Nigam Limited (BBUNL) with effect from 11.6.1987. The Committee are constrained to find that even after about 20 years of its existence, the company has failed to attain a sound financial position. On the contrary it is facing problems like surplus manpower; high incidence of employment, cost, out dated plant and machinery, obsolete technology, and accumulated losses exceeding the net worth, as a result of which it had to be referred to BIFR. On the basis of their examination the Committee have made a number of suggestions which are contained in succeeding paragraphs.

Reply of the Government

Burn Standard Company Ltd. is a multi-faceted Company having two Engineering Units, one Offshore Division and 8 Refractory Units. The performance of the engineering units have been found satisfactory whereas its refractory Units barring Salem have been incurring losses since its nationalisation. The performance of the Offshore Division has been found satisfactory upto 1991-92. However, this Division has been lying idle since Nov., 1993 due to lack of orders. Since seven Refractory Units have been incurring losses, their wages and salary are being met out of the profits earned by it sole profit earning unit at Salem. The losses of BSCL as a whole are mainly due to losses of these refractory units. In order to make BSCL a viable Co., this Deptt. had taken up the matter with the Ministry of Steel for merger of these R&C units with RBL, a public sector undertaking under Ministry of Steel. That Ministry, however, did not agree wth this proposal. Had these loss making refractory units separated from BSCL, the performance of BSCL would have been far better. Government have been providing plan support for Renewal and Replacement of its existing plant and machinery. Modernisation of Salem Refractory unit at the cost of Rs. 19.25 crore have been carried out. Further in order to reduce excess man-power, VRS has been introduced in BSCL. As a result man-power has been reduced considerably. The Company has been referred to BIFR and the Board has appointed O.A. for preparing a revival scheme of BSCL. On receipt of the revival package, appropriate action will be taken for revival of the Company.

Comments of the Audit

The Ministry's contention regarding satisfactory performance of the engineering units is not correct as would be evident from the following figures:—

Name of the Unit	Year	Profit/Loss (Rs. in crores)
Howrah Unit	1988-89	4.71
	1989-90	(0.47)
	1990-91	3.17
	1991-92	(7.40)
	1992-93	(6.44)
	1993-94	(8.47)
	1994-95	(15.90)
Burnpur Unit	1988-89	(1.52)
	1989-90	(1.24)
	1990-91	0.84
	1991-92	3.14
	1992-93	5.28
	1993-94	0.42
	1994-95	(6.20)

The Ministry's contention regarding satisfactory performance of the Offshore Division upto 1991-92 is also not correct as the Offshore Division sustained a loss of Rs. 9.75 crores during the year from 1988-89 to 1991-92. This division earned a total profit of Rs. 1.24 crores during 1992-93 and 1993-94. The Division again sustained a loss of Rs. 3.11 crores in 1994-95.

The profit of the Salem Unit was sufficient to meet salary and wages of other Refractory Units during the period from 1989-90 to 1992-93. But the profit of the Salem Units was not sufficient to meet the salary and wages of other Refractory Units during 1993-94 and 1994-95 as would be evident from the following figures:—

Year	Total salary & wages of the Other Refractory Units (Rs. in lakhs)	Profit of Salem Unit (Rs. in lakhs)
1993-94	779.04	567.89
1994-95	776.76	240.89

During the period from 1990-91 to 1995-96, a total number of 2372 persons retired under VRS scheme. The staff strength due to voluntary and normal retirement reduced to 10276 in 1995-96 from 14340 in 1990-91.

As of now the revival of the Company which is dependent on revival package of BIFR is uncertain.

Further comments of Department of Heavy Industry on the observation of CAG on recommendation (Sl. No. 1)

The Ministry's comments that the performance of Engineering units have been found satisfactory where as its refractory units, barring Salem, have been incurring losses since nationalisation was a statement with regard to comparative performance of the distinct units of the Company. During the period 1976-77 to 1994-95, the loss making refractory units made cash losses in each of the years and had accumulated cash loss of Rs. 105.57 crore as on 31.3.1995. During the same period, the Howrah Unit posted cash profit in the years 1981-82 to 1986-87, 1988-89 and 1990-91. Similarly, the Burnpur unit posted cash profits in the years 1984-85, 1990-91 to 1993-94. The Offshore division posted cash profits in the years 1984-85 to 1986-87 and 1992-93. The accumulated cash loss of the loss making R&C units as on 31.3.1995 was Rs. 105.57 crore, that of Howrah unit Rs. 29.95 crore, Burnpur unit Rs. 24.76 crore, and Offshore division Rs. 4.01 crore.

In the light of the position explained above, the stated satisfactory performance of the Engineering units and Offshore division should be seen in the context of dismal performance of refractory units.

Comments of the Committee

Pl. *see* para 8 of Ch. I

Recommendation (Sl. No. 8)

The Committee are pained to observe that the modernisation of Refractory Plants at Salem also involved a time over-run of 17 months and was completed finally in December, 1991. The cost of the project also increased to Rs. 19.25 crore as against the original estimates of Rs. 9.16 crore. One of the reasons for the delay was a substantial delay in getting the import licence for the Tunnel Kiln. The Committee deprecate this inordinate delay and are of the view that there is an urgent need to achieve high cost-effectiveness in order to maintain profitability in the intensely competitive market today and all earnest efforts should be made in this direction at least in the future.

Reply of the Government

As per new industrial policy import licence has been discontinued for import of the Tunnel Kiln. The observations of the Committee have been noted for compliance in future.

Comments of the Audit

The Company is yet to comply with the recommendation of the COPU (June 1996)

Further information called by the Committee

What specific steps have been taken in regard to achieving cost-effectiveness in BSCL in order to maintain profitability in the intensely competitive market?

Further reply of the Government

BSCL is a highly labour intensive Company. In order to be competitive, both labour and overhead costs have to be reduced drastically. In the draft rehabilitation package, it has been emphasised by the Consultant that modern and sophisticated equipments have to be installed, VRS has to be continued and productivity has to be improved. In addition to above, other cost reduction measures are continuously being taken so that costs per unit are brought down. Accordingly, capital investment of Rs. 134.86 crore has been suggested in the revival scheme.

Comments of the Committee

Pl. *see* para 11 of Ch. I

Recommendation (Sl. No. 17)

The Committee examined in details the requirement of wagons by Railways *vis-a-vis* the orders placed on BSCL. It was revealed that at present there are four Public Sector Units and five Private Sector Units manufacturing wagons. The orders to be placed on each Unit are decided by the Wagon India Limited, a Public Sector Undertaking. Last year, 6090 orders are stated to have been placed on Public Sector Units. The Committee have also been informed that the Eighth Plan Document (1992—97) had envisaged a target for wagon procurement of 1,50,000 Four Wheeler Units and the wagon building industry was asked to gear up to meet the requirement. Against such presumed requirement of 30,000 wagons annually, the offtake of wagons by Railways from the Industry has been 25,261 during 1992-93 and 19,000 during 1993-94. The production in BSCL's units during 1992-93 to 1994-95 has been 4885 FWU, 4786.5 FWU and 2270.5 FWU respectively while its capacity is 8661 Four Wheeler Units. Against this the orders placed by Railways on BSCL during these years have been 5120 FWU, 4425 FWU and 2490 FWU respectively. Evidently, there has been a shortfall in offtake of wagons by Railways themselves and order utilisation of BSCL's Units.

Reply of the Government

Ministry of Railways are consistently being requested to release more and more orders to BSCL.

Comments of the Audit

During the year 1994-95, the company received orders for manufacture and supply of 112 wagons from the Railways valued at Rs. 1.76 crores. As mentioned against recommendation no. 15, the company sustained a net loss of Rs. 42.26 crores excluding interest on Government loan in 1994-95.

Recommendation (Sl. No. 18)

The Committee have been given to understand that the reduced offtake of wagons by Railways has been due to change in the marketing policies. The traffic went on increasing but the consumption and production centres came nearer and the load became less. However, the Committee would like to point out that it was decided at the level of the Planning Commission that 80% of the orders would be placed on a firm basis for three years which has reportedly not been done by the Railways. They agree with the contention of BSCL that the requirement of wagons by Railways should be made known well in advance so that production of wagons could be planned accordingly. The Committee are surprised to learn that there is no record of the meeting which was held on 22nd July, 1995 with the Planning Commission involving the Ministry of Industry and the Railway Board to look into the matter of procurement of wagons. They fail to understand how in the absence of such records BSCL would be able to follow up the matter with the Railways. Moreover in view of the very fact that the Government has decided not to give any price preference to the Public Sector Units; the whole matter requires an urgent and serious action on the part of the Government so that the Wagon Units of BSCL which were set up mainly to cater to the demands of the Railways are put to better utilisation. The Committee desire that at least the present practice of giving 60% orders to the Public Sector should continue.

Reply of the Government

Ministry of Railways are the main user of Railway wagons. Ministry of Railways used to procure Railway wagons through Wagon India Ltd., till 1994-95 for their total RSP order. Ministry of Railways however, changed the procurement policy from 1995-96 onwards. As per the revised policy, they would procure 50% wagons through Wagon India Ltd., and remaining 50% through open tender. The shares of the Public Sectors to be procured through Wagon India Ltd. would be 60% orders from PSUs and 40% from Private wagon builders of the member of Wagon India Ltd. As regards open tenders, the order would be placed on the wagon builder whose price is placed at L-1. This department have been taking up the matter with Ministry of Railways for procurement of wagons through Wagon India Ltd.

Comments of the Audit

The orders received by the Company from the Railways for supply of wagons are shown below:—

Year	Orders received for supply of wagons (Nos.)
1994-95	112
1995-96	1525

Comments of the Committee for Rec. Sl. Nos. 17 & 19

Pl. *see* para 14 of Ch. I

Recommendation (Sl. No. 23)

The Committee is disbayed to find that there is no regular full-time Chairman & Managing Director of holding Company namely, Bharat Bhari Udyog Nigam Ltd. since June, 1993. The first Panel was not accepted by Government for certain contradictions in the Panel itself while the Second Panel submitted by Public Enterprises Selection Board is still under consideration of the Government. In view of the fact that financial health of most of the subsidiaries of BBUNL, is far from satisfactory, the Committee strongly recommend that a regular Chairman and Managing Director of BBUNL should be appointed without any further delay.

Reply of the Government

The proposal for appointment of CMD, BBUNL is pending with the Appointments Committee of the Cabinet and its approval is expected, at any time.

Comments of the Audit

The post of regular CMD of BBUNL has still been lying vacant (July 1996).

Comments of the Committee

Pl. *see* para 17 of Chapter I

CHAPTER V

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

Recommendation (Sl. No. 2)

The Committee note that BSCL was established with the avowed objectives of maximising pre-interest profit to 10% of turnover, achieving production growth by 20% (in value) annually (subsequently revised to 10 to 12% in April, 1986), repayment of Government loans and achieving debt-equity ratio of 3:1 and development of captive ancillary units. They are, however, constrained to observe that the Company has failed to achieve most of these objectives except debt equity ratio to some extent. What is worse, even the holding company Bharat Bhari Udyog Nigam Limited failed in achieving its primary mission of making the group a cohesive and economically viable one. The losses of the group which were Rs. 18.44 crores during 1986-87, increased to Rs. 233.60 crores during 1994-95, while Burn Standard Co. Ltd. alone which had earned a profit of Rs. 0.34 crores during 1986-87 continuously incurred losses during the subsequent years. Its loss during 1994-95 alone was Rs. 115.94 crores and cumulative losses as on 31.3.95 stood at Rs. 292.03 crores. The Committee have received on impression that the holding company has also failed in giving proper direction to all its subsidiaries including BSCL particularly in regard to marketing.

Reply of the Government

In order to make BSCL a viable Company, several steps were taken to improve the performance of the Company. Offshore Division was set up to diversify its activities in the Oil Sector. A substantial investment was made for modernisation of Salem Works. Obsolete plant and machinery were replaced through budgetary support from the Government. About Rs. 2 crore was spent in the Lalkoti Works for manufacture of synthetic mulite. Further VRS has been introduced to reduce the excess man-power and contain employment cost. After the formation of the holding company several steps have been taken for improvement of BSCL *viz.* rationalisation of product mix of subsidiaries, rationalisation of man-power, centralization of bulk purchase for identical product. The performance of the Company, however, deteriorated during 1993-94 and 1994-95 due to drastic reduction in off-take of wagons. The major portion of the losses of BSCL constitutes the losses incurred by its loss making R&C Units. Efforts of the Company to close down its two unviable refractory works *viz.* Durgapur and Raniganj No. II has not been possible due to court injunction.

Comments of the Audit

As regards steps taken by BBUNL, the Holding Company, for improvement of performance of BSCL it is seen that only 4 (four) items of materials/components were covered so far under a common purchase programme drawn up by the Holding Company for its subsidiaries including BSCL. The fact therefore remains that the Holding Company has failed to take steps to make BSCL economically viable. The Company is now solely dependent upon the revival package from BIFR. It may be mentioned here that the Company was referred to BIFR on 26.11.94 and Industrial reconstruction Bank of India (IRBI) on 20.1.95. Though IRBI had submitted its Report in January, 1996, the final revival package is still awaited from BIFR (June 1996).

The Company's proposal to close down the two unviable Refractory units at Durgapur and Raniganj has been contested in the Court of Law by the trade unions and is still subjudice (June 1996).

Further information called by the Committee

Whether BIFR has since submitted the final package for revival of BSCL. If so, when and what are its salient features. What is the latest position in the matter?

Further reply of the Government

BSCL is presently before BIFR. As per the direction of BIFR, OA appointed M/s. M.N. Dastur, an independent Consultant for preparing the revival scheme of BSCL. The salient features of the Consultant's report are as under:—

(i) Howrah and Burnpur Works should continue with the existing products at enhanced level to take advantage of the market upswing.

(ii) Out of the 8 refractory units, Andal, Raniganj No. II, Jabalpur are not viable. The Consultant has, therefore, recommended closure of these units. In case of Durgapur unit, the Consultant has recommended setting up of Greenfield project.

(iii) The Consultant have recommended for revival of Lalkoti Works, Durgapur, Gulfarbari, Niwar and Salem refractory units with new products mix at a total investment of Rs. 86 crore.

(iv) Setting up of a Project Division to look after certain activities of Burnpur Works, Howrah Works and Offshore Division.

(v) Rationalisation of manpower.

(vi) In addition to the total investment of Rs. 272 crore, the Consultant has also suggested financial restructuring like conversion of Government loan into equity and write off of interest due to Government of India. Last BIFR hearing was held on 4.3.97 and BIFR has directed OA to prepare Draft Revival Scheme and to circulate to all the concerned parties.

Recommendation (Sl. No. 3)

After the formation of the holding company in 1986, it started preparing a corporate plan for the group and a plan envisaging an investment of Rs. 111 crores from Burn Standard Co. Ltd. was submitted to Government in August, 1990—After two years *i.e.* in 1992, it was rejected by Government on the ground that by that time a study by M/s. WS Atkins had been commissioned. It is pertinent to mention here that before this MECON was asked on 13th March, 1989 to undertake the study with regard to R&C Units and the Report was submitted in July, 1989. As elsewhere commented upon by the Committee in this Report, the recommendations of MECON for an investment of Rs. 93 crores towards modernisation and introduction of new products in R&C units of BSCL in order to make them viable were also not implemented for lack of funds. Similar was the fate of the study undertaken by M/s. WS Atkins in association with National Industrial Development Corporation who submitted a report in 1992 to the holding company and the Government regarding financial and organisational restructuring of the group. The report envisaged total investment of Rs. 357 crores and recommended *inter-alia* conversion of the holding company into a unitary company merging all the existing subsidiary companies including BSCL, separation of all unviable units of BBUNL including all loss making R&C units of BSCL and financial restructuring of BBUNL. The Committee are pained to observe that the Government could not take decisions on these recommendations and a member of subsidiaries including BSCL were gradually referred to BIFR. The net result in that the expenditure of Rs. 6.73 crores incurred on this study including Rs. 4.17 crores in foreign exchange proved futile. The argument now put forward by Government for not implementing the recommendations of the consultants that a single unitary company would have extinguished the age-old historical companies in indicative of lack of pragmatic approach basically. The Committee highly depreciate the failure of Govt. to take positive decisions for revival of this group even after spending crores of rupees on various studies. They, therefore, recommend that even at this late stage Government should give due and serious consideration to the restructuring of BBUNL companies and provide sufficient funds with a view to make them viable and to protect the interest of labour.

Reply of the Government

While approving the formation of BBUNL as a holding company, Cabinet *inter-alia* approved that cash losses of all the subsidiaries may be written off. Since this concession was not enough, BBUNL submitted a comprehensive restructuring proposal of BBUNL Group as a whole. The same was examined at various levels. Meanwhile SICA Act was amended and PSUs came under the purview of BIFR and Government appointed Group of Ministers to examine the viabilility of sick PSUs. Therefore, restructuring proposal of BBUNL Group was not processed further. BIFR has since approved the revival package of two subsidiaries of BBUNL *viz.* BCL and BBVL. As per the sanctioned scheme financial restructuring has been approved. BPMEL, WIL and RBL have not been found viable. Hence no financial restructuring is possible. In case of BSCL, the company has been referred to BIFR and Operating Agency is preparing a revival scheme of BSCL. Further action will be taken on the basis of BIFR findings.

Comments of the Audit

Revival of BSCL through the mechanism of BIFR is uncertain and protracted in view of the time taken by the BIFR in processing the revival scheme and sanction of the same by the Govt. as observed in audit from the latest trend of such cases. It may be mentioned here that while the company was referred to the BIFR in November, 1994, IRBI, the Operating Agency submitted their revival package only in January, 1996. However, the sanctioned scheme on this revival package has not been formulated by BIFR so far (June, 1996).

Further information called by the Committee

Has the revival package since been formulated by BIFR. If so, has it been sanctioned by Government? What is the decision regarding restructuring of BBUNL?

Further Reply of the Government

On the basis of Consultant's report, this Department is obtaining the approval of Competent Authority for firming up the views of Government on the revival scheme of BSCL. After the views are finalised by the Government, the same will be communicated to BIFR/OA for preparing the final revival scheme based on the decision of the Government. Revival scheme also includes final restructuring of the BSCL, not BBUNL.

Recommendation (Sl. No. 6)

The Committee are distressed to note that the modernisation and expansion of Refractory units at Gulfarbari and Niwar were scheduled to be completed by November, 1978 but some of the machines like Gas Producer Plant at Gulfarbari and Dust catcher equipment at Niwar were commissioned only in 1984-85. The reasons advanced by the company for the delay in supply of plant and equipment such as occassional labour trouble and failure on the part of the contractor to execute the work in time appear to the Committee to be too general and not the ones which could not be overcome by proper planning and management. The Committee are further given to understand that the tunnel kiln at Niwar was already installed by the erstwhile management but it was not commissioned. Subsequently it was felt that additional facilities should be required to make this tunnel kiln operational. It was not commissioned by the Company due to steep rise in prices of furnace oil in 1980 which has made its operation economically unviable. The Committee at this stage can only recommend that the company should make a time-bound plan to operationalise its commissioning under intimation to the Committee.

Reply of the Government

The Tunnel Kiln at Niwar remained un-operational since its takeover from Private Management. Tunnel Kiln could not be installed because of imbalance in the Tunnel Kiln itself. The capacity of the Tunnel Kiln is 1000 M/T. Further, because of the rising fuel cost, the break-even level for economic operation of the Tunnel Kiln is 1400 M/T. Thus, a major expenditure was required for making it operational besides creating additional facilities. Under the situation, the Company has been utilising other firing arrangements which also existed at Niwar. These consist of basically four Down Draft Kilns having a capacity of 200 M/T each. As Niwar Works has been operating at a low level of production, this has basically matched with the firing requirement of about 200 M/T at a time. In our view in the existing condition Tunnel Kiln can not be made economically operational. However, Operating Agency is now looking into as to how best the Tunnel Kiln with additional facilities could be made operational having considered the fund requirement.

Comments of the Audit

Evidently no steps have been taken by the Company to operationalise the commissioning of tunnel kiln contrary to the specific recommendation made by the COPU to this effect. Nothing is known regarding the steps, if any, suggested by the operating agency to make use of the Tunnel Kiln.

Further information called by the Committee

(i) What are the findings of the Operating Agency regarding making the tunnel kiln operational?

(ii) Has any money been sanctioned in this regard?

Further reply of the Government.

"M/s. M.N. Dastur & Company appointed by OA for preparing the revival scheme of BSCL has not made any specific recommendation for making Tunnel Kiln at Niwar operational. The consultant has however recommended a capital expenditure of Rs. 8.09 crore for its Niwar wales, out of which Rs. 1.66 crore has been proposed for pressing and Fining Sections."

Recommendation (Sl. No. 7)

The Committee are surprised to learn that although various studies were undertaking by different consultants in respect of R&C units, no substantial modernisation activities could result from such studies. For modernisation an amount of Rs. 93.50 crore is required. Fund of this magnitude could not be made available by Government. The Committee deprecate the lackadaisical attitude of the Government in the making the funds available to the Company. They recommend that in order that the R&C units of BSCL can survive and become economically viable. Government should make the required funds available for their modernisation.

Reply of the Government

BSCL is presently before BIFR. The viability of Refractory units of BSCL will be examined by Operating Agency while preparing the revival scheme of BSCL.

Comments of the Audit

The operating agency had submitted the revival scheme of BSCL in January, 1996. Decision of BIFR/Govt. is awaited (June, 1996).

Further information called by the Committee

Has the revival scheme been finalised by BIFR? If so, what is the decision of Government in regard to modernisation of R&C units of BSCL?

Further reply of the Government

As per the direction of BIFR, the OA appointed M/s. M.N. Dastur, an independent Consultant for preparing the revival scheme of BSCL. The Consultant has recommended for revival of Salem, Lalkoti, Gulfarbari, Niwar and Durgapur with new product-mix. The other loss making refractory units *viz.* Raniganj No. II, Ondal and Jabalpur have been recommended for closure. On the basis of the Consultant's report, this Department is taking up the matter with the Competent Authority for firming up the views of Government on the revival scheme of BSCL including its R&C units.

Recommendation (Sl.No. 9)

The Committee find that against a sanctioned cost of Rs.138 lakhs for modernisation of Lalkoti Silica Works, the actual investment was Rs.187 lakhs. The main plant chamber kiln was commissioned in Janurary, 1986 against scheduled completion in September, 1983. The Committee have been informed that the additional expenditure of Rs.49 lakhs of Lalkoti was within the overall sanctioned cost of Rs.199 lakhs for the Raniganj Group consisting of units at Raniganj, Lalkoti, Durgapur and Ondal. Due to closure notice of Durgapur and Raniganj-II, and nature of products produced at Ondal, no investment was proposed for Ondal and the available funds were diverted to Lalkoti. However, the Committee are of the view that the utilisation of funds from one unit to another should have been brought to the notice of Government. This assumes inportance particularly when it is noticed that even after incurring excess expenditure on modernisation the unit continues to incur huge losses amounting to a sum of over Rs.1.5 crores annually when it was anticipated to earn profit of about Rs. 44 lakhs annually. This is on account of the fact that even after modernisation the unit is not able to produce silica bricks of the required quality or quantity, because the requirement has now shifted to other qualities which in turn has also affected the demand. In the circumstances the Committee suggest that the feasibility of carrying out further modifications in the unit should be examined to make the unit viable.

Reply of the Government

The feasibility of carrying out further modifications in the Lalkoti Unit has also been examined by the Consultant, M/s. M.N. Dastur & Co. which has submitted its report to the Operating Agency, M/s. IRBI. However, its implementation will be made on the acceptance of the report by the Government and the BIFR.

Comments of the Audit

As per the reply modernisation of the Lalkoti Silica Works to make it viable is still uncertain (June, 1996), as the final decision of BIFR is still awaited, though the operating agency *i.e.* IRBI had submitted its Report in January, 1996.

Further information called by the Committee

Whether Government have since received the report of BIFR? If so, what are their recommendations regarding further modernisation in Lalkoti Silica Works? Have the modernisation been implemented by now?

Further Reply of the Government

BIFR has not yet sanctioned the revival scheme. However, Government has received the report of the Consultant and after obtaining the decision of the Competent Authority, the views will be conveyed to BIFR/OA for preparing the final revival scheme of BSCL. As regards Lalkoti Silica Works, the Consultant has recommended coke oven rebuilding bricks, repairing bricks, general silica bricks and mortars etc. The Consultant has recommended an investment of Rs. 8.23 crore. The modernisation of Lalkoti Silica Works will depend on the final decision of the revival scheme of BSCL.

Recommendation (Sl. No. 10)

In order to reduce its dependence on orders from Railways, the Company obtained turnkey orders for Coal Handling Plant and Ash Handling Plants which were executed through outside agencies. However, this did not help the Company in better utilisation of its existing facilities. Turnover from such contracts at Burnpur which was 9.37% of the turnover of the unit in 1983-84 varied between 0.41% and 4.45% during 1985-86 to 1991-92. Similarly, the turnover from such contracts at Howrah which varied between 7% and 25% of its total turnover during 1985-86 to 1991-92, came down to 2.57% during 1992-93. The Committee are surprised to learn that inspite of the dependence on orders from Railways, no major turnkey project was attempted during the last five years on the plea that the holding company BBUNL had decided to rationalise the turn-key project activities within the subsidiary companies. Although a Committee was set up to identify areas of diversification which subsequently did identify such areas, the holding company has not been able to finalise on any of these areas. The Committee would like the finalisation of such areas to be expedited under intimation to them.

Reply of the Government

Most of the subsidiaries of BBUNL are dependent on the orders from Railways. In order to reduce dependence on Railway orders, BBUNL had set up a Committee to identify areas of diversification. The Committee suggested immediate booking of orders for turnkey projects, manufacture of containers and export of wagons, cranes & structurals. The Committee also indicated the funds requirement of Rs. 270 crore in this regard. Since there was no availability of funds to that extent in the annual plan allocation for BBUNL Group and revival schemes of BIFR referred subsidiaries were under the examination of Operating Agency (OA), no further steps were taken in this regard.

Comments of the Audit

The position stands as it is. Everything depends on the outcome of the reference made to BIFR. The Operating Agency had submitted its Report in January, 1996, but the revival scheme has not yet been formulated by BIFR (June, 1996).

Further Information Called by the Committee

Has the revival scheme since been formulated by BIFR? If so, what is the latest position in regard to implementation of recommendations of the Committee set up by BBUNL to identify areas of diversification by BSCL?

Further Reply of the Government

Out of 10 subsidiaries of BBUNL, 7 have been referred to BIFR. The BIFR sanctioned schemes in respect of two subsidiaries *viz.* BBVL and BCL have since been sanctioned by BIFR, which are under implementation. In case of three subsidiaries *viz.* BSCL, Jessop and RBL, their revival schemes are under preparation. The revival plan of remaining two subsidiaries *viz.* BPMEL and WIL have not been prepared as they are not viable. BIFR has issued.

Recommendation (Sl. No. 11)

In 1984, Burn Standard Company Limited set up facilities for manufacture of Offshore Platforms for ONGC at Jellingham. The revised cost, estimate for manufacture of three complete wall head Platforms at a cost of Rs. 45.06 crores, was approved by Government in January, 1991. However, the committee have been informed that after incurring/ committing an expedinture of Rs. 24.66 crores, by 1987 against original sanction of Rs. 8.44 crores it was decided not to spend further in view of the fact that the devision was not getting orders from ONGC. The facilities created at that point of time were unbalanced and barely adequate to fabricate one Deck and Helideck per annum. However, the Committee's examination has revealed that the BSCL had created the Offshore facilities based on ONGC's projected demand although there was no written agreement with ONGC for placement of orders. The Committee are, therefore, of the opinion that certain preference could have been given by ONGC in placing the orders on BSCL provided the later could complete the job as per requirements of ONGC and within the time schedule. From the information placed before the Committee, it appears that BSCL not been successful on these counts at least with its present facilities for it is observed that the first order for two platforms was sub-contracted by BSCL except for fabrication of permanent decks. The sub-contractors completed their part of the job within the scheduled time but the fabrication of decks by BSCL was delayed by 35 months. The second order for four well platforms was delayed by one year. Another order placed for two permanent decks was also delayed, one by 38 months and the other by 46 months. According to ONGC, the order for Neelam 10 & 11 Deck and Helideck placed on BSCL was cancelled since the later did not agree to ICB price available at the time plus admissible price preference.

Reply of the Government

The matter had been taken up with MOS Petroleum for placing order on BSCL for utilizing the Offshore Yard of BSCL. As a result, ONGC has already awarded a contract for Rs. 6.96 Crore to BSCL, the future of the Offshore Division will be considered by BIFR in the revival scheme of BSCL.

Comments of the Audit

The contract is for Rs. 6.96 crores and not Rs. 696 crores as mentioned in the reply. Out of this, work volume Rs. 6.28 crores has been off loaded to a private party. The work being executed from Nahava at Maharashtra, therefore, Jellingham yard at Offshore will remain unproductive.

Recommendation (Sl. No. 12)

The Committee have been informed by BSCL that the main constraint in the execution of orders received from ONGC was ill-equipped Offshore Yard at Jellingham which was not in a position to do Jackets. Hence, all the Jackets had to be sub-contracted. The BSCL is also unable to participate in global tenders floated by ONGC since total package consists of Jackets and laying pipeline etc. for which BSCL has to take people from outside. The Committee would, therefore, suggest that to meet the requirements of ONGC, BSCL should consider augmentation of its Offshore facilities for which Government had already sanctioned a substantial amount. But before BSCL actually undertakes such expension of facilities, it has to be ensured that such facility will be fully utilised. The

Committee, therefore, recommend that a High Level Committee should be constituted with Secretaries of the Ministries of Industry, Petroleum and Natural Gas as members to find out ways for utilising the Offshore facilities of BSCL if necessary by augmenting them or by collaborating with other Public Sector Undertakings like Mazagon Deck Ltd. The Committee would like to be informed of the findings of Committee. They also desire that in order to utilise the existing facilities, possibilities should be explored immediately for undertaking the work other than that of ONGC like fabrication job relating to Refinery and Petrochemicals and repair/modification job relating to existing Offshore Platforms.

Reply of the Government

BSCL has recently got repaired/modification job of EE Platforms valued at about Rs. 7 crores. Likewise, some jobs relating to Pipeline and structural fabrication for IOC, Haldia Refinery also has been obtained. These being basically site work, do not result into utilisation of the existing facilities in the Yard which are tailormade for Offshore Platform fabrication; other fabrication works are unlikely to utilise the existing facilities. In the light of the recommendation of COPU, a Committee will be constituted comprising of Secretary, Petroleum and Natural Gas and Heavy Industry, after receiving operation agency report on Offshore Division.

Comments of the Audit

The operation agency had submitted its report in January, 1996. Action if any, taken to constitute the high level Committee recommended by COPU is not known.

Further Information called by the Committee

(i) Whether a High Level Committee has been constituted to find out ways for utilising the Offshore facilities of BSCL as recommended by COPU in its Report?

(ii) If so, what have been the recommendations of this Committee?

Further Reply of the Government

The Report of Consultant which *inter-alia* includes Offshore division is under consideration of the Government. In the report, Consultant has, however suggested setting up a Project Division to look after certain activities of the Offshore project. Since Consultant report is under consideration, high level Committee has not been constituted so far, for utilising the Offshore facilities of BSCL. Further action will be taken after decision of BIFR.

Recommendation (Sl. No. 13)

The Committee observe that BSCL entered into a technical collaboration agreement for construction of 609 meter long bulk head and load out jetty for the fabrication yard at Jellingham. Out of the 8004 tonnes of sheet piles imported between May and October, 1985, 5054 tonnes were transported to Jellingham. Of these, the actual utilisation was 928 tonnes only and the company had to incur cumulative storage charges amounting to Rs. 78.65 lakhs upto 31.3.1994 on the pilings. The Committee are at a loss to understand how the length of the bulk head required had been estimated by the collaborator to be 609 meters when the same was subsequently estimated at 200 meters by EIL with the requirement of sheet piles being only 3121 tonnes. Even after receipt of EIL's recommendation, the BSCL does not appear to have taken up the matter with the collaborator. The Committee desire that the import of excess sheet piles should be investigated and responsibility fixed in the matter. It is also disquieting to note that approval for disposal of surplus sheet piles has been given very late. Not only that no decision has so far been taken in the matter of waiver of customs duty and interest thereon although the same was taken up on 23rd November, 1994 with the Committee on Disputes, appointed by Government to sort out such disputes. Now what a decision has been taken to re-export the surplus sheet piles, the Committee desire that the same should be effected expeditiously.

Reply of the Government

Subsequent to the contract between MII & BSCL for construction of 600 meters long bulk head and load out jetty for fabrication yard at JFY, BSCL had raised a query in Jan., 85 over the length of the bulk head recommended. It was suggested by BSCL that the length of about 300 meters would be sufficient for JFY Fabrication Yard. However, MII representatives were emphatic on the subject and issued written documents confirming the full 600 Meters of bulk head should be provided at JFY Fabrication Yard. They turned down the BSCL's request for any reduction in the length of bulk head. It can thus be noted that BSCL on its part had made efforts with the Collaborator to reduce the size of bulk head even before sheet piles were purchased between May and October, 85. EIL's recommendations of only 200 Meters bulk head at JFY fabrication Yard made out only in August, 86.

Situation being this, the entire cost of Sheet Piles procured (Rs. 12.03 crores equivalent to the US $ paid in 1985 between May and October, 85) has been lodged as a counter-claim on McDermott Inc. The matter is still under arbitration.

It is further stated that a Technical Audit Committee under the Chairmanship of Cdr. R.K. Mathur, Managing Director, Hoogly Dock & Port Engineers Ltd., consisting of Shri D.K. Sen, Director (Finance), Braithwaite & Co. Ltd. and Shri A.K. Roy, Dy. General Manager (Engg.) Jessop & Co. Ltd., were appointed to go into various aspects of Offshore Yard at Jellingham. The Committee submitted its report in August, 1990 and could not fix up any individual responsibility for the excess procurement of Sheet Piles.

BSCL has noted that Committee's observations to dispose of the surplus Sheet Piles by way of re-export. BSCL has already taken steps in this direction through MSTC. MSTC has already advertised twice through Global Tender, but no positive results have been achieved.

On the subject of disposal of surplus Sheet Piles, it may be submitted that so far no decision has been taken on the matter of waiver of customs duty and interest thereon. The matter is pending with the Committee on Disputes from November, 94.

A favourable decision on the above waiver of Customs Duty and interest thereon, will enable disposal of Sheet Piles in the Domestic Tarrif Area also.

Comments of the Audit

Out of 8004 tonnes of Sheet Piles imported, 1045 tonnes were utilised upto August, 1995. The balance quantity of 6958 ton is lying undisposed at the following places.

At Offshore Yard at Jellingham	4008 tonnes
At private godown in Calcutta	2950 tonnes

At amount of Rs. 89.26 lakhs was paid as godown rent for quantity stocked in private godown upto May, 1996. The quality of the Sheet Piles has also deteriorated due to rusting for prolonged storage at Jellingham and at the private godown.

Recommendation (Sl. No. 14)

The Committee regret to note that excent for one year, the Company has been continuously making losses since inception. The accumulated losses of the Company as on 31.3.1995 stood at Rs. 292.03 crores. The main reasons for the heavy losses have been stated to be that seven of the units producing refractory and ceramic materials are continuously lossing and since takeover, these units have lost above Rs. 100 crores till 31.3.1994. The inadequate orders for the Offshore Division have also contributed to the losses. The Committee recommends that urgent corrective action should be taken in this regard.

Reply of the Government

This is factually correct that the Company has lost about Rs. 158 crores till 31.3.94 on account of sick R&C Units. In order to reduce the losses, the Compnay has initiate some actions like Voluntary Retirement Scheme. The closure notices were also served on two Units. However, this could not be implemented due to legal impediments. Further action, however, on these Units will depend on the revival scheme being prepared by the Operating Agency, M/s. IRBI under the direction of BIFR.

Comments of the Audit

The Company has lost about Rs. 166.71 crores till 31.3.1995 on account of sick R & C units. Herein again the company is depending upon BIFR revival package which is still awaited despite the operating agency submitting its report in January, 1996.

Further Information called by the Committee

Has the revival package since been received from BIFR? If so, what efforts have been made to improve the profitability of BSCL?

Further reply of the Government

BIFR is yet to sanction a revival scheme. The views of the competent authority on the recommendations of the Consultant is being obtained. In the meantime the Government has released Rs. 3 crore for setting up CMS crossing plant. The Government has also released Rs. 8 crore for VRS in order to bring down the wage bill and improve Company's profitability.

Recommendation (Sl. No. 15)

The Committee is perturbed over the fact that the losses of the Company suddenly went upto a staggering level of Rs. 101.07 crores in 1993-94 over Rs. 3.2 crores in 1992-93 due to the depiction of accumulated interest on Government loans pertaining to earlier years in the accounts for the year 1993-94, on the advice of Government. This was not being done during the earlier years since the financial restructuring proposal was pending before the Government which was rejected in 1992. Eventually, the Company had to be referred to BIFR in accordance with the provisions of SICA 1985, as amended in 1993. The Committee deplore this abrupt decision of Government for depicting the accumulated interest in a single year which in turn was due to the failure of Government to take timely decision on the restructuring proposal submitted by BSCL. BSCL had submitted a financial restructuring scheme in January, 1989, envisaging *inter-alia* writing off of Rs. 35.57 crores non-plan loan, conversion of balance plan loan of Rs. 28.18 crores as on 31.3.1987 into equity and repayment of all loans as on 31.3.1992 to be spread over a period of ten years etc. It was only in 1992 that the Government decided not to approve the restructuring proposals. Since such an indecisiveness on the part of the Government has adversely affected the Company, the Committee desire that the proposals regarding financial restructuring should be cleared expeditiously before the matter is finalised by BIFR.

Reply of the Government

The physical and financial restructuring of BSCL is presently being considered by BIFR with a view to improving the over all performance of the Company.

Comments of the Audit

It may be seen from the figures given in the following table that the loss sustained by the Company increased considerably from year to year even without taking into account the amount of interest charged on Govt. loan:

(Rs. crores)

	1992-93	1993-94	1994-95
Net loss	3.20	101.07	115.93
Less Interest on Govt. Loan	—	85.69	73.67
Net loss excluding Interest	3.20	15.38	42.26

Further information called by the Committee

Whether any decision has been taken about the financial restructuring of BSCL?

Further reply of the Government

As already explained, on the basis of the Consultant's report, this Department is obtaining the decision of the Competent Authority to convey the views of Government before BIFR on the revival scheme of BSCL. The revival scheme of the Company includes financial restructuring of BSCL like conversion of outstanding GOI loan into equity and write off of interest due to GOI.

Recommendation (Sl. No. 16)

The Committee observe that the Engineering Units of BSCL at Burnpur and Howrah have been depending on orders from Railways. The capacity utilisation in wagon units ranged between 21% and 65% upto 1990-91. During 1992-93 and 1993-94, the utilisation was 31.79% and 44.84% respectively at Howrah and 36.30% and 67.92% respectively at Burnpur. It has been brought to the notice of the Committee that so long as there is demand from the Railways, these units can perform well and survive on their own. The Committee would, however, like to emphasise that the Company should make a proper study to explore all possibilities for diversification so that even in the event of inadequate orders from Railways, the units can survive.

Reply of the Government

BSCL is presently before BIFR and IRBI is preparing a revival scheme of BSCL. On the basis of the findings/recommendations of OA, further action will be taken for diversification of both the Units of BSCL *viz.* Howrah and Burnpur.

Comments of the Audit

The Company is waiting for the revival package from BIFR.

Further Information called by the Committee

What is the latest position of the BIFR revival package relating to Engineering units of BSCL at Burnpur at Howrah? What steps, if any, have been taken for diversification in these units?

Further Reply of the Government

The Consultant has prepared the revival package of BSCL including its Engineering Units at Burnpur and Howrah. The Consultant has recommended capital investment of Rs. 29.70 crore for Howrah Works and Rs. 19.60 crore for its Burnpur Works. It has been suggested that both the units should continue with existing product-mix at enhanced levels. The Consultant has also suggested new products *i.e.* industrial forgings and springs for its Burnpur Works and industrial valves and flat wagons for containers for its Howrah Works. The Consultant's report is under consideration of the Government.

Recommendation (Sl. No. 19, Para No. 1)

It is disturbing that all the Refractory and Ceramic Units of BSCL except Salem Unit have been incurring losses. The losses incurred by these Units (except Salem) during the years 1990-91 to 1993-94 were Rs. 885.57 lakhs, Rs. 960.79 lakhs, Rs. 1022.23 lakhs and Rs. 915.17 lakhs respectively. The reasons for the continuous losses are stated to be obsolete equipment aand processes, low capacity utilisation, rising employment cost etc. sometimes the employment cost was even more than the value of production at places like Jabalpur, Raniganj and Gulfarbari. It is surprising that even after MECON's suggestion for change in product mix, no action was taken in this regard. The plea for not having taken any action in this regard simply on the ground that the BSCL has been referred to BIFR is unacceptable to the Committee, since it is only a recent development. Since the matter of revival is already pending with BIFR, the Committee would only suggest that the revival plan should be formulated expeditiously by the BIFR and acted upon with full earnestness by the Government so that the units could become expeditiously viable without further loss of time.

Reply of the Government

Consequent to the amendment of SICA 1985, in 1994, the management of BSCL referred it to BIFR. IDBI has been appointed as Operating Agency (O.A.) for preparing a revival scheme of BSCL. The future of Refractory Units will be decided on the basis of the O.A. reports and recommendations of BIFR.

Comments of Audit

The plea for not having taken any action for revival of the R&C units on the ground that the BSCL stands referred to BIFR has not been found acceptable to COPU as it is only a recent development. The company has been referred to BIFR in November, 1994 while the operating agency, IRBI, submitted its revival scheme only in January, 1996. The revival scheme is yet to be formulated by BIFR. The action thus taken is not in conformity with the recommendation of the COPU to expedite viable scheme without further loss of time.

Further Information called by the Committee

Whether Government have received the revival package of BIFR? If so, what are the specific recommendations in regard to R & C units and what action has been taken by the Government in this regard?

Further Reply of the Government

The revival scheme has been received from the Consultant not from BIFR. After the final views are taken on the Consultant's report, the same will be communicated to BIFR/OA for finalising the revival package. The Consultant has recommended for setting up of greenfield project at its Durgapur unit, revival of Niwar, Lalkoti and Gulfarbari and closure of Raniganj No. II, Jabalpur and Andal. The estimated cost of revival of the four R&C units mentioned above is Rs. 51 crore.

Recommendation (Sl. No. 20)

Salem Unit, which is the only R&C Unit earning profit has also shown decline in performance. Its profit declined from Rs. 1240.98 lakhs in 1992-93 to Rs. 571.23 lakhs in 1993-94 and to Rs. 150 lakhs in 1994-95 which is a cause of concern to the Committee. They, therefore, recommend that urgent corrective action should be taken in order to prevent this unit also from going into the red.

Reply of the Government

It is a fact that the Salem Refractory had shown a declining trend in profitability in the last two years and the same is continuing even in the current year. This is basically because of the change in the procurement pattern of the major buyer, SAIL as well as change in the demand pattern of Refractory being manufactured by Salem Refractory Works. This once again, has necessitated investment on technology upgradation for producing high quality refractories. The revival package being worked out by the Operating Agency, M/s. IRBI has visualised such investment. However, its implementation will depend upon the acceptance of the Scheme by BIFR and the Government.

Comments of the Audit

The Company is waiting for the revival package from BIFR, though the operating agency had submitted its Report in January, 1996.

Further Information called by the Committee

Has the BIFR package since been received? If so, have the Government taken any decision in regard to investment on technology upgradation in Salem units?

Further Reply of the Government

In case of Salem refractory units, the Consultant has recommended in-house implementation of beneficiation process adopting mechanical treatment and or heavy media separation process after careful study. In order to improve quality and productivity of monolithics, two automatic weighing/bagging/stiching machines of five tonne per hour capacity each and two cone blender with suitable drying mixing back up have been proposed. The Consultant has suggested modification of rotary kiln for the production of co-clinker refractories and also suggested technical collaboration. The Consultant has recommended investment of Rs. 35.20 crore for Salem unit. The Consultant's report is under the consideration of the Government.

NEW DELHI;
25 *April*, 1997

Vaisakha 5, 1919 *(S)*

G. VENKATSWAMY,
Chairman,
Committee on Public Undertakings.

APPENDIX-I

MINUTES OF THE TWENTY-SECOND SITTING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 21ST APRIL, 1997

The Committee sat. from 1500 hrs to 1615 hrs.

PRESENT

Shri G. Venkat Swamy — *Chairman*

MEMBERS

Lok Sabha

2. Shri Parasram Bhardwaj
3. Shri Somjibhai Damor
4. Shri Banwarilal Purohit
5. Shri Brij Bhushan Tiwary
6. Prof. (Smt.) Rita Verma

Rajya Sabha

7. Shri Vayalar Ravi
8. Shri Solipeta Ramachandra Reddy

SECRETARIAT

1. Shri J.P. Ratnesh — *Joint Secretary*
2. Smt. P.K. Sandhu — *Director*
3. Shri P.K. Grover — *Dy. Secretary*
4. Shri Raj Kumar — *Assistant Director*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

Shri B. B. Pandit Principal Director(Comml.)

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

3. ** ** ** ** ** **

4. ** ** ** ** ** **

5. Then the Committee considered the draft report on Action Taken by the Government on the recommendations contained in 47th Report of Committee on Public Undertakings (1995-96) on Burn Standard Company Limited and adopted the same.

The officers of C&AG then withdrew

6. ** ** ** ** ** **

7. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by Ministries/Undertakings concerned/ Audit and to present the same to Parliament.

The Committee then adjourned.

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*Minutes relating to items at Para No. 2,3,4 and 6 have been kept separately.

APPENDIX-II

Analysis of the Action Taken by Government on the recommendations contained in the 47th Report (10th L.S.) of the Committee on Public Undertakings (1995-96) on Burn Standard Company Limited.

I.	Total number of Recommendations	23
II.	Recommendations that have been accepted by the Government (*vide* recommendations at Sl. Nos. 21 and 22)	2
	Percentage to total	8.7%
III.	Recommendations which the Committee do not desire to pursue in view of the Government's replies (*vide* recommendations Sl.Nos. 4 and 5)	2
	Percentage to total	8.7%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (*vide* recommendations at Sl. Nos.1,8,17,18 and 23)	5
	Percentage to total	21.7%
V.	Recommendations in respect of which final replies of Government are still awaited (*vide* recommendations at Sl.Nos. 2,3,6,7,9, to 16,19 and 20)	14
	Percentage to total	60.9%