Chapter 5

Gaps in Implementation of Revival Schemes

5.1 Delay in implementation and consequences

Audit observed that implementation of schemes in respect of four CPSEs was not completed as per the prescribed time schedule. The Table below indicates the delay in implementation of the schemes.

Table 5.1 – Status of implementation of schemes

CPSE	Scheduled completion date	Delay in implementation/ Present status
NTC	31 March 2011	Implementation yet to be completed
CCI	Phase I - March 2006 Phase II – March 2008	2 years (in case of Rajban unit) Implementation yet to be completed in respect of Tandur and Bokajan units.
ECL	2009-10	Implementation yet to be completed
HMT	Capex – 2008 VRS – 2009 Technology upgradation – 2010	Implementation yet to be completed Implementation yet to be completed Implementation yet to be completed

An analysis of the schemes in respect of the above CPSEs revealed the following deficiencies:

- In case of NTC, while examining the C&AG's Audit Report No. 27 of 2009-10, COPU observed that the Company could not achieve the precise objectives of modernization/ revival of mills and desired that effective and concrete steps should be taken by Ministry of Textiles to ensure proper implementation and realization of objectives of revival schemes within the proposed extended period (31 March 2011). However, the following items of work were still to be completed*:*

Table 5.2 – Status of implementation of scheme in NTC

Items of work	As per scheme	Actual completion
Modernization of mills	22	18
Construction of integrated textile/ handicrafts plaza at Ahmedabad and International trade tower at Mumbai	31 March 2011	Yet to start
Formation of Joint Ventures	18	5
Production of yarn (2009-10)	903 lakh kgs	298.75 lakh kgs
Production of clothes (2009-10	565.15 lakh meters	127.32 lakh meters

- As per the revival scheme of CCI, funds generated from sale of seven plants were to be utilised for expansion and up gradation of two plants (Tandur and Bokajan) and repayment of Government loans of ₹ 128.62 crore.

  The funds, however, could not be generated due to lack of consensus in valuation of assets between management and the valuer coupled with poor response from the bidders. Consequently, interest burden was increased by ₹ 112.80 crore upto March 2011.

- The revival scheme of ECL envisaged expansion of Rajmahal and Chuperbhita open cast projects by the end of 2009-10 for increasing the production. However, both these projects were not expanded so far (August 2011). As a result, the Company could produce only 78.15 MT of coal against the targeted production of 104.52 MT during the period 2005-06 to 2009-10.

  Management attributed the delay to cancellation of globally floated tender twice because of high rates quoted by the bidders and for want of project forestry clearance.

  Besides, the Revival Plan (November 2004) also envisaged that efforts would be made to make 17 unviable mines viable. The Company, however, was yet to take a decision though a period of six years had elapsed. The indecision of the management to close down the unviable mines has resulted in avoidable loss of ₹ 661.47 crore during 2008-09 and 2009-10.

  Management stated (May 2011) that each mine was being examined for its viability in consultation with the stakeholders and would be phased out if found uneconomical.

  The Company should have taken a prompt decision to avoid the recurring losses on unviable mines.

- The technology development programme for HMT Machine Tools was sanctioned at ₹ 80 crore to be released during a period of 4 years. The Company did not identify the JV partner/ overseas supplier for transfer of technology before seeking funds for acquisition of technology. Though the Company attempted to acquire technology only after approval of revival plan, it could not succeed and consequently no expenditure was incurred despite drawal of funds (March 2007) to the extent of ₹ 20 crore. This actually impacted on the operational strategy to modernize the plant and increase the productivity.

  While agreeing with audit, Management stated that efforts were being made to acquire the technology.

  Further, the implementation of Capex programme was also very slow as only ₹ 68.50 crore (76.11 per cent) had been utilized (upto June 2011) against the allotment of ₹ 90 crore for the purpose.

  Management attributed the delays to re-tendering of purchase orders, delay in compliance to the procedures for finalisation of procurement coupled with the long lead time.

  The reply is not convincing as the Company was required to take prompt action to make the revival successful in time bound manner.

5.2 Non Enforcement of Directives of BIFR

- In the revival package of HMT Machine Tools, BIFR directed the State Governments of Karnataka, Kerala, Andhra Pradesh, Rajasthan and Haryana and other departments/ PSUs to grant relief and concessions of ₹ 87.18 crore. The directives of BIFR were not complied with by banks and various State Government agencies against which an appeal was filed before Appellate Authority for Industrial and Financial Reconstruction (AAIFR) by the stakeholders. Only a sum of ₹ 4.62 crore has been recovered from various PSUs and the Company could not avail of the remaining benefit of ₹ 82.56 crore as envisaged in the plan.
- In case of ECL, as per the orders of BIFR, both the Governments of West Bengal and Jharkhand were required to waive off electricity duties of the Company for past five years. However, the Government of Jharkhand was yet to waive off these dues amounting to ₹ 10 crore till March 2011.

In order to address the issue of non-enforcement of the directives of BIFR, Audit sought for specific reply as to 'whether any steps have been taken by the GOI to ensure that the directives of BIFR are complied with by the State Governments' from the Department of Economic Affairs, GOI as advised by the Department of Public Enterprises. However, the response of the Department of Economic Affairs, GOI was awaited.

5.3 Non-rationalization of manpower

Five CPSEs (NTC, CCI, HOCL, ECL and HMT Machine Tools) were facing the problem of excessive manpower for which remedial actions were provided in the revival schemes. Out of these, two CPSEs (HOCL and NTC) could not implement these provisions effectively as discussed below:

a) The revival scheme of HOCL envisaged reduction in wage expenditure of ₹ 17 crore per annum by implementing VRS. Against the targeted reduction of 590 surplus employees, the Company could reduce only 83 employees and could save only ₹ 2.91 crore per annum.

   The Management stated (November 2010 & April 2011) that the VRS failed to attract the unskilled category of employees and another lucrative and attractive scheme was being introduced.

   In order to make the VRS successful, the scheme should be framed in consultation with the beneficiaries.

b) Though NTC had laid off 62575 employees upto 30.06.2011 incurring ₹ 2374.44 crore on Voluntary Retirement Scheme and Modified Voluntary Retirement Scheme (MVRS), the Company was still having 1018 surplus/ idle employees (March 2011). The revival schemes provided that the employees would have to opt for MVRS within three months failing which they would be eligible only for retrenchment compensation under the Industrial Disputes Act. However, the said clause was not invoked on these employees. The Company was thus

incurring idle wages on such employees to the extent of ₹ 32.04 crore during 2009-10.

Management, while stating (January 2011) that retrenchment of manpower was difficult, informed that efforts were being made to reduce the idle manpower.

The Company should address the problem of idle manpower urgently in a time bound manner for long-term financial viability of the Company.

5.4 Inadequate working capital

5.4.1 Non-disposal of surplus/ idle assets by HOCL

In respect of HOCL, in order to generate funds for meeting working capital requirements, the consultant had recommended (February 2005) disposal of non-operating plants of book value of ₹ 29.79 crore at Rasayani lying idle for 9 to 18 years and another closed/ unviable project namely Polyurethane System worth ₹18 crore. These plants/projects are yet to be disposed off though a period of more than 6 years has elapsed.

The Management stated (April 2011) that though efforts were made for disposal of some of the idle plants during 2004-05, due to poor response, the company could not succeed and a separate committee had been constituted for disposal of idle plants.

The fact remains that six years is a considerable period of time for disposal of idle plants/ unviable project.

5.4.2 Non-provision of working capital in FACT

Against the requirement of interest free working capital of ₹ 450 crore, Department of Fertilisers issued letter of comfort for ₹ 400 crore to India Potash Limited to help the Company to source raw materials on credit during 2008-09. Similar letter of comfort was also issued to Minerals and Metals Trading Corporation for ₹ 100 crore for the year 2009-10. In these circumstances the working capital requirements were met through borrowings from the banks. As such the quantum of borrowings from banks increased from ₹ 238.47 crore in March 2006 to ₹ 652.82 in March 2010 with consequential increase in the interest burden on these borrowings which significantly contributed to the total operating loss of ₹ 719.02 crore.

Management admitted that all the measures envisaged for reviving the Company would have to be implemented to achieve the desired results; otherwise even the part measures taken would not be of any use.

5.4.3 Under mobilization of funds from transfer of land

As per the revival scheme, HEC was to mobilise fund of ₹ 1128.93 crore by transfer of land to Government of Jharkhand (GOJ). However, it could mobilize ₹ 1017.63 crore as only 1987.64 acres of land was transferred by the Company to GOJ against the proposed transfer of 2342 acres of land due to which the GOJ withheld an amount of ₹ 111.30 crore. Besides, the land was transferred at the rate of ₹ 36.44 lakh per acre as against ₹ 50 lakh per acre suggested by Hon'ble High Court of Jharkhand resulting in under valuation of land by ₹ 269.52 crore.

5.5 Non adherence to the selection criteria

Audit observed that for Revival of mills by NTC, initially 52 viable mills were to be modernized from its own sources as per revival schemes approved in 2002. However, the number of viable mills to be modernized was reduced to 22 mills while modifying the revival scheme in 2006. Out of the remaining 30 mills, 12 mills were to be closed and 18 mills were to be modernized through Joint Venture.

With regard to closing of 12 viable mills in NTC, **Parliamentary Standing Committee** recommended (May 2010), inclusion of these mills in the list of mills to be modernised without any further delay. However, Ministry stated that due to shortage of funds, revival of these mills was very difficult.

The 52 viable mills were situated in 15 states as detailed below:

Table 5.3 – Selection of mills for modernization by NTC

S.No.	Name of the State	No. of Viable Mills	No. of Mills selected for modernisation	Percentage
1.	Tamil Nadu	8	6	75
2.	Maharashtra	17	5	29
3.	Kerala	5	4	80
4.	Karnataka	2	1	50
5.	Andhra Pradesh	2	0	0
6.	Madhya Pradesh	2	2	100
7.	West Bengal	3	1	33
8.	Gujarat	2	1	50
9.	Rajasthan	3	1	33
10.	Punjab	2	0	0
11.	Uttar Pradesh	2	0	0
12.	Orissa	1	0	0
13.	Bihar	1	0	0
14.	Assam	1	0	0
15.	Puducherry	1	1	100
	Total	52	22	

Out of these 52 viable mills, the Company was to select 22 mills based on the criteria such as (a) 15 best performing mills should be revived; and (b) 7 mills should be revived on the basis of spatial coverage. Examination of implementation revealed the following:

- The criteria of selecting best performing Mills (net contribution to wages ratio) were not adhered to as Sri Sarada Mills, Coimbatore Spinning and Weaving Mills and RBBA Mills were not selected for modernisation as best performing mills, though their performance in terms of net contribution to wages ratio was better than that of Podar Mills, Mumbai which was selected for modernisation as one of the best performing mills.
- The criteria of spatial coverage was not complied with as two mills of Mumbai (Tata Mills and India United Mill No.5) were selected although two other mills of Mumbai (Finlay mills and Podar Mills) were already included in the list of 15 best

performing mills and none of the viable mills of six States[22] were selected for modernisation.

Management stated that all the 22 mills were selected as per the directions of Ministry of Textiles (MOT).

- Though the land of Podar Mill, Mumbai was under dispute as the lease of the land had expired in September 1990 and the lessor had issued a notice of termination of tenancy rights in September 2000, the mill was selected for modernisation which was not a prudent decision.

  The Management stated that the status of the land was never a criterion for selection of units for revival.

  The status of land being an important factor should have been considered because any expenditure spent on disputed land would be wasteful in the event of eviction from the disputed land.

- Despite the fact that Punjab was one of the major cotton growing state and two viable mills (Kharar Textile Mills and Suraj Textile Mills) were available for modernisation and performance of these mills was better than Tata Mills and India United Mill No.5 of Mumbai as per list prepared (January 2005) by MOT, none of the mills from Punjab was selected for modernisation.

  The Management argued that these mills were left out as these were not performing well despite proximity to the cotton belts.

  The reply is not based on facts as the performance of both the mills of Punjab was better than Tata Mills and India United Mills No.5, Mumbai, Burhanpur Tapti Mills and New Bhopal Textile Mills, Bhopal and Arati Cotton Mills, Kolkata, which were selected for modernisation.

5.6 Ambiguity in the Agreement entered by the restructured Company with the new entities

Lease agreements with JVCs of NTC envisaged that use of mill land was restricted for operating, functioning and running the textile mill engaged in the business of manufacturing activities in textile sector. However, the surplus land was permitted to be utilised for any activity permitted under local laws including the right to sub-let the leasehold rights with the approval of BOD. The lease agreement also provided that the lessee should not under any circumstances whatsoever sub-let, assign or transfer part or whole of the mill land.

Audit observed that above clauses of the lease agreement was entered into with the JVCs without demarcating the mill land and the surplus land. Thus, in the absence of demarcation of land between mill land and surplus land, these clauses became inoperative. Ministry while accepting (October 2010) the ambiguities in the lease agreement, directed NTC to remove the same in consultation with JVs.

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[22] Punjab, Uttar Pradesh, Orissa, Andhra Pradesh, Bihar and Assam

5.7 Non-achievement of objectives by Joint Ventures of restructured Company

The analysis of targets and achievements projected in the Business plans to be achieved during 2009-10 of the JVs of NTC indicates that five JVCs[23] were to generate employment for 6067 persons against which they could generate it only for 448 persons. Further, these five JVs were expected to earn a profit of ₹ 131.78 crore against which the actual profit earned was only ₹ 28.87 crore (deficit of 78.09 per cent) during 2009-10. Thus both, the social objective of employment generation and commercial objective of earning profit as envisaged remained largely unachieved.

Management stated that due to recession coupled with heritage issue the business plan as envisaged could not be implemented. It was further stated that JVCs have started implementing the business plan and new machinery has now been erected and commissioned in all the five JVCs and the commercial production has started within the non-heritage area.

However, the fact remains that the JVCs could not achieve the social and commercial objectives even after more than three years after the formation of JVCs.

In essence, there were delays in implementation of schemes in four CPSEs (NTC, CCI, ECL and HMT) which had an adverse cascading impact on revival of companies. In HOCL and NTC, the rationalization of manpower was yet to be completed. HOCL was facing working capital crunch as it failed to mobilize the required financial resources from sale of idle assets. Similarly, HEC also could not generate resources from sale of surplus land. The JVCs of NTC failed to generate employment and profit as envisaged in their business plans even after three years of their formation.

Thus, CPSEs could not turnaround because of gaps in the implementation of revival schemes.

[23] ***India United Textile Mills Limited, Apollo Design Apparel Parks Limited, Goldmohur Design and Apparel Park Limited, New City of Bombay Mfg. Mills Limited and Aurangabad Textiles and Apparel Parks Limited***