



**REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

**UNION GOVERNMENT
NO. 5 (COMMERCIAL) OF 1992**

BURN STANDARD COMPANY LIMITED



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COMPYRHT 1964 BY THE BOARD OF DIRECTORS
OF THE COMPANY

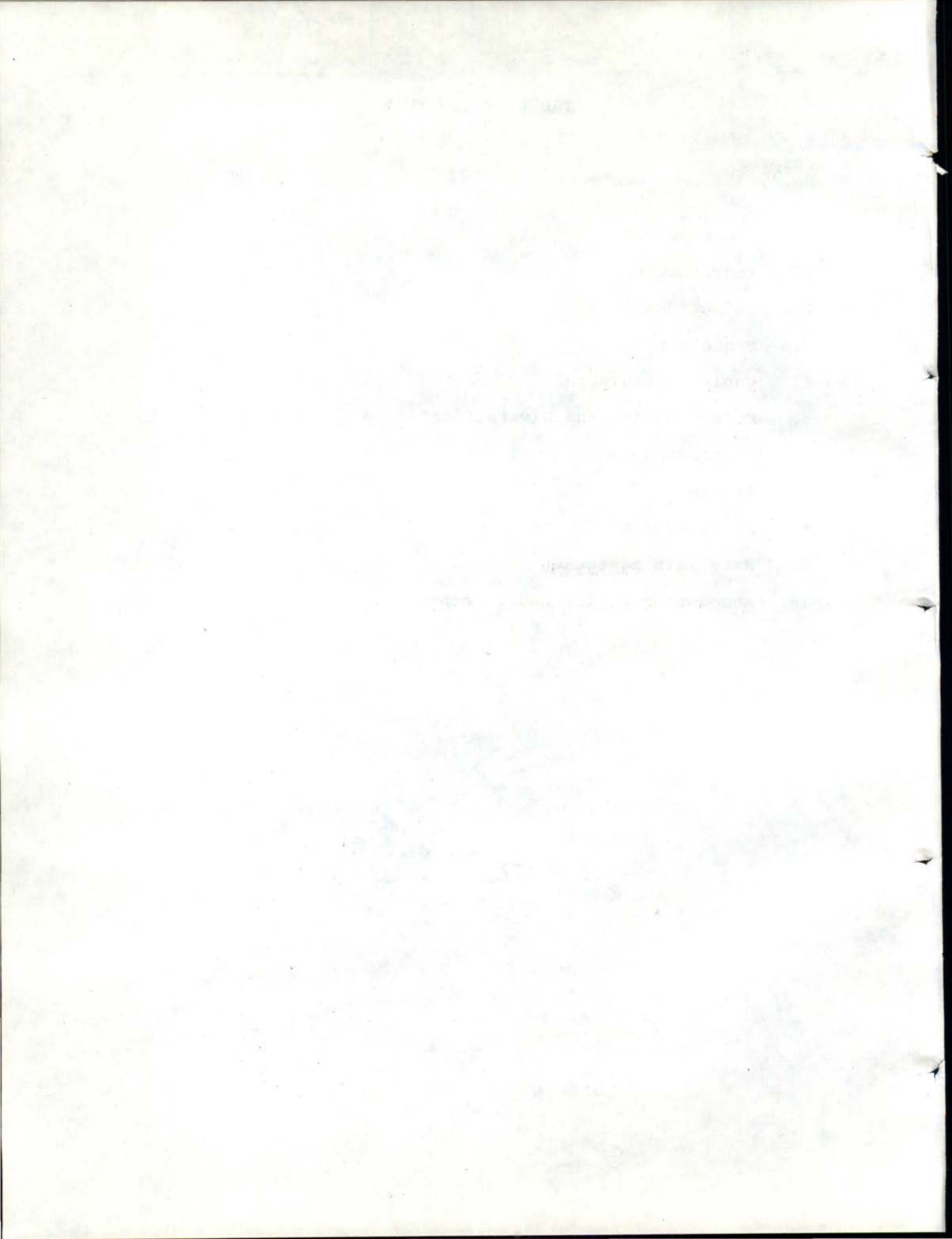
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PREFACE

Audit Boards are set up under the supervision and control of Comptroller and Auditor General of India (CAG) to undertake comprehensive appraisals of the performance of the companies and corporation subject to audit by CAG.

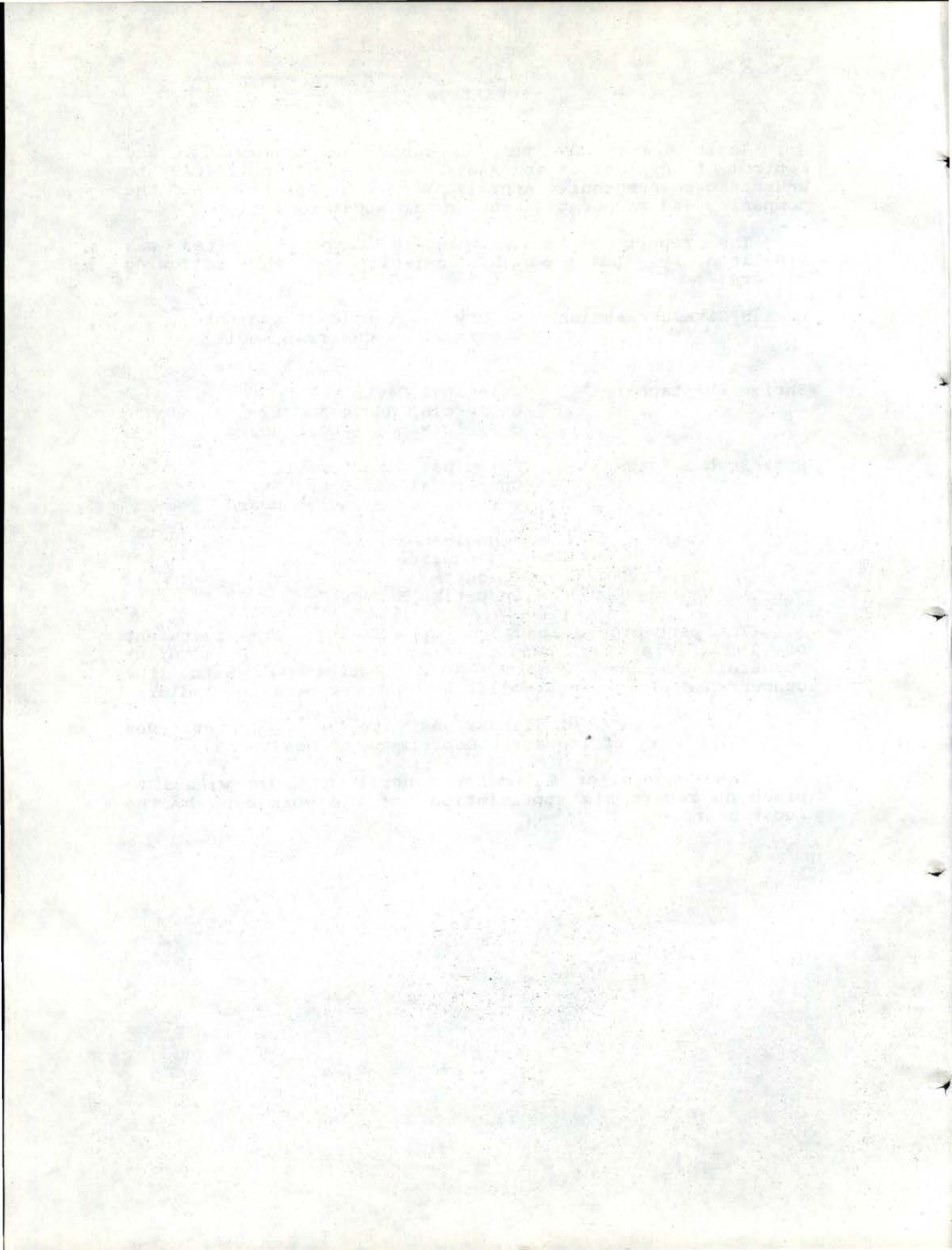
2. The report on Burn Standard Company Limited was finalised by Audit Board consisting of the following members:-

Shri N Sivasubramanian	Deputy Comptroller & Auditor General- cum-Chairman Audit Board
Shri U. Bhattacharya	Principal Director of Commercial Audit and Ex-officio Member Audit Board
Smt. Sushma Sharma	Principal Director of Commercial Audit and Ex-officio Member Audit Board
Shri P.K.Rath	Managing Director Braithwaite & Co. Ltd. Calcutta Part-time Member

The part-time members are appointed by the Government of India (in the respective Ministry or Department controlling the company or corporation) with the concurrence of the Comptroller & Auditor General of India.

3. Audit Board held discussions with the representatives of the Ministry of Industry, Department of Heavy Industry.

4. The Comptroller & Auditor General of India wishes to place on record his appreciation of the work done by the Audit Board.



OVERVIEW

I. The Managements of Burn and Company Limited and Indian Standard Wagon Company Limited were taken over by Government of India in December 1973 under an Act of Parliament. The two companies were making profits in the sixties. There was a drop in the orders from Railways (since 1968) and the company had started making losses. The Burn Standard Company Limited (B.S.C.L) was incorporated on 1st December 1976 by acquiring the two private companies. From 11th June 1987, the Company became a Wholly-owned subsidiary of Bharat Bhari Udyog Nigam Limited (B.B.U.N.L), a newly formed Company.

II. The paid up capital of the company as on 31st March 1992 was Rs. 40.51 crores. Even after waiver of interest payment for Rs. 77.42 crores by the Government, the cumulative losses incurred by the company during the years from 1976-77 to 1991-92 amounted to Rs.71.83 crores as on 31.3.92 wiping out the paid up capital fully and rendering the repayment of a part of loans of Rs. 127.15 crores from Government doubtful.

III. In 1982, the Company formulated a plan for investment of Rs.30 crores on Renewals, Replacement and Modernisation projects in engineering and ceramic units, which was revised in 1986 to Rs.62.63 crores. Delay in completion of the projects and in use of Tunnel Kiln and Rotary Kiln resulted in non-production of high quality bricks with consequential loss of Rs.4.60 crores. Some equipments under the Renewals and Replacement Scheme were procured without detailed study and as a result could not be utilised fruitfully. Even after modernisation scheme the company did not succeed in making profits and was still largely dependent on orders from Railways. The Management was of the view that prospects of orders from Railways was good in 8th and 9th Plan period. This optimism requires to be translated into commercial long term contracts with Railways and limiting all production costs to within contract price.

IV. The capacity utilisation in wagon shop at Howrah averaged 45 per cent and 49.35 per cent in the shop at Burnpur. The main reason for underutilisation of capacity was paucity of orders, while at Burnpur it was also attributable to low productivity. Production of Steel Plant Equipment in Howrah Works from 1983-84, was done without ascertaining financial viability resulting in loss. Because of delay in delivery there was further loss. Execution of orders for Ash Handling Plant and Coal Handling Plant on turn key basis, using

bought out items, did not help in utilisation of available capacity in engineering units. The turnkey projects required excellence in technology to be able to expand and may takeoff in future if the excellence is generated and retained in the company.

V. Among the Refractory and Ceramic Units, the Salem Unit of the company alone is making profits . In the other units the utilisation of capacity was low inspite of orders on hand. Decline in productivity (except in Salem Unit) and increase in wages resulted in increase in production cost adding to losses. According to Company, there was surplus refractory making capacity in the country, leading to severe competition for orders. This requires reduction of costs, which could not be effected. There was little hope of more orders in future for the units except Salem Unit. In the only profit earning unit at Salem the delay in modernisation resulted in reduction in profits. The viability and order book position of the unit requires vigilant monitoring.

VI. In the unit for production of Offshore equipment, there was an abnormal delay in executing orders received and most of the works were executed through sub-contractors resulting in little improvement in utilisation of in house capacity. This diversification project had so far failed to build commercial bridges with the only customer in India (ONGC). In the view of the Management this project was a " Sunrise Sector" of the company and with corrective steps, this project could grow quickly with additional investment and agreement with ONGC.

VII The delegation of powers by Government to the Company for implementing projects in excess of sanctioned cost require review in the light of realities on the ground leading to bonafide cost overruns. In practice the final pronouncement on whether excess was bonafide or otherwise is generally made only long after project is completed and excess costs are approved by Government. In expansion project for Salem, against sanctioned cost of Rs.916 lakhs, orders for Rs.1,466 lakhs were placed before revision of the Project cost by Government. In modernisation of Lalkoti Ceramic Works, against sanctioned cost of Rs.138 lakhs, the actual expenditure was 187.07 lakhs and funds had to be diverted from another project under the same unit. In the Offshore Project, against sanctioned cost of Rs.844 lakhs, the expenditure incurred on even a part of the project exceeded the sanctioned cost by more than 100 per cent. without even formal approval of the Board of Directors, for a long time.

1. INTRODUCTION

1.1. Management of the erstwhile Burn & co. and Indian Standard Wagon Co. were taken over by the Government of India on 19.12.1973. These companies were about 200 years and 55 years old respectively at the time of take over of management. They were doing well till 1964-65 in the field of manufacture of railway wagons, bridges and refractory items . The two companies were incorporated into Burn Standard Company Limited (B.S.C.L.) a public sector undertaking with effect from 1.12.1976. It became a wholly owned subsidiary of Bharat Bhari Udyog Nigam Limited from 11th June 1987.

1.2. ENGINEERING UNITS: The engineering units are the Howrah Works (of former Burn & Co) and Burnpur Works (of former Indian Standard Wagon Co) with workforce of 5694 as on 31.3.1992 and manufacturing railway wagons and wagon components with near total dependence on Railways for orders. Gradually these units procured orders for special wagons, steel plant equipment, colliery equipment, turnkey projects like coal handling plants, tar bonded dolomite brick Plant and for fabrication and commissioning of Ash Handling Plants. Burnpur unit developed special types of wagon for catering to the needs of factories and mines.

In 1984, the company diversified into the manufacture of Offshore Well Head Platforms for oil production in Bombay High.

1.3. REFRACTORY & CERAMICS UNITS: Till nationalisation, the refractory units were serving as a captive plant for meeting the refractory requirement of Indian Iron & Steel CO., Burnpur which was also owned by the same group of Martin Burn Limited. Upon nationalisation, the IISCO plant was taken over by the Ministry of Steel while the Refractory & Ceramics (R &C) units came to

3. MANAGEMENT

3.1. As on 31st March 1992, the Board of Management consisted of Chairman, one Managing Director, 3 fulltime Directors and 3 part-time Directors. The post of the Director (Finance) remained vacant from 1st July 1977 to 22nd February 1979, from 16th July 1982 to 28th April 1983 and from 18th November 1986 to 1st November 1987.

4. CAPITAL STRUCTURE

4.1. The Company was registered with an authorised capital of Rs.1500 lakhs which had increased to Rs.5000 lakhs by 31st March 1992. The paid-up capital as on 31st March 1992 was Rs.40.51 crores. Loans from Government of India amounted to Rs.127.15 crores as on 31st March 1992.

4.2. Reliefs of waiver of interest on loans, subsidy for payment of interest and moratorium on repayment of loans were allowed by Government of India to the company from time to time. In all, the Company received relief aggregating to Rs.77.42 crores during the years from 1981-82 to 1989-90 in addition to moratorium on repayment of loan instalments. Still accumulated losses were Rs. 71.83 crores as on 31.3.1992.

mine did not increase appreciably. Even after investment of a further amount of Rs.139.66 lakhs under modernisation and expansion programme taken up in 1981-82, the production of ore at Red Hill mines remained far below the capacity of 60,000 tonnes per annum and exceeded that figures only in 1991-92.

The Management stated (December 1989) that the target of 5,000 tonnes of Ore per month at Red Hill mines could not be achieved owing to factors such as difficulties in the removal of spoils, low labour productivity, idle labour and poor yield. The Ministry stated that the meagre investment of Rs.45 lakhs under the programme for purchase of earth moving equipment for Red Hill mines was not sufficient to effect a substantial increase in the output of the Mines. The problems faced were:

(i) The ore bearing area had to be cleared for facilitating mining operation.

(ii) The productivity of man-power was not satisfactory

(iii) Absenteeism was high.

(iv) Percentage of recovery from ore was low due to poor yield in the area.

5.5 MODERNISATION OF REFRACTORY PLANTS AND MAGNESITE MINES AT SALEM: For modernisation of refractory plants and expansion of magnesite mines, Metallurgical & Engineering Consultants India Limited (MECON), Ranchi prepared a feasibility report. Investment of Rs.9.16 crores was envisaged. The project was sanctioned by Government in July 1981. The estimates were revised by MECON to Rs 16 crores in October 1983 and to Rs.18.58 crores in July 1987. The project was further revised to Rs.19.25 crores and sanctioned by Government in March

1989. Government released Rs.16.76 crores during the years 1981-1990. The company incurred expenditure of Rs. 12.70 crores upto 31st March 1990. The project was to be completed within 16 months i.e. by July 1990. Expenditure upto 31st March 1992 was 1691 lakhs.

The increase in cost was due to inadequate provision or non provision in the original estimate extra interest charges due to delay, escalation in cost and exchange rate variation.

(a) The Feasibility Report envisaged installation of a Rotary Kiln with a capacity for sintering 28,000 tonnes per annum, purchase of a 600 tonne press and installation of a new Tunnel Kiln with a capacity of 60 tonnes per day with maximum firing temperature of 1700 degrees Centigrade. The Tunnel kiln was commissioned by the Company in August 1989, 6 years after placement of orders due to delay in receipt of Import Licence, changes in the sources of supply and delay in erection. The Rotary kiln was to be commissioned by January 1985, but was completed in June 1991.

The Management stated (December 1989) that due to various developments subsequent to 1981-82 the execution had to be kept in abeyance for a few years.

(b) Increase in the capacity of the Red Hill mines to 110,000 tonnes per annum was envisaged, and the capacity for basic bricks was to be increased to 29,000 tonnes per annum from 18,000 tonnes per annum. The break-even capacity was projected at 51.90 per cent. After investment of Rs.139.66 lakhs on the expansion of the mines, the production of raw magnesite at Red Hill mines increased only marginally. Production of bricks did not increase appreciably and projected profits could not be achieved till 1988-89. The non utilisation of new Tunnel kiln and Rotary kiln in time resulted in non production of high value high quality bricks.

The Management stated (December 1989) that to achieve standardisation, only 15 dumpers were purchased. Second shift operation of dumpers was not recommended as necessary infrastructural facilities were not available. The shortfall in the transportation of spoils was due to long haulage, idle time of machinery and accidents

The decline in profit upto 1984-85 was unavoidable as prices of bricks were controlled by Steel Authority of India Limited (SAIL). Contrary to earlier expectations, the Company faced fierce competition. Until the Rotary Kiln started functioning, the unit had either to go in for barter deal for procuring sinter or resort to purchase of sinter.

5.6. MODERNISATION OF LALKOTI SILICA WORKS AND DURGAPUR REFRACTORY PLANT OF RANIGUNJ GROUP OF WORKS :Government sanctioned in October 1982, a project at a cost of Rs.199 lakhs to improve the quality of coke oven bricks manufactured at Lalkoti works and Refractory bricks at Durgapur Plant, due to changes in technology. The project for modernisation at Durgapur was held in abeyance pending a decision on the closure of that unit. But this was after an expenditure of Rs.8.85 lakhs was incurred on reconstruction of chamber kiln (Rs.3.54 lakhs), acquisition of the Jack press (Rs.3.93 lakhs) and part payment to consultant (1.38 lakhs). Investment of Rs. 187 lakhs was made against the sanctioned amount of Rs.138 lakhs in Lalkoti works. The Plant and equipment actually ordered were different from those indicated in the project report based on which Government sanction was issued. The main plant-chamber kiln was commissioned in January 1986 against the scheduled completion in September 1983. The delay was due to delay in placing orders , supply, installation and commissioning.

The Management stated (December 1989) that the construction and commissioning of the plant was delayed

due to bad soil condition, heavy rainfall in 1983 and 1984 and unprecedented power cuts.

After modernisation the unit is incurring loss over Rs.1.5 crores annually against profit of about Rs.44 lakhs anticipated in the project report. The Management further stated (November 1990) that loss was due to the reduction in market demand for silica bricks due to technological changes and competition from small scale manufacturers. The facilities added under the modernisation programme were not able to produce silica bricks of required quality or quantity suitable for coke oven and glass tank furnaces.

5.7.MODERNISATION AT HOWRAH WORKS FOR MANUFACTURE OF CAST STEEL CASNUB BOGIES: Government sanctioned a project in March 1980, at a cost of Rs. 97 lakhs for manufacture of cast steel casnub bogies at the Howrah Unit. The project was to be completed by 1980-81 for manufacture of 750 casnub bogies per annum by machine moulding instead of hand moulding to meet the requirement of Railways. Expenditure of Rs. 102.07 lakhs was incurred and the project was commissioned in March 1983. The delay was due to delay in receipt of equipment.

Between May 1982 and January 1986, orders for 5019 casnub bogies were received from Railways and other customers. However, production of castings was limited to 100 bogies sets per month due to load shedding and some orders were offloaded to private parties at an extra cost of Rs.33.74 lakhs, but the parties did not adhere to the delivery schedule. The Management also stated (March 1990) that the workmen were not trained to cope with the requirement of steel foundry technology initially and therefore full production capacity was not achieved.

5.8.DIVERSIFICATION:The Engineering units depended heavily on orders from Railways (which constituted

75.81 per cent and 86.21 per cent of its sales as on 31st March 1975 and 31st March 1992 respectively) To reduce this dependance turn-key orders for Coal Handling Plant and Ash Handling Plants were booked, but were executed through outside agencies. The diversification did not help the company in better utilisation of its existing facilities. The turnover from such diversification varied between 7 % and 25 % in Howrah and between 0.41 % and 4.45% in Burnpur of total turn over during the last seven years (1985-86 to 1991-92).

5.9. FABRICATION OF WELLHEAD OFF-SHORE PLATFORMS AT JELLINGHAM: At Jellingham which is 16 K.M. downstream of Haldia Port, facilities for manufacture of Off-shore platforms for ONGC were set up in 1984 and sanction of Government was issued in 1985 for this project at a cost of Rs. 844 lakhs. In the first phase capacity for 7,000 tonnes per annum at a capital cost of Rs.2,880.44 lakhs was envisaged in the project report, though sanction was for much lesser amount. The second phase of the project visualised increasing the capacity to 14,000 tonnes per annum at an additional cost of Rs.1,765.11 lakhs. The actual expenditure upto 31st March 1986 was Rs. 1,861.71 lakhs. The Management stated that the Company had to incur more expenditure due to difficult sub-soil condition, high water table at the site and lack of proper bridges for carrying heavy equipment. Extra expenditure of Rs.691.47 lakhs upto 31st October 1985 could have been avoided had the original plan for setting up the fabrication facility at Hoogly Dock been adhered to. The Management stated that they had informed the Government that yard at Jellingham could be completed with the sanctioned amount and Company was unaware of the constraints till the work started at Jellingham. The Board expressed (February 1986) serious concern over the expenditure exceeding the sanctioned cost without the approval of the Board or Government, and decided that Government be moved for obtaining sanction for excess expenditure over the sanction, thereby indicating Board's endorsement.

The scope of the project was revised ten times during the period between August 1985 and November 1989. The actual expenditure incurred upto 31st March 1992 was Rs.23.40 crores. The revised project cost for Rs.45.06 crores was approved by the Government only in January 1991 . The estimate for Rs.45.06 crores included Rs.25.70 crores for which there was no provision in the original estimates and Rs.10.92 crores due to inadequate provision in the original estimates.

The Management stated (November 1988) that the company incurred capital expenditure in excess of the approved cost without taking the matter to the Board of Directors upto February 1986. This has been seriously viewed by the Ministry of Heavy Industries. The then CMD of the company was suspended with effect from 31st July 1985 and was dismissed after due process of inquiry. The Director (Finance) was also placed under suspension with effect from 21st October 1987 and dismissed on 25th April 1988.

In order to diversify its activities in the field of off-shore platform, BSCL entered into a technical collaboration and Collaborator recommended construction of 609 mtr. long bulkhead and load out Jetty for the fabrication yard. The company proceeded with the recommendations and based on the calculation for sheet piles required placed orders for 8004 MT of sheet piles. 8004 tonnes of sheet piles imported between May 1985 and October 1985 and stored in open space. Only 5054 tonnes were transported to Jellingham yard and only 928 tonnes utilised .

Dredging could not be completed without sheet piling and sheet piling required crawler crane. The dredger reached Jellingham by the end of May 1985. The crane was lying ready for shipment by mid March 1985, but the transport of the crane was delayed due to insistence on shipment by Indian Flag Vessel as required by the Ministry of Shipping. The procurement of major equipment viz., crawler crane, dredger and

sheet piles were so planned that those were to be received before July 1985. Sheet Piles, and dredger hired at a cost of Rs. 1.90 crores, reached but there was abnormal delay in arrival of crawler crane. Dredging could not be completed and the Company incurred cumulative storage charges amounting to Rs.68.73 lakhs upto 31.3.1992 on the pilings.

The Management stated (November 1988) that the sheet piles could not be transported from the rented godown to the yard as the temporary bulkhead for unloading heavy material was severely damaged during a cyclone in May 1986. The cost of transportation was more than 12 months storage cost and it was decided to keep the sheet piles in the transit godown and transport only such portion as was actually needed for use at different times.

The recommendation of the collaborator was for bulkhead of 609 meters length. According to the estimate of EIL the length of the bulkhead needed only 200 metres requiring sheet piles at 3121 tonnes.

The Management stated (November 1988) that the EIL's recommendation of 200 metres bulkhead came only in August 1986 by which time the import of sheet piles had been done. The company took action (February 1987) for disposal of the surplus sheet piles

The Ministry stated that had the company received the crawler crane in time, the same would have matched the arrival of sheet piles as originally planned and time over-run could have been avoided. Approval of the Government for disposal of surplus sheet piles has been accorded .

5.10 RENEWALS AND REPLACEMENTS: Upto 1984-85 expenditure of Rs 1174 lakhs was incurred out of Rs.1291 lakhs released by Government for Renewals and Replacements The Management stated (March 1990) that

they spent the balance on off-shore project at Jellingham

The Renewals and Replacement Scheme (1984-85) included Machine Shop Rebuilding Project at Howrah works. This scheme provided for installation of one Horizontal Boring-cum-Milling machine along with other facilities for manufacture of on-shore oil rig, high valued sophisticated and high technology jobs. The machine was commissioned on 10th May 1986 and the total expenditure incurred on the project was Rs.201.42 lakhs. But no high valued sophisticated and high technology orders (viz. on-shore oil rig structures) as contemplated in the project report had been secured till March 1992. The Management stated (September 1990) that the machine was used for other works i.e. for Steel Plant equipments of rolling type since the beginning of 1988-89 .

The Renewals and Replacement Scheme for 1985-86 also included one Plate Bending Machine which was intended for execution of orders for steel plant, mining equipment etc. Although the machine was commissioned in February 1987, it could not take full load. Defects noticed were rectified at a cost of Rs.0.74 lakh and the machine was recommissioned in August 1988. It is, however, lying idle since then. Total expenditure on the machine including civil works amounted to Rs.75.63 lakhs. The Company had been incurring heavy interest charges on the amount of Rs.50.00 lakhs taken under IDBI Bill Rediscounting Scheme for procurement of the machine. The Management stated (September 1990) that efforts are on to procure orders and utilise the machine. and expected that Howrah works will be in a position to procure such orders in the near future.

6. PERFORMANCE

6.1. FINANCIAL PERFORMANCE:

(i) The Company has been incurring losses since inception. On getting financial reliefs from 1st April 1981, the loss also came down and profits were earned in some years, but losses were incurred again from 1987-88 .

The sales and expenditure of the Company in recent years is given below

	(Rs. in lakhs)						
	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
1.Sales.	11,428	15,513	8,626	16,129	15,003	15188	16544
2. Total Income	13,740	12,711	10,606	15,004	16,073	16764	17688
3 Value of							
raw materials etc.	4,716	4,426	4,366	6,937	6,659	7385	8779
4 Salaries etc.	3,148	3,568	3,526	4,190	4,605	4925	5211
5.Staff welfare							
expenses	337	377	390	358	397	449	556
6.Depreciation	234	278	259	318	348	345	433
7.Interest	290	260	323	280	312	216	217
8.Total expenditure	13713	12677	11798	15434	16671	17108	18590
9.Loss(-)/Profit	27	34	(-)1,192	(-)430	(-)598	(-) 344	(-)902

(ii) The profit or loss of various units is given below:-

	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
<u>Profit/Loss of</u>							
<u>Engg. Units</u>							
HW	(+)17.03	(+)32.88	(-)416.18	(+)344.54	(-)152.85	(+)220.77	(-)735.06
BW	(-)80.79	(-)342.12	(-)437.94	(-)237.54	(-)65.53	(+)20.80	(+)326.37
OFF SHORE	(+)460.96	(+)493.98	(-)272.09	(-)367.09	(-)200.90	(-)165.75	(-)278.28
Salem	(+)170.23	(+)337.70	(+)530.70	(+)559.95	(+)710.19	(+)770.86	(+)926.45
Total	(+)567.43	(+)522.44	(-)595.51	(+)299.86	(+)290.91	(+)846.68	(+)239.48
<u>Profit/Loss of</u>							
<u>R&C Units except</u>							
<u>Salem</u>							
RW	(-)304.10	(-)278.35	(-)320.46	(-)437.60	(-)513.99	(-)518.77	(-)544.23
GW	(-)145.64	(-)141.58	(-)157.84	(-)179.79	(-)212.33	(-)214.16	(-)270.55
JW	(-)55.36	(-)37.42	(-)61.03	(-)78.70	(-)102.86	(-)96.58	(-)86.91
NW	(-)35.14	(-)31.56	(-)57.60	(-)33.85	(-)59.61	(-)56.06	(-)59.10
	(-)540.24	(-)488.91	(-)596.93	(-)729.94	(-)888.79	(-)885.57	(-)960.79
Total Profit/ Loss of the Company Extra Ordinary Items (VRS, Arrear Salaries etc.)	(+)27.19	(+)33.53	(-)1192.44	(-)430.08	(-)597.88	(-)38.89	(-)721.31
Net Profit/ Loss	(+)27.19	(+)33.53	(-)1192.44	(-)430.08	(-)597.88	(-)304.80	(-)181.02
Add back Depreciation of HW, BW, OSP.						(-)304.80	(-)181.02
SALEM	192.82	234.42	215.01	275.99	307.04	304.86	393.65
Add back Depreciation of RW, GW, JW, NW	41.59	43.61	44.48	41.76	40.89	40.12	39.13
Cash Profit/Loss	(+)261.60	(+)311.56	(-)932.95	(-)112.33	(-)249.95	(+)1.29	(-)469.55

HW=HOWRAH WORKS BW=BURNPUR WORKS RW=RANIGUNJ WORKS

In the view of the Management if it was within their power to be without the R&C Units of Ranigunj Group, Gulfarbari Works (GW), Jabalpur Works (JW) and Niwar Works (NW) the company would not have incurred cash loss in any year except in 1987-88.

(iii) The profit or Loss of two R&C Units is given below:

	JABALPUR					NIWAR				
	1987-88	1988-89	1989-90	1990-91	1991-92	1987-88	1988-89	1989-90	1990-91	1991-92
Value of										
Production	192.28	190.67	162.31	175.66	191.68	162.80	121.23	158.03	153.07	212.23
Other Income	1.27	1.92	1.46	3.46	4.34	3.07	2.11	1.15	9.31	1.79
Total Value										
Added	193.55	192.59	163.77	179.12	196.02	165.87	123.34	159.18	162.38	214.02
Less consumption										
of raw materials	39.06	41.63	27.31	35.67	40.25	50.23	24.20	36.78	45.00	63.44
stores spares										
including freight										
inward										
Less Cost of										
power and Fuel	51.76	52.67	57.94	54.97	56.57	32.05	21.33	26.83	33.28	37.49
Net Value Added	102.73	98.29	78.52	88.48	99.20	83.59	77.81	95.57	84.10	113.09
Employess cost	109.18	113.35	115.69	127.98	139.74	67.67	60.30	71.85	83.04	92.57
Excess of employee										
cost over net										
Value Added	6.45	15.06	37.17	39.50	40.54	-	-	-	-	-

The Management stated that they could ensure that in case of NIWAR the net value added would cover their employees' cost.

(iv) The Profit of Loss of two more R&C Units are given below:

	Ranigunj Group of works					Gulfarbari Works				
	1987-88	1988-89	1989-90	1990-91	1991-92	1987-88	1988-89	1989-90	1990-91	1991-92
Value of										
Production	408.58	340.90	213.17	204.51	271.82	209.96	211.15	185.34	152.28	173.05
Other Income	7.35	3.83	4.55	4.35	20.60	3.78	8.48	5.53	1.92	4.40
Total Value Added	415.93	344.73	217.72	208.86	292.42	213.74	219.63	190.87	154.20	177.45
Less Consumption of										
Raw Materials,										
stores and										
spares										
including Freight										
inward	95.11	63.57	48.51	44.56	70.34	63.22	59.90	72.73	61.95	61.85
Less Cost of Power										
and Fuel	87.24	85.10	84.90	70.38	91.82	48.59	57.05	51.40	53.10	59.72
Net Value Added	233.58	196.06	84.31	93.92	130.26	101.93	102.68	66.74	39.15	55.88
Employees Cost	391.44	439.03	432.71	465.41	533.20	159.97	184.02	189.20	197.31	239.23
Excess employees										
cost over										
net Value Added	157.86	242.97	348.40	371.49	402.94	58.04	81.34	122.46	158.16	183.35

The Management was unable to alter the fact that the employees cost was always more than the net value added and sometimes it were more than the value of production of these units.

The losses incurred by the Company would go up if sundry debts are not realised. The debts were high as indicated below:-

Year	Debts (good)	Debts (consi dered doubt ful)	Total	Sales	%age total debts to sales
(Rs. in lakhs)					
1985-86	6854	701	7555	11428	66
1986-87	6452	769	7222	15513	47
1987-88	5990	818	6808	8626	78
1988-89	6912	873	7785	16129	48
1989-90	5576	903	6479	15003	43
1990-91	4282	981	5263	15188	35
1991-92	4571	993	5564	16544	33

6.2. PERFORMANCE IN ENGINEERING UNITS

(i) PRODUCT MIX: Production in Engineering units was linked to orders received from the Railways for wagons, points and crossings, couplers, casnub bogies in Howrah works and wagons and springs in Burnpur Works. The Railway orders constituted two-thirds of the turn over. Orders came in fits and starts. The turnover of the Engineering units came down to 59.48 per cent of the total turnover of the Company by 1991-92 as against 74.60 per cent during 1974-75. In order to avoid sole dependence on Railways, Engineering units had to diversify. This was all the more necessary to avoid payment of idle wages in the event of curtailment of orders from Railways as happened in 1986-87. The production plan for the engineering units drawn up by

the Production planning Department was generally revised in the middle of the year. The planned production was generally low and the actual production exceeded the plan. In many cases the plan for the next year was lower than the actuals of the previous year. The company introduced computerised inventory system with effect from the financial year 1983-84, but planning is still not being done on optimistic basis.

The Ministry stated that the profitability, product-mix, order booking etc., are examined and discussed in detail at senior levels before the Annual Plan is finalised. The plans drawn before the commencement of each financial year are revised in the middle of the year to take care of changed circumstances. Progress Review meetings are held which are attended by all Departmental heads. The meeting is held everyday as a routine and minutes of such meetings are not recorded.

(ii) WAGON UNITS: In the Engineering Works at Howrah and Burnpur, for modernisation of plant and machinery investment of Rs.362.30 lakhs was sanctioned by Government in 1976-77 and the project was completed in March 1980. As a result production went up as given below:-

<u>Items</u>	<u>1977-78</u>	<u>1981-82</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>
Railway Wagons (FWU)	3350	4638	6233	6252	5103
Total Value of production including wagons (Rs. in lakhs)	2977	6382	22049	23902	27376

Upto 1982-83, Howrah works sustained loss of Rs.159.02 lakhs. It earned a profit of Rs.239.58 lakhs on orders completed in 1983-84 and Rs.1390.40 lakhs on orders completed in 1986-87. In 1989-90 an order was completed at a loss of Rs.264.94 lakhs. Upto 1989-90, Burnpur works completed ten orders and sustained a total loss of Rs.1,959.06 lakhs. In 1990-91 and 1991-92 Howrah works completed one order each and earned profits of Rs. 319.94 lakhs and Rs. 100.17 lakhs respectively. During 1990-91 Burnpur Works completed an order and earned profit of Rs. 61.99 lakhs. During 1991-92 two orders were completed and profit earned was Rs. 104.50 lakhs and Rs. 155.47 lakhs respectively.

The losses were mainly due to excess consumption of steel and extra expenditure on procurement and excess manhours over the norms fixed by the Railways

On orders for non-Railway wagons, the Company earned profit. But, on an order from Uganda, the Company incurred loss of Rs. 112 lakhs. On two orders executed by Burnpur Unit also, the Company sustained loss of Rs. 75.15 lakhs and Rs. 105.47 lakhs due to defective estimates.

The Ministry stated that, as per terms of contract with Railways, payments is made at Joint Plant Committee (JPC) rates. Extra expenditure between JPC rates and rates of procurement from stock-yard or market is borne by the Company. This is done to ensure continuity of production. Loss on this account was unavoidable and attributable to policy of Railways on which BSCL still depended for survival.

Railway Board fixes 'man-hours' norms and where actual man-hours exceed the norms, case is taken up with Railway Board for revision.

(iii) Structural (Howrah Works):The Company sustained loss in structural works except in 1982-83 when it

earned a profit of Rs. 28.39 lakhs. The loss upto 1989-90 was Rs. 763.92 lakhs. In 1990-91, profit of Rs.4.52 lakhs was earned and in 1991-92, loss of Rs. 83.21 lakhs was incurred.

(iv) Coupler (Howrah Works):In the eleven years ending 31st March, 1990 the loss was Rs. 518.82 lakhs on orders for Couplers. Loss in 1990-91 was Rs. 42.00 lakhs and in 1991-92 Rs. 276.63 lakhs .

(v) Spring (Burnpur): Loss on nine orders amounted to Rs.147.44 lakhs

(vi) Steel Plant Equipment (Howrah) Works: Upto 1989-90 loss was Rs. 728.41 lakhs. Loss for the year 1990-91 was Rs.70.32 lakhs and loss in 1991-92 was Rs.109.52 lakhs. Losses were mainly due to cost over run on delayed supplies. Due to delays in deliveries, the Company had to pay liquidated damages also. The Management stated (March 1990) that orders were obtained after stiff competition with reputed and renowned manufacturers. Due to various constraints, the contracts could not be executed on schedule thereby incurring losses.

(vii) In both Howrah and Burnpur units variable overhead costs were not identified and only the product-wise total overheads were booked without any break-up. At Burnpur works overhead was booked without any break-up after closing and certification of accounts. As a result, break-even point for profit or loss on any product was not ascertainable. The units never made any analysis to find out the reasons for loss for taking remedial measures on future orders.

The Management stated (March 1990) that while reconciling with the Financial Accounts the overheads are collected separately and are apportioned to the product shops on the basis of manpower but these overheads are not charged to product

(viii) Offloading:Howrah Works has eleven production shops and four feeder shops. Burnpur Works has seven shops and four feeder shops. Generally the shops remained underutilised. But orders were still off-loaded to outside parties, because of (i) heavy work load in the relevant shop, (ii) urgency of the work and inability of the shop to undertake the work on priority, (iii) non-availability of raw materials.

6.3 PERFORMANCE OF REFRACTORY AND CERAMIC UNITS:In the four Refractory and Ceramic groups (except for Salem and Niwar), the receipts were insufficient to pay the employees. The capacity utilisation required to break even after paying the employees was never reached in respect of Raniganj Group of Works and Gulfarbari Works.

The Management stated (November 1990) that except in Salem unit which has shown steady growth, losses in other R&C units were mounting from year to year. A decision was taken in 1984 to close down one Raniganj unit and Durgapur unit, but the matter was sub-judice.

6.4 CAPACITY UTILISATION: The capacity utilisation was poor in Engineering units also and was the result of poor advance planning and lack of efforts in booking orders and failure to anticipate customers requirements. The capacity utilisation in wagon units ranges between 21 (1983-84) and 65 (1990-91) per cent. Apparent improvement in capacity utilisation at Burnpur Works during 1988 to 1990 was mainly the result of reducing the rated capacity.

The Management stated (March 1990) that the installed capacity for wagon manufacturing was related by the erstwhile Management to the labour force available. Since then there had been deterioration of plant and machinery and strength of workers had also come down. Considering these factors the utilisation of capacity in real terms was more.

In many years in Burnpur Works and Howrah Works, the planned production was below the available capacity or orders on hand. The Company had to plan yearly production with the approval of the Railways despite orders on hand. Upto 1985-86, while Howrah Works completed orders within the scheduled date of delivery, Burnpur Works failed to execute orders within the scheduled dates with delay ranging from 15 to 39 months. The main reason for under-utilisation of capacity at Howrah Works was shortage of orders, while at Burnpur under-utilisation was attributable to low production.

The production of wagons for customers other than Railways fluctuated from year to year. It varied in Howrah Works between 0.43 per cent in 1983-84 and 16.51 per cent of turnover in 1980-81 and in Burnpur Works between 1.80 per cent in 1978-79 and 28.52 per cent in 1985-86.

(ii) Structural: The capacity utilisation for structurals varied between 15 per cent (1985-86) and 66 percent (1980-81). The production target did not keep pace with the order book during the years and the targets fixed for production were much below the installed capacity and orders in hand (upto 1986-87). Howrah Works had received orders for supply of Scrapper Chain. Due to delay in supply, the Company had to pay liquidated damages of Rs. 7.61 lakhs on orders received during the period October 1982 to May 1983. The Company could not return the excess of materials valuing Rs. 3.38 lakhs as they could not be traced in the Works.

The Ministry stated that the capacity of 12,000 MT for the structural shop was worked out in 50's. With the passage of time, there had been considerable change in the conditions of the plant and machinery, change in technology and change in the product range. The attainable capacity under changed conditions was assessed at 8,000 MT. The percentage utilisation of

capacity varied according to the product manufactured in the shop from year to year. With the introduction of BCN wagons major pressing capacity of Forge and Smithy shops had to be diverted to wagons, affecting the overall utilisation of capacity of structural shops.

(iii) Couplers: The Company approached the Railway Board in August 1982, to revise the unit price to Rs. 800 per unit or to cancel the order without any financial repercussion to which Railways did not agree. The unit supplied 500 couplers during 1983-84 and 334 during 1985-86. The work had not been fully executed till March 1990. To manufacture 934 Nos. the unit incurred an expenditure of Rs. 18.23 lakhs upto 31st March 1986 against Rs. 3.01 lakhs billed on the Railways. The unit suffered a loss of Rs. 15.22 lakhs. The Management and Ministry stated that delay did take place due to the execution of this order alongwith other urgent items against Railway Board's direct orders on Howrah Works.

(iv) Springs and Forging: The installed capacity for springs and forging was 12,600 tonnes per year. Since 1977-78 the production was very much below capacity because of lack of orders and capacity utilisation in the shop gradually declined. But, inspite of orders on hand, the capacity utilisation was only 12 per cent in 1991-92. This was despite the fact that substantial investment (Rs. 66.28 lakhs) was made in the spring plant under Renewals and Replacements Scheme from 1984-85 to 1985-86.

The Management stated (March 1990) that stringent tolerance in the specification of springs required by RDSO restricted production. The company could not compete with small scale units in procuring orders for automobile springs.

Due to change over to helical springs in Casnub Bogie, requirements of Railway Board for Laminated Bearings springs was drastically cut down after 1982. Meanwhile, the specifications of both Helical and Laminated Bearing Springs were changed in 1983 to a very stringent tolerance by RDSO which affected production adversely. In the absence of substantial order for Laminated Bearings Springs from Railway Board, BSCL restricted manufacture to coach and locomotive spring. As the production of spring and forgings was less due to lack of orders., stress was given on production of structural items.

The Howrah Unit of the Company required different types of springs for their use but did not generally place orders for springs on Burnpur Works. Though the Burnpur works quoted for the entire quantity the Howrah unit placed order for 2000 nos only on the ground that the rate offered by Burnpur works was higher. Howrah Works purchased Door Check Springs valuing over Rs.50 lakhs upto 1987-88 from other sources. The Management stated (March 1990) that in the interest of continuity of production bulk orders are distributed among more than one party including Burnpur works so that failure of one party does not hamper production

(v) POINTS AND CROSSINGS (HOWRAH WORKS) : The capacity utilisation for points and crossing was 26 percent (1991-92) to 78 percent (1986-87). The Management stated (March 1990) that from 1985-86 production improved due to revision of incentive schemes in the shop and utilisation of entire space for production of points and crossings. However, the production sharply fell from 1988-89. The Ministry stated that the installed capacity had been derated due to deterioration of plant and machinery with practically little capital investment

(vi) STEEL PLANT EQUIPMENT (HOWRAH WORKS): With effect from 1983-84, Howrah works ventured into production of Steel Plant Equipment. The orders executed varied from Rs.37 lakhs (1983-84) to Rs.727 lakhs (1984-85). The

production of Steel Plant Equipment was low inspite of orders on hand. The Management stated (March 1990) that price offered by the Railways for standard conventional items was low and Compoany decided to concentrate on Steel Plant Equipment as a step towards diversification. Based on market study, it was found that return per tonne for Steel Plant Equipment was much higher than that of Railway equipments. But this activity of the company resulted in losses year after year. In most cases there was delay in delivery due to defective planning and delay in procurement of materials.

(vii) FOUNDRY (Howrah Works): The percentage of utilisation of Steel Foundry varied from 51 percent (1986-87) to 67 percent(1990-91). The Management stated (March 1990) that the production declined in 1985-86 and 1987-88 mainly because of lack of orders from Railway Board.

(viii) The two Engineering Units at Howrah & Burnpur decided to undertake turnkey contracts like for setting up Coal Handling Plant & Ash Handling Plant. Burnpur unit received only two major orders upto September, 1984 and no further orders were received. Execution of both the orders were badly delayed. Turnover from such contracts which was 9.37 % of the turnover of the unit in 1983-84 came down to 0.41 % in 1989-90. According to Management the units of BSCL have better chance of competing with established companies in private sector in such areas but such orders require considerable marketting efforts and technical and managerial expertise, in the specialized needs of customers in this area.

(ix) REFRACTORY AND CERAMIC UNITS: The capacity utilisation in different units and order book position for the years 1986-87 to 1991-92 are given below:-

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
<u>1. GULFABBARIWORKS</u>						
a)Percentage utilisation for Firebricks	41.37	37.05	30.77	26.79	23.60	28.21
b)Closing orders in hand(MT)	9437	6914	7993	7409	9328	7990
<u>2. RANIGUNJ GROUP OF WORKS</u>						
a)Percentage of utilisation for Refractories	40.14	39.10	25.83	15.06	14.92	19.48
b)Closing orders in hand(M.T.)	19840	10936	6946	7775	3269	5549
<u>3. JABALPURWORKS</u>						
a)Percentage of utilisation for Fire bricks	70.98	53.00	62.33	52.52	58.65	55.23
b)Closing orders in hand (M.T)for						
i) Firebricks	1516	1177	1361	1000	338	667
ii)Pipes	NIL	NIL	NIL	NIL	18	81
<u>4. NIWAR WORKS</u>						
a)Percentage of utilisation to Firebricks	45.31	42.37	28.76	32.74	35.77	36.00
b)Percentage of utilisation for Fireclay	30.68	48.84	21.52	36.08	41.20	36.48
c)Closing orders in hand (M.T)						
i)Firebricks	4784	1971	2600	1140	2443	2271
ii)Fireclay	532	429	699	530	310	358
<u>5. SALEM WORKS</u>						
a)Percentage of utilisation for						
i)Ore Production	56.31	56.61	60.90	64.37	63.43	62.67
ii)Cal. Magensite	33.56	28.27	34.70	32.24	29.27	21.47
iii)Basic bricks	84.38	88.51	104.29	110.20	123.45	121.40
b)Closing orders in hand(MT):						
i)Cal.Magnesite	-	3469	3311	3482	3833	4112
ii)Basic bricks	-	20141	18680	25819	11450	23404

The utilisation of capacity was low ranging from 15 to 71 % inspite of orders on hand(except in Salem Unit).

The Ministry stated that the capacity of the machines in R&C units were based on end products. The end products required to meet the stringent specifications

needed by customers did not call for full utilisation of the machine and resulted in process imbalance. There were significant imbalances between different processes of production

The per capita output in the Raniganj group of works and Gulfarbari works showed a decline upto 1990-91 but increased marginally during 1991-92. In case of Jabalpur and Niwar there was marginal increase during 1990-91 and 1991-92 compared to earlier years. The details are given below:

(PRODUCTION PER WORKER IN TONNES)

Year	Raniganj	Bulfarbari	Jabalpur	Niwar
1985-86	9.32	16.28	29.40	27.47
1986-87	9.82	16.73	39.42	30.24
1987-88	9.76	15.39	33.31	30.94
1988-89	6.56	13.34	32.78	20.48
1989-90	3.89	11.96	30.61	25.17
1990-91	3.92	10.98	32.39	30.74
1991-92	5.31	14.54	32.49	33.94

In Salem Works the lower capacity of sinter plant resulted in purchase of sinter from outside, barter of sinter for crude magnesite, conversion of ore to sinter using outside agencies, sale of ore and under-utilisation of tunnel kiln. The Management stated (December 1989) that once the new Rotary Kiln became operational, the imbalance in capacities at different stages of production would be removed considerably.

6.6 PERFORMANCE OF OFF-SHORE DIVISION: In May 1984, ONGC placed orders for two wellhead platforms on the company, followed by another order (August 1984) for 4 such platforms. No sub-contract was to be given outside India in respect of the first order without

the approval of ONGC. The Foreign exchange involved in the orders was Rs.103 Crores. BSCL accepted the orders without developing infrastructural facilities and off-loaded the work to Foreign and Indian firms which included fabrication, load out, sea fastening. etc. This action was approved by ONGC in June 1985 with respect to the first order with the stipulation that extra cost should be borne by the Company. Both the orders were completed in December 1988. Payments were received upto March 1992 from ONGC for Rs.11024.58 lakhs. Payments made to and outstanding to sub-contractors was Rs. 7453.00 lakhs. The Foreign Collaborator preferred his claim for U.S.\$18.35 million for arbitration.

In January 1988, ONGC placed another order for 2 decks and Helidecks. The Company off-loaded structural fabrication work & process work and electrical instrumentation work to sub-contractor in November 1989 for Rs.2.26 crores. The scope of work included transportation and installation for which the Company had no facilities. Sub-contractor is still to be selected for the job (March 1992).

In October 1988, ONGC placed an order for laying of pipe lines and the work was to be completed by 30th April 1989. The company invited global tenders in October 1988 and the work was sub-contracted. The work to be completed by February 1990 but was completed in April 1990.

Again, in July 1989, the Company received an order for 2 Decks and 2 Helidecks from ONGC. The work was to be completed by 31st January 1992. The detailed design and engineering work was awarded to Engineers India Limited (EIL) in November 1989 at a price of Rs.98.00 lakhs and an advance of Rs.9.8 lakhs was released. The order was withdrawn from BSCL in September 1991. The expenditure of Rs.9.80 lakhs incurred by the Company as advance payment to EIL on account of preparation of

design drawings for the said job was agreed to be adjusted by EIL from their bills due from BSCL.

The manufacture against the orders from ONGC were done mainly through Sub-contractors. Still the Off-shore unit earned profit of Rs.83 lakhs, Rs.545 lakhs and Rs.503 lakhs during 1984-85, 1985-86 and 1986-87 respectively and thereafter started incurring losses of Rs.259.64 lakhs, Rs.365.53 lakhs and Rs. 184.22 lakhs in 1987-88, 1988-89 and 1989-90 respectively. In 1990-91 and 1991-92, Company incurred losses of Rs.154.18 lakhs and Rs.272.15 lakhs respectively.

7. PRICING

The Management stated (November 1990) that they faced stiff competitions from private manufacturers and they enjoyed no price preference from major customers. The units had, therefore, to match the lowest tenders for refractory and ceramic items. However, the Engineering Units in their prices included a margin in their competitive rates

The company executed five export orders of wagons between 1976-77 and 1986-87. The company earned profit on three orders but sustained marginal loss in one and huge loss on the export of wagons to Uganda. The order for 70 CLB wagons to Uganda was received through Projects and Equipments Corporation of India (PEC) at a firm price of Rs.4,48,933.09 per unit and Rs.15,71,390.44 for spares. BSCCL started delivery from December 1985 and completed in November 1986 at a cost of Rs.525.63 lakhs. The actual billing was for Rs.413.16 lakhs excluding cash compensatory subsidy of Rs.42.64 lakhs. However, only an amount of Rs.30.93 lakhs was realised as cash compensatory subsidy so far (March 1992). Due to non-fulfilment of cargo for shipment at Calcutta Port in time, PEC deducted Rs.3.09 lakhs.

No estimate of cost was prepared before accepting order from PEC. The consumption of steel was 38.760 tonnes more than the Bill of Material prepared before commencement of production

According to the Ministry PEC obtained orders for export of wagons on the basis of price given by the Coordinator TEXMACO. After receiving the order, the same was split among the five wagon manufacturers. The excess consumption of steel was attributed to utilisation of heavy sections of steel which resulted in generation of more scrap.

8. MANPOWER

8.1 The number of persons employed by the Company stood at 13,744 at the end of 1991-92. The number of workers declined by 3479 between 1977-78 and 1991-92, but the number of officers went up by 438.

The Management stated (November 1989) that increase in strength of officers was due to opening of off-shore division and undertaking of turn-key jobs and production of products like tram cars, Steel Plant equipment, etc.

8.2 The normal payments and overtime payments to workers and staff of the two Engineering units is given below:

HOWRAHWORKS

1 Payment for

Normal time

Workers	484	552	595	802	861	673	744
Staff	140	342	384	436	506	213	229

(Rs. in lakhs)

2. Overtime

Workers	80	124	117	189	231	257	69
Staff	27	38	34	44	61	31	15

(Rs. in lakhs)

3. Percentage of

Overtime to

Normal time

Payment

Workers	17	22	20	24	27	38	9
Staff	19	11	9	10	12	15	7

BURNPUR WORKS

Payment for

1. Normal time

Workers	408	439	439	550	586	628	609
Staff (Rs. in lakhs)	156	173	190	215	231	255	316

2. Overtime Workers

Staff (Rs. in lakhs)	26	35	15	12	15	19	21
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3. Percentage of

Overtime to

Normal time

Payments

Workers	24	27	6	3	4	5	5
Staff	17	20	8	6	6	7	7

Though the production during the years 1985-86 to 1986-87 declined the overtime at Burnpur increased. In 1987-88 and 1988-89 overtime paid to workers was lower at Burnpur.

In refractory and Ceramic Units, the overtime payments to staff was high at Gulfarbari as given below:

(Rs. in lakhs)

Gulfarbari Works	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92
Payment of							
1.Normal Time							
Workers	80	83	88	96	102	110	123
Staff	4	4	4	5	6	7	7
Payment of							
2.Overtime to							
Workers	12	13	14	12	6	5	5
Staff	2	2	3	3	2	0.4	0.5
3.Percentage of							
overtime to							
normal time							
Payment:							
Workers	15	16	15	12	6	5	4
Staff	58	58	62	61	30	6	7

8.3 PRODUCTION INCENTIVE

The production incentive payments made in Howrah Works and Burnpur Works to workers is given below

(Rs. in lakhs)

	1985-86	86-87	87-88	88-89	89-90	90-91	91-92
<u>Howrah Works</u>							
Workers	74	89	77	134	178	194	179
Staff	9	15	12	20	31	22	19
<u>Burgpur Works</u>							
Workers	64	74	54	131	173	191	228
Staff	15	18	16	36	45	45	38

The production norms for incentive were only estimated and there was no workstudy. The savings effected were also estimated. The incentive at Wagon Assembly Shop was allowed on ad-hoc basis. In Burnpur works, norms fixed were adhoc or estimated. Norms in the Ceramic units (except Salem works) were adhoc based on negotiations with workers.

In Salem unit alone norms were set by the local productivity council (October 1982)

A voluntary retirement Scheme was introduced by the company. The total number of employees retired under Scheme till July 1992 was 562

9. MATERIALS MANAGEMENT

For procurement of different types of materials, the Drawing and Design department prepares a material list against each order. The units procure the materials piece-meal and on urgent basis

In one case, Steel required for both Howrah and Burnpur works were not assessed beforehand. The units raised demands for steel on priority basis. The Steel Plants could not supply it. Purchases were therefore made from market by verbal enquiry and negotiated contracts placed on private parties. The difference between the contract price and the price fixed by the JPC was not on record. In the years upto 1991-92, the two units procured 25,192 tonnes of steel by placing as many as 1035 orders on private parties

In another case, in May 1982, Howrah unit received an order for 1950 casub bogies. Each bogie required two brake beams and one spring plank. The items were procured piecemeal.

The Management stated (March 1990) that the Engineering units of the Company could not make long-term planning for procurement of steel material because preparation of Annual Production Plan in advance was not feasible. Quite often expected orders do not fructify. New products get priority during the year on customer's specific request. Rigidity in annual production plan is seldom possible

10. ACCOUNTING POLICY AND INTERNAL AUDIT

The Management stated (November 1989) that Accounting Policy formulated by its holding Company-Bharat Bhari Udyog Nigam Limited was being followed since 1989-90. The internal audit at Headquarter is headed by Deputy General Manager (Accounts) in addition to his Accounts Charge and has not made any impact in improving productivity in the various units.

N. Sivasubramanian

(N.SIVASUBRAMANIAN)

New Delhi
The

Deputy Comptroller and Auditor General-
Cum-Chairman, Audit Board

24 DEC 1992

Countersigned



(C.G.SOMIAH)

New Delhi
The

Comptroller and Auditor General of India

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<u>Page No.</u>	<u>Reference</u>	<u>For</u>	<u>Read</u>
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8	8th line from bottom	expension	expansion
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14	10th line	yeard	yard
20	13th line (Col.2)	6452	6453
20	14th line (Col.6)	78	79
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36	20th line Col.2	58	50
	Col.3	58	50
	Col.4	62	75
	Col.5	61	60
	Col.6	30	33
