



**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2014-2016)**

**SEVENTIETH REPORT**  
(Presented on 23rd March, 2015)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2015

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PUBLIC UNDERTAKINGS  
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**SEVENTIETH REPORT**

**on**

**The Action Taken by Government on the Recommendations contained in the  
Thirty Sixth Report of the Committee on Public Undertakings (2006-08)  
relating to Autokast Limited based on the Report of the  
Comptroller and Auditor General of India for the year  
ended 31st March, 2002 (Commercial)**

337/2015.

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## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2014-16) having been authorised by the Committee to present the Report on their behalf, present this Seventieth Report on the action taken by Government on the recommendations contained in the Thirty Sixth Report of the Committee on Public Undertakings (2006-08) on the working of the Autokast Limited based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial).

The Statement of action taken by the Government included in this Report was considered by the Committee constituted for the year (2014-16).

This Report was considered and approved by the Committee at the meeting held on 11-2-2015.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala, in the examination of the statements included in this Report.

Thiruvananthapuram,  
23rd March, 2015.

K. N. A. KHADER,  
*Chairman,*  
*Committee on Public Undertakings.*

CHAPTER I

REPLY FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	21	Industries	The Committee pointed out that the norm of 65% originally adopted by the company with regard to the yield of SGI Casting had proved wrong. The Committee wanted to know why the company had not considered limiting factors, which are already known while fixing the norms.	Norms fixed for yield of SG Iron Casting—Norms for yield were fixed based on different factors such as the product mix expected, the prices of different types of scrap, the complexity of mould design of different castings, etc. Yield of casting consists of two components, yield of molten metal—Recovery from scrap and yield of casting—Ratio of runner and riser with the finished castings. The first component depends on the quality of scrap alone, whereas the second one depends on many factors such as the design, methoding process, the size of the runner and riser, the machining allowance given in the

case of mentioned items, the quality of sand used for mould making, the chemicals used in making core and moulds, etc.

The yield varies with variation in the quality of every input materials. The most important input material is Iron Scrap, which is not a standardized item. Scrap is a heterogeneous substance but the company stipulate different norms such as density of iron content percentage of other chemicals, etc. The Company require different kinds of scrap such as Cast Iron Scrap, Silicon Steel Scrap, Pig Iron, CRCA Scrap, etc. Most of these raw materials are used in different combinations along with recycled scrap of runner and riser for producing the required quality of molten metal. Each charge mix is decided based on the above parameters after considering the limiting factors and sufficient care is taken to improve the yield. More and more quantity of Pig Iron is being used to maintain better yield.

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(1)	(2)	(3)	(4)	(5)
2	22	Industries	<p>The Committee expressed dissatisfaction over the increasing rate of factory rejections and opined that it was due to process defects, dimensional inaccuracies, improper online inspection, non-improvements in process control techniques etc. The Committee, therefore recommends that these deficiencies should be rectified and necessary steps should be taken urgently for quality improvement. The Committee desires to be informed of the steps taken for reducing rejections.</p>	<p>In order to reduce the plant rejections, the following steps have already been taken:</p> <p>(a) Stage-wise inspections were strengthened commencing from incoming raw materials inspections;</p> <p>(b) Process control at Sand Preparation, Melting and Pouring was introduced and periodically modified wherever required;</p> <p>(c) Methoding was improved wherever variation in dimensional inaccuracy was found;</p> <p>(d) As part of quality review daily meetings were organized at the Plant Manager's level to analyze rejections and to have corrective and preventive measures;</p> <p>(e) As a result of the above, plant rejections have come down substantially to the level of 6.02%.</p>
3	23	„	<p>The Committee also opined that customers will not purchase defective</p>	<p>The Machine was purchased with the good intention of salvaging</p>

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items after welding at the price of new product. Hence purchase of the fusion welding furnace was definitely a wasteful expenditure.

defective castings to the maximum extent possible. However, the attempt could not fully succeed as the customers did not allow welded spots in the castings even in non-working areas. However, the defect was later eliminated to a great extent by introducing process modification etc. However, the Machine will become useful as and when the required type of welding is permitted.

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The Committee understands that the percentage of rejection of items of continuous production is still very high and no remedial action was taken to reduce the rate of rejection. The Committee opined that this shows the utter carelessness and irresponsibility of the officers concerned. Hence the Committee recommends to fix responsibility at various levels and to take strong disciplinary action against irresponsible officials. The Committee also recommends to take effective measures to reduce the rate of rejection

Since the rejection relates to the old period, it became difficult for the Company to determine the extent of rejection, its financial implications and to pinpoint the Officers responsible for rejections. Hence, in order to fix responsibility at various levels and to take strong disciplinary action against irresponsible officials, the company appointed an internal Committee consisting of three Managers to go through the old records and submit a report, naming the Officers responsible for rejection as well as to quantify the extent of rejections. The

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(1)	(2)	(3)	(4)	(5)
		to the minimum admissible level according to the industry norms.		<p data-bbox="1026 723 1445 808">Committee has submitted the report and a copy of the report is enclosed herewith as Annexure I.</p> <p data-bbox="1026 831 1445 1144">The Officers named in the report being Heads of Departments concerned, they were jointly and severally, <i>prima facie</i> responsible for the rejection. But all of them have retired from the service of the Company from time to time either on superannuation or on VRS, and hence disciplinary action against them cannot be taken.</p> <p data-bbox="1026 1167 1445 1223"><b>Specific actions taken to reduce rejection</b></p> <p data-bbox="1026 1245 1445 1301">Factory rejections are caused mainly by the following reasons:</p> <p data-bbox="1026 1323 1445 1541">(1) <i>Sand related</i>: The quality of Sand available has deteriorated over the years. Sand containing undesirable grain size and clay content creates problem. Relative humidity in Kerala is very high which also contributes the problem.</p>

(2) *Dimensional problems:* Core shift, short power etc. Those are Operational Problems.

(3) *Metallurgical Problems:* Related to the chemistry of molten metal, pouring time, pouring temperature, solidification pattern etc. Rejections caused by wrong parameters are methoding problem.

Efforts are successfully made to control most of the problems.

Operational problems are solved by posting a duty officer to oversee the mould closing and metal pouring processes. He is authorized to ensure that all procedures are strictly followed before casting are finally made. The quality control department is empowered to ensure that the quality stipulations are observed by the concerned Production departments. The above process is known as Witness Pouring.

Sand sieving is implemented to avoid sand related rejections. Chances of Core breaking, Core shifting, etc. are

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(1)	(2)	(3)	(4)	(5)
5	25	Industries	<p>The Committee is constrained to note that even though the Company had consumed power in excess of norms it could not stabilize production to the optimum level of 500 MT per month. So the Committee recommends to take scientific and technical actions to stabilize production to the maximum level and to reduce consumption of power.</p>	<p>eliminated by inspection of each core before placing it in the mould.</p> <p>Production is based on the Mains Frequency Induction furnace, which has its own limitations of old technology. They are:</p> <p>(1) The furnace is capable of producing more than 5.5 MT molten metal in a single heat, but 25% has to be retained in the furnace as base metal.</p> <p>(2) One crucible only can be engaged at a time, that means larger castings requiring more than 4.25 ton liquid metal cannot be produced.</p> <p>(3) As the furnace is 25 years old breakdowns are very frequent.</p> <p>(4) Small quantities cannot be melted as it may affect the life of the furnace lining.</p> <p>(5) Mains frequency power consumption is very high because of the outdated technology.</p>

Now the production capacity or efficient production level has been established at 15 tons per day, but order book position has been depleted to less than 200 tons level per month as a consequence of the global melt down. Therefore the company is unable to stabilize production at Break even levels. Efforts are on to canvas more orders and step up production to the break even level. Regarding updating technology, the power consumption of Mains Frequency Induction Furnace is very high compared to Medium Frequency Induction Furnace because of the inherent design differences. Medium frequency induction furnace works on modified technology and preparation of molten metal is very fast.

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As regards updating technology from Mains Frequency Induction Furnace to Medium Frequency, the minimum investment required is ` 175 lakh to ` 200 lakh. Since Autokast was incurring huge losses year after year,

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(1)	(2)	(3)	(4)	(5)
6	26	Industries	<p>The Committee finds that the quantity of additives actually used by the company was far in excess of the norms fixed and it shows there was absence of internal control to correlate consumption with quality variations. The Committee recommends steady chemical composition, which will satisfy the use of additives at the prescribed norms. The Committee understands that the average output per employee per month of this firm is very low when compared to other similar companies. This fact will nurse the closure of this sick unit to a great extent. The Committee therefore, recommends to fix the workload of the employees of this undertaking, considering the norms of the industry and to take stringent action to implement the same for a healthy survival of the company.</p>	<p>the company is not in a position to meet the capital requirements on its own. Hence the replacement from the Mains frequency to Medium Frequency has not been carried out.</p> <p>The work norm is refixed in every department and an agreement has been signed between the recognized trade unions and the management for the implementation of the same. But this work norms are not strictly implemented as the production levels have come down due to the shortfall in the Order Book as a consequence of global melt down.</p> <p>Consumption of additives are being controlled by daily monitoring and controlling the daily consumption versus the daily production of castings/moulds/cores. Consumption of all major raw materials are monitored on a daily basis. Moreover the company has negotiated the prices of scrap and moulding chemicals and a substantial reduction in the input cost has been</p>

7	27	„	<p>The Committee observes that the company has not devised a scientific costing system to compute the cost of production and had been finalizing the selling price on the basis of rough estimate prepared for the purpose of quotation and subsequent negotiations. Hence, the Committee recommends to devise scientific and full fledged costing systems for fixing the selling price.</p>	<p>effected. Proper documentation also has been implemented in this regard.</p> <p>As a prelude to the establishment of a full fledged Cost Accounting System, M/s Esthappanu &amp; Company, Cost Accountants, have been entrusted with the Cost Study of the existing production/work flow in the Company. They have submitted their report. Along with their report, they have submitted their recommendations on measurement of various elements of cost especially the marginal cost. Company is making use of this as a basis for price fixation and price negotiations with the existing and prospective customers.</p>
8	28	„	<p>The Committee opines that non-achievement of despatch plan of finished goods was on account of shortfall in production. Quality problems, raw materials shortage, delay in machining, delay in sample approval etc. are the main reasons for shortfall. The Committee also observes that most</p>	<p>In each month, production and dispatch plans are made and monitored at various levels. The production planning is again split into weekly basis and the required corrective and alternative steps are being taken to reach monthly plans as far as possible. Action has also</p>

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(1)	(2)	(3)	(4)	(5)
			of these problems are avoidable. Hence, the Committee recommends that these problems should be avoided by close monitoring.	been taken to optimize available resources and to reach optimum level of production and turnover, taking into consideration of the customers priority also.
10	30	Industries	The Committee finds that though internal audit reports of the Company indicated many persistent irregularities no effective follow-up action was being taken by the management to rectify the same. The Committee, therefore recommends that internal audit should be done in time and effective steps should be taken to rectify the irregularities pointed out in the Internal audit reports.	Internal Audits are done regularly and actions are taken to rectify irregularities, if any, pointed out by the internal Auditors from time to time.
11	31	„	The Committee remarked that the cut off of power supply and consequent shutdown of the plant was because of the irresponsible attitude of the management and the officers concerned. Hence, the Committee recommends that the management and officers should be more vigilant and such situations should be avoided in future.	It may be noted that from November 2005 onwards, we have been regular in payment of monthly dues to KSEB. Hence there was no occasion for cut off of power supply to the company.



CHAPTER II

REPLY FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/Recommendation</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
9	29	Industries	The Committee recommends to conduct inspections and eliminate defects at every stage of production to bring down customer rejection and inform the steps taken in this regard. The Committee also recommends to make available the details of factory rejection and customer rejection during the last five years.	Concerted efforts have been taken to eliminate defects at different stages of processing with a view to bring down rejections at customers end. Owing to the above actions, both factory rejection and customers rejections have been reduced substantially during the last five years. Details of factory rejection and customer rejection is enclosed as Annexure II.

*Remarks:*—The Committee recommends to make available the details of factory rejection and customer rejection from 2008-09 onwards.

Thiruvananthapuram,  
23rd March, 2015.

K. N. A. KHADER,  
*Chairman,*  
*Committee on Public Undertakings.*

## ANNEXURE I

## REPORT

The Managing Director vide Office Order No. AKL/MD/36/328 dated 17-5-2011 constituted a Committee consisting of following members to go through the 36th PUC Report and to submit a Report thereon, as per the terms of references made.

Mr. Sudhir Antony, Manager (PPC)

Mr. V. Ravikumar, Manager (Materials/SC)

Mr. P. V. Jithesh, AM (HRD & A)

**The terms of references**

- What is the extent of rejection ?
- What are the financial implications ?
- Name of Officers responsible for rejection ?

The Committee have gone through the 36th PUC Report and the available records in this regard.

**The Observations of PUC**

The 36th Report of Public Undertakings relates to the period 2006-2008. The Committee found that there has been increased rate of Factory rejections during the period 1996-97 to 2000-01, mainly due to:

- Process defects
- Dimensional inaccuracies
- Improper online inspection (and)
- Lack of new improvements in process control techniques

The PUC observed that the percentage of rejection of items of continuous production was very high and no remedial action was taken to reduce the rate of rejection. This shows:

- Utter carelessness (and)
- irresponsibility of the Officers concerned

Hence, PUC wanted that company to fix responsibility at various levels and to take stringent disciplinary action against irresponsible officials and the company to take effective measures to reduce the rate of rejection to the minimum admissible levels according to the industry norms.

The company in its various reports maintained that the rejection was due to the problems related to:

- sand
- dimensional inaccuracies (core shifting, short pouring)
- metallurgical problems (and)
- high HPL rejections

**What is the extent of rejection ?**

The PUC in their report itself mentioned the extent of rejections. Over and above the norms fixed by the company for rejection from time to time, the following Excess tonnage of rejection was noted:

1.	1996-97	..	23.54 MT
2.	1997-98	..	107.97 MT
3.	1998-99	..	266.78 MT
4.	1999-2000	..	191.13 MT
5.	2000-01	..	71.59 MT
	Total	..	<u>661.03 MT</u>

**What are the financial implications ?**

The PUC in its report also mentioned the financial implications of the rejection. The Committee noted that on an average Rs. 25,000 per MT would be loss suffered by the company. This figure is based on the fact that during that period company charged the same rate on subcontractors for the recovery of

damages for the rejected castings for any machining rejection. This amount was arrived at after adjusting the scrap value of the castings. The financial implications of rejection year-wise are mentioned here below:

1.	1996-97	..	6.90 lakh
2.	1997-98	..	26.99 lakh
3.	1998-99	..	66.70 lakh
4.	1999-2000	..	47.79 lakh
5.	2000-01	..	17.90 lakh
	Total	..	<u>165.27 lakh</u>

**Name of the Officers responsible for rejection**

Our findings are that there was no single person or department individually responsible for the rejection. The following departments are severely responsible for the rejections:

- Laboratory
- Quality Control
- Production (especially)
- High Pressure line

During the rejection period of 5 years (1996-97 to 2000-01) the following persons were at the helm of affairs in each department.

**QUALITY CONTROL/LAB DEPT.**

1.	Ramesh Kanapady	..	JM (QC & Inspn.)	..	10-2-1995 to 31-1-1996
2.	K. A. Anotony	..	Manager (QC)	..	1-2-1996 to 2-1-1997
3.	Ramesh Kanapady	..	JM (QC)i/c	..	3-1-1997 to 21-6-2000
4.	T.S.S. Nair	..	Manager (Tech.)	..	23-6-2000 to 30-9-2000
5.	Ramesh Kanapady	..	Manager (QC)	..	1-10-2000 to 18-5-2002

## PRODUCTION

1. Q. C. Namboodiri .. AGM (Works) .. 1-3-1995
2. P.K.S. Pillai .. Sr. Mgr. (Prodn.) .. 2-1-1997-2001

## HP. LINE

1. G. Sreekumar .. DM (HPL) .. 10-2-1995
2. A. M. Sankaran .. DM (HPL) .. 25-2-1995
3. P. L. Thomas .. JM (CM, HPL) .. 1-2-1996
4. A. M. Sankaran .. DM (HPL) .. 22-2-1996
5. P. L. Thomas .. JM (Mould) .. 1-4-1996
6. G. Sreekumar .. Mgr. (HPL) .. 1-12-1998
7. K. P. Ravi .. Mgr. (HPL) .. 22-5-2000

Being heads of departments concerned, we can specify that the above mentioned Officers were jointly and severally, *prima facie* responsible for the rejection.

None of the above Officers are in Service as on date with Autokast Limited. All of them were retired from service from time to time either on superannuation or VRS.

We may not be able to take any disciplinary action against the above Officers who are no more in our service.

Report submitted by the Committee to the Managing Director on the 7th day of July, 2011.

(Sd.)  
Asst. Manager (HRD & A)

(Sd.)  
Manager (M/SC)

(Sd.)  
Manager (PPC)

## ANNEXURE II

TABLE I

**Customer Rejection**

<i>Sl. No.</i>	<i>Year</i>	<i>Despatch Qty. (MT)</i>	<i>Rejection Qty. (MT)</i>	<i>Rejection (%)</i>
1	2003-04	2406.63	226.88	9.43
2	2004-05	2659.54	205.84	7.74
3	2005-06	2358.95	77.47	3.28
4	2006-07	2278.60	68.13	2.99
5	2007-08	2333.70	50.09	2.15

TABLE II

**Factory Rejection**

<i>Sl. No.</i>	<i>Year</i>	<i>Gross Production Inplant (MT)</i>	<i>Total Rejection Inplant (MT)</i>	<i>Net Production Inplant (MT)</i>	<i>Rejection Inplant (%)</i>
1	2003-04	2584.51	221.71	2362.80	8.57
2	2004-05	2975.08	285.51	2689.57	9.59
3	2005-06	2677.24	183.97	2493.27	6.87
4	2006-07	2541.50	146.30	2395.20	5.75
5	2007-08	2694.52	204.92	2489.60	7.60

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