COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

NATIONAL TEXTILE CORPORATION (TN&P) LIMITED

STUDY TOUR REPORT NO. 21

Laid in the Lok Sabha on 19.12.2001

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LOK SABHA SECRETARIAT

NEW DELHI

December, 2001 / Agrahayana 1923(S)

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(2001-2002)

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Prof. Vijay Kumar Malhotra

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22. Shri Ranjan Prasad Yadav

SECRETARIAT

1.	Shri. John Joseph,	Additional Secretary
2.	Shri S. Bal Shekar,	Director
3.	Shri L.N.Gaur	Under Secretary

INTRODUCTION

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of National Textile Corporation (TN&P). Ltd.

2. The Committee held discussions with the officials at Ootacamund on 08 June, 2001. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on 18 December, 2001.

4. The Committee wish to express their thanks to National Textile Corporation (TN&P) Ltd. for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi
18 December, 2001
27 Agrahayana, 1923(S)

PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS

‘STUDY TOUR NOTES’ OF THE COMMITTEE ON PUBLIC UNDERTAKINGS’

DISCUSSION WITH THE OFFICIALS OF NATIONAL TEXTILE CORPORATION (TAMIL NADU & PONDICHERRY) LIMITED ON 8TH JUNE, 2001.

At the outset, the Chairman, Committee on Public Undertakings made opening remarks and requested the Chairman-cum-Managing Director, National Textiles Corporation Ltd (Holding Company) and the CMD of NTC (Tamil Nadu & Pondicherry) to introduce themselves and their colleagues to the Committee. The Chairman, Committee on Public Undertakings also requested them to give a brief account of the working of the Corporation.

2. After the introduction of the officers of the National Textiles Corporation (TN&P) Limited, CMD, NTC (Holding Company) informed the Committee that the National Textile Corporation Limited (NTC) was set up with the main objective of managing the affairs of the Sick Textile Undertakings taken over by the Government. It was also proposed to rehabilitate and modernise these mills after the take over and expand them wherever necessary with a view to making them economically viable.

3. NTC Limited (Holding Company) was incorporated in April 1968 and started functioning in October 1968. At present there are 119 mills, controlled by 9 Subsidiary Corporations of the Holding Company including NTC ((TN&P). National Textile Corporation (Tamilnadu & Pondicherry) Limited was formed in the year 1974 as one of the nine Subsidiary Corporations of National Textile Corporation Limited, New Delhi. The corporation has now completed 27 years of commercial operation. Currently 12 spinning mills, 2

grey composite mills and 1 spinning mill with process house are under its fold.

4. At the time of take over and nationalisation, the mills were sick and closed. The Corporation was entrusted with the responsibility of nursing these units back to health and put them on firm grounds. Soon after take-over, the Corporation invested about Rs. 20 crore on quick-yielding assets in order to put the mills on rails. The old and obsolete machinery available in the mills were replaced with latest machinery in a phased manner at a cost of about Rs. 1.30 crore, which helped the Corporation to improve its capacity utilisation, productivity and introduce valued added yarn and cloth. The planned modernisation put the mills on firm grounds. Reaping the gains of modernisation assisted by favourable marketing conditions, the Corporation wiped out its entire losses and even declared dividends
consecutively for two years in 1990-91 and 1991-92. All the mills are now equipped to achieve a capacity utilisation of 92% and productivity of 80 grams. Even while many mills in both private sector and public sector are closed, the mills under NTC (TN&P) are fully working at reasonable level of utilisation and productivity. In other words, it could be said that the Corporation was successful in shouldering the responsibility of nursing the sick units which were given to it. Thus, the Corporation has been able to achieve the designated objectives.

Capital Structure

5. The CMD (NTC-Holding Company) informed the Committee that the NTC Limited (Holding Company) started with an Authorised Capital of Rs.

10.00 crore, which was raised from time to time. It stands at Rs. 600 crore as on date. The paid up capital as on date is Rs. 512.10 crore.

RETAIL MARKETING

6. It has been stated in the Brief that the Corporation is running a Retail Marketing Division for direct marketing of fabrics. The fabrics are directly sold to the general public by the Retail Marketing Division through its 47 show rooms spread over the State of Tamil Nadu and the Union territory of Pondicherry. In addition to the above direct marketing channel, the Corporation has established a wide network of Agents throughout the country for marketing of its products, to widen the base of marketing operations in the domestic market as well as export markets. In addition, the Corporation is having 5 Yarn Sales Depots in Tamil Nadu for direct marketing of yarn to consumers. It has also been stated that the Corporation is selling its yarn in major consumption centres like Ahmedabad, Bhiwadi, Kolkata, Ichalkaranji, Malegaon and Delhi. Similarly, the Corporation is selling its fabrics to DSG&D and Public Sector Undertakings for their uniform cloth and also to garment manufacturers and to exporters. The Corporation has developed infrastructure for selling its fabrics both in inland and in international markets.

7. When asked about the norms that are generally followed for setting up show rooms under Retail Marketing Division, It has been stated that all the showrooms had been set up by the Holding Company viz., National Textile Corporation Limited, New Delhi. The show rooms were opened with the main object of offering the products directly to the general public, keeping in view their commercial viability.

8. About the assessment of the performance of the show rooms, the Committee were informed that the Retail Marketing Division, with 117 show-rooms and 3 divisions was handed over to NTC (TN&P) by the Holding company with effect from 1st April, 1983. Since then, three divisions were merged into one without sacrificing marketing efficiency and the number of show rooms have been brought down to 47 though the process of continuous monitoring and weeding out uneconomic show rooms. The performance of these 47 show rooms during the last five years are as under:

Rs.in lakhs

YEAR	SALES	NET PROFIT/LOSS
1996-97	1130.64	153.93
1997-98	855.89	69.39
1998-99	693.84	-22,34
1999-2000	647.70	-48.23
2000-2001	596.04	-53.06

8. The Committee were further informed that as on 31.3.2001, there were 47 Showrooms, of which 9 showrooms were closed subsequently being unviable. As on date, there are 38 Showrooms catering to the needs of the public. The Corporation is continuously monitoring the performance of these showrooms and any showroom found unviable, will be proposed for closure.

9. When Committee wanted to know whether there is any problem of outstanding dues from the Indenting agents, the Committee were informed that Indenting Agents are appointed by calling for applications through advertisement in the leading newspapers. After interview of the applicants by a Committee constituted for this purpose, the Indenting Agents are appointed

for specific territory for promoting sale of their fabrics. The agents will have to cover orders for various fabrics from their dealers and parties at the ex-mill prices fixed by the Corporation. The supplies are made direct to the buyers and payment received. In case of default by the buyers, the agents are responsible for collection of any dues, including interest charges from the parties. The agents are entitled for a commission of 1.5% for grey cotton fabrics, 2% for bleached/dyed cotton fabrics and 3% for synthetic processed fabrics. The commission is paid on the ex-mill value of the goods sold on realisation of sale proceeds. As the supplies are made direct to the buyers and payment obtained, there is no outstanding from the agents.

10. When the Committee further desired to know to about the adequacy of the infrastructure of the Corporation for selling its fabrics both in the domestic and the international market and also about the plan to re-orient the existing infrastructural facilities to cope up with the market forces both at the domestic as well as at the international level, the Committee were informed that in order to face the challenges in the post liberalisation phase, the Corporation is giving more thrust on : (i) development of new products based on customers' needs and market demand, (ii) development of new markets for its products, (iii) customer satisfaction through consistent quality, and (iv) cut down of cost of production through cost reduction and cost control measures.

CAPACITY

11. The Installed Capacity of the mills under NTC is 31.83 lakh spindles and 29621 looms, whereas the commissioned capacity is 26.44 lakh spindles and 18593 looms.

CAPACITY UTILISATION

12. The capacity utilisation of the Corporation pertaining to Spindles, Rotors, Looms and Processing facilities during the last three years are given below:

Capacity Utilisation	Unit	1998-99		1999-2000		2000-2001	
		Target	Actual	Target	Actual	Target	Actual
a. Spindles	%	84.02	78.59	86.18	80.32	83.72	82.28
b. Rotors	%	80.70	81.10	80.0	83.97	80.0	89.31
c. Looms	%	82.79	72.77	82.67	66.40	75.97	71.40
d. Processing	%	85.00	45.02	85.00	62.65	70.00	58.44

13. The capacity utilisation with respect to Spindles, Rotors, Looms and Processing facilities have been lower as compared to the targets fixed during 1998-99 to 2000-2001. When asked about the reasons for the same, it has been stated that the utilisation of Spindles, Rotors and Looms was lower as compared to the targets mainly due to shortage of working capital fund. About the shortfall in utilisation of Processing facilities, it has been stated that the Government Departments and the Public Sector Undertakings have started following the open tender system for their fabric requirements and the subsidiary has to compete with the private parties especially those from decentralised sector for procurement of orders. The orders from DGS&D and Public Sector Undertakings have declined over a period of time and this adversely affected the Utilisation of processing facilities. Other factors which affected the capacity utilisation are: (i) fabric production had come down considerably due to stoppage of uneconomic plain looms and automatic looms and (ii) there was acute shortage of working capital, which had also

affected the capacity utilisation. Besides these factors, introduction of chamber based excise duty resulted in high cost of processing, which in turn resulted in loss of outside job work orders. However this duty has been withdrawn from the current financial year 2001-2002.

14. When the Committee desired to know the action taken or contemplated to increase the capacity utilisation the committee were informed that the core reason for the loss in capacity utilisation is the absence of adequate working capital. The continuous adverse trading conditions affected the working capital position of the mills very badly. While some mills are able to withstand the strain, because of their earlier modernisation and profits, some mills could not withstand the strain and even the routine maintenance works have been postponed for want of working capital. The working capital shortage coupled with the heavy back-log in maintenance affected the capacity utilisation considerably, besides affecting productivity and quality of finished goods. The Subsidiary has prepared a comprehensive Revival Plan envisaging disinvestment of 4 units of NTC (TNP) Ltd and revival of the remaining 6 mills at an estimated investment of Rs.50.94 crore. The investment includes Rs. 31.43 crore towards modernisation of machinery, Rs. 10.15 crore towards working capital margin and Rs. 9.36 crore towards shortfall in wages during the period of implementation of the revival plan. Once the plan is approved and implemented, the subsidiary would be able to achieve an utilisation of about 92% in all the spheres of production activity.

PRODUCTION

15. The production for the last three years is as under:

Production	Unit	1998-99		1999-2000		2000-01	
		Targets	Actuals	Targets	Actuals	Targets	Actuals
a.Market Yarn	L.Kgs	192.39	183.75	235.63	173.22	221.11	210.74
b.Cloth	L.Kgs.	79.57	60.95	88.09	31.57	64.75	53.14

When the Corporation was asked to explain the reasons for the decline in production of market yarn and cloth during 1999-2000, the Committee were informed that due to certain environmental factors and internal factors, there was decline. It was stated that the supply was more than demand due to the advent of small spinners in the market yarn segment resulting in depressed market conditions. Besides this, the supply was more than the demand due to the advent of power looms in cloth segment. It was further added that yarn and cloth production was basically dependent on capacity utilisation and productivity and there was low capacity utilisation as compared to the targets during the last three years due to inadequate working capital availability which in turn affected the yarn and cloth production. It was further stated that planned investment modernisation did not take place due to uncertainty in funding of projects.

16. About the measures being taken/proposed to be taken for achieving the targets and to overcome shortfall in production, the Committee were informed that the Corporation is endeavouring to increase capacity utilisation, productivity and efficiency by infusing adequate working capital to compensate past cash losses.

17. When the Committee desired to know about the production of cheaper cloth required for the people living below the poverty line, the CMD,

NTC(TN&P) informed the Committee that the Corporation was producing cheaper cloth on a larger scale in the earlier years. But the recent booming of the power loom industry affected the fortunes of the organised sector mills. Therefore, the narrow width looms have been since stopped as part of curtailment of uneconomical activities. As such the production infrastructure available for the production of cheaper varieties of cloth have been greatly reduced. However, this Corporation continues to produce fabrics meant for shirting, suiting and sarees for the general public.

SALES

18. The sales performance of the Corporation during the last three years is as given below:

Sales Performance	Unit	1998-99		1999-2000		2000-01	
		Target	Actual	Target	Actual	Target	Actual
a. Market Yarn	L.Kgs	192.39	205.00	213.70	193.00	221.08	216.92
Quality Value	L.Rs.	21975.07	20574.00	22183.00	21055.00	24133.94	23657.66
b. Cloth	L.Mtrs	79.07	67.00	87.00	54.00	64.43	58.00
Quantity Value	L.Rs.	4692.51	3448.00	5299.00	3082.00	3680.34	3585.00
c. Total Sales	L.Rs.	26667.58	24022.00	27482.00	24137.00	27814.28	27242.66

About the reasons for the actual sale of Market Yarn being lower than the targeted sales during 1999-2000 and 2000-2001, the Committee were informed that while the volume of production primarily depended on the level of capacity utilisation, the volume of sales depended on the volume of production. The actual production of market yarn was lower as compared to targets during 1999-2000 and 2000-2001, due to lower capacity utilisation, which in turn affected the sales volume. However, it was pointed out that the actual sales volume was higher than the production volume in all the three years, which brought down the yarn inventory to the barest minimum level.

19. When pointed out that the actual sales exceeded the targeted quantity in 1998-99 and still the value realised was less than the target fixed for market yarn, the Committee were informed that the target for market yarn for the year 1998-99 was fixed based on the market trend prevailed during the year 1997-98 and the prices prevailed at the time of preparing the budget. Due to vagaries of the textile industry, which operates in a buyers' market, the production plan also had to be altered to suit the actual market requirements during the year 1998-99. In blended yarn, which accounted for 65% of the total market yarn production, the prices had declined considerably, bringing down the overall sales value and unit realisation.

20. When asked about the measures taken to boost the sales performance of the Corporation, the Committee were informed that, as a first step, the Corporation was endeavouring to improve capacity utilisation in both the areas of spinning and weaving. Apart from this, the Corporation was planning to improve productivity and efficiency which would in turn lead to increase in volume of production. The Corporation also would upgrade the product mix taking into account the market demand. All these measures would increase the sales volume and sales value. Simultaneously, special steps such as sales promotion efforts, advertisements, participation in exhibitions etc. were also being taken.

21. In the market yarn segment, the Subsidiary was gradually increasing production of more value added products like Cotton Hosiery yarn, Blended Hosiery yarn, Cotton/Blended High Twist yarn, Dyed PV yarn and 100% Synthetic yarn as a measure of product diversification instead of depending on conventional products like 100% cotton warp/weft yarn. The strategy of Blended yarn production was being gradually replaced with value added

cotton yarn production in view of the frequent market fluctuations. In the cloth segment, thrust was given for manufacture of value added products like wider width fabrics meant for bed-linen. Production of fine and super fine varieties of fabrics instead of coarse and medium varieties was encouraged to improve unit realisation. Steps had been taken to approach Public Sector Undertakings, Central and State Government Departments and various institutions to buy NTC fabrics for their uniform requirements.

22. With regard to the major competitors for the company's products in the market, it has been stated that as far as market yarn is concerned, major competitors include many small spinners and mills in private sector. In the cloth front, the Corporation is facing stiff competition from many leading textile mills in the organised sector. But the real threat is from the unorganised power loom sector who is offering products at very low prices, as their cost of production is very low due to low wages and low cost of inputs. Though the Corporation is trying to minimise its cost of production through several cost reduction measures, it still remains high due to inheritant disadvantages like high wage cost, power cost, high capital cost etc.

23. When asked what sales strategy had been adopted by the Corporation to encounter the market competition, the Committee were informed that the Corporation had broad based the channels of operation to minimise the dependence on certain selected market centres like Bhiwadi, Ichalkaranji etc. Besides operating 5 own yarn depots, the Corporation was having depot arrangements in all the major yarn consumption centres throughout the country. Market oriented production plans were drawn up in such a way that sales matched the production; Production/sales strategy had

been modified from the conventional mode and production was done against confirmed sales orders. More thrust had been on after-sales services and effective follow-up of quality complaints and on taking immediate remedial measures. Benchmark quality had been fixed for each and every country and regular comparison of NTC's yarn with the benchmarks was done to give consistent thrust on quality and to ensure better unit realisation for the products. The Corporation was having its own staff force in each and every market centre to collect information with regard to prevailing market trend, yarn price movements, competitors' prices, etc. and to give upto date feedback to Corporate Office.

EXPORT PERFORMANCE

24. The export performance of the Corporation during the last three years are given below:

Export	Unit	1998-99		1999-2000		2000-01	
		Target	Actual	Target	Actual	Target	Actual
a. Market Yarn	L.Rs.	505.73	85.00	0.00	30.00	0.00	40.00
b. Cloth	L.Rs.	2203.92	1115.00	2841.00	1163.00	1600.42	1018.00
c. Total Exports	L.Rs.	2709.65	1200.00	2841.00	1193.00	1600.42	1058.00

Regarding the decline in export of market yarn and about the reasons for not fixing any target with regard to export of market yarn during 1999-2000 and 2000-2001, the Committee were informed that the yarn produced by unit mills were not meeting quality requirements of the foreign buyers due to absence of modernisation and heavy back log in maintenance. There were only few instances of yarn export during the last three years and hence the decline in yarn exports. Keeping in view the quality parameters of yarn, focus was shifted from international markets to domestic market and therefore, no targets were fixed for export of yarn in the last two years i.e. 1999-2000 and 2000-2001.

25. Regarding the foreign exchange earnings of the Corporation from its exports during the last three years, the Committee were informed as under:

Year	Value (Rs.in Lakhs)
1998-99	36.70
1999-2000	20.80
2000-01	-----

When the Committee wanted to know what action has been proposed to check the declining export performance and to further boost it in the years to come, the Committee were informed that in order to check the declining export performance, the Corporation was offering value added products with heavy construction manufactured out of the hi-tech sulzer looms as well as C Type Looms. Apart from offering grey fabrics, plans were being made to offer processed fabrics for exports. These measures were expected to boost the export performance in the years to come.

FINANCIAL PERFORMANCE

26. The net profit/loss of the Corporation during the three years are given below:

Net Profit/Loss	Unit	1998-99	1999-2000	2000-01
Targets	L.Rs.	-2601.00	-4150.00	-5788.22
Actuals	L.Rs.	-7407.00	-7576.00	-7901.22

The losses of the Corporation not only increased during the last 3 years but also had remained far below the targets fixed during each of the 3 years. It has also been stated that the Corporation could identify the major reasons for the setback in the profitability viz. (i) Abnormal Cotton Prices (ii)

Cotton Carrying Charges (iii) energy cost (iv) employee cost, and (v) Uneconomical prices.

27. With regard to the result of the remedial measures taken so far to minimise the losses, the Committee were informed that though the Corporation had been planning to improve utilisation and productivity not much headway could be made mainly due to inadequate working capital and shortage of workmen in many mills. The working capital shortage affected even the routine maintenance, which led to break down of machineries and consequent deterioration in quality of the products. Surplus labour arising out of new work norms had been retired under VRS or offered alternate employment in other mills where there was shortage. A sum of Rs. 4.38 crore had been saved through Cost Reduction Cells and Employee Suggestion Schemes, which were working in tandem by implementing various cost control/cost reduction measures. Though the Corporation had taken all possible efforts to reduce costs in all areas of operations, it had little role to play in dealing with the recession facing the industry. The recession and the glut in the yarn market continued and no positive improvement in profitability was witnessed in the last three years.

28. Apart from the remedial measures already taken, the Corporation was now focussing its attention mainly on the following two areas:

(i) measures to arrest cash erosion through better utilisation of all resources to avoid further loss of working capital.

(ii) measures to improve the quality of the end products to improve unit realisation and value of production.

29. Apart from these measures the Corporation had also drawn up a comprehensive revival plan. The accumulated loss of the Corporation was about Rs. 98.00 crore as on 31.3.2001 (Provisional) as against the net worth of Rs. 63.00 crore. Therefore, the Corporation had proposed to implement the revival plan to induct adequate funds and to improve the net worth. The revival plan contemplates strategic decisions including disinvestment of 4 unviable mills, capital restructuring etc. In brief, the revival plan envisaged the following:

a. Disinvestment of 4 unviable Mills.
b. Sale of Surplus lands.
c. Capital restructuring
d. Introduction of VRS for surplus labour.

30. About the capital restructuring, the Committee were informed that the net worth of the Corporation was already negative and the disinvestment of the Units and sale of surplus lands were bound to take some more time. Therefore, in order to avoid reference to the BIFR, the Corporation needed the following measures on a priority basis:

i) Conversion of Holding Company loans into equity to the extent Rs. 22.05 crore.
ii) Waiver of interest on Holding Company loans to the extent of Rs. 8.22 crore.
iii) Waiver of interest and liquidated damages by the financial institutions amounting to Rs. 30.67 crore.

31. Regarding the infusion of funds to have sufficient working capital and to improve the net worth of the company, the Committee were informed that the request for infusion of funds to replenish the lost working capital and to

improve the net worth of the Subsidiary Corporation was contained in the comprehensive Revival Plan submitted to the Government. The Revival Plan contemplates an investment of Rs. 50.94 crore, which included inter-alia Rs. 31.43 crore for modernisation of machineries in six mills proposed for revival, Rs. 10.15 crore towards working capital margin and Rs. 9.36 crore towards wages support during the period of implementation of the Revival Plan. The Revival Plan had been recommended by the Ministry of Textiles and the final nod from the Government of India was expected to be received shortly.

DISINVESTMENT

32. When the Committee desired to know about the status of the proposed sale of the unviable mills the Committee were informed that the proposed sale of the four unviable mills was a part of the Revival Plan submitted to the Ministry of Textiles. The Ministry of Textiles had recommended the Revival Plan and the final nod from the Government of India was expected to be received shortly.

33. Based on net worth analysis, the Corporation had found that only 6 Mills were capable of becoming viable within a short time frame. Four Units, viz Om Parasakthi Mill, Kishnaveni Textile Mill, Balaramavarma Textile Mill and Somasundaram Mills were found to be unviable. These 4 units had been suggested for closure and disinvestment. The labour complement in these Mills were comparatively less and it was, therefore, easy for the Corporation to rehabilitate the workmen either by offering VRS to them or by deploying them in the other mills where there was shortage of workmen.

34. When the Committee wanted to know about the justification for disinvestment of only 4 units, the Committee were informed that the net worth analysis prepared by the Corporation indicated that 6 mills were

capable of becoming viable within a short time frame and the remaining 4 units continued to have negative net worth. Therefore, the Corporation had decided to disinvest only the 4 units, which were not capable of becoming viable. The South India Textile Research Association (SITRA) had also made a detailed study in this regard and had confirmed the views of the Company.

SALE OF SURPLUS LAND

35. The Corporation has identified 41.27 acres of surplus lands in its various mills and these lands were likely to fetch about Rs. 53.81 crore on disposal as per the latest estimates based on the approved Guideline rates of the State Government. This money could be utilised to repay the high interest bearing liabilities and also to augment the working capital position of the Unit Mills. The surplus lands were identified initially in the year 1983 and relevant data was subsequently updated taking into account the reduction/closing down of uneconomic activities.

36. When asked about the present status of the proposal for effecting the sale of surplus lands, the Committee were informed that the mode proposed to be adopted for effecting the sale of surplus lands was through public tender to be floated globally. The proposal to sell surplus lands was included in the Revival Plan submitted by the Corporation. On receipt of approval from the Government of India, necessary action would be taken to dispose off the surplus lands.

VOULNTARY RETIREMENT SSCHEME(VRS)

37. When asked about the number of employees who had availed of VRS, the Committee were informed that from September, 1992 to March, 2001, a total number of 3239 employees (workers-2990, staff-168 and

officers-81) had retired under this scheme. As the surplus manpower had to be identified based on the curtailment of uneconomic activities and improvement in work load, the identified surplus from time to time had been reduced under this scheme.

38. In order to protect the interest of the workers and to make the units easily saleable, the Corporation had proposed to offer VRS to the surplus employees as per the Gujarat pattern approved for the other 8 Subsidiaries of NTC. It was envisaged that 1522 workers would be rendered surplus and the estimated VRS compensation might be around Rs. 34.56 crore. The Ministry had been requested to make available the necessary funds for implementing the revival plan as 'Grant'. The Corporation had already submitted a detailed proposal for Holding Company in this regard to the Ministry. The Ministry had cleared the proposals and final approval from the Government was expected shortly.

BADLI WORKERS

39. About the Badli Workers, the Committee were informed that it had been the practice to initially appoint a person in the worker category as "Apprentice"/Learner". Thereafter, if the performance of the apprentice had been found to be satisfactory and if he was regular in attendance, such a "Learner" was considered to be converted as "Badli Worker". The Badli Worker would have to work in any department as per exigency of work in the unit mills. Further, as and when permanent vacancies arose, the badli workers were conferred permanent status.

40. Due to 'ban' on conversion of Badli to permanent category having been imposed by the Government of India, the Corporation had not been converting any badli worker to permanent category during the past 6 years.

This has resulted in as many as 341 badli workers on the roll of the Corporation as on 31.3.2001. The Badli workers were also entitled for occupational wages as per the Award in force in this area. There was not much distinction between a Badli worker and a permanent worker except for the fact that:

a) he would not be eligible for any specified job on a day-to-day basis in the unit mills.

b) that he would not be eligible for any lay-off compensation in the event of lay-off announced in the unit mills.

These Badli workers had already put in more than 5 years of service. Taking into account the fact that "law of the land" provides for conferring permanent status to such of the Badli workers who had already put in the required service, the problem had to be approached on humanitarian grounds and a favourable decision would have to be taken at the earliest. The Corporation has already taken up this matter with NTC holding company, New Delhi for according necessary permission in this regard.

VIGILANCE ACTIVITIES

41. It had been stated that during the year 1999-2000, the Vigilance Department of the Head Office, assisted by the Unit level Vigilance Officers, conducted surprise/regular inspections, as part of the function of preventive/surveillance/punitive vigilance. These visits ultimately resulted in one dismissal and in one reduction of grade as major punishments. By way of minor punishments, recoveries of losses were made from 5 employees, increments of 2 employees were stopped and one employee was issued censure notice.

INDUSTRIAL RELATIONS

42. During the last 5 years, no lock-out was declared in the Corporation. However, due to local issues and industry-wide disputes, there were strikes for a few days in each year. On account of strike from 1995-96 to 2000-2001 there was loss of man-days as given below:

1995-96	16430
1996-97	13680
1997-98	50946
1998-99	13159
1999-2000	9450
2000-01	25956

During 1997-98, the loss of man-days due to strike was more because there was strike in all mills in connection with bonus demands

43. About the steps taken to make the industrial relations cordial in the Company, it had been stated that Workers Participation in Management Scheme and Employees Suggestions Scheme had been formulated and implemented. These schemes were helpful in bringing greater participation from the employees' side and a sense of satisfaction among them. All major issues concerning wage revision, bonus etc., were decided only after a detailed deliberations between the Management and the Unions.

MODERNISATION

44. About the efforts made to modernise the existing production system to cope with the changing needs, the Committee were informed that in the early years of the take over, the Corporation invested about Rs. 20 crore on quick-yielding assets in order to put the mills on rails. The old and obsolete machinery available in the mills were replaced with latest machinery in a

phased manner at a cost of about Rs. 130 crore, which helped the Corporation to improve its capacity utilisation, productivity and to introduce value- added yarn and cloth, by availing financial assistance from All India Financial Institutions, viz., IDBI, IFCI and IIBI. The financial institutions abruptly stopped assisting further modernisation plans of the Corporation since 1992, taking the “group concept”, even though the corporation had been regular in repaying its interest and principal and there was no overdues at that point of time. Since then no fruitful modernisation was carried out in any of the unit mills. The Corporation would not be able to produce yarn and cloth with international quality parameters with the available infrastructure. Therefore, keeping in view the changing trends in the global scenario, it has been planned to invest a sum of Rs.31.43 crore towards modernisation machinery in the six unit mills identified for revival. This proposal for modernisation had been included in the Revival Plan submitted to the Government of India.

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION No.1

NEED FOR IMMEDIATE REVIVAL OF NTC (TN&P)

The Committee note that the continued recession and the glut in the yarn market have affected the performance of the textiles industry as a whole and NTC (TN&P) in particular. They also note that unfavourable sale prices combined with abnormal raw-material prices, high power tariff, high interest costs, high incidence of excise duty, etc., made the Corporation to suffer huge losses since 1992-93. The Committee have been informed that there was no reimbursement of cash losses and continued cash losses year after

year had eroded the availability of working capital. This has forced the Corporation to meet its financial commitments through interest bearing current liability financing and there has been default in repayments to financial institutions. The South India Textile Research Association (SITRA) has conducted a Performance Audit of all the 15 mills and reached a conclusion that all the shortcomings are mainly due to inadequate working capital funds. To their utter surprise, the Committee note that since 1993-94, no worthwhile modernisation has been carried out by the Corporation in its mills due to financial constraints and even the essential maintenance works were deferred which affected the quality of the products, which in turn affected the net loss situation. They further note that the accumulated losses of the Corporation which was Rs. 98.13 crore, as on 31st March, 2001, have surpassed the net worth of the Corporation which was Rs.68 crore. The Committee, therefore, recommend that immediate action should be taken to arrange adequate funds to provide sufficient working capital and to improve net worth of the Corporation. The Committee have been given to understand that the Corporation has proposed to implement a Revival Plan which – <u>inter-alia</u> includes Disinvestment of 4 unviable mills namely (i) Om Parasakthi Mills (ii) Kishnaveni Textile Mills (iii) Balaramavarma Textile Mills, and (iv) Somasundaram Mills, sale of surplus lands, Capital Restructuring and introduction of VRS for surplus staff. The Committee understand from press reports that the Group of Ministers has recently approved a separate revival package in favour of NTC

(Tamil Nadu & Pondicherry). The Committee desire that the Revival Plan should be implemented without any further loss of time and the Government should provide all the necessary support, including financial assistance, to the Corporation to implement the Revival Plan.

RECOMMENDATION NO. 2.

SALE OF SURPLUS LANDS

The Committee have noted that NTC (TN&P) Ltd. has identified 41.27 acres of surplus lands in its various mills and the sale of this surplus land is expected to fetch about Rs. 53.81 crore as per the approved Guideline Rates of the State Government for the respective lands. The Committee have been informed that the money from the sale of surplus lands could be gainfully utilised to repay the high interest bearing debts to various creditors including financial institutions and the balance of sale proceeds would be utilised by the Corporation to augment the working capital position in its mills. The Committee, therefore, recommend that the Government should take a quick decision in this regard and complete the process of disposal of surplus lands to enable the Corporation to repay the high interest debts and also to augment the working capital position within a definite time frame.

RECOMMENDATION NO.3

NEED TO GIVE PERMANENT STATUS TO BADLI WORKERS

The Committee note that as many as 341 Badli Workers who have put in more than 5 years of service are on the rolls of the Corporation as on 31st March, 2001. These Badli Workers are entitled for occupational wages as per the Award in force in this area and there is not much distinction between a Badli Worker and a permanent worker except for the fact that he will not be eligible for any specified job on a day-to-day basis in unit mills and also that he will not be eligible for any lay-off compensation in the event of any lay-off announced in the unit mills. The Committee also note that due to imposition of ban by the Government of India on conversion of Badli Worker to permanent category, no Badli Worker has been considered for conferment of permanent status against the permanent vacancies during the past six years by the Corporation. Since these Badli workers have already put in more than 5 years of service and the law also provides for conferring permanent status to them, the Committee feel that this problem has to be approached on humanitarian grounds. It is understood that the NTC (TN&P) Limited has taken up this matter with NTC Holding Company, New Delhi. The Committee, therefore, desire that the claim of 341 Badli workers for according permanent status should be decided expeditiously.

RECOMMENDATIONS NO. 4

ONE TIME SETTLEMENT TO FINANCIAL INSTITUTIONS **The Committee note that all the assets of NTC(TN&P) are encumbered against the loans taken by the Corporation from banks and financial institutions. They have been informed that it is necessary to get the assets released from all encumbrances by liquidating the liabilities of banks and financial institutions before the mills of the Corporation are considered for disinvestment or before the sale of surplus land is initiated. As the sale of mills/surplus land is a time consuming process, the Committee desire that the National Textiles Corporation (HC) should offer Tax-free Bonds guaranteed by the Union Government to the Financial Institutions against the principal amount due as One Time Settlement.**

RECOMMENDATIONS NO.5

EXEMPTION FROM CAPITAL GAINS TAX

The Committee note that the corporation is expected to get Rs. 120.31 crore from the sale proceeds of surplus land and sale/disinvestment of 4 enviable mills. The Committee have been apprised that the Corporation has to pay Capital Gains Tax of about Rs. 24.06 crore on the sale value of Rs. 120.31 crore as per the provisions of Income Tax Act. Since the Corporation is in need of huge funds for rehabilitation/revival Plan, the Committee are of the opinion that exemption from levy of Capital Gains Tax of Rs. 24.06 crore would provide great financial help to the Corporation in implementing its Revival Plan. They, therefore, recommend that the Corporation should be exempted from this levy on the sale proceeds of surplus land and the sale/disinvestment of 4 unviable mills. They wish to be informed of the action taken in the matter.

RECOMMENDATION NO.6

PURCHASE OF UNIFORM BY GOVERNMENT DEPARTMENTS FROM NTC

The Committee note that Government Departments and Public Sector Undertakings have now started following the system of open tenders for the purchase of uniform cloth and other fabric requirements. The Committee find that this system has put the NTC mills to a disadvantage, as the private parties, especially the decentralised sector, have now emerged as very strong competitors and they are in a position to assess the minimum rates that could be quoted by NTC mills. Since the NTC Mills function with a lot of social obligations, the Committee recommend that it should be made mandatory for all Government Departments and Public Sector Undertakings to procure their fabric requirements only from the NTC mills and their show-rooms by according price preference and purchase preference.

RECOMMENDATION NO. 7

Losses due to purchase of cotton only from certain Institutions

The Committee note that one of the reasons for continued losses in NTC (TN&P) was the existence of the arrangement whereby the corporation was asked to buy cotton only from certain institutions in the past and the purchases were to be made only during certain seasons to enable consumption during the lean period. This necessitated the deployment of a lot of money which the corporation did not have with it. The Committee note that the mismatch between the money required to mount such massive operations and the limited money available with the Corporation resulted in payment of carrying charges. The carrying charges for 1995-96 was of the order of Rs.8.26 crore. In order to bring down the carrying charges, the NTC (TN&P) was permitted to make private purchases upto a level of 40% of the requirement. This measure had helped in bringing down the carrying charges to the level of Rs.1.52 crore in 2000-01. The Committee feel that there is scope for raising the limit on this kind of purchases beyond 40 percent and they recommend that government should do away with or at least enhance this limit in order to cut down the carrying charges and to reduce the quantum of losses.

Recommendation No.8

Concessional power for NTC Mills

The Committee note that the profitability of NTC Mills in Tamil Nadu and Pondicherry has been adversely affected due to continued hikes in power tariff by the State Government of Tamil Nadu. Apart from high power tariff metes, the State Government has also imposed an additional levy of 20% for power consumed during peak hours (6 hours per day) since 1st April, 1997. The revision of tariff along with additional levy involves an additional expenditute of Rs. 5 crore per annum for NTC. The Committee, therefore, recommend that the Union Government should take up this matter with the State Government of Tamil Nadu to persuade it to supply electricity to NTC Mills at concessional rates in view of the poor financial health of the corporation and to save the employment of a large number of textile workers in the State.

The Committee also recommend that the Union Government should consider reducing the Excise Duty on High Speed Diesel oil used by the NTC mills to operate their generator sets to meet a part of their power requirements and also extend MODVAT facility in this matter, as high incidence of duties and levies would make captive power generation uneconomical.

ANNEXURE - I

TOUR PROGRAMME ACTUALLY PERFORMED BY THE COMMITTEE ON PUBLIC UNDERTAKINGS TO PUNE, BANGALORE, MYSORE AND OOTACAMUND FROM 4TH JUNE, 2001 TO 11TH JUNE, 2001

(MEMBERS ASSEMBLED AT PUNE)

DATE & DAY	TIME	VISIT & DISCUSSION
4.6.2001 (Monday)	1000 hrs	Discussion with the Officers of New India Assurance Co. Ltd.
	1200 hrs	Discussion with the Officers of Hindustan Antibiotics Ltd.
	1400 hrs	Discussion with the Officers of Export Credit Guarantee Corpn. (I) Ltd.
		(NIGHT HALT AT PUNE)
5.6.2001 (Tuesday)	1315 hrs	Departure for Bangalore by IC-917
	1615 hrs	Arrival Bangalore
		(NIGHT HALT AT BANGALORE)
6.6.2001 (Wednesday)	1000 hrs	Discussion with the Officers of Hindustan Teleprinters Ltd. (HTL Ltd)
	1430 hrs	Departure for Mysore by Road (Approx. 140 km)
	1800 hrs	Arrival Mysore
		(NIGHT HALT AT MYSORE)
7.6.2001 (Thursday)	0930 hrs	Discussion with the Officers of Indian Tourism Devp. Corpn. (ITDC)
	1200 hrs	Discussion with the Officers of Bharat Earth Movers Ltd.
		(NIGHT HALT AT MYSORE)
8.6.2001 (Friday)	0900 hrs	Departure for Ootacamund by Road (Approx 120 km)
	1500 hrs	Arrival Ootacamund
	1745 hrs	Discussion with the Officers of NTC (TN&P) Ltd.
		(NIGHT HALT AT OOTACAMUND)

9.6.2001 (Saturday)	0930 hrs	Discussion with the Officers of Hindustan Photofilms Mfg. Corpn. Ltd.
	1200 hrs	Discussion with the Officers of Food Corporation of India Ltd.
	(NIGHT HALT AT OOTACAMUND)	
10.6.2001 (Sunday)	0900 hrs	Departure for Bangalore by Road
	1800 hrs	Arrival Bangalore
	(NIGHT HALT AT BANGALORE)	
11.6.2001 (Monday)	0930 hrs	Discussion with the Officers of Rashtriya Chemicals & Fertilizers Ltd.

DISPERSAL

ANNEXURE – II

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS WHICH VISITED PUNE, BANGALORE, MYSORE AND OOTACAMUND FROM 4TH TO 11TH JUNE, 2001

S. NO.	NAME	DATE OF JOINING	DATE OF LEAVING
1.	Prof Vijay Kumar Malhotra, Chairman	5.6.2001 Bangalore	11.6.2001 Bangalore
2.	Prof. S. P. Singh Baghel	4.6.2001 Pune	9.6.2001 Ootacamund
3.	Shri Sudip Bandyopadhyay	3.6.2001 Pune	12.6.2001 Bangalore
4.	Shri Ram Tahal Chaudhary	3.6.2001 Pune	11.6.2001 Bangalore
5.	Shri C K Jaffer Sharief	6.6.2001 Bangalore	6.6.2001 Bangalore
6.	Shri Rajiv Pratap Rudy	5.6.2001 Bangalore	6.6.2001 Bangalore
7.	Shri Tarit Baran Topdar	5.6.2001 Bangalore	11.6.2001 Bangalore
8.	Shri Suresh Kalmadi	3.6.2001 Pune	4.6.2001 Pune
9.	Shri K. Kalavenkata Rao	7.6.2001 Mysore	11.6.2001 Bangalore
10.	Shri Jibon Roy	3.6.2001 Pune	7/8.6.2001 Mysore / Bangalore
11.	Smt Ambika Soni	3.6.2001 Pune 6.6.2001 Bangalore	4.6.2001 Pune 9.6.2001 Ootacamund
12.	Shri Ranjan Prasad Yadav	3.6.2001 Pune	6.6.2001 Bangalore

SECRETARIAT

1.	Shri S Bal Shekar,	Director
2.	Shri L. N. Gaur,	Under Secretary
3.	Shri Raj Kumar,	Under Secretary
4.	Shri Tirthankar Das,	Sr Executive Asstt

NNEXURE – III

LIST OF OFFICIALS OF NATIONAL TEXTILE CORPORATION LTD. (TN&P) WHO WERE PRESENT DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC UNDERTAKINGS AT OOTACAMUND ON 08.6.2001

1.	Shri K.M.Chadha,	Chairman & Managing Director. NTC (Holding Company)
2.	Shri P.Saravanan,	Chairman-cum- Managing Director NTC (TN&P)
3.	Shri N.R.Mohanram,	General Manager (Technical),
4.	Shri P.P.Natarajan,	General Manager (Finance)