27

STANDING COMMITTEE ON LABOUR
(2007-08)

(FOURTEENTH LOK SABHA)

MINISTRY OF TEXTILES

SICKNESS/CLOSURE OF TEXTILE MILLS

TWENTY-SEVENTH REPORT

LOK SABHA SECRETARIAT
NEW DELHI

April 2008/Chaitra, 1930 (Saka)

TWENTY-SEVENTH REPORT

STANDING COMMITTEE ON LABOUR
(2007-08)

(FOURTEENTH LOK SABHA)

MINISTRY OF TEXTILES

SICKNESS/CLOSURE OF TEXTILE MILLS

Presented to Lok Sabha on 17.4.2008

Laid in Rajya Sabha on 17.4.2008

LOK SABHA SECRETARIAT
NEW DELHI

April 2008/Chaitra, 1930 (Saka)

CONTENTS

COMPOSITION OF THE STANDING COMMITTEE ON LABOUR (2007-2008)

Shri Suravaram Sudhakar Reddy – CHAIRMAN

MEMBERS
LOK SABHA

2. Shri Furkan Ansari
3. Shri Subrata Bose
4. Shri Santasri Chatterjee
5. Shri Thawar Chand Gehlot
6. Shri Munawar Hasan
7. Smt. Sushila Kerketta
8. Shri Mohammad Tahir Khan
9. Shri Virendra Kumar
10. Shri Rajesh Kumar Manjhi
11. Shri Basangouda R. Patil
12. Shri Devidas Pingle
13. Shri Chandra Dev Prasad Rajbhar
14. Shri Mohan Rawale
15. Shri Dhan Singh Rawat
16. Shri Kamla Prasad Rawat
17. Smt. C.S. Sujatha
18. Shri Parasnath Yadav

*19. Shri Ramdas Athawale

20. Vacant
21. Vacant

RAJYA SABHA

22. Chowdhary Mohammad Aslam
23. Shri Rudra Narayan Pany
24. Shri Narayan Singh Kesari
25. Shri K. Chandran Pillai
26. Shri Gandhi Azad

**27. Shri Arjun Kumar Sengupta

***28. Vacant

***29. Vacant

30. Vacant
31. Vacant

SECRETARIAT

1.	Shri S.K. Sharma	-	Additional Secretary
2.	Shri N.K. Sapra	-	Joint Secretary
3.	Shri R.K. Bajaj	-	Director
4.	Shri N.K. Pandey	-	Deputy Secretary-II
5.	Shri Suresh Kumar	-	Senior Executive Assistant

---

* Changed the nomination from Committee on Railways to Committee on Labour w.e.f. 21 August 2007.

** Nominated w.e.f. 14.9.2007

*** Vacancy caused due to retirement of Ms. Pramila Bohidar and Shri Dilip Ray w.e.f. 2.4.2008

INTRODUCTION

I, the Chairman of the Standing Committee on Labour 2007-08 having been authorized by the Committee to submit the Report on their behalf, present this Twenty-Seventh Report on the subject "Sickness/Closure of Textile Mills".

2. The Committee had selected "Sickness/Closure of Textile Mills" as one of the subjects for detailed examination for the year 2006-07. The subject was again selected for the year 2007-08. The Committee took oral evidence of the representatives of the Ministry of Textiles on 11.1.2007 and 17.12.2007. On 17.12.2007, the Committee also heard the views of the representatives of the major Central Trade Unions separately in connection with the examination of the subject. The Committee also undertook an on-the-spot visit to NTC mills during their study tour to Coimbatore (Tamil Nadu) on 30 January 2008 and have had the first hand information regarding the problems/issues being faced by the textile workers.

3. The Committee wish to express their thanks to the representatives of the Ministry of Textiles for placing before them their views and also for providing detailed written notes on the subject as well as furnishing the information as desired by the Committee in connection with the examination of the subject.

4. The Committee also wish to express their thanks to the Central Trade Unions who freely expressed their views on the subject.

5. The Committee would also like to place on record their deep sense of appreciation for the valuable assistance rendered to them from time to time by the officials of the Lok Sabha Secretariat attached to the Committee.

6. The Committee considered and adopted the draft Report at their sitting held on 8.04.2008.

7. For facility of reference and convenience, the observations/recommendations of the Committee have been printed in bold type in the body of the Report and have also been reproduced in a consolidated form in Appendix of the Report.

New Delhi;
8 April, 2008
19 Chaitra, 1930 (Saka)

SURAVARAM SUDHAKAR REDDY,
CHAIRMAN,
STANDING COMMITTEE ON LABOUR

REPORT

CHAPTER-I

INTRODUCTORY

1.1 The Textile Industry is a pioneering industry in the country. Being one of the largest and vital industries, its contribution to industrial production, employment and export earnings is very significant. The industry generates tremendous employment which is a source of livelihood for millions of people. It provides direct employment to over 35 million people, which includes a substantial number of scheduled castes, scheduled tribes, and women. The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of the economy of the nation. It contributes about 14 per cent to industrial production, 4 per cent to the GDP, and 16.63 per cent to the country's export earnings.

1.2 The Indian textiles industry is extremely varied, with the hand-spun and hand-woven sector at one end of the spectrum, and the capital intensive, sophisticated mill sector at the other. The decentralized powerlooms/hosiery and knitting sectors form the largest section of the textiles sector. The close linkage of the industry to agriculture and the ancient culture and traditions of the country make the Indian textiles sector unique in comparison with the textiles industry of other countries. This also provides the industry with the capacity to produce a variety of products suitable to different market segments, both within and outside the country.

1.3 The major sub-sectors that comprise the textiles sector include the organized Cotton/Man-Made Fibre Textiles Mill Industry, the Man-made Fibre/Filament Yarn Industry, the Wool and Woollen Textiles Industry, the Sericulture and Silk Textiles Industry, Handlooms, Handicrafts, the Jute and Jute Textiles Industry, and Textiles Exports.

Capacity

1.4 The Textile Industry has been expanding from year to year. The total number of cotton/man-made fibre textiles mills in the country as on 31 January 2007 was 1,818 with a capacity of 35.37 million spindles, 4,48,000 rotors and 6,900 looms.

Capacity Utilization

1.5 The capacity utilization in the spinning sector of the organized textiles mill industry ranged between 80% to 93% during the period 2000-01 to 2005-06, while the capacity utilization in the weaving sector ranged between 41% to 63% during same period. A statement giving the capacity utilization in cotton/man-made fibre textiles mills is as under:-

Year	Installed Spindles	Percentage	Installed Looms	Percentage
	Nos. (In million)	Utilisation	Nos. (In Thousand)	Utilisation
2000-01	37.91	85	123	47
2001-02	38.32	82	123	42
2002-03	39.03	80	119	41
2003-04	37.03	83	88	53
2004-05	37.46	87	86	58
2005-06 (P)	37.51	93	73	63

Note:-

(i) Installed spindles include SSI units.
(ii) Percentage utilization regarding spindles include rotors also.
(iii) Installed rotors include SSI units.

Causes of Sickness

1.6 As regards to causes of sickness in the Textile mills, the Ministry of Textiles in a note furnished to the Committee stated that:

> "One main reason of sickness is the structural transformation resulting in composite units in the organized sector losing ground to powerloom in the decentralized sector on account of latter's greater cost effectiveness. The other main causes of sickness/closure of industry can be attributed to factors such as excess capacity, low productivity of both machine and labour due to lack of modernization, stagnant demand and inability on the part of them (sick units) to access export market, increase in the cost of inputs particularly labour and electric, power, difficulties in getting timely and adequate working capital finance, irrational fiscal levies, internal factors, etc."

1.7 On this issue, one of the representatives of a Central Trade Union who appeared before the Committee stated during evidence as under:-

"Some of the important reasons are, lack of modernization and diversification. Then, there is diversion of funds/finances through loans meant for Government schemes to other sister concerns, especially in the private sector. Optimum utilization of production capacity is not ensured. High land prices make the mill owners resorting to defunct the mill. The mill should not be allowed to sell the land unless it is ensured that their utilization will be only for the industrial purposes and the dues of all the workers will be paid.

1.8 A representative of another Central Trade Union added as under:-

"……..So far as sickness in the textile industry is concerned, it is our view that it all depends on the policy matters of the Government, that is, Industrial and Economic Policy. The problem is that earlier, after Independence, the first Industrial Policy Resolution was made in 1956, which gave a commandeering role to the public sector. It stated that if I remember the words correctly, 'the public sector will play a commandeering role and the private sector will also play a role.' It is a sort of mixed economy as thought of by Pandit Jawaharlal Nehru. After that, the public sector played a key role in the industrialization in the country, including the NTC, which was thrown into gutters by private sector. It was all taken up and because of policy matters, it was revived………

…………It was giving contribution to the textile industry including the handloom industry. But, unfortunately, as a policy matter, particularly after globalization, it has now been just reversed. Now the private sector is the dominant factor, and the public sector has been relegated to very much secondary or tertiary position. With this, what is happening is that the organized sector is now getting dismantled or squeezed with this informalization of economy, informalization of productions and informalization of labour relations. That is the crux of the problem. Therefore, the workers, who are actually the producers, they are being absolutely sidelined. Profit has become the most important motive of these big giants, industrial monopolists."

1.9 The Committee observe that the textile industry is a pioneering industry in the country which as a whole has been plagued by multiple problems. Some of the causes attributed are excess capacity, low productivity of both machine and labour due to lack of modernization, stagnant demand and inability on the part of sick units to access export market, increase in the cost of inputs, etc. The Committee feel that under-utilization of the installed capacity is the major hindrance in the path of production and sustainable growth of the sector. The Committee find that as on 31 January 2007, 1,818 textile mills are in existence in the country with a capacity of 35.37 million spindles, 4,48,000 rotors and 6,900 looms. The capacity utilization in the spinning sector is between 80 and 93 per cent while in the weaving sector it is between 41 and 63 per cent. The Committee are of the opinion that the reasons for this under-utilization may be beyond the control of the private entrepreneurs also, nonetheless the overall performance of the textile sector is being affected in the country. As the large number of mills are closed year after year due to one or the other reason, it becomes incumbent to ensure that the mills which are functional and are in production, utilise their optimum capacity. The Government cannot shrug off its responsibility for under-utilisation of textile production capacity - whether in the public or in the private sector. It is rather obligatory for the Government to take all possible steps to facilitate and encourage the capacity production in the textile sector and provide conducive environment for the growth of this sector. The Committee, therefore, strongly recommend that the Government should formulate a multi-pronged strategy so that optimum production of textile in the public as well as private sectors could be attained. For the purpose, all the obstacles that hinder the production growth and efficient functioning of the textile sector may be removed. The Committee would appreciate if the Government formulates a strategy in this regard at the earliest and chalk out a time bound programme for its implementation.

Magnitude and Remedial Measures taken to phase out sickness

1.10 As regards magnitude of sickness in the textile industry, the Committee were informed that out of total 1818 mills, 462 cotton/man-made fibre textile mills (Non-SSI) were reported to be closed as on 31 May 2007. The details of closure of cotton/man-made fibre textile mills alongwith their installed capacity since 2002-03 to May 2007-08 are as under:-

Closure of cotton/man-made fibre textile mills

Year/Month End	No. of Mills			Installed Capacity			**Workers Affected (000's)**
	Spinning	**Composite**	**Total**	**Spindles (000)**	**Rotors (No.)**	**Looms (00)**	
2002-03	349	134	483	10699	66936	741	390
2003-04	374	94	468	9391	83000	515	329
2004-05	376	99	475	9646	88160	538	335
2005-06	387	96	483	9680	92808	491	339
2006-07	380	87	467	9163	91544	451	320
2007-08							
April	380	87	467	9163	91544	451	320
May	382	80	462	8790	91352	398	304

1.11 The Committee took note of the fact that a large number of textile mills have been and are being closed year after year in the country, thus narrowing the path of growth/production by Indian Textile Industry. When asked about the steps taken to address this issue keeping in view the increasing demand of the textiles in the domestic market of the country, the Ministry in a written note informed:-

> "Despite the closure of the mills, the production of fibre, yarn and fabric has been showing an increasing trend on account of expansion of capacity and setting up of new units. The details of production of fibres, yarn and fabrics during the last 5 years are given below:-

Production of textile items

Item	Unit	2002-03	2003-04	2004-05	2005-06	2006-07 (Prov.)	% Increase 2006-07 over 2005-06
Fibre							
Cotton*	Lakh bales	136	179	243	244	270	0.7
Man-made Fibre	Mn. Kg.	914	953	1023	968	1139	7.7
Yarn							
Filament yarn	Mn. Kg.	1100	1118	1109	1179	1370	6.2
Spun yarn	Mn. Kg.	3081	3052	3223	3458	3813	0.3
Fabrics							
All fabrics	**Mn. Sq. Mtr.**	**41973**	**42383**	**45378**	**49577**	**53728**	**8.4**

- **Cotton year Oct.- Sept.**

1.12 When asked, how the Ministry assessed the impact of rise in value of rupee on textile industry and its export in the present scenario and also in the coming years as well, the Ministry stated in a written note as under:-

"The problems of the textiles and clothing industry started intensifying due to the sudden and steep appreciation of the Indian Rupee against the Dollar – a currency in which a dominant portion of its exports are denominated (approximately 62% during the fiscal 2006-2007). The Industry has suffered a severe blow due to steep upsurge in Rupee value vis-à-vis the US Dollar ……….The entire textile value chain of the country is currently reeling through a major crisis due to unprecedented appreciation of Indian rupee against the US Dollar during the past one year. This has resulted in eroding India's competitive advantage, substantially dampening the exports. Garment units in many parts of the country are worse-hit and textile units are running lower capacity utilization compared to the previous year. Profitability in the entire value chain has come down and exports are also dwindling ………This appreciation is particularly detrimental to the spinning, knitting and weaving segments. These segments usually operate as small stand alone units. The industry is quite fragmented with a few big players and lots of smaller players. The larger companies would have been proactive and would have hedged their receipts to avoid these uncertainties. However, the smaller companies may not have done so and would have been the worst hit.………The impact of the appreciating Rupee on the textile and apparel industry can be mainly attributed to low import intensity, growing competition from other strong textile and apparel exporting countries in the region, rising cost of power and other utilities, rise in interest rates and cancellation of contracts……………Unlike other sectors, which have shown resilience due to higher import content in the products exported, the textile sector, with relatively lower import intensity is witnessing a sharp decline in its exports. Export of textile products started declining from the beginning of the current year and as per official Government data, there has been a negative growth of nearly 16 pr cent during April-May 2007, compared to the same period of the previous year. The textile exports, which were targeted as US $ 25 billion during 2007-2008, are not expected to exceed US $ billion. During the month of April 2007, the exports of cotton textiles from India have shown a negative growth rate of (-) 15.31 per cent, according to the latest data available from DGCI&S. The overall exports of Textiles and Clothing have also declined by (-) 20.13 per cent in April 2007 against a growth of 12.175 per cent during 2006-2007 and 21.80 per cent in 2005-2006. The Rupee appreciated 15.1% (October 2007) against the US Dollar since October 2006- spelling doom for exporters, especially those in labour-intensive sectors."

1.13 When enquired about the alternatives planned to come out from this crisis, the Ministry of Textiles in its written reply stated:-

- Service tax to be abolished fully (directly or indirectly) on all export items. Introduce Exim Scrip with a value of 5%.
- Easing the Pre-shipment (Packing) Export Credit and reducing the interest rate.
- Increasing the export benefits like DEPB/Duty drawback, duties and imports of capital goods and raw material.
- Basic Customs duty should be reduced on raw material. Customs duty on Man-made Fibre should be zero and there should be Excise Duty parity. It should be made 'NIL' duty industry as this is a multiple chain product processing industry and attracts multiple levies.
- Transactions costs, including levies being borne by exporters (such as State levies, octroi and other municipal charges), which are not CENVATable or are not reimbursed, accounting for 12% of the FOB value of exports, may be reimbursed through instituting a suitable mechanism.
- High power costs being faced by the export units may be brought at par vis-à-vis our competitors so as to compete in the global markets. State Governments may give preferential treatment to the exporting units in the matter of supply of power at reasonable rates.
- Labour Cost reduction by ensuring minimum wages should be instituted. The existing Labour law provisions need to be restructured to create a productive and productive – conducive environment to ensure smooth production.

1.14 When asked whether the Government has assessed the impact of indiscriminate import/dumping of cloths from countries like China in textile sector of our country, the Ministry of Textiles replied as under:-

"The imports of clothing from China were US $ 11.54 million during 2005-2006 and US $ 21.03 million during 2006-2007. The value does not seem to be on the higher side. However, no assessment of impact has been made during the last two years".

1.15 On a specific query whether the Ministry has any monitoring mechanism of its own to detect sickness at incipient stage, the Ministry of Textiles replied in negative.

1.16 The Committee have been informed that a detailed study on the sickness of the textile industry was conducted through the South India Textile Research Association (SITRA). On being asked about the findings of SITRA particularly with reference to remedial measures to phase out the prevailing sickness in the Textile Industry, the Ministry replied as under:-

> "In the year 2002, a detailed study on the sickness of the textiles industry was conducted through the SITRA. The study found that a majority of units had taken loans in the early 1990s at an average interest rate of 17% to 20% and were now finding it extremely difficult to service such high cost debts. This unsustainable debt burden is gradually eroding the capital base of the units and driving them towards sickness. SITRA in its study also found that approximately 35% of the textiles units were doing well and earning profits but 27% had reached an irretrievable stage. 38% could however be revived if their loan portfolios were restructured".

1.17 The Ministry did not accept all the recommendations of SITRA and gave the following reasons in this regard:-

> "Based on the findings and interaction with the industry, Ministry of Textiles proposed a Debt Restructuring Scheme in which banks and financial institutions were expected to restructure their loans at 12% interest and an additional 4% interest relief was to be given by the Government through a debt restructuring fund established with a corpus of Rs. 500.00 crores, to bring net incidence of interest to 8%. Since banks and FIs have almost Rs. 16000.00 crores locked in non-performing assets (NPA) in the textiles sector, it was felt that support from the Government through the debt restructuring fund would enthuse banks to work to revive NPAs. However, the Ministry of Finance (Banking Division) in September, 2003 announced a Debt Restructuring Package for textiles units based on External Commercial Borrowings (ECBs) and convert rupee term loans into foreign currency loans, thus bringing down the interest rates in the range of 8% to 9%".

1.18 In a Memorandum submitted to the Committee, the various Central Trade Unions suggested following remedial measures to phase out sickness in the textile industry;-

- Need for modernization and diversification.
- Industrial land should not be allowed to be used for other purposes.
- State Government's textile land sale policy should be amended.
- The entire old Textile Industry is to be revamped by scraping the entire Plant & Machinery and replacing the same by most modern equipments.
- To improve upon the environment and working conditions.

- Units which are situated in prime location they are bound to become sick in view of increase in prices of land. Every employer who has any such unit shall definitely work in a manner that he exploits the land of the industry rather than improvement in working conditions of the industry. It is better that decision is taken immediately that all such units are to be shifted immediately to other locations with the condition that such land will be sold and money so raised will be utilized for installation of new units with the most modern equipments and if funds are generated in excess.

1.19 The Ministry of Textiles has apprised the Committee that obsolete technology, unavailability of low cost finance and high cost of inputs are the major factors which have forced the closure of such a large number of textile mills. When asked about the role of the Central Government in overcoming these factors while promoting revival scheme for these mills, both in public as well as private and cooperative sectors, Ministry informed as under:

> "The Government has set up Board for Industrial & Financial Reconstruction (BIFR) under Sick Industrial Companies (Special Provisions) Act with a view to timely detect sick and potentially sick companies which may or may not be closed and for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of such companies and the expeditious enforcement of the measures so determined and for matters connected therewith. BIFR appoints operating agencies for preparation of rehabilitation proposals in respect of potentially viable units. The decision on rehabilitation is taken by BIFR based on its findings. However, co-operative sector is not covered under BIFR".

1.20 On this point, one of the representatives of Central Trade Unions who appeared before the Committee suggested:-

> "First of all, there is the need of fund then there should be continuous modernization. If you establish any industry, continuous and constant modernization with the march of time is necessary. There should be Integrated Textile Policy, balanced taxation policy, reduced power cost, modernization, emphasis on R&D, review of import and export policy on cotton and yarn; Cotton Corporation of India (CCI) should purchase the cotton directly from the farmers, which would be a safe option for the farmer's interest also."

1.21 The Committee are concerned to note that indiscriminate dumping of clothes and steep appreciation in the value of Indian Rupee against the US dollar have, of late been major contributory factors in the sickness of the textile sector in the country. The import of clothing from China which was to the tune of 11.54 million US dollar in the year 2005-2006 almost doubled at 21.03 million US dollar during the year 2006-2007. These multiplying imports at cheaper rates have weakened the sales of the manufacturers of domestic market and as a result thereof, a large number of mills are turning sick. The Committee are constrained to observe that the Government is not paying due attention to the woes of the Industry, as no assessment of the impact of all such imports has been made during the last two years. On the other hand, the current rupee appreciation has resulted in the erosion of India's competitive advantage and substantially dampening the exports. There has been a negative trend in the export of textile products by 16 per cent. Not only exports, the strengthening rupee is now hitting those who are mainly manufacturing the textile products for the domestic market. The import substitutes of textile products are becoming much cheaper and the profit margin of the manufacturers have reduced drastically. Besides, it is also having its cascading effect on intermediates and raw materials segment. The sale of domestic yarn, for example has also been severely impacted on account of lower demand from export segment for made-up and readymade garments. Thus, considering all these factors, the Committee are of the firm opinion that if the corrective steps are not taken urgently, the textile sector is bound to be hit irreparably. In order to tide over the crisis, the Committee, strongly recommend that the short, medium and long term strategies be *drawn up* which may include special package for assistance to different sectors of textile industry particularly for its export oriented products, expanding the scope of TUFS and SITP, equipping the textile industry with the state-of-the-art technology, ensuring the uninterrupted power supply at reasonable and subsidized rates and a periodic assessment of the impact of import of clothes.

Board for Industrial & Financial Reconstruction (BIFR)

1.22 The Committee take note of the fact that textiles mills are continuously being closed year after year. On being asked the reasons for continuous closure of mills even when BIFR has been set up with a view to timely detect the sick/potentially sick mills, the Ministry replied in a written note as under:-

> "Due to repeated request from the employees of certain NTC mills, benefit of MVRS was given to the willing employees. After this, it was not possible to run the units due to shortage of workers. Hence, the decision has been taken to close down some of the NTC mills. There was no production activity in these mills for the last two years, and an application to close down these mills under ID Act was submitted to BIFR for their approval".

1.23 When enquired about the precise role played so far by BIFR in the revival of sick textile mills, the Ministry of Textiles in a written note stated that:

> "As on 31.10.2006, cases of 848 textile mills were registered with BIFR. Out of these 848 cases, 60 cases were declared no longer sick, 20 cases were declared as dropped as net worth became positive, rehabilitation scheme has been sanctioned/approved in respect of 54 cases while 9 cases are at draft scheme stage.".

1.24 When the Committee desired to know the views of Central Trade Unions regarding the functioning of BIFR, a representative of trade unions during evidence stated as under:-

> "If someone drags the issue before the BIFR, it takes its own time. We have seen that it has not helped either in detecting the reasons for the sickness in due course of time or it has not succeeded in giving any relief to the workers or to the development of the industry as such. It has only helped the banks, the secured creditors. BIFR is concerned about the loans of the banks and the welfare of the workers is relegated to a secondary stage. The workers are given a second priority in BIFR. A lot of amendments are needed in the functioning of the BIFR. It has to go on a fast track."

1.25 A representative of other Central Trade Union added:-

> "Actually, jocularly, our President Comrade Pandhey said: "BIFR stands for Bureau of Industrial and Funeral Rights." Actually, BIFR was made as a court to make the industries, particularly the public sector, sick according to the policy matter so that nobody can say anything as it is a court of law. We are totally opposed to it. BIFR should function for the objective for which it was made. If there is any sickness, they have to monitor. Regarding the Monitoring Committee, we have proposed to the Government repeatedly to take trade unions into consideration. It is because the workers are the best judge. We went to various mills in Bombay, Gujarat, and in other places and we saw how NTC mills are made sick deliberately when input and capacity are there. This is our experience."

1.26 The Ministry of Textiles has furnished the details of cases of mills registered with Board of Industrial Financial Reconstruction (BIFR) as on 31/01/2006 as under:-

Sl. No.	**State**	**All Textile Cases**
1.	Andhra Pradesh	52
2.	Assam	5
3.	Bihar	2
4.	Chandigarh	1
5.	Dadra Nagar Haveli	4
6.	Delhi	42
7.	Goa	1
8.	Gujarat	113
9.	Haryana	26
10.	Himachal Pradesh	1
11.	Jharkhand	1
12.	Karnataka	42
13.	Kerala	13
14.	Madhya Pradesh	29
15.	Maharashtra	153
16.	Orissa	6
17.	Pondicherry	1
18.	Punjab	34
19.	Rajasthan	43
20.	Tamil Nadu	173
21.	Uttar Pradesh	40
22.	Uttaranchal	5
23.	West Bengal	38
	Total	**825**

1.27 **Status of the textile mills registered with BIFR as on 31.10.2006 is as under:-**

Sl. No.	Status	
1.	Declared No Longer Sick	**60**
2.	Draft Scheme	**9**
3.	Dropped as Net Worth became Positive	**20**
4.	Declared Sick	156
5.	Non-Maintainable	159
6.	Other	71
7.	Remanded by AAIFR/Court	8
8.	Scheme Approved under section 17(2) SICA, 1985	**5**
9.	Scheme Sanctioned by AAIFR	**1**
10.	Scheme Sanctioned under Section 18(4) SICA, 1985	**48**
11.	Stay Order by Court/Stayed by AAIFR	4
12.	Under Enquiry	79
13.	Winding Up Notice	8
14.	Winding Up recommended section 20(1) SICA, 1985	220
	Total	**848**

1.28 The Committee observe that the entire process involved in the identification of sickness of textile mills is intrinsically deficient. It has been stated by the Government that with a view to timely detect sick and potentially sick companies which may or may not be closed and also for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of such companies and the expeditious enforcement of the measures so determined, Board for Industrial and Financial Reconstruction (BIFR) has been set up. Thereafter, BIFR appoints operating agencies for preparation of rehabilitation proposals in respect of potentially viable units. Simultaneously, it has also been stated that the Government does not have any specific monitoring mechanism to detect sickness at incipient stage. The reason advanced for absence of monitoring mechanism that, "these days in free economy, mills are not required to submit the financial performance data, so it may not be possible to have any monitoring mechanism". The contention of the Government, being factually incorrect and misleading is not plausible. The Committee are not able to understand as to how BIFR has been taking decisions regarding revival/closure or other options about a mill in the absence of vital data about the financial performance of the company.

The Committee are of the opinion that BIFR has miserably failed in its duties in so far as the revival of sick mills in the country is concerned. It has been an agonizing experience that any matter referred to BIFR is never attended to with the priority and speed it warrants. The Committee feel that this body is not only oblivious of the sufferings of the workers and their families but is totally callous about them. The figures of the cases referred to BIFR substantiate the inference of the Committee. Out of 848 cases referred to BIFR upto October 2006, only 60 cases were declared `no longer sick' while 156 cases were declared `sick', 159 `non-maintainable' and 220 cases recommended for `winding up'. The Committee are also distressed to find that Government has not been able to put in place any mechanism which may

detect and determine the root causes leading to sickness in the textile sector beforehand. The process involved in the BIFR is unintelligible, cumbersome and negative. It comes into operation only after the sickness in the unit becomes all pervasive. In such a situation, it is not possible to stem the rot. The engagement of NITRA, AITRA, BTRA, SITRA- all research bodies- for studying the reasons for sickness of NTC mills and suggest viability or otherwise of the mills have done least good to the cause of textile sector as these are the exercises undertaken by them either in the aftermath of the closure of the mills or which are on the verge of closure. These are all futile exercises and thus do not help the healthy growth of the sector. The Committee, therefore, strongly recommend that the functioning of BIFR be closely scrutinized by the Government. They also call upon for bringing in needed changes for expeditiously achieving the desired results in a time bound manner and also making the officials of BIFR individually accountable for any delay beyond the stipulated time in arriving at a decision about the future of a company. Besides, sickness in the entire textile sector should be viewed holistically. Its root causes are analyzed threadbare and an effective mechanism is put in place to assess the possible reasons for sickness before it spreads its pang and quick remedial measures are taken so that textile sector remains unscathed from the uncertainties and vagaries associated with the Industry. For the purpose, the possibility of participation of workers or their representatives from the Central Trade Unions may be explored as their expertise in the field can be best utilized by inducting them in the Management/Governing body. The Committee are of the firm view that the advice of workers representatives, who have first hand knowledge of men, machine, materials and the industrial environment, would go a long way in minimizing the risk of sickness in the mills.

ILLEGAL CLOSURE OF TEXTILE MILLS

1.29 The Committee took note of the fact that certain private mills have been and are being closed illegally, thus rendering large number of workers unemployed.

1.30 To a query regarding the number of mills closed illegally during last five years and the number of workers rendered unemployed, the Ministry of Textiles stated that no such data is maintained regarding illegal closure of mills.

1.31 When asked about the mechanism to check such illegal closures of mills, the Ministry stated that the subject pertain to the State Governments, the Union Government's role in this regard is nil.

1.32 When asked how the Government address the issue of livelihood of large number of employees/workers of illegally closed mills, the Ministry replied as under:-

> "These days the textiles sector is a comparatively thriving sector and can be said to suffer from a scarcity of trained workers. Therefore, textiles workers have opportunity to get absorbed in another mill very soon. However, with the objective to provide interim relief to textile workers rendered unemployed as a consequence of permanent closure of their unit, the Government of India launched the Textiles Workers' Rehabilitation Fund Scheme w.e.f. 15.9.1986. Assistance under the Scheme is provided to eligible workers to enable them to settle in another employment".

1.33 When asked about the details of the welfare schemes launched by the Government for Textile mill workers, the Ministry stated as under:-

> "With regard to the NTC, the Government of India formulated a Welfare Scheme under which it was decided that employees opting for VRS will be issued Green Cards. It was also decided that employees who were interested could take old looms from NTC mills to run their business, by manufacturing fabric after forming a cooperative society. The same was implemented by NTC and many of the employees availed the benefit of this Scheme and installed 2 or 4 looms, which were given on cheap rates at book value.
>
> However, in relation to the private sector, no new welfare scheme for textiles mill workers is under consideration of Government".

1.34 The Committee note with concern that a large number of textile mills are being closed illegally in the country. This not only affects the balanced growth of the textile sector but the livelihood of the workers is also put at stake. Moreover, the Union Government is not maintaining any data regarding mills which have been closed illegally. The plea of the Government that since `the subject matter pertains to State Governments, the role of the Union Government is negligible in this regard', is not acceptable to the Committee. Considering the national importance of the subject and greater role of the State Government, the Union Government cannot and should not shy away from its responsibility of having the data of such illegal closure of mills. The Committee are but inclined to infer that the Government is not at all serious on this issue otherwise with a little effort and coordination with the Departments like ESIC, State Labour Commissioner and Textiles Department of State Governments, information regarding such mills could have been easily gathered. The Committee take a serious view of the casual approach of the Government regarding such an important sector providing employment to a large number of workers. The Committee, therefore, strongly recommend that a data base be prepared covering pockets of small, medium and large scale garment and textile industries across the country and appropriate coordination mechanism be established with ESIC, EPFO, Office of State Labour Commissioner, Small Scale Industries and Textile Department of State Governments, Associations of Entrepreneurs and Industries so as to have information about the closure of mills whether legally or illegally. Based on this data base, the owners of illegally closed mills can be asked to go in for systematic closure of their mills so that the workers of these mills are not deprived of their rightful benefits under TWRFS.

1.35 The Committee further observe that the Government has formulated a welfare scheme for the workers of NTC mills under which the employees/workers opting for voluntary retirement are issued Green Cards. The willing employees/workers are provided old looms at reasonable rates at book value to run their own business on forming or joining a co-operative society. The Committee find that this is a welcome step for the welfare of workers. However, presently only the workers of the public sector mills are eligible for availing of the benefits under the scheme. The Committee feel that willing workers of the private sector mills should also be extended access to the looms and other reusable machinery of NTC. Of course, priority should be given to the workers of public sector mills over the private sector workers. The charges for providing the reusable machinery to the private sector workers may however, be different than the public sector workers besides putting a bar on resale of this machinery for a specified period to prevent its misuse. The Committee, therefore, urge upon the Government that the workers of private sector mills should also be considered for availing the benefit of getting looms of NTC mills if they are so willing on the same terms and conditions as are applicable to workers of NTC mills. This gesture will promote the skill of entrepreneurship among the workers in the private sector, who are equally well versed with the nuances of the textile industry.

CHAPTER-II

1. NATIONAL TEXTILE CORPORATION LIMITED

BACKGROUND

2.1 National Textile Corporation (NTC) is a Textile Central Public Sector Enterprise under Ministry of Textile. NTC was incorporated in 1968 with the main objectives of managing the affairs of 16 sick textile mills taken over by the Government. NTC took over more sick textile mills under 3 Nationalization Acts, (1974, 1986 & 1995), raising its number upto 119 mills in 1995. In the year 2002, BIFR/GOI approved revival of 53 viable mills and closure of 66 unviable mills. 65 unviable mills were closed under the Act. 2 Mills (one viable and one unviable) located in the State of Pondicherry have been transferred to the State Government of Pondicherry, 2 Mills have further been closed as per the Modified Rehabilitation Scheme approved by BIFR, raising the number of closed mills in NTC to 67. NTC presently has 50 viable mills out of which 10 mills where most of the employees have opted for Modified Voluntary Retirement Scheme are to be closed further.

2.2 NTC has following 9 subsidiary companies spread all over India.

No.	NTC subsidiary	Headquarters	States covered
1.	APKKM	Bangalore	Andhra Pradesh, Karnataka, Kerala & Mahe
2.	DPR	Delhi	Delhi, Punjab & Rajasthan
3.	GUJ	Ahmedabad	Gujarat
4.	MN	Mumbai	Maharashtra
5.	MP	Indore	Madhya Pradesh & Chattisgarh
6.	SM	Mumbai	Maharashtra
7.	UP	Kanpur	Uttar Pradesh
8.	TNP	Coimbatore	Tamil Nadu & Pondicherry
9.	WBAB&O	Kolkata	West Bengal, Assam, Bihar & Orissa

2.3 The Government is providing budgetary support for meeting the shortfall in salary and wages as per following details:

Statement showing BE, RE and Actual Expenditure

(Rs. in Crore)

Year	BE	RE	Actual Expenditure
2004-2005	300.00	300.00	257.17
2005-2006	300.00	300.00	264.00
2006-2007	250.00	62.50	62.50
2007-2008	60.00	----	15.00 (till date)

2.4 The Committee observe from the above table that the budgetary support to NTC for meeting the shortfall in salary and wages, is showing decreasing trend during the years 2006-2007 and 2007-2008 and also, the substantial amount of funds released at RE stage for the year 2004-2005 and 2005-2006 have remained unutilized. When asked the reasons for under-utilization of funds in the year 2004-2005 and 2005-2006 and decreasing budgetary support during 2006-2007 and 2007-2008, the Ministry replied as under:-

"Upto year 2004-2005 as stated above there was paucity of funds with NTC. So, regular maintenance and upkeep of old machinery available with NTC was not possible. With the availability of funds from the sale of surplus assets, NTC has been able to upkeep the existing machinery as well as to install new machinery. Due to the availability of quality new machinery the products (yarn & cloth) of NTC started fetching better price on the one hand and the production and productivity of the mill on the new machinery increased on the other hand. Further loss making and unviable mills were closed down. Also, with the identification of surplus employees the MVRS was offered to these surplus employees resulting into reduction in wage cost.

Due to the factors enumerated above, the overall performance of the Company has improved, resulting into less dependence on the Government for budgetary support towards wages and salary. During the year 2004-2005, 2005-2006 the funds received from the Government of India were slightly more than the amount actually used by the Company. It is because of the fact that the funds requirement to the Government of India was submitted on estimates based on certain production and productivity parameters, whereas the actual performance was better, resulting into savings in expenditure".

CAPACITY

2.5 Details of capacity and utilization in respect of 40 functional NTC Mills during the last three years are at **Annexure-I.**

2.6 When asked about the reasons for the under utilization of capacity in respect of functional mill, the Ministry stated in their written reply as under:-

"Following are the main reasons for the under utilization of capacity in NTC Mills;

(i) Shortage of trained workers;
(ii) Shortage of power supply
(iii) Old and obsolete machinery whose repair and maintenance was not done at the right time properly due to paucity of fund causing more stoppage due to break down.
(iv) The absenteeism of the workers in festival season, harvesting season and other seasonal problems.
(v) Accumulation of yarn stock due to appreciation of rupee value.

(vi) Absorption of worker by more lucrative industry like auto mobile having better work condition".

2.7 When inquired about the remedial steps taken/contemplated by the Government to improve utilization of capacity in NTC Mills, the Ministry of Textiles replied as under:

> "NTC has already started the modernization of mills by replacing old and outdated machinery with new hi-tech superior quality state of the art machinery. NTC has also started on job training to the workers to increase the efficiency. The renovation and maintenance of existing good machinery has also been taken up after release of funds from sale of assets. Sufficient working capital is being provide to the mills to increase the capacity utilization to full/optimum levels".

Performance of NTC Mills:-

2.8 Details of the Profit/Loss of Functional Mills of NTC during the last three years are as under:-

(Rs. in lakhs)

Sl. No.	Name of the Mills	State	Profit/(-) Loss Audited		
			2006-07	2005-06	2004-05
1.	Burhanpur Tapti Mills	MP	-1080.29	-847.05	-2285.29
2.	New Bhopal Textile Mills	MP	-1230.36	-1032.28	-1135.37
3.	Swadeshi Cotton Mills, Mau	UP	-408.12	-1306.34	-496.83
4.	Apollo Textile Mills	Maharashtra	16995.42	1643.94	-2577.44
5.	Chalisgaon Textile Mills	Maharashtra	-1274.52	-755.31	-1670.77
6.	Dhule Textile Mills	Maharashtra	-1389.13	-948.14	-1164.19
7.	Goldmohur Mills	Maharashtra	-1393.16	-2035.83	-3321.79
8.	Nanded Textile Mills	Maharashtra	1745.00	-1133.33	-1385.68
9.	New City of Bombay Mfg. Mills	Maharashtra	-1528.84	-2096.51	-3673.67
10.	Aurangabad Textile Mills	Maharashtra	-540.86	-520.69	-494.42
11.	Barshi Textile Mills	Maharashtra	-378.92	-169.65	-280.92
12.	Finlay Mills	Maharashtra	-4098.89	-3002.01	-3650.55
13.	India United Mills No.1	Maharashtra	-3681.78	-3442.41	-4625.77
14.	RBBA Mills	Maharashtra	-1130.71	-1016.87	-2139.73
15.	Savatram Ramprasad Mills	Maharashtra	-509.33	-666.22	-1041.30
16.	Podar Mills	Maharashtra	-2856.55	-2695.62	-2521.41
17.	TATA Mills	Maharashtra	-2644.59	-3719.27	-1903.04
18.	India United Mills No. 5	Maharashtra	-1995.05	-1997.51	-3055.62
19.	Rajnagar Textile Mills No. 1	Gujarat	-1245.14	-2495.17	-2271.21
20.	Tirupati Cotton Mills	Andhra Pradesh	-251.20	-287.74	-357.89
21.	Cannanore Spg. & Wvg. Mills	Kerala	20.01	-269.29	-172.48
22.	Pravathi Mills	Kerala	-1158.97	-1373.72	-1606.71
23.	Minerva Mills	Karnataka	-1538.45	-4079.32	3285.05
24.	Algappa Textile Mills	Kerala	-249.54	-477.34	-814.99
25.	Kerala Laxmi Mills	Kerala	-98.71	-456.05	-239.85
26.	Vijay Mohini Mills	Kerala	-145.09	-458.10	-432.31
27.	Cannanore Spg. & Wvg. Mills, Mahe	Mahe	-93.96	-393.51	-316.56
28.	Mahaluxmi Mills	Rajasthan	-1031.66	-1426.32	-847.51
29.	Sri Sarda Mills	Coimbatore	-495.90	-632.40	-571.75
30.	Coimbatore Spg. & Wvg. Mills	Tamil Nadu	-1591.27	-857.90	-258.88
31.	Cambodia Mills	Tamil Nadu	-1077.27	-240.75	-500.30
32	Coimbatore Murugan Mills	Tamil Nadu	-525.82	-177.98	-78.32
33.	Pankaja Mills	Tamil Nadu	-292.03	-241.18	-459.35
34.	Pioneer Spinners Mills	Tamil Nadu	-257.07	-120.63	-280.20
35.	Sri Rangavilas S & W Mills	Tamil Nadu	-338.52	576.89	-390.40
36.	Kaleeswarar Mills ‘b” Unit	Tamil Nadu	-286.05	-68.99	-341.60
37.	Laxminarayan Cotton Mills	West Bengal	-766.18	-1287.60	-1570.05
38.	Sodepur Cotton Mills	West Bengal	-595.80	-738.64	-593.97
39.	Arati Cotton Mills	West Bengal	-427.25	-845.70	-756.15
40.	Orissa Cotton Mills	Orissa	-346.28	-424.22	-493.86

2.9 The Committee observe from the above table that all the forty functional mills of NTC, except two, are running in loss of crores of rupees and in most of them the loss is increasing year by year.

2.10 When asked the reasons for such huge loss when both the demand and the production are showing increasing trend, the Ministry of Textiles in a written note replied as under:-

> "Till 2004-05, these units were incurring huge losses because of the lack of maintenance of existing old machinery and no modernization because of paucity of funds. From the year 2005-06, the better maintenance of these old machines coupled with induction of new machinery is changing the scenario. During the last two years the cash deficit of NTC has reduced from Rs.403.44 crores in 2001-02 to Rs.117.00 crores in 2006-07. Further, during the current year i.e. 2007-08 these units also incurred losses because of the appreciation of the rupee as compared to dollar, which has affected the textiles sector in general".

2.11 To a query regarding the plans of the Government to run these mills in future with such heavy loss, the Ministry furnished the information as under:-

> "In NTC, the modernization in 22 mills has commenced as per BIFR approved scheme, after releasing funds from the sale of assets of closed mills. Of these, four mills will be New Green Field Mills with Spinning, Weaving, Processing and Garmenting activities".

Restructuring

2.12 NTC is in the process of a major restructuring. A new Modified Rehabilitation Scheme (MRS) for growth of the organisation by merging all its 9 Subsidiary Companies with Holding Company was submitted to BIFR. The proposal was approved by BIFR in its hearing held on 28th March, 2006.

2.13 In the light of MRS approved by the BIFR and additional initiatives taken by the MOT/NTC a comprehensive proposal was prepared for discussions/consideration of the GOM. The GOM in the meeting held on 5.12.2006 approved the following proposals:-

1. Merger of 9 subsidiaries of NTC with the Holding Company.
2. To close 12 non functional mills out of the 30 mills to be revived through Joint Venture Partners and to offer MVRs to the remaining employees of these mills. To revive the balance 18 mills by offering them to joint Venture Partners.
3. Revised Cost and Means of Financing the Scheme.
4. Proposal of wage support by Government of India during the extended implementation period and reduction in manpower by offering MVRS.
5. Extension of the implementation period of the Scheme till 31st March, 2008.
6. Development of the Indian Textile Plaza at Ahmedabad and the India International Trade Tower, Mumbai.
7. Financial concessions for capital restructuring of NTC by way of writing off loans & waiver of interest outstanding as on 31.03.2006.

8. Implementation of Chawl Development Policy of Government of Maharashtra and relocation of a composite mill in SEZ at Hasan and the possibility of the relocation of other mills.

2.14 Regarding reasons for dropping out 12 more mills which were found viable for revival earlier, the Ministry of Textiles in a written note stated as under:-

> "As per the Revival Scheme, it was proposed to modernize and revive 30 mills through joint venture. Accordingly, the Expression of Interest (EOI) was published in newspapers but due to poor response from parties, the process of joint venture could not be finalized. Subsequently, in 12 mills, most of the employees opted for benefits of Modified Voluntary Retirement Scheme (MVRS). Presently, there is no production activity in these mills. Therefore, it has been decided to close these mills and drop them from the list of joint venture".

2.15 To a query, whether the lack of employees is the only reason to close these mills, the Ministry of Textiles in a written note replied as under:-

> "Due to repeated request from the employees of these units, benefits of MVRS was given to the willing employees in these ten units. After this, it was not possible to run the units due to shortage of workers. Hence, the decisions to close down these units have been taken. No production activity exists in these units for the last two years and an application to close down these units under Industrial Disputes Act is submitted to BIFR for their approval. The MVRS was attractive and the employees who opted for VRS received double ex-gratia compensation, wherever no increases in wages had been given".

2.16 During the course of evidence, the response of Central Trade Unions regarding closure of mills due to lack of employees, is as under:-

> "We do not believe that modernization means reduction of employment force which is the practice in a capitalistic framework. We told to the then Minister that modernization does not generate employment, does not generate industrialization and modernization with reduction of force does not have any meaning for us. As we have seen in the NTC or any other industry, modernization came because of the reduction in the work force. We agreed on many points but ultimately the industry got sick and had to be closed."

2.17 Another representative of the Central Trade Union added:-

> "Almost all mills have been resorting to compulsory retirement or voluntary retirement of either all the permanent workers or a large number of them, and taking in the same workers or the other workers as casual on much lower and composite wages, and devoid them of various benefits like dearness allowance, house rent allowance, bonus, gratuity, EPF, ESI etc., to which my friends have referred to, because the same workers are being taken as casual workers or contract workers."

<u>Modernisation of mills through Joint Venture Route</u>

2.18 The Committee have been apprised that the amount realized from the sale of surplus assets of NTC Mills is Rs.3495.00 crore as on 30.9.2007. Approximate value of the surplus assets of remaining mills is estimated at Rs.6700.00 crore.

2.19 When enquired about the optimum utilization of these funds for revival of sick mills as well as rehabilitation of the unemployed workers, the Ministry stated as under:-

> "To give the benefit of MVRS to the surplus employees, the funds were raised by issuing Government guaranteed Bonds. These bonds are to be redeemed alongwith interest out of the sale value realized from the surplus assets. The funds realized from the sale of assets are utilized to modernize 22 units of NTC. Further, the workers who have gone under VRS have been paid the VRS amount. This amount has also been paid out of internal resources of NTC i.e. from the funds generated by sale of assets".

2.20. The Committee were informed by the Ministry that out of 50 viable mills, 22 mills are to be modernized by NTC itself through sale of surplus assets & 18 mills in which heavy dose of modernization is required are to be revived through Joint Venture with Private Entrepreneurs out of which it is proposed to construct India International Trade Tower on the land of one mill in Mumbai. 12 Mills where most of the employees have opted for MVRS are to be closed further. Upto 1.6.2007, 55,455 employees have been paid MVRS compensation amounting to Rs.1942.8 crores under the MVRS.

2.21 Regarding the pace of the work being undertaken for modernization of mills, the Ministry of Textiles stated that the modernization in NTC mills has been started as per the approved revival scheme by Government of India/BIFR. The work of modernization is continuing and is expected to be completed in the 13 mills by March, 2008 and in remaining mills by March, 2009.

2.22 Regarding the pace & progress of modernization process, one of the representatives of the Central Trade Unions stated during the evidence as under:

> "The pace and progress has been too slow and it is with the purpose of closing the mills rather than modernizing and reviving. It appears that was a policy decision taken in the Government that the efforts should be to close the mills rather than reviving them. It should be looked into."

2.23 Another representative of a Central Trade Union who appeared before the Committee to render oral evidence added:-

> "it is quite unfortunate that even after NTC was referred to BIFR, 12 years have elapsed. It started in 1992, and the final revival scheme was approved in 2005. Out of 119 mills, only 54 or 55 mills were revived, and the rest 65 mills or 66 mills were closed."

2.24 The key features of the proposed Joint Venture as stated by the Ministry are as under:-

"In the proposed Joint Venture, 51% share will be with NTC and 49% with private partners to form Special Purpose Vehicle (SPV) of Joint Venture Company."

2.25 The other main terms and conditions of 18 Joint Venture mills are given below:-

(i) The interested parties should have at least 5 years manufacturing experience in any of the industry or in textile industry.
(ii) The party should have the net worth ranging from Rs.10.00 crore to Rs.50.00 crore and the annual turnover ranging from Rs.25.00 crore to Rs.100.00 crore depending upon the number of units applied for.
(iii) Further, the interested parties should be a profit making firm/company for the consecutive 3 years as per audited annual accounts.
(iv) The interested parties should also confirm that they are committed to meet NTCs objective of modernizing and reviving the mills.
(v) The NTC mill lands will be transferred to the SPV company which would be a subsidiary of NTC. The land will neither be on lease or sold to the SPV, but will be used for textiles manufacturing without any permission to alienate.

2.26 During the tour of the Committee to Coimbatore, when asked the current status of revival of NTC mills through joint venture, the CMD, N.T.C. replied:-

"After the GOM decision dated 22.08.2007, GOI approved finalization of Joint Venture partnership for 5 mills with 3 short-listed textile business houses of repute. The mill-wise/party-wise details are as under:

Private partners finalized to run five NTC mills in joint venture

Name of the mill	Private partners identified
India United Mill No. 1	Bhaskar Industries Ltd. (consortium)
New City of Bombay Mfg. Mills	M/s Alok Industries Limited
Aurangabad Textile Mills	M/s Alok Industries Limited
Goldmohur textile Mills	M/s Pantaloon Retail (India) ltd. (consortium)
Apollo Textile Mills	M/s Pantaloon Retail (India) Ltd. (consortium)

MOU has been signed with each of the Joint Venture partner on 6th November, 2007 and an amount of Rs. 89.33 crores has been received towards the relinquishment of the 49% stake of NTC in the Joint Venture Companies. The other transaction documents like share subscription and share holder agreement are likely to be signed."

Retail Shops of NTC

2.27 The Committee have been apprised that at present there are 113 retail shops of NTC running in different parts of the country.

2.28 The performance of retail shops of NTC during the past three years (2004-05 to 2006-07) is as under:-

(In Lakhs)

Sl. No.	Name of the Subsidiary	2004-2005				2005-06				2006-07			
		Net Sale	Margin	Expenses	P/ Loss	Net Sale	Margin	Expenses	P/ Loss	Net Sale	Margin	Expenses	P/ Loss
1.	APKKM	433.3	222.93	157.58	65.59	310.26	154.43	133.03	34.22	284.72	101.98	147.43	-29.96
2.	DPR	403.42	54.51	55.27	-0.76	430.03	68.76	54.28	14.94	449.21	72.36	51.46	21.42
3.	GUJARAT	62.88	13.47	12.34	1.13	46.08	14.62	8.44	9.55	35.63	11.52	6.82	6.84
4.	MN	116.44	20.24	31.84	-11.6	123.82	19.37	23.1	3.62	127.49	19.38	5.98	13.4
5.	MP	51.22	6.11	3.11	3.0	33.57	0	0	1.93	42.32	5.37	3.08	2.29
6.	SM	266.19	51.6	39.15	12.45	231.2	76.07	30.84	17.16	164.86	35.02	51.25	11.46
7.	TN&P	433.13	72.41	99.37	-24.95	388.94	67.59	79.06	4.07	383.74	83.42	79.73	5.18
8.	UP	30.21	5.71	56.1	-56.73	0.49	0.04	2.63	0				
9.	WBABO	278..33	44.54	61.07	-16.53	246.55	49.33	64.13	-14.82	280.51	46.02	57.07	-8.86
	TOTAL	**2075.12**	**491.52**	**515.83**	**-28.4**	**1811.04**	**450.21**	**395.51**	**70.67**	**1768.48**	**375.07**	**402.82**	**21.47**

2.29 When asked the reasons due to which the retail shops/subsidiaries are showing decrease in sale year by year, the Ministry stated in a written reply that:

> "Regarding NTC, the main reason of decrease in sale in Retail shops is the non availability of different varieties of the cloth. It is due to the fact that the most of the composite units of NTC were closed down in the past, causing the decrease in sale of showrooms. Reductions in sales increase the cost of over-heads. As far as BIC is concerned, there are no retail shops of the company".

2.30 To a query regarding the plans of the Government to accelerate the sale and check the increasing expenses of these retail shops, it was stated that:

> "NTC has closed down about 300 loss making showrooms and the remaining will be run by selling good quality products which will be manufactured in modernized mills, and it is anticipated that the showrooms will increase their turn over. Further NTC is also poised to take the advantage of renowned brand names with whom NTC is entering into Joint Venture".

2.31 When enquired about the details of sale and marketing policy of the NTC throughout the country, the Ministry stated:

"NTC is selling its products through the following channels:-

(i) Indenting Agents
(ii) Service Agents for Institutional Sales
(iii) Cloth under Merchant Exports & Retail Marketing Division
(iv) Through NTC showrooms"

2.32 The Committee were informed that at present NTC is not having any tie up with the Government departments and Public Sector Undertakings for compulsory procurement of fabrics from NTC mills.

2.33 To a query regarding steps taken to boost the sale of fabrics manufactured by NTC, the Ministry of Textiles in a written note stated as under:--

"At present, NTC is going through Revival Plan. After modernization of composite mills, NTC will start boosting up sale of products being manufactured".

2.34 When asked about the norms that are generally followed for setting up of showrooms under retail marketing division, the Ministry replied as under:-

"The viability report consisting of sales, location points and profitability are the main parameters for setting up showrooms under Retail Marketing Division. NTC during the years 1975-80, opened showrooms all over India to promote NTC products in the open market to meet the requirements of common man."

Construction of India International Trade Tower

2.35 The Committee were informed that it has been decided to construct India International Trade Tower in Mumbai on the land of one of its mills through Special Purpose Vehicle (SPV) for developing a center for International Trade in varied segments having complete infrastructure and other facilities, making it a self sufficient International Business Center.

2.36 When asked about the functioning of this tower in order to promote the growth of Textile Industry as a whole in the country, the Ministry replied as under:-

"NTC proposed to set up an India International Trade Tower (IITT) on the land of India United Mills No.6, Mumbai. The IITT will show-case the entire range of world class textile products of the country under one roof. In addition, this will act as the nodal center for international events concerning textile, gems and jewellery, handlooms and handicrafts and many other products of resurgent India. It will have world class convention center, exhibition hall, and design and development center, amphitheatre, etc. The project proposal envisages construction of a 72 stories tower with an estimated outlay of Rs.400 crores to be funded on self-finance basis. This project will give Mumbai a landmark to show-case the technological and economic power of the resurgent India.".

2.37 When enquired about the current progress of the construction of India Internal Trade Tower and the proposed time of its completion, the Ministry replied as under:-

> "It has been decided to set up an India International Tower (IITT) at the land of India United Mill No.6 in Mumbai. However, necessary permission for the same are still awaited from the Government of Maharashtra and only after that the Project can take shape".

2.38 When asked about the manner in which this tower will help in resolving the problem of sickness/closure in the Textile Sector, the Ministry replied as under:-

> "In this tower there will be a space per floor of 12,500 sq.ft. to facilitate the following:-
>
> (i) Diamond cutting facility
> (ii) Convention Centre
> (iii) Textiles Mega Mart
> (iv) Handicrafts Mega Mart
> (v) Diamond and Jewellery Mart
> (vi) Office place, hotel place and entertainment zone.
>
> The project will be completed in 48 months, and employment for about 5000 workers will be generated. The income from sale/rental will supplement NTC's income, apart from serving as a window to promote textiles export/sales".

2.39 When asked whether the Government plans to open more such multi-facility Trade Towers all over the country in order to show-case and promote textile industry all over the country, the Ministry stated that:

> "Recently, NTC has also commenced setting up a Textiles Plaza on the land of Jahangir Mills (closed) situated at Ahmedabad. The construction work of this Plaza has been given to the National Building Construction Corporation (NBCC), who have already started the work to set up this Plaza within stipulated time".

2.40 The Committee note that NTC was incorporated in 1968 with the main objective of managing the affairs of 16 sick textiles mills taken over by the Government. Further, more sick mills were taken over by NTC under 3 Nationalization Acts and their number soared to 119 in 1995. As the mills brought under the NTC umbrella perhaps could not perform to the expected levels, it was decided that only viable mills may continue functioning while the unviable units may be closed. Accordingly, in the year 2002, BIFR/Government of India approved revival of 53 viable mills and closure of 66 unviable mills. However, 65 mills were closed and 2 mills (one unviable and one viable) were transferred to the State Government of Pondicherry (now Puducherry). 12 mills were further closed since "most of the employees of these mills have opted for Voluntary Retirement Scheme." The Committee are distressed to note that 12 mills have been left out of the modernization process for the sole reason that most of its employees had opted for VRS. The Committee do not approve of the manner in which 12 mills have been left out of the modernization process because for assessing the viability of mills for their revival, only one factor has been taken into consideration. This kind of act on the part of Government reinforces the apprehension that NTC mills are being shut down in a sustained and planned manner despite the fact that such mills were having the better and greater scope for their refurbishment. In the light of this, the Committee strongly recommend the Government to review its decision regarding the 12 mills which were originally in the list of modernization but had to be left due to the fact that most of their employees opted for VRS.

The Committee further obseve that the pace of modernization for the remaining 40 mills (22 by NTC and 18 in Joint venture) is far from satisfactory. Out of 18 mills earmarked for the revival through the joint venture, only 5 mills have been assigned to three private partners for modernization till date. Regarding rest of the mills no concrete action for their revival seems to be in the offing. The Committee, therefore, call upon the Government to review afresh the whole process of modernization of the mills. The entire process of modernization should be completed in a time bound manner and also the interests of the workers regarding their wages and service conditions should be protected. The progress made in this regard may be reported to the Committee within three months of presentation of this Report.

2.41 The Committee find that at present there are 113 retail shops of NTC running in different part of the country to promote retail marketing. The Committee further observe with concern the dismal performance of the retail shops during the year 2006-2007 as compared to the previous year. The Committee feel that this unpredictable and incoherent performance in sales reflects weak marketing strategy of the Government. Initiatives for providing incentives like better wages, regular employment, encouraging and satisfying working atmosphere, etc. to the employees promoting sales and maintaining cordial relations with customers, must be ushered in to herald an era of complete transformation of marketing in the organization. The Committee, therefore, urge upon the Government to pay utmost attention on the sale and marketing policy of the NTC by improving its image, performance and delivery mechanism. The Committee further find that Defence, Railways, Tele-communications, Para-military forces, Health, etc. of the Union Government and several departments of the State Governments are the bulk consumers of cloth on a regular basis. The Committee suggest that all the Government organizations should be impressed upon to opt for the NTC products at competitive rates without compromising on quality. The Committee hope that such steps would definitely help to bail out the NTC from its present situation.

2.42 The Committee observe that Government has proposed to set up an India International Trade Tower in Mumbai on the land of one of the textile mills which has since been recommended for closure. This tower will show-case the series of high quality textile products under one roof. The Committee welcome the concept of Trade Tower as it will facilitate the marketing of all kinds of textile, handloom and handicraft products including gems and jewellery. While working as a nodal agency, the trade tower will also generate considerable employment among the artisans, handloom weavers, and other workers associated with the textile sector. However, necessary permission is still awaited from the Government of Maharashtra in this regard. The Committee, therefore, urge upon the Union Government that all steps be taken to expedite the approval from the Government of Maharashtra for the construction of trade tower in Mumbai so that the benefits that may accrue from these efforts are actually percolated down to the most deserving people, viz. artisans, handloom weavers, textile workers, etc. at the earliest. Based on the performance of this tower, opening of new towers elsewhere in the country may also be considered keeping in view the high density zones of artisans and weavers.

2. THE BRITISH INDIA CORPORATION LIMITED, KANPUR

Background

2.43 The British India Corporation Ltd. was taken over by the Government of India on 11.6.1981 by acquisition of all private shares. The BIC Ltd. has two Woollen Mills, namely, Cawnpore Woolen Mills Branch (Lalimli) at Kanpur in Uttar Pradesh and New Egerton Woollen Mills Branch at Dhariwal in Punjab under its direct control. Besides, it has two cotton subsidiary companies, namely Elgin Mills Co. Ltd. and Cawnpore Textiles Ltd. both at Kanpur in Uttar Pradesh. The total share capital of the BIC Ltd. as on 30.09.2005 was Rs. 31.71 crores, out of which the shares holding of the Government of India is Rs. 30.73 cores. The total number of employees in BIC Ltd. as on 30.09.2005 was 2742. The company, at present, is under the hearing of BIFR.

2.44 The budgetary support bring provided by Government for meting the shortfall in salary and wages is as under:-

(Rs. In Crores)

Year	BE	RE	Actual Expenditure
2003-04	49.00	49.00	49.00
2004-05	18.00	18.00	18.00
2005-06	18.00	21.00	18.00
2006-07	18.00	--	18.00

2.45 When asked the reasons for such a long pendency of the company's case under BIFR and the present status alongwith its subsidiaries, the Ministry of Textiles replied as under:

> "The Company was referred to BIFR in the year 1992 and declared sick. BIFR approved a Rehabilitation Scheme for BIC in the year 2002. The scheme was under implementation since December, 2002 and was to be completed within a period of two years. However, it could not be implemented within the stipulated time frame mainly due to want of requisite permission from the Government of Uttar Pradesh for conversion of leasehold land into freehold as the main source of funds for implementation of scheme was to be generated through sale of surplus leasehold land of BIC. In view of non-implementation of Rehabilitation Scheme-2002, BIFR directed the operating Agency (OA) to draft a Modified Rehabilitation Scheme (MRS) for revival of BIC. Accordingly, OA submitted a MRS in BIFR for consideration. The BIFR, in its hearing held on 14.02.2007, invited suggestion/objection etc. from the concerned agencies which were considered by BIFR in its hearing held on 17.07.2007. Keeping in view the objections by State Bank of India (Secured Creditor), BIFR issued certain directions to OA/BIC (Minutes of the meeting awaited). The next date of hearing is being fixed by BIFR."

2.46 Regarding modernization of any of the company's mills till date, the Ministry stated that the modernization of BIC mills will be started after approval of modified rehabilitation scheme (MRS) by BIFR.

2.47 The Ministry of Textiles has furnished the details of the amount realized from the sale of surplus land and other assets of BIC mills and the actual utilization areas of the funds thus mobilized, as under:-

"Till date, a total amount of Rs. 68.83 crores has been realized from sale/advance on sale of surplus properties, which has been utilized as per details given below:

(i)	Payment to State Bank of India against One Time Settlement	Rs. 63.14 crores
(ii)	Payment to Financial Institutions	Rs. 4.52 crores
(iii)	Consumed in New Egerton Woollen Mill branch for payment of salary and wages	Rs. 0.97 crores

2.48 Regarding the steps taken by the Government on the directions of BIFR, for revival of BIC mills, the Ministry stated as under:

"As per the Rehabilitation Scheme 2002 of BIC Ltd., the Ministry has already taken the following measures by complying with the directive of BIFR as under:-

(i) Rs. 37.00 crores interest free GOI loan to BIC during 2002-03.

(ii) The repayment of the GOI loan to be commenced from 1st April 2004 has been deferred by 2 years.

(iii) Rs. 49.00 crores towards grant has been released by GOI during 2003-04.

(iv) Permission to waive interest of Rs. 390.80 crores on the unsecured loans has been granted by GOI.

(v) Permission to convert the principal of Rs. 249.62 crores into equity, has been accorded in May, 2003.

(vi) After conversion of unsecured loan into equity share capital has been derated to 10%.

2.49 When asked whether the State Government of Uttar Pradesh has since given permission for conversion of leasehold land of BIC into freehold and the consequent steps being taken for modernization of its mills, the Ministry of Textiles in a written note replied as under:-

"The Board for Industrial and Financial Restructuring (BIFR) had sanctioned a Rehabilitation Scheme in December, 2002 for revival of BIC Ltd. However, it could not be implemented within the stipulated time period. Also, a number of factors technical, financial and legal, involved in the scheme had changed over time. In view of these, the BIFR directed to submit draft of Modified Rehabilitation Scheme (MRS) in its hearing held on 28.11.2005".

2.50 The Committee has been informed that the MRS, as directed by BIFR was prepared by the Operating Agency (OA), i.e. Industrial Development Bank of India (IDBI), in consultation with the Company and submitted to BIFR for its consideration and approval. Presently the scheme is under consideration of BIFR. The salient features of MRS of BIC Limited are:

(i) Voluntary Retirement Scheme (VRS) to 772 surplus employees with an expenditure of Rs. 60 crores. Government will provide these funds as grant.

(ii) Government grant for payment of salary & wages amounting to Rs. 25 Crores per annum for two years i.e. the implementation period of the Scheme.

(iii) Conversion of interest bearing Government loan of Rs. 19.80 Crores with interest accrued thereon upto 30.09.2007 i.e. the cut off date and Rs. 37 Crores interest free loan into grant.

(iv) Waive off of Rs. 2.13 Crores Guarantee Commission outstanding as on date.

(v) Interest Free Government loan Rs. 47.35 Crores for payment of conversion charges of leasehold land into freehold.

(vi) The Company will sell its surplus assets of the value Rs. 116 Crores approx. in the years 2007-08 and 2008-09.

(vii) The Company will be converted from loss making to profit making in the year 2011-12. The net worth of the Company will become positive in the year 2008-09.

(viii) The Company has planned to open retail outlets throughout the country. After implementation of the proposed Scheme, the two units of BIC, namely, 'Lal-imli, Kanpur and 'Dhariwal' at Punjab will become most modernized units of woolen sector.

2.51 The Committee observe that British India Corporation Limited (BIC) was taken over by the Government of India in the year 1981. The BIC Limited has two woollen mills, viz. Cawnpore Woollen Mills in Kanpur (Uttar Pradesh) and New Egerton Woollen Mills in Dhariwal (Punjab) under its direct control. Besides, BIC limited also has two cotton subsidiary companies, viz. Elgin Mills Co. Ltd. and Cawnpore Textiles Ltd. at Kanpur in Uttar Pradesh. BIC had its brand value as Dhariwal and Lalimli, before becoming a sick organisation. The Company was referred to BIFR in the year 1992 and declared sick. Despite a lapse of sixteen years, nothing concrete has been done to bail out the BIC units from the sickness. Even the permission of Government of Uttar Pradesh for conversion of BIC land into freehold from leasehold could not be obtained due to which the rehabilitation scheme for BIC as approved by BIFR in the year 2002 could not be implemented. Even the modified rehabilitation scheme is in limbo due to procedural wranglings and objections by the stakeholders. The Committee further observe that, like NTC, the surplus assets of BIC including its land will be sold to generate resources to modernize its units. Till date, a total amount of Rs. 68.33 crore has been realized from the sale/advance on sale of surplus properties but no tangible action is yet in sight as far as revival of BIC is concerned. The Committee are of the opinion that the revival scheme can not be put on hold perpetually merely on the ground that permission of the Government of Uttar Pradesh is not coming forth. The Committee, therefore, strongly recommend that a time bound action plan be chalked out wherein the modified rehabilitation scheme as submitted by the Operating Agency, i.e. the Industrial Development Bank of India (IDBI) is implemented in letter and spirit. The Committee also desire the Union Government to impress upon the State Government of Uttar Pradesh for conversion of leasehold land into freehold at the earliest. The Committee further recommend that the BIC mills be reopened at the earliest.

NEW DELHI;
8 April, 2008
19 Chaitra, 1930 (SAKA)

SURAVARAM SUDHAKAR REDDY,
CHAIRMAN,
STANDING COMMITTEE ON LABOUR

APPENDIX-I

LIST OF TRADE UNIONS WHO APPEARED/SUBMITTED MEMORANDA BEFORE THE COMMITTEE

1. **Centre of Indian Trade Unions**
2. **Indian National Trade Union Congress, Madhya Pradesh**
3. **Hind Mazdoor Sabha**
4. **Bharatiya Mazdoor Sangh**
5. **United Trade Union Congress**
6. **All India Trade Union Congress**

APPENDIX-II

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON LABOUR HELD ON THURSDAY, 11 JANUARY 2007

The Committee met from 1100 hours to 1300 hrs. and again from 1400 hrs. in Committee Room `B', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy – CHAIRMAN

MEMBERS

LOK SABHA

2. Shri Furkan Ansari
3. Shri Santasri Chatterjee
4. Shri Thawar Chand Gehlot
5. Shri Munwar Hasan
6. Dr. Satyanarayan Jatiya
7. Smt. Sushila Kerketta
8. Shri Mohammad Tahir Khan
9. Shri Virendra Kumar
10. Shri Chandradev Prasad Rajbhar
11. Shri Kamla Prasad Rawat
12. Shri Parasnath Yadav

RAJYA SABHA

13. Chowdhary Mohammad Aslam
14. Shri Rudra Narayan Pany

SECRETARIAT

1. Shri N.K. Sapra - Joint Secretary
2. Shri R.S. Misra - Director

REPRESENTATIVES OF THE MINISTRY OF TEXTILES

Sl. No	Name of the Officer	Designation
1.	Shri A. K. Singh,	Secretary
2.	Shri J. K. Sharma	Joint Secretary
3.	Shri Sudripta Roy	Joint Secretary
4.	Shri K. R. Pillai	CMD, NTC
5.	Shri R. C. Tiwari	CMD, JCI & NJMC
6.	Shri J. N. Singh	Textile Commissioner
7.	Shri M. K. Gupta	Director
8.	Shri C. Roul	Director
9.	Shri Oma Nand	Under Secretary
10.	Smt. Anita Puri	Under Secretary
11.	Shri Vijay Kumar	Section Officer
12.	Shri Khem Singh	Section Officer

2. At the outset the Chairman welcomed Shri A.K. Singh, Secretary and other Officers of the Ministry of Textiles and requested them to brief the Members on the subject "Sickness/Closure of Textile Mills" which has been selected as a subject for detailed examination during the year 2006-2007.

3. The Secretary and other officials of the Ministry of Textiles briefed the Committee on the subject. They then replied to the queries raised by the Members. The Chairman directed the Secretary to furnish written replies to the questions on which the information was not readily available with them during the briefing.

A verbatim record of the briefing has been kept.

The witnesses then withdrew.

4.	XX	XX	XX
5.	XX	XX	XX
6.	XX	XX	XX

The Committee then adjourned

MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON LABOUR HELD ON MONDAY, 17 DECEMBER 2007

The Committee met from 1100 hours to 1345 hrs. and again from 1500 hrs. to 1650 hrs. in Committee Room `C', Parliament House Annexe, New Delhi.

PRESENT

Shri Suravaram Sudhakar Reddy – CHAIRMAN

MEMBERS

LOK SABHA

6. Shri Furkan Ansari
7. Shri Subrata Bose
8. Shri Santasri Chatterjee
9. Shri Thawar Chand Gehlot
6. Smt. Sushila Kerketta
7. Shri Virendra Kumar
8. Shri Bassangouda R. Patil
9. Shri Devidas Pingle
10. Shri Mohan Rawale
11. Shri Kamla Prasad Rawat
12. Smt. C.S. Sujatha
13. Shri Parasnath Yadav
14. Shri Ramdas Athawale

RAJYA SABHA

15. Shri Rudra Narayan Pany
16. Shri Narayan Singh Kesari
17. Shri K.Chandran Pillai
18. Shri Gandhi Azad
19. Shri Arjun Kumar Sengupta

SECRETARIAT

1.	Shri N. K. Sapra	-	Joint Secretary
2.	Shri R.K. Bajaj	-	Director
3.	Shri N. K. Pandey	-	Deputy Secretary-II
4.	Smt. Mamta Kemwal	-	Deputy Secretary-II

Part-I

REPRESENTATIVES OF THE CENTRAL TRADE UNIONS

Sl. No.	Name of the Organisation	Name of the representative	Designation
1.	Bharatiya Mazdoor Sangh	(i) Shri S. Dorairaj (ii) Shri Babu Lal Rajawat	Senior Activist Senior Activist
2.	Hind Mazdoor Sabha	Shri R.A. Mital	Secretary
3.	Centre for Indian Trade Unions	Shri P.K. Ganguly	Member, Working Committee, CITU
4.	Indian National Trade Union Congress	Shri Shyam Sunder Yadav	General Secretary, INTUC
5.	United Trade Union Congress	Shri Abani Roy	MP & General Secretary
6.	All India Trade Union Congress	Shri D.L. Sachdev	Secretary

At the outset, the Hon'ble Chairman welcomed the representatives of the Central Trade Unions to the sitting of the Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker. He thereafter sought their opinion on the "Sickness/Closure of Textile Mills", which is a subject selected by the Standing Committee on Labour during the year 2007-08 for examination and report.

2. The representatives of the Trade Unions briefed the Committee about the various problems plaguing the textiles sector leading to its sickness and the resultant hardships of workers of Textile Industry all over the country. The queries raised by the Members pertaining to the subject were also responded to by the representatives.

3. The Hon'ble Chairman then asked the representatives of the Trade Unions to send their responses on the issues asked by the Committee in writing alongwith any other relevant information within 10 days to the Committee.

4. The Hon'ble Chairman thanked the representatives of the Trade Unions for giving valuable information to the Committee on the subject.

The witnesses then withdrew.

5.	**XX**	**XX**	**XX**
6.	XX	XX	XX

Part-II

REPRESENTATIVES OF THE MINISTRY OF TEXTILES

Sl. No.	**Name of the Officer**	**Designation**
1.	Shri J.K. Sharma	Joint Secretary
2.	. Chaturvedi	Joint Secretary
3.	Shri K.R. Pillai	CMD, NTC
4.	Shri N.M. Mugadur	Jt. TXC, Mumbai
5.	Shri A.N. Sharan	Director & CMD (BIC)
6.	Shri Bishwanath Sinha	Director
7.	Shri R. K. Sharma	Director (Tech.), NTC
8.	Shri B.R. Verma	GM (Tech.), NTC
9.	Shri J.K. Pra	Director (Parl.)
10.	Shri D.S. Mishra	GM(FA), BIC
11.	Shri R. K. Mishra	GM (P&AO), BIC

7. The Committee resumed second part of the sitting at 1500 hrs. At the outset, the Chairman welcomed the representatives of the Ministry of Textiles to the sitting of the Committee and apprised them of the provisions of Direction 58 of the Directions by the Speaker. He then requested them to brief the Committee on the subject "Sickness/Closure of Textile Mills" .

8. The representatives of the Ministry of Textiles briefed the Committee on the subject. Thereafter, some Members sought clarifications on the issues relating to the subject. The witnesses replied to the queries raised by the Members. The Chairman directed the representatives of the Ministry to furnish written replies to the questions given to them during the meeting within the fortnight.

A verbatim record of the proceedings of both the Sessions has been kept.

The witnesses then withdrew.

.**The Committee then adjourned**

MINUTES OF THE FOURTEENTH SITTING OF THE STANDING COMMITTEE ON LABOUR HELD ON TUESDAY, 8 APRIL 2008

The Committee met from 1100 hours to 1240 hours in Committee Room `074', Parliament Library Building, New Delhi to consider and adopt draft Twenty Seventh report on the subject "Sickness/Closure of Textile Mills" of the Ministry of Textiles.

PRESENT

Shri Suravaram Sudhakar Reddy – CHAIRMAN

MEMBERS

LOK SABHA

2. Shri Furkan Ansari
3. Shri Santasri Chatterjee
4. Shri Thawar Chand Gehlot
5. Shri Virendra Kumar
6. Shri Bassangouda R. Patil
7. Shri Rajesh Kumar Manjhi
8. Shri Devidas Pingle
9. Shri Mohan Rawale
10. Shri Dhan Singh Rawat
11. Smt. C.S. Sujatha

RAJYA SABHA

12. Shri Rudra Narayan Pany
13. Shri Narayan Singh Kesari
14. Shri K. Chandran Pillai
15. Shri Gandhi Azad
16. Shri Arjun Kumar Sengupta

SECRETARIAT

1.	Shri S.K. Sharma	-	Additional Secretary
2.	Shri N.K. Sapra	-	Joint Secretary
3.	Shri R.K. Bajaj	-	Director
4.	Shri N. K. Pandey	-	Deputy Secretary-II

2. At the outset, the Hon'ble Chairman welcomed the Members and apprised them about the draft Twenty-Seventh Report on the subject "Sickness/Closure of Textile Mills" of the Ministry of Textiles.

3. The Committee took up for consideration the Draft Twenty-Seventh Report and adopted the same with some amendments/modifications as per **Annexure.**

4. The Committee then authorised the Chairman to finalise the above Report after making consequential changes, if any, arising out of factual verification by the Ministry of Textiles or otherwise and present /laid in Lok Sabha/Rajya Sabha on their behalf.

The Committee then adjourned.

ANNEUXRE

Amendments/Modifications made by the Standing Committee on Labour in the Report on "Sickness/Closure of Textiles Mills".

(i) Page No.4, Para No.1.9, line 2 from bottom **for** "private as well as public sectors **substitute** **"public as well as private sectors".**

(ii) Page No.17, Para 1.28, Line 14 **after** the word `scrutinized' **insert'** **`by the Government'**

(iii) Page No.17, Para No.1.28, Line 14, **for** **`quick'** substitute **`expeditiously achieving the desired'**

(iv) Page No.17, Para No.1.28, Line 3 from bottom **for** **`National'** **substitute** **`Central'**

(v) Page No.20, Para No. 1.34, Line 7, **after** the word `Committee' **add** **`Considering the national importance of the subject and greater role of the State Government, the Union Government cannot and should not shy away from its responsibility of having the data of such illegal closure of mills'.**

(vi) Page No.20, Para No.1.34, Line 15 **add** **`State'** **before** **`Labour',**

(vii) Page No.21, Para No.1.35, Line 4 **for** **`cheap'** **substitute** **`Reasonable'.**

(viii) Page No.21, Para No. 1.35, Line 5 **after** **`society'** **add** **`The Committee find that this is a welcome step for the welfare of workers. However, presently only the workers of the public sector mills are eligible for availing of the benefits under the scheme. The Committee feel that willing workers of the private sector mills should also be extended access to the looms and other reusable machinery of NTC. Of course, priority should be given to the workers of public sector mills over the private sector workers. The charges for providing the reusable machinery to the private sector workers may however, be different than the public sector workers besides putting a bar on resale of this machinery for a specified period to prevent its misuse'.**

(ix) Page No.35, Para No.2.40, Line 6 **after** **`mills'** **add** **`The entire process of modernization should be completed in a time bound manner and also the interests of the workers regarding their wages and service conditions should be protected'.**

(x) Page No.36, Para No.2.41, Line 5**, after** **`Government'** **add** **`Initiatives for providing incentives like better wages, regular employment, encouraging and satisfying working atmosphere, etc. to the employees promoting sales and maintaining cordial relations with customers, must be ushered in to herald an era of complete transformation of marketing in the organization'.**

(xi) Page 42, Para No.2.51, **add** **"The Committee further recommend that the BIC mills be reopened at the earliest"** at the end.

ANNEXURE-I

DETAILS OF CAPACITY AND UTILISATION IN RESPECT OF 40 WORKING MILLS IN LAST THREE YEARS

		2004-05		2005-06		**2006-07**	
Sl. No.	Name of the Mill	Capacity	Utilization %	Capacity	Utilization%	Capacity	Utilization%
		Spindles Looms	Spindles Looms	Spindles Looms	Spindles Looms	Spindles Looms	Spindles Looms
1.	KARNATAKA						
	1. Tirupathi Mills	12400	76.42	12400	84.70	12400	92.11
	2. Minerva Mill	9120	71.41	9120	79.75	9120	71.97
2.	KERALA						
	3. Algappa Textiles Mills	42752	96.72	42752	93.79	42752	93.95
	4. Cannanore Spg. & WVG Mills	24800	91.4	24800	91.80	24800	91.58
	5. Kerala Laxmi Mills	41328	85.94	41328	85.72	41328	87.66
	6. VijayMohini Mills	28796	78.31	28796	81.25	28796	84.41
	7. Parvathi Mills	25400 30	58.28 25	25400 30	69.12 25	25400 30	75.62 25
3.	MAHE						
	8. Cannanore Spg.&WVG. Mills	30240	76.27	30240	71.46	30240	53.12

4.	RAJASTHAN						
	9. MahaLaxmi Mills	15160	61.74	15160	37.55	15160	53.54
5.	MAHARASHTRA						
	10. India United Mills No.1	28728 80	77.00 62	28728 80	84.39 62	28728 80	81.15 62
	11. Tata Mills	25080 240	76.69 65	25080 240	81.35 65	25080 240	76.24 65
	12. Podar Mills	35296	79.59	35296	86.97	35296	84.57
	13. RBBA Mills	18984	95.14	18984	96.88	18984	97.49
	14. India United Mills No.5	26048	87.96	26048	85.21	26048	92.65
	15. Savatram Ramprasad Mills	14464	75.85	14464	88.56	14464	85.25
	16. Apollo Textile Mills	30212	85.84	30212	87.00	30212	87.50
	17. Barshi Textile Mills	22456	82.77	22456	89.37	22456	90.02
	18. Chalisgaon Textile Mills	23972	79.79	23972	81.40	23972	84.00
	19. Finlay Mills (at the land of Digvijay)	33096	84.25	33096	88.00	33096	51.94
	20. Dhule Textile Mills	29672	80.93	29672	87.68	29672	89.05
	21. GoldMohur Mills	27200	73.87	27200	82.10	27200	86.05
	22. Nanded Textile Mills	23900	84.14	23900	81.95	23900	78.86
	23. New City of Bombay Mfg. Mills	37240	67.67	37240	74.58	37240	81.78
	24. Aurangabad Textile Mills	70200	62.47	70200	72.81	70200	80.67

6.	MADHYA PRADESH						
	25. Burhanpur Tapti Mills	14384	90.42	14384	90.33	14384	90.97
	26. New Bhopal Textile Mills	16880	83.42	16880	85.29	16880	85.48
7.	UTTAR PRADESH						
	27. Swadeshi Cotton Mills, MAU		79.53		80.19		86.55
8.	WEST BENGAL						
	28. Laxminarayan Cotton Mills	10552	53.30	10552	63.10	10552	78.03
	29. Sodepur Cotton Mills	6272	44.53	6272	45.64	6272	72.42
	30. Arati Cotton Mills	10088	53.88	10088	58.97	10088	81.28
9.	ORISSA						
	31. Orissa Cotton Mills	8464	51.78	8464	65.58	8464	67.87
10.	ASSAM						
	32. Associated Industries	8000	48.72	8000	44.67	8000	51.40
11.	TAMIL NADU						
	33. Cambodia mills	42672	92.02	42672	92.20	42672	88.04
	34. Coimbatore Murugan Mills	15816 180	88.30 75	15816 180	90.64 75	15816 180	82.77 75
	35. Pankaja Mills	29800	85.36	29800	89.17	29800	86.91
	36. Pioneer	27912	87.80	27912	91.34	27912	88.43

	Spinners Mills						
	37. Sri Rangavilas S&W Mills	42188	88.35	42188	93.08	42188	87.25
	38. Kaleeswarar Mills 'B' Unit	37952	91.33	37952	94.34	37952	92.39
	39. Sri Sarda Mills	27640	91.36	27640	89.54	27640	94.06
	40. Coimbatore Spg.&WVG Mills	34576	86.92	34576	91.61	34576	88.53

APPENDIX-III

STATEMENT OF RECOMMENDATIONS/OBSERVATIONS

Sl. No.	Para No.	Recommendations/Observations
1.	1.9	**The Committee observe that the textile industry is a pioneering industry in the country which as a whole has been plagued by multiple problems. Some of the causes attributed are excess capacity, low productivity of both machine and labour due to lack of modernization, stagnant demand and inability on the part of sick units to access export market, increase in the cost of inputs, etc. The Committee feel that under-utilization of the installed capacity is the major hindrance in the path of production and sustainable growth of the sector. The Committee find that as on 31 January 2007, 1,818 textile mills are in existence in the country with a capacity of 35.37 million spindles, 4,48,000 rotors and 6,900 looms. The capacity utilization in the spinning sector is between 80 and 93 per cent while in the weaving sector it is between 41 and 63 per cent. The Committee are of the opinion that the reasons for this under-utilization may be beyond the control of the private entrepreneurs also, nonetheless the overall performance of the textile sector is being affected in the country. As the large number of mills are closed year after year due to one or the other reason, it becomes incumbent to ensure that the mills which are functional and are in production, utilise their optimum capacity. The Government cannot shrug off its responsibility for under-utilisation of textile production capacity - whether in the public or in the private sector. It is rather obligatory for the Government to take all possible steps to facilitate and encourage the capacity production in the textile sector and provide conducive environment for the growth of this sector. The Committee, therefore, strongly recommend that the Government should formulate a multi-pronged strategy so that optimum production of textile in the public as well as private sectors could be attained. For the purpose, all the obstacles that hinder the production growth and efficient functioning of the textile sector may be removed. The Committee would appreciate if the Government formulates a strategy in this regard at the earliest and chalk out a time bound programme for its implementation.**

2.	**1.21**	**The Committee are concerned to note that indiscriminate dumping of clothes and steep appreciation in the value of Indian Rupee against the US dollar have, of late been major contributory factors in the sickness of the textile sector in the country. The import of clothing from China which was to the tune of 11.54 million US dollar in the year 2005-2006 almost doubled at 21.03 million US dollar during the year 2006-2007. These multiplying imports at cheaper rates have weakened the sales of the manufacturers of domestic market and as a result thereof, a large number of mills are turning sick. The Committee are constrained to observe that the Government is not paying due attention to the woes of the Industry, as no assessment of the impact of all such imports has been made during the last two years. On the other hand, the current rupee appreciation has resulted in the erosion of India's competitive advantage and substantially dampening the exports. There has been a negative trend in the export of textile products by 16 per cent. Not only exports, the strengthening rupee is now hitting those who are mainly manufacturing the textile products for the domestic market. The import substitutes of textile products are becoming much cheaper and the profit margin of the manufacturers have reduced drastically. Besides, it is also having its cascading effect on intermediates and raw materials segment. The sale of domestic yarn, for example has also been severely impacted on account of lower demand from export segment for made-up and readymade garments. Thus, considering all these factors, the Committee are of the firm opinion that if the corrective steps are not taken urgently, the textile sector is bound to be hit irreparably. In order to tide over the crisis, the Committee, strongly recommend that the short, medium and long term strategies be *drawn up* which may include special package for assistance to different sectors of textile industry particularly for its export oriented products, expanding the scope of TUFS and SITP, equipping the textile industry with the state-of-the-art technology, ensuring the uninterrupted power supply at reasonable and subsidized rates and a periodic assessment of the impact of import of clothes.**

3.	**1.29**	**The Committee observe that the entire process involved in the identification of sickness of textile mills is intrinsically deficient. It has been stated by the Government that with a view to timely detect sick and potentially sick companies which may or may not be closed and also for the speedy determination of preventive, ameliorative and remedial measures which need to be taken in respect of such companies and the expeditious enforcement of the measures so determined, Board for Industrial and Financial Reconstruction (BIFR) has been set up. Thereafter, BIFR appoints operating agencies for preparation of rehabilitation proposals in respect of potentially viable units. Simultaneously, it has also been stated that the Government does not have any specific monitoring mechanism to detect sickness at incipient stage. The reason advanced for absence of monitoring mechanism that, "these days in free economy, mills are not required to submit the financial performance data, so it may not be possible to have any monitoring mechanism". The contention of the Government, being factually incorrect and misleading is not plausible. The Committee are not able to understand as to how BIFR has been taking decisions regarding revival/closure or other options about a mill in the absence of vital data about the financial performance of the company.** **The Committee are of the opinion that BIFR has miserably failed in its duties in so far as the revival of sick mills in the country is concerned. It has been an agonizing experience that any matter referred to BIFR is never attended to with the priority and speed it warrants. The Committee feel that this body is not only oblivious of the sufferings of the workers and their families but is totally callous about them. The figures of the cases referred to BIFR substantiate the inference of the Committee. Out of 848 cases referred to BIFR upto October 2006, only 60 cases were declared `no longer sick' while 156 cases were declared `sick', 159 `non-maintainable' and 220 cases recommended for `winding up'. The Committee are also distressed to find that Government has not been able to put in place any mechanism which may detect and determine the root causes leading to sickness in the textile sector beforehand. The process involved in the BIFR is unintelligible, cumbersome and negative. It comes into operation only after the sickness in the unit becomes all pervasive. In such a situation, it is not possible to stem the rot. The engagement of NITRA, AITRA, BTRA, SITRA- all research bodies- for studying the reasons for sickness of NTC mills and suggest viability or otherwise of the mills have done least good to the cause of textile sector as these are the exercises undertaken by them either in the aftermath of the closure of the mills or which are on the verge of closure. These are all futile exercises and thus do not help the healthy growth of the sector. The Committee, therefore, strongly recommend that the functioning of BIFR be closely scrutinized by the Government. They also call upon for bringing in needed changes for expeditiously achieving the desired results in a time bound manner and also making the officials of BIFR individually accountable for any delay beyond the stipulated time in arriving at a decision about the future of a company. Besides, sickness in the entire textile sector should be viewed holistically. Its root causes are analyzed threadbare and an effective mechanism is put in place to assess the possible reasons for sickness before it spreads its pang and quick remedial measures are taken so that textile sector remains unscathed from the uncertainties and vagaries associated with the Industry. For the purpose, the possibility of participation of workers or**

		their representatives from the Central Trade Unions may be explored as their expertise in the field can be best utilized by inducting them in the Management/Governing body. The Committee are of the firm view that the advice of workers representatives, who have first hand knowledge of men, machine, materials and the industrial environment, would go a long way in minimizing the risk of sickness in the mills.
4.	**1.34**	**The Committee note with concern that a large number of textile mills are being closed illegally in the country. This not only affects the balanced growth of the textile sector but the livelihood of the workers is also put at stake. Moreover, the Union Government is not maintaining any data regarding mills which have been closed illegally. The plea of the Government that since `the subject matter pertains to State Governments, the role of the Union Government is negligible in this regard', is not acceptable to the Committee. Considering the national importance of the subject and greater role of the State Government, the Union Government cannot and should not shy away from its responsibility of having the data of such illegal closure of mills. The Committee are but inclined to infer that the Government is not at all serious on this issue otherwise with a little effort and coordination with the Departments like ESIC, State Labour Commissioner and Textiles Department of State Governments, information regarding such mills could have been easily gathered. The Committee take a serious view of the casual approach of the Government regarding such an important sector providing employment to a large number of workers. The Committee, therefore, strongly recommend that a data base be prepared covering pockets of small, medium and large scale garment and textile industries across the country and appropriate coordination mechanism be established with ESIC, EPFO, Office of State Labour Commissioner, Small Scale Industries and Textile Department of State Governments, Associations of Entrepreneurs and Industries so as to have information about the closure of mills whether legally or illegally. Based on this data base, the owners of illegally closed mills can be asked to go in for systematic closure of their mills so that the workers of these mills are not deprived of their rightful benefits under TWRFS.**

5.	1.35	**The Committee further observe that the Government has formulated a welfare scheme for the workers of NTC mills under which the employees/workers opting for voluntary retirement are issued Green Cards. The willing employees/workers are provided old looms at reasonable rates at book value to run their own business on forming or joining a co-operative society. The Committee find that this is a welcome step for the welfare of workers. However, presently only the workers of the public sector mills are eligible for availing of the benefits under the scheme. The Committee feel that willing workers of the private sector mills should also be extended access to the looms and other reusable machinery of NTC. Of course, priority should be given to the workers of public sector mills over the private sector workers. The charges for providing the reusable machinery to the private sector workers may however, be different than the public sector workers besides putting a bar on resale of this machinery for a specified period to prevent its misuse. The Committee, therefore, urge upon the Government that the workers of private sector mills should also be considered for availing the benefit of getting looms of NTC mills if they are so willing on the same terms and conditions as are applicable to workers of NTC mills. This gesture will promote the skill of entrepreneurship among the workers in the private sector, who are equally well versed with the nuances of the textile industry.**
6.	2.40	**The Committee note that NTC was incorporated in 1968 with the main objective of managing the affairs of 16 sick textiles mills taken over by the Government. Further, more sick mills were taken over by NTC under 3 Nationalization Acts and their number soared to 119 in 1995. As the mills brought under the NTC umbrella perhaps could not perform to the expected levels, it was decided that only viable mills may continue functioning while the unviable units may be closed. Accordingly, in the year 2002, BIFR/Government of India approved revival of 53 viable mills and closure of 66 unviable mills. However, 65 mills were closed and 2 mills (one unviable and one viable) were transferred to the State Government of Pondicherry (now Puducherry). 12 mills were further closed since "most of the employees of these mills have opted for Voluntary Retirement Scheme." The Committee are distressed to note that 12 mills have been left out of the modernization process for the sole reason that most of its employees had opted for VRS. The Committee do not approve of the manner in which 12 mills have been left out of the modernization process because for assessing the viability of mills for their revival, only one factor has been taken into consideration. This kind of act on the part of Government reinforces the apprehension that NTC mills are being shut down in a sustained and planned manner despite the fact that such mills were having the better and greater scope for their refurbishment. In the light of this, the Committee strongly recommend the Government to review its decision regarding the 12 mills which were originally in the list of modernization but had to be left due to the fact that most of their employees opted for VRS.** **The Committee further obseve that the pace of modernization for the remaining 40 mills (22 by NTC and 18 in Joint venture) is far from satisfactory. Out of 18 mills earmarked for the revival through the joint venture, only 5 mills have been assigned to three private partners for modernization till date. Regarding rest of**

		the mills no concrete action for their revival seems to be in the offing. The Committee, therefore, call upon the Government to review afresh the whole process of modernization of the mills. The entire process of modernization should be completed in a time bound manner and also the interests of the workers regarding their wages and service conditions should be protected. The progress made in this regard may be reported to the Committee within three months of presentation of this Report.
7.	**2.41**	**The Committee find that at present there are 113 retail shops of NTC running in different part of the country to promote retail marketing. The Committee further observe with concern the dismal performance of the retail shops during the year 2006-2007 as compared to the previous year. The Committee feel that this unpredictable and incoherent performance in sales reflects weak marketing strategy of the Government. Initiatives for providing incentives like better wages, regular employment, encouraging and satisfying working atmosphere, etc. to the employees promoting sales and maintaining cordial relations with customers, must be ushered in to herald an era of complete transformation of marketing in the organization. The Committee, therefore, urge upon the Government to pay utmost attention on the sale and marketing policy of the NTC by improving its image, performance and delivery mechanism. The Committee further find that Defence, Railways, Tele-communications, Para-military forces, Health, etc. of the Union Government and several departments of the State Governments are the bulk consumers of cloth on a regular basis. The Committee suggest that all the Government organizations should be impressed upon to opt for the NTC products at competitive rates without compromising on quality. The Committee hope that such steps would definitely help to bail out the NTC from its present situation.**
8.	2.42	**The Committee observe that Government has proposed to set up an India International Trade Tower in Mumbai on the land of one of the textile mills which has since been recommended for closure. This tower will show-case the series of high quality textile products under one roof. The Committee welcome the concept of Trade Tower as it will facilitate the marketing of all kinds of textile, handloom and handicraft products including gems and jewellery. While working as a nodal agency, the trade tower will also generate considerable employment among the artisans, handloom weavers, and other workers associated with the textile sector. However, necessary permission is still awaited from the Government of Maharashtra in this regard. The Committee, therefore, urge upon the Union Government that all steps be taken to expedite the approval from the Government of Maharashtra for the construction of trade tower in Mumbai so that the benefits that may accrue from these efforts are actually percolated down to the most deserving people, viz. artisans, handloom weavers, textile workers, etc. at the earliest. Based on the performance of this tower, opening of new towers elsewhere in the country may also be considered keeping in view the high density zones of artisans and weavers.**

9.	**2.51**	**The Committee observe that British India Corporation Limited (BIC) was taken over by the Government of India in the year 1981. The BIC Limited has two woollen mills, viz. Cawnpore Woollen Mills in Kanpur (Uttar Pradesh) and New Egerton Woollen Mills in Dhariwal (Punjab) under its direct control. Besides, BIC limited also has two cotton subsidiary companies, viz. Elgin Mills Co. Ltd. and Cawnpore Textiles Ltd. at Kanpur in Uttar Pradesh. BIC had its brand value as Dhariwal and Lalimli, before becoming a sick organisation. The Company was referred to BIFR in the year 1992 and declared sick. Despite a lapse of sixteen years, nothing concrete has been done to bail out the BIC units from the sickness. Even the permission of Government of Uttar Pradesh for conversion of BIC land into freehold from leasehold could not be obtained due to which the rehabilitation scheme for BIC as approved by BIFR in the year 2002 could not be implemented. Even the modified rehabilitation scheme is in limbo due to procedural wranglings and objections by the stakeholders. The Committee further observe that, like NTC, the surplus assets of BIC including its land will be sold to generate resources to modernize its units. Till date, a total amount of Rs. 68.33 crore has been realized from the sale/advance on sale of surplus properties but no tangible action is yet in sight as far as revival of BIC is concerned. The Committee are of the opinion that the revival scheme can not be put on hold perpetually merely on the ground that permission of the Government of Uttar Pradesh is not coming forth. The Committee, therefore, strongly recommend that a time bound action plan be chalked out wherein the modified rehabilitation scheme as submitted by the Operating Agency, i.e. the Industrial Development Bank of India (IDBI) is implemented in letter and spirit. The Committee also desire the Union Government to impress upon the State Government of Uttar Pradesh for conversion of leasehold land into freehold at the earliest. The Committee further recommend that the BIC mills be reopened at the earliest.**