Presented to the House on 20TH February, 2015.

TRIPURA LEGISLATIVE ASSEMBLY SECRETARIAT

11TH TRIPURA LEGISLATIVE ASSEMBLY
(7TH SESSION)

COMMITTEE ON PUBLIC UNDERTAKINGS
[2014 – 15]

50TH (FIFTIETH) REPORT

ON

the affairs of the
(a) Tripura Jute Mills Ltd., (b) Tripura Small Industries Corporation Ltd.
and (c) Tripura Handloom and Handicrafts
Development Corporation Ltd. based on the Report of the Comptroller
& Auditor General of India for the year 2004–2005.

TRIPURA LEGISLATIVE ASSEMBLY SECRETARIAT

February, 2015

COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS FOR THE YEAR 2006-07 AND 2007-08.

CHAIRMAN

Shri Madhab Chandra Saha

MEMBERS

1]	Shri Sahid Choudhury ,	Member,
2]	Shri Ranjit Debnath,	Member,
3]	Shri Basudev Majumder,	Member,
4]	Shri Jashabir Tripura,	Member,
5]	Shri Gunapada Jamatia,	Member,
6]	Shri Narayan Rupini,	Member,
7]	Shri Subrata Chakraborty,	Member,
8]	Shri Jyotirmoy Nath,	Member,
9]	Shri Ashok Kumar Baidya,	Member,
10]	Shri Rabindra Debbarma,	Member.

ASSEMBLY SECRETARIAT

1]	Shri S. M. Lodh,	Secretary

COMPOSITION OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS
FOR THE YEAR 2014-2015

CHAIRMAN

Shri Niranjan Debbarma

MEMBERS

1]	Shri Madhab Chandra Saha,	Member,
2]	Shri Narayan Chandra Choudhury,	Member,
3]	Shri Sudhir Das,	Member,
4]	Shri Rajendra Reang,	Member,
5]	Shri Arun Kumar Chakma,	Member,
6]	Shri Manindra Chandra Das,	Member,
7]	Shri Daniel Jamatia,	Member,
8]	Shri Ramendra Narayan Debbarma,	Member,
9]	Shri Biswa Bandhu Sen,	Member,
10]	Shri Jitendra Sarkar,	Member.

ASSEMBLY SECRETARIAT

1]	Shri B. Majumder,	Secretary ,
2]	Shri H. B. Debnath,	Deputy Secretary.

INTRODUCTION

I, the Chairman of the Committee on Public Undertakings having been authorised by the Committee, presents its 50th (fiftieth) Report before the Legislature.

2. The Report relates to the (a) Tripura Jute Mills Ltd., (b) Tripura Small Industries Corporation Ltd. and (c) Tripura Handloom and Handicrafts Development Corporation Ltd. which are based on the Report of the Comptroller & Auditor General of India for the year 2004–05.

3. The Committees for the year 2006–07 and 2007–08 under the Chairmanship of Shri Madhab Chandra Saha had completed the examination of the Audit paragraphs relating to the Public Undertakings as mentioned above in its meetings held on 09-08-2006, 20-09-2007 and 09-10-2007 well in time. But due to some obvious reason the said Committees and subsequent Committees could not prepare and finalise the Report. However, on the basis of materials on record, the report has been prepared & finalised by the present Committee (2014-15) by circulation on 13-02-2015.

4. The Committee places a record its appreciation for the commendable works done by the previous Committees on Public Undertakings for the year 2006–07 and 2007–08 for recording oral evidence of the representatives of those Corporations and in obtaining information for this Report.

5. The Committee keeps on record its thanks and appreciation to the Accountant General (Audit), Tripura and his officers for co-operation and assistance rendered to the Committee in matters of examination of the Audit Paragraphs.

6. The Committee also keeps on record its thanks and appreciations to the officers of the Industries & Commerce Department and concerned Corporations for rendering their assistance to the Committee in matter of examination of the Audit Paragraphs relating to their respective Corporations, as indicated in the Report.

7. The Committee also places its appreciation to the Secretary, Officers and staff of the Assembly Secretariat in connection with examination, compilation and presentation of this Report.

8. **It is expected that the (a) Tripura Jute Mills Ltd., (b) Tripura Small Industries Corporation Ltd. and (c) Tripura Handloom and Handicrafts Development Corporation Ltd. will take appropriate action within time on the recommendations made by the Committee after due exercise.**

Dated, Agartala,
The 20th February, 2015

(NIRANJAN DEBBARMA)
Chairman
Committee on Public Undertakings
Tripura Legislative Assembly.

50th Report of the Committee on Public Undertakings on the affairs of the (a) Tripura Jute Mills Ltd., (b) Tripura Small Industries Corporation Ltd. and (c) Tripura Handloom and Handicrafts Development Corporation Ltd. based on the Report of the Comptroller & Auditor General of India for the year 2004–2005.

REPORT

(A) TRIPURA JUTE MILLS LIMITED

Para : 6.2.6 – Physical targets as fixed by the MOU.

1. The audit paragraph stated that the Management and the DI&C evolved a plan of action to promote industrialization in the State through commercial operations in the jute sector. In order to improve productivity, control overhead expenses, reduce losses and minimize statutory liabilities, the DI&C entered into MOU (1997) with the Company. According to the MOU, the DI&C was to fix annual physical and financial targets and review the quarterly performance of the Company . It was noticed that against the installed capacity of 12000 MT per annum, the production targets fixed ranged between 1800 MT (15 percent) and 5400 MT (45 percent) only during the period from 2000-01 to 2004-05. The low capacity utilization (ranging between 9 and 18 percent) resulted in increase in the cost of sales during the period.

The Government stated (August 2005) that the MOU targets could not be achieved due to decrease in workers' capabilities owing to their advancing age, absence of scope of managerial control over the work force due to Government politc and non-availability of quality raw jute. It further stated that due to shortage of working capital , the Company could not procure jute in sufficient quantities for processing and maintain looms, plant and machinery.

The reply is not tenable as the Management did not initiate action even after recommendations made by COPU to reduce the excess workforce and to find out ways and means to make the mill viable.

2. In respect of the above observation, the Department of Industries & Commerce (TJML) in its written replies stated that

(a) regarding the observations, it is stated that the installed capacity was reduced to 11700 MT from 12000 MT per annum as per the revised Project Report and the following factors were taken into account in deciding the MOU targets :-

1] Non-availability of local jute – The jute and mesta production in Tripura started to decline from 1994-95 jute season. There was a drastic fall in 2000-01 and the declining trend continued. As a consequence the scope of credit purchase from local traders became limited. All persuasions with the State Agriculture, Co-operative Departments and local JCI to arrange the supply of required jute failed to bring about any improvement.

2] The JCI could not be made to agree to supply raw jute on short-term credit and to supply Assam jute on door delivery basis by rail at cheaper transportation cost like other mills at Kolkata.

3] Limited scope of improvement in the productivity of worker. The productivity of TJML workers was usually much lower than the industry's average target since inception due to weak physical health and inability to adopt industrial culture. The scope of improvement of productivity also affected due to the suspension of mill operation for nearly two and half years and consequent engagement to extra outside work for additional income and advancing age factor. The widespread discontent among the employees including those in management/supervisory level after introduction of ROP'99 for TJML led to difficult situation.

4] Weak management organization due to retirement/resignation/release on deputation of vital management/supervisory personnel.

In spite of all constraints, an increasing MOU Targets was fixed for the years 2006-07 to 2009-10 as follows :

2006-07	1650 MT	2007-08	2900 MT
2008-09	3800 MT	2009-2010	4650 MT

(b) The company failed to achieve 3 MOU targets in spite of taking the following steps to over - come the problems :-

1] Procured raw jute from Assam and Bangladesh during the period since 2000-01 depending on the availability of working capital as given below :

Year	**Local**		**Assam/Bangladesh**	**Total**	**Consumption**
	Jute	**Mesta**	**Jute**		
2000-01	329 MT	766 MT	906 MT	2001 MT	2024 MT
2001-02	297 MT	444 MT	916 MT	1657 MT	1223 MT
2002-03 Mill was run on conversion system.					
2003-04	183 MT	461 MT	631 MT	1275 MT	1385 MT
2004-05	547 MT	442 MT	447 MT	1466 MT	1374 MT
2005-06	128 MT	508 MT	849 MT	1485 MT	1342 MT
2006-07	60 MT	187 MT	1517 MT	1764 MT	1187 MT

2] Operation of mill on conversion system.

3] Disciplinary action against the workers who remained absent for long period as per Standing Rules.

Recently the management has taken the following action plan to achieve a production target of 10 MT per day :-

Procurement 300 MT good quality Tossa Jute from Assam.

Renovation of 20 idle looms to bring 60 looms in working condition.

Technological up-gradation of two Spinning Frames through conversion from Leg Flyer to Bauxter Flyer system for higher productivity.

Filling up of vacant supervisory and Sardar/Charge hand level posts through current charge basis.

(c) Regarding the recommendation of COPU for reduction of excess workforce, it is stated that the company had already taken following steps :-

1] No fresh recruitment has been done since 1997.

2] Sending employees on deputation to other Deptt./Organization. At present 81 employees are on deputation.

3] The services of 135 workers/employees were terminated during the said period on the ground of high absenteeism as per Standing Orders Rules.

4] The Company also decided to implement VRS/rehabilitation scheme as and when the State Govt. introduces such schemes for the PSUs.

The strength of employees in TJML during the period from 2000-01 to 2006-07 are given below :

Year	On Roll	Deputation	Total
31-03-2000	1614	Nil	1614
31-03-2001	1571	Nil	1571
31-03-2002	1494	18	1512
31-03-2003	1366	64	1430
31-03-2004	1334	68	1402
31-03-2005	1298	77	1375
31-03-2006	1264	79	1343
31-03-2007	1247	81	1328

3. The Finance Department in its views on the above replies stated that the Department may intimate what steps have been taken to increase the productivity of the workforce of the company. It may also be informed what action has been taken to increase the procurement and steady supply of raw jute to keep the mill into operation continuously. Steps taken to strengthen the weak management may also be informed.

4. During examination of the written replies furnished by the Department, the Committee liked to know from the departmental representatives who appeared before the Committee in its meeting held on 9.10.2007 as follows :–

(i) What is the capacity utilisation now, compared to installed capacity ? and

(ii) What actions have been taken to make the mill viable ?

5. In respect of the above queries of the Committee, the Managing Director, Tripura Jute Mills Ltd. (TJML) stated before the Committee that capacity utilisation in the Jute Mill is actually 40 MT per day. But now (October, 2007) production came down at the rate of 6 MT per day i.e. fifteen per cent of the production capacity. The Management has taken some steps to achieve at least 25 per cent (10 MT per day production) of the capacity within a few days.

6. The Secretary of the department stated that, productivity of the mill be increased and the productivity of every worker also be increased. Besides, the mill be managed in commercial angle, not in welfare angle.

7. In a query regarding the steps taken by the Board of Directors of the company to overcome the present situation of the Jute Mill, the Managing Director stated that productive capacity of every

worker is not up to the mark. For want of capital, the company can not procure sufficient jute and sufficient jute is also not available in the local market. So, the company procures the jute from outside the state at higher rate. Besides, the finished products of the mill is to sale outside the state. He stated that, in this respect, the Management has decided to procure jute from Bangladesh and Assam, because, only 400 to 500 MT jute is produced every year in Tripura, whereas requirement of jute is 12000 MT per year for the Mill. At present, 42 looms are in working condition in the mill. The Management decided to repair more 20 Nos. looms and technological up-gradation of two spinning frames through conversion from leg flyer to bauxter flyer and in this regard necessary orders orders are already placed to concerned firm to supply necessary parts. In the meantime, the company (Jute Mill) has carried some parts through Air and rest is to be carried by train. He also stated that, the Management has decided to procure jute from open market through tender process and the tender process is also finalised for publishing in the all Indian newspapers. The Management is also going to decide to give incentives to encourage the in-charge (Sardar) of the workers/labourers and then some production of the mill will increase.

8. Then, the Hon'ble Chairman of the Committee requested the A.G. (Tripura) to give his valuable comments on the matter.

9. The A.G. (Tripura), in this respect stated that the departmental representatives have said regarding this matter. It is fact that capacity is there and people are there. More than 500 people are in employment there, and they (TJML) have capacity of production of about 40 MT per day. But there is very low production and every year losses are happening. The Government at the end of every year has to make good of the losses. Now something which could happen turning into golden opportunity to give productive plan to 20 hundred families. We have come to a situation where the government has to make good of the losses. Now every industry I am taking break even point between profit and losses. If you operate below the break even point you will make losses, if you operate above the break even point you run into profit. Now with these production capacity of 40 MT the Management has work out the break even point. The sattelistic MT does not seem to be the break even point. And if the future plan is to keep operating at 6 MT then we can only presume the losses will continue to rise. As of 2004–05, the losses have crossed Rupees 34 crore. The figure, I am sure must have gone up. So the Government has to take very considered view whether to continue with this situation. Now some when where government reply also mentioned that some employees are employed during the period the production was suspended. I do not know what is the situation on the ground. So these are the factor which have been coming out of the government employees which need to be analysed. And government as owner of the company has to take a very tough decision. And it is necessary to know the views of the labour union on the productivity. Because certainly no union likes to have a situation where there is no work but the production capacity is there. So this is our situation for management to look into and government as owner to take a very productivity ruler over this.

10. The Commissioner and Secretary of the Department of Industries & Commerce stated in this respect that regular interval review are going on by the Department for reduction of production loss in the mill. The Department also regular watch is over the accounting and administrative procedure

of the company (TJML). Some old accounts are not updated till date. Some effective measures have been taken for increasing the production. The Department is considering to pay an instalment of incentive to the workers. Besides, the leaders of labour unions have been cooperating their best to increase the production in the mill. The company is not paying the increment to the workers. Some measures have been taken by the company maintaining the welfare structure. He also stated that, the department has already communicated with the Indian Jute Council for their suggestion to develop the activities of the TJML.

11. After detailed discussion, the Committee suggested that the Commissioner and Secretary and the Director of the Department of Industries & Commerce be involved and may interfere regularly in the activities of the Tripura Jute Mills Ltd. and may also make inquiries about production etc. of the mill. The department of Industries & Commerce (Tripura Jute Mills Ltd.) may work in a joint venture with various departments of Government of Tripura for increasing the production of jute in the state as per existing decision of the State Government. In this respect, effective measures may be taken by the Department of Industries & Commerce as well as TJML. Committee also suggested that effective steps be taken by the company (TJML) to increase the production of the mill properly using the existing man power.

The Committee also suggested the departmental representatives that the dues amount of CPF Account of employees/workers of the TJML should be paid in due course so that the company may be exempted from the penalty. The Committee opined that the service of a Managing Director of TJML to be continued for minimum 3 (three) years for properly running the company in all respect. In this respect proper initiative may be taken by the Department of Industries & Commerce.

12. Thereafter, the Committee asked the departmental representatives to furnish the steps taken according to above discussion on the para and the development of the TJML in the mean time in all respect to the Assembly Secretariat as early as possible.

13. In respect of the above queries of the Committee, the Department of Industries and Commerce furnished the written replies vide letter No. F.DI/AUDIT/1(24)/2005/2,369–71 dated the 7th February, 2008 as follows :--

(i) The capacity utilization now is approximately 15% compared to installed capacity. However, the management is taking action to implement a plan for increasing the capacity utilization to 25% to achieve MOU target.

(ii) The earlier actions of running the mill on conversion system in the year 2000–01 & 2001–02 to cope up with the shortage of working capital resulted in improvement but failed before the expiry of contract as the production did not reach the target level. The subsequent actions of the management to ensure sufficient stock of raw jute through the purchase from Assam/Bangladesh and repair of sufficient machines just helped in restricting further deterioration in over-all productivity of the mill. It has already been stated in the original reply that it had become difficult to improve the individual productivity of workers due to their grievances regarding the low wages besides the other factors of old age. In the recent months, actions have been taken to meet partial demand of the employees and the overall productivity of the mill has marginally improved. The average per day production has increased to 6 MT from 3.86 MT during the year 2006–07. The Company is taking steps to procure 300 MT of good quality Assam Tossa Jute, renovation of 20 Sacking Looms to bring 60 looms in working condition, technical upgradation of two Sacking Warp Spinning Frames, revamping of supervision system etc. for further improvement of overall productivity to achieve MOU target. Although the company has taken steps to minimize the processing wastage but the ultimate goal of reducing the overall loss is expected to achieve only after the improvement of the batch-mix through the proposed input of good quality jute. The cost of sales will also be reduced if the productivity improves and loss is reduced in expected direction. It may be mentioned that it is only possible to make the mill viable in the present competitive market by following the manpower management practices of the private jute mills in Kolkata through introduction of piece-rate wage system, maintaining a favourable ratio of permanent and Badli worker, less number of leave and holidays etc. But, with all regular employees on roll in TJML the above system can not be introduced before their retirement. However, keeping in view all the existing limitations, the management is taking all possible steps to bring about considerable improvement of the mill.

14. ***The Committee, therefore, recommended that the present position of the Tripura Jute Mills Limited in all respect be intimated to the Committee within 2 (two) months from the date of presentation of this Report before the Tripura Legislative Assembly.***

Para : 6.2.7 – Physical Performance.

15. The audit para stated that the percentage of actual production to MOU targets ranged between 37.07 (2000-01) and 68.63 (2001-02) during the five years ending 31 March 2005. Out of the 158 looms installed, the annual average number of looms that actually functioned ranged between 29 and 53.

It was further noticed in audit that as on 31 March, 2005, only 40 looms (25 percent) were in working condition while 68 were lying idle for want of major repairs and the balance 50 for minor repairs. The management stated (June 2005) that heavy absenteeism of workers in spinning section resulted in low production of yarn and consequent low operation of looms. Besides, supervisory staff and officers were sent on deputation which adversely affected the production due to lack of supervision. Thus, non-operation of a large number of looms resulted in low production, increase in idle laborers and consequent increase in cost of sales due to under to under absorption of fixed expenses.

16. In respect of the above observation, the Department of Industries and Commerce in its written reply stated that regarding the observation of this sub-para, it is stated that the figures shown against the average number of working looms are the average number of looms actually running in working condition. In this connection, it may be mentioned here that the average number of looms in working condition were always in excess of the looms actually run and most of the time working looms remained idle due to short supply of yarn from the preceding spinning section. Moreover, whenever there was sufficient supply of yarn the management had taken immediate steps to renovate further looms . In fact, the factors mentioned in the sub-para 6.2.6 above were responsible for the over-all

low production. Recently, an action plan has been taken to renovate 20 idle looms along with a technical up-gradation programme of spinning frame and purchase of 300 MT good qualityAssam Tossa Jute to increase production.

17. The Finance Department in its views on the above replies stated that the Department may be requested to intimate the latest status or outcome of implementation of the action plan taken for renovation of the idle looms along with technical up gradation programme of spinning frame may be intimated.

18. During examination of the above para as well as the written replies furnished by the department of Industries & Commerce, the Committee in its meeting held on 9.10.2007 wanted to know as follows :

(i) What steps have been taken to keep all the looms available, in working condition and in operation to maximize the production against MOU target ? and

(ii) What is the status of production now ?

19. In respect of the above queries, the Managing Director of TJML stated before the Committee that due to non-availability of yarn now production is stopped with some workable looms.

On a query, the Commissioner and Secretary of the Department stated that about 60 looms and 400 workers are needed to produce 10 MT of finished goods per day.

20. ***After detailed discussion the Committee dropped the para. Then, the Committee asked the Department to furnish the detailed information about steps taken by the Management of TJML as well as the Department of Industries & Commerce according to the discussion.***

21. In this respect, the Department of Industries & Commerce furnished the written replies as follows :–

(i) The average production is 6 MT per day now. However there was fluctuation in production for the shortage of some vital spares which could not be brought from Kolkata due to Assam-Agartala road blockage for a long period during the last monsoon, power cut for line maintenance and other factors related to puja festival.

(ii) In respect of the action plan, initial steps of floating tender for the purchase of Assam Raw Jute, issuing supply order for stores and spares for the proposed renovation and technical up-gradation have been taken. However, by this time, the number of looms in working condition has been increased from 35 to 42 with the spares available in stock and manufactured in mill workshop. The average number of looks functioning has also now increased from average 28 during the last financial year to 38 due to some improvement in the production of yarn. As mentioned earlier and steps are being taken to increase the productivity and capacity utilization to achieve the MOU target.

Para : 6.2.8 – High cost of sales.

22. The audit paragraph stated that the different components of cost of sales during 2000-05 were direct labour, direct materials, salary and other benefits, inventory and other expenses.

According to the norms prescribed by the Jute Manufacturer Development Council (JMDC), 40.67 mandays were required for manufacture of one MT of B-Twill Jute bags by operation of 100 looms.

As per JMDC norms, mandays actually required ranged between 13,120 (2004-05) and 47, 615 (2003-04) against which the Management utilization were 3,67,776 (2004-05) to 4,47,876 (2000-01) mandays, indicating poor manpower management. The resulted in idling of labour from 3,46,933 (2002-03) to 4,12,865 (2000-01) mandays during the five years ending 31 March 2005 . The Management spent Rs. 651.29 lakh (2002-03) to Rs. 672.90 lakh (2001-02) per year towards direct labour of which Rs. 572.44 lakh (87.89 percent) to Rs. 641.76 lakh (96.59 percent) were spent on idle labour.

While the cost of sales ranged between Rs. 42,301 (2002-03) and Rs. 92,938 (2004-05) , the average selling price of finished jute products ranged between Rs. 10,866 and Rs. 28,423 per MT during the five years ending 31 March 2005.

Excess deployment of labourers was the main factor for high cost of sales. The management stated that as per the JMDC norms , which were being followed by the Mill, 400 labourers were required to keep 10 MT per day with 60 looms. Audit analysis revealed that the maximum production achieved by the Mill was 7.5 MT or less per day during the period under review . According to this production data, engagement of labourers which ranged between 1277 (2004-05) and 1566 (2000-01) was in excess of JMDC norms. It was also noticed that the excess engagement of labourers in different sections ranged between 31 (electrical) and 276 (spinning).

All these factors indicated poor manpower management in the Company and led to increasing cost of sales. Despite sustaining loss due to idle labour, the Management did not initiate action for repair and maintenance of plant and machinery , including looms, to keep them in working condition and thus enable utilization of the idle manpower.

The Government, while admitting the facts, stated (August 2005) that the root cause of the problems indicated in the performance audit has been long term unviable operation of TJML since inception. This had been because of very high overheads, mainly its labour force which was in excess of actual requirements. It further stated that possibility of introducing VRS applicable to State PSUs was being explored.

23. In respect of the above audit observation, the Department of Industries & Commerce in its written replies stated that in response to observation of this sub-para, it is stated that the mandays norm of JMDC mentioned in the Table No. 6.2 is for B. Twill bag – 1020 gms/bag but TJML produced B. Twill bag – 665 gms./bag product during the period under study. The JMDC norm of the later quality, which is of different specification, is yet to be published. However, it is true that TJML has abnormally high idle mandays due to the factors mentioned in sub-para 6.2.6 above.

The management announced production target for the jobs involved in production process, but could not get the work done as per the target. As mentioned earlier various steps have been taken to reduce the manpower strength. The management has again taken a decision to start a suitable monitoring system to improve productivity of workers.

24. The Finance Department in its views stated that steps taken to increase the productivity of the workers may be intimated. Department may be requested to intimate what action has been taken for repair and maintenance of plant and machinery, including looms, to keep them in working condition and thus enable utilization of the idle manpower.

25. During examination of the written replies furnished by the Department of Industries & Commerce, the Committee wanted know from the departmental representatives who appeared before the Committee as follows :

(i) What steps have been taken to improve overall man power management to minimize cost of sale and to make the mill viable ?

(ii) Whether JMDC norms in this regard are being followed ?

(iii) Whether VRS has since been introduced as one of the means to avoid continuance of idle labourers ? and

(iv) What action has been taken/planned for reducing the overheads and making the company commercially viable ?

26. ***After discussion the Committee did not make any recommendation on the para. But, the Committee sought to the TJML to furnish in details the steps taken by the Department according to the discussion on the matter.***

27. In this respect, Department of Industries & Commerce furnished the following information :–

(i) It has already been explained in the original reply of para 6.2.6 regarding the limitation of the management in the manpower management. It is evident from the increase of daily production that the steps taken so far in respect of manpower management have helped to some extent. But, to minimize the cost of sale for making the mill commercially viable, TJML is to minimize the costs in the account of two major cost-contributing factors, namely raw material cost and manpower cost. For minimum cost of the first factor, the raw jute of required quality/grade must be available in sufficient quantity at standard market rates which is only possible when the production of raw jute in Tripura increases to that level. To minimize the cost of second factor, every individual worker/employee is to perform his/her job as per the target work load/productivity norms followed by the profit-making private mills at Kolkata for which the TJML is to follow manpower management practices of those mills. In TJML, most of the workers could never attain target efficiency of that norm at any point of time during their services. Their productivity has further deteriorated due to the advancing ages, discontent for low wages/salary etc. The management is taking all steps within the existing limitations to arrange steady supply of raw material, sufficient number of machines and to bring about improvements in productivity and discipline. It is expected that there will be a considerable improvement in the condition of the mill after complete implementation of action plan.

(ii) It has already been mentioned in the original reply that the JMDC norms referred in the audit para is applicable for 100 kg capacity B.Twill bags. But TJML has been producing 50 kg capacity B.Twill bags and the norms for this quality product are yet to be decided. However TJML will follow those norms as and when they are published. TJML is now following the general norms followed by the Jute Industry.

(iii) The company has taken various action/action plan for reducing overheads in the following accounts :

Manpower Cost (salary/wages) – Various actions have been taken and planned to reduce the manpower strength as mentioned in the original reply of Para-6.2.6. Manpower cost in TJML is abnormally high compared to other jute mills. It has already been mentioned in the earlier reply why it is not possible to implement the manpower management practice followed by other jute mills in TJML in order to make it a commercially viable mill.

Electricity Cost – The restructuring of internal power distribution has been started to reduce the electricity charge in the account of the company. Under this plan, the mill will draw 11 KV supply from TSEC Ltd. in place of 33 KV drawn so far and the quarter residents will draw electricity directly from TSEC Ltd. as individual consumer. The first change will reduce the costs towards transformation loss, maintenance of 33 KV Sub-station and distribution. The second change will drastically reduce the electrical consumption cost because the charge of domestic consumption, which is now being paid by the company at bulk tariff rate of Rs. 3.70 per unit, will be paid by the individual resident at much lower rates.

Repair and maintenance of assets – TJML is doing most of the repair and maintenance of its buildings, water & electric supply system etc. departmentally.

Manufactures of machine parts – Many spare parts are now being manufactured in TJML workshop, which would earlier be purchased from Kolkata.

Administrative Cost – Actions have been taken to reduce running & maintenance cost of vehicle, telephone charge etc.

Para : 6.2.9 – Shortfall in production due to lower yield.

28. The audit paragraph stated that according to JMDC norms, 977 kg of raw jute is required to produce 1000 kg of B-Twill Jute bags.

Against the total consumption of 9,211 MT of raw jute, 9,428 MT B-Twill jute bags were required to be produced during 2000-05 as per norms, of which, the Company manufactured 8,667 MT of B-Twill jute bags only.

The shortfall in production of jute bags except during 2003-04 ranged between 88 MT (2000-01) and 311 MT (2002-03) which aggregated to 761 MT of finished products, worth Rs. 1.62 crore during the period.

The yield of jute products depends of quality of raw jute and batch mixing in the optimal ratio of raw jute (70 percent) and mesta (30 percent). The percentages of batch mixing during the period of review ranged between 61.44:38.56 (2000-01) and 77.83:22.17 (2002-03) . Though the actual batch mixing was above the standard mix during the year 2002-03 ,the actual yield was below the norms due to poor quality of raw jute. The Company had been processing raw jute for more than two decades , but it had not created a facility for testing quality of raw jute being procured by it.

Management stated (June 2005) that due to non-availability of the facilities to test quality of raw jute, the Company had been accepting the grade as fixed by the supplier. In the absence of a facility for assessing the quality of raw jute, possibility of procuring low quality raw jute at higher price could not be ruled out.

The Management further stated that the Company could not acquire the necessary facilities for controlling quality of raw jute, proper batch mixing and maintenance of plant & machinery due to lack of working capital. The Government had, however, been moved to provide lump sum working capital for this purpose.

29. In respect of the above audit observation, the Department of Industries & Commerce in its written replies stated that it may be mentioned here again that the JMDC norm on the basis of which the value of shortfall was calculated is yet to be published for the specific quality of B. Twill bag which are being produced in TJML. In this connection, it is stated that inability to purchase raw jute as per the required quality for a proper batch mix due to shortage of working capital and limited scope of credit purchase was the main reason for the lower yield than the normal yield of jute industry rather than the absence of quality testing facility. The average ratio of jute and mesta utilization in the batch mix mentioned in the sub-para did not consider the ground realities. During a considerable period of the years 55 to 60% of mesta and lower grade jute were used in the batch-mix. Although, productivity suffered for this reason but the value of short fall due to lower yield will not be as high as shown in the table 6.2.9 as the price of inferior grade jute was less. It may also be mentioned that the mill was run on conversion system from December, 2001 to December, 2002. TJML has to purchase major part of its required raw jute from outside the state, but without an adequate infrastructure for this purpose . In case of local purchase also TJML has to depend on 2/3 private traders unlike other jute mills in Kolkata. The company shall intensify its persuasion with related departments of the State Government so as to increase the raw jute production in the state as per the requirement of the mill. Necessary steps will be taken to ensure the procurement of good quality jute from outside.

30. The Finance Department in its views on the above replies stated that it may be intimated why the company was unable to achieve the JMDC norms in the audited period despite the fact that with the same constraints/ground realities as mentioned in the report, the company could achieve a production level of 104.59 in the year 2003–04. It may also be intimated about the steps taken by the company to ensure facilities for testing the quality of the raw jute.

31. During examination of the para as well as written replies furnished by the Department, the Committee wanted to know the following from the departmental representatives who appeared before the Committee :

(i) Whether, compared to JMDC norms, production of jute bags has improved ?

(ii) Whether the facility of testing quality of raw jute has been created ? and

(iii) Whether position of working capital has since been improved and maintenance of plant and machinery is being properly done ?

32. ***After detailed discussion on the para, the Committee did not make any recommendation on the matter. Then, the Committee asked the departmental representatives to furnish the details information on action taken by the department on the above queries of the Committee.***

33. In this respect, Department of Industries & Commerce furnished the following information for consideration of the Committee.

(i) It has already been mentioned that JMDC Norms in respect of B.Twill bags, which are being manufactured in TJML, is yet to be decided. However, the yield of jute bags in terms of input & output ratio has improved in the subsequent years. In 2005-06 and 2006-07, the production of jute bags were 1321 MT & 1118 MT against the raw jute consumption of 1342 MT & 1186 MT respectively. In the current year, the yield is good so far and steps have been taken to procure 300 MT of good quality tossa jute from Assam for further improvement of the yield.

(ii) In the jute industry, the quality testing of raw jute is done normally by the jute experts on the basis of eye estimation. TJML also has highly experienced Jute Technologist to test the quality of procured jute. As mentioned in the original reply, the limited source of raw jute supply is the main problem for TJML in getting quality material.

(iii) The position of working capital has been improved since the realization of claim amount in the account of conversion charge from the converter in 2005–06. The other reasons for improvements are the sufficient share capital support of the government and regulated expenditure in various accounts as well as some cost saving measures as mentioned in the para 6.2.8.

TJML has sufficient machines in all sections except weaving to run the mill at 40% capacity. The required number of looms can be brought in to working condition whenever the yarn supply position improves. The maintenance of plant & machinery is being done properly.

The scope of credit purchase of raw material could not be widened yet. The JCI already informed that it would not be possible for them to provide such facility in B.Twill linked compulsory sale. TJML now has working capital to purchase required raw material without credit purchase facility.

Para : 6.2.11 – Loss of conversion charges on lease agreement.

34. The audit paragraph stated that the Company entered (December 2001) into a contract with Collin Traders Pvt. Ltd. (CTPL) hereinafter called Converter for operation of the mill under conversion system for a period of 60 months. According to the terms of the contract, the Converter had to supply raw jute and take delivery of converted jute products by paying the conversion charges (towards services of staff , labourers, plant and machinery utilized for conversion).

Clause 21 of the agreement provided that the agreement may be terminated only after one year by serving notice of six months on the other party. The Converter started operation from 16 December 2001 but stopped supply of raw jute after 31 December 2002 without serving the notice of six months to the Company. As a result the production in the mill came to halt and the Converter terminated the contract without serving the notice of six months. The reasons stated by the Converter for this were non-renovation of the plant and machinery and looms, non-supply of spares by the Company for maintenance and lack of administrative control over absenteeism of labourers.

As the Converter's stoppage of work was in violation of clause 21 of the agreement , the Company referred the case to the Arbitrator and claimed conversion charges of Rs. 2.12 crore payable by CTPL , but the arbitration award (September 2003) was for Rs. 74.02 lakh only in favour of the Company . The reasons for lower award amount was due to non-availability of looms in working condition. The Arbitrator restricted the committed production on prorata basis to the extent of looms made available by the Company and thus deducted the conversion charges by Rs. 39.32 lakh.

As regard the balance amount of claim i.e. Rs. 98.35 lakh, the Company failed to present its case effectively before the Arbitrator. The Company had no intention to terminate the contract. Despite this, the Arbitrator recorded in the proceedings of the second hearing (May 2003) that both the parties had intention to terminate the contract. The Company failed to convince the Arbitrator about its claim of conversion charges for six months amounting to Rs. 98.35 lakh. Thus, failure to present its case properly before the Arbitrator resulted in loss of Rs. 98.35 lakh . No appeal in this regard in higher court was made.

The Government stated (August 2005) that the Company did not insist for six months notice period to be served by the CTPL to avoid litigation as it was badly in need of funds. It was , however, observed in audit that the Company's decision to change its stand on notice period was not got approved by the Board of Directors.

35. In respect of the above audit observation, the Department of Industries & Commerce in its written replies stated that there was some weakness on the part of management in respect of timely renovation of plant & machinery, supply of spares, abnormal absenteeism of workers etc. As per the agreement the company was to provide all those facilities to the converter, as there was no scope to hand-over the procurement of stores & spares and personnel management to them due to some technical problems. The management has to stock the dispatch of finished goods by the converter due to non-payment of conversion charge to ensure the collection of the same in the event of failure of agreement. It created an unavoidable deadlock. The company could not start the operation of its own without allowing to break the agreement on 31st December, 2002. This stand was taken after taking due approval of the authority.

36. The Finance in its views against the above replies stated that the department may state about the reason for non-appealing to higher court for the balance amount of conversion charges amounting to Rs. 98.35 lakh after failing to convince the arbitrator and thus resulting into loss of said amount.

37. During examination of the above written replies furnished by the department of Industries & Commerce, the Committee wanted to know the following from the departmental representatives who appeared before the Committee in its meeting held on 9.10.2007.

(i) Why looms were not made available adequately for operation ?

(ii) Why the company failed to convince the arbitrator about its claim for conversion charges for six months ?

(iii) Why the decision to change its stand on notice period was not got approved by the Board of Directors ? and

(iv) Whether weaknesses, in timely renovation of plant & machinery, supply of spares, abnormal absenteeism of workers have since been over-come ?

38. In respect of the above queries, the Managing Director, TJML stated that the matter has been brought to the notice of the State Government. Regarding prior approval of the Board of Directors

of the Company, Managing Director stated that according to the record of the company, it has informed the State Government accordingly.

In this respect, Hon'ble Chairman of the Committee expressed his dissatisfaction and revealed that only the Board of Directors of a company is the supreme authority and they can taken any decision and approve the decision. If the approval of the Board of Directors is absent in this case, that is the responsibility of the concerning officer. So, for any amolunt lost due to irresponsibility the department should fix the responsibility and as per departmental rules and regulation they may be penalised or any departmental action may be taken against to the responsible person or persons.

The Commissioner and Secretary of department of Industries & Commerce assured the Committee that the department will look after the matter and report will be furnished before the Committee.

39. ***Therefore, the Committee recommended that the effective measures taken by the department on the matter are to be intimated to the Committee within two months from the date of presentation of this report before the Legislature.***

40. In respect of the queries of the Committee (Queries Nos. (i), (ii), (iii) & (iv) of above para 37 of this report), the department of Industries & Commerce furnished the upto-date status of the TJML in its written replies vide letter No. F.DI/AUDIT/1(24)/2005/2369–71 dated the 7th February, 2008 as follows :

(i) There were some unavoidable problems in the procurement of the spare parts of Loom. The looms of TJML were manufactured by the India Machinery Co. Ltd. (A Govt. of India Enterprise) which was subsequently closed down. The spare parts of Loom machine do not have any standard specification and vary from manufacturer to manufacturer. As a result, TJML had an arrangement only to procure some selected spares, which were required in normal course for running 50/60 Looms. But, when TJML wanted to renovate more Looms for operation as required as per the agreement, serious problem started in getting many typical spares suitable for the installed Looms. In spite of serious efforts of TJML and converter party, the required spares could not be procured in due time. The remoteness of the mill from the main market of machine-spares at Kolkata, which had been a major problem for TJML since its inception, was also responsible for the delay. Total 84 looms were ready for operation by the middle of 2002. It may be mentioned that the converter could not even utilize those working machines, as they could not arrange the production of sufficient yarn due to low productivity of worker.

(ii) TJML itself approached the Arbitrator on 03.02.2003 for settlement of the dispute that created a deadlock in the operation of the mill under the conversion system. As per the agreement, which came into effect from 18.12.2001, the converter was to arrange the minimum daily production in the mill as given below :–

1st one and half months	Moratorium
Next 3 months	10 MT

Next 6 months	15 MT
Next one and half months	17 MT

In case the average daily production was below the minimum target, the converter was to pay conversion charge on the minimum production.

The problem started from May, 2002 when the converter failed to achieve the target of 15 MT production per day. The converter started to blame TJML for not providing adequate machines as well as for low productivity and abnormal absenteeism of worker, excessive power-cut etc. and claimed proportional reduction of conversion charge. On the other hand, TJML was not in a position to provide such concession as per the agreement and was compelled to prohibit the converter to lift the products for sale. Ultimately, the converter stopped the input of raw material and gradually the functioning of the mill came to a stand still. TJML waited up to February, 2003 and then decided to approach the Arbitrator as it became difficult for it to arrange fund for payment of salary/wages to the employees/workers. The converter did not serve the termination notice. So, TJML, did not have any scope to claim the conversion charge of 6 month's notice.

(iii) As mentioned above, the converter did not serve any notice of termination of agreement. So, there was no scope to claim conversion charge for the 6-month's notice period. Due to the financial crisis as mentioned above, TJML approached the arbitrator on 3rd February, 2003 to enter into the arbitration proceedings with a claim of due conversion charge up to 31.01.03 and also a damage to the tune of Rs. 70.00 lakh per month w.e.f. 01.02.03 in respect of non-production and also payment of wages etc. to the idle workers. However, the management took due approval of the chairman of the company on 04.04.03 regarding the revised claim of the company before the arbitrator in a next hearing.

(iv) The weaknesses mentioned here have been partially over-come. The company has widened its spare parts supply net. But the problem of remoteness from main spare market still remains. The attendance of workers has also improved after taking action against abnormal absenteeism.

Para : 6.2.12 – Avoidable expenditure of Rs. 56.97 lakh on electric charges.

41. The audit para stated that the Jute Mill remained closed for two and half years from April 1992 to October 1994. The Company which had taken a bulk power supply connection of 1700 KVA, however, applied for reduction of maximum demand from 1700 KVA to 425 KVA only in August 1992. The Power Department accordingly revised the minimum charges from Rs. 51,000 to Rs.18,000 per month with effect from August 1992. The mill was reopened in December 1995. On reopening of the mill, the Power Department restored the original maximum demand to 1700 KVA and levied minimum charges of Rs. 1 lakh per month according to the revised tariff. The Company did not contest (December 1995) the restoration of original maximum demand to 1700 KVA by the Power Department. The Company stopped payment of electricity charges from February 1996and contested for revision of minimum charges only in February1998. The electricity charges accumulated to Rs. 78.38 lakh as on 31st March 2000. The Power Department levied a penalty of Rs. 85.70 lakh for non-payment of electricity bills (April 2002). At the intervention of the Commissioner in Finance

Department , the Company agreed to pay Rs. 2 lakh per month to clear the arrear amount of the electricity charges (April 2002). The Company applied for reduction of demand for power supply from 1700 KVA to 950 KVA only in April 2002 and this was accepted by the Power Department.

Thus, delay in applying for reduction of maximum demand resulted in avoidable expenditure of Rs. 56.97 lakh. Since the expenditure on electricity charges forms part of the cost of sales, the avoidable expenditure on electricity charges also increased the cost of sales.

Government stated (August 2005) that the Company did not apply for reduction of maximum demand as operation of the mill was in transition stage after reopening of the mill in November 1995.

42. In respect of the above audit observation, the Department of Industries & Commerce in its written replies stated that the electric supply connection of the mill and quarters complex are taken through four transformers of total 1700 KVC capacity. Thus during the period when the mill was in operation, even at low production capacity, there was no scope to eliminate any of the transformers to reduce minimum demand without making any change in the internal supply connections. In April, 2002, the above mentioned change was made to reduce the capacity to 950 KVA.

However, subsequently in the year 2006, the company made a negotiated settlement in respect of outstanding electricity charges and paid Rs. 26.00 lakh on the basis of actual consumption of electricity . Thus the company did not have to pay any extra amount towards electricity charges.

43. The Finance Department, in its views in respect of the above reply stated that the department may be requested to inform the period against which the outstanding Electricity Charges for an amount of Rs. 26 lakh was paid. It may also be confirmed whether any electricity charges remaining outstanding irrespective of whether it is a penalty levied or charge on the basis of actual consumption.

44. During examination of the audit para as well as the written replies of the department, the Committee wanted to know as follows :

What steps have been taken to plug these loop holes in administrative control ?

45. In respect of the above queries, the Managing Director, TJML in his deposition stated that the company did not pay Rs. 56.97 lakh which was mentioned in the audit observation. The company paid only Rs. 10.6 lakh as electric charges.

46. ***The Committee dropped the para.***

47. During examination, the Committee asked the Commissioner and Secretary, Industries & Commerce Department to furnish the action taken by the Department on the matter to the Committee.

48. Accordingly, the Department furnished the written information on the matter as follows :

i) Tripura State Electricity Corporation Ltd. had introduced a revised procedure of charging electricity consumption on the basis of actual meter reading under new tariff system w.e.f. 01.07.2005 in place of minimum charge on installed capacity. Thus the earlier problems have automatically been solved. It may be mentioned that the Company could not take any step to reduce the installed capacity of power supply in the mill before 2002 except during the period of production suspension from April, 1992 to November, 1994, as attempts were made from time to time to run the mill in full capacity through a management lease system/conversion system.

Para : 6.2.13 – Avoidable expenditure on purchase of raw jute.

47. The audit paragraph stated that records indicated that due to paucity of funds the Company had to divert its raw jute procurement source to the private parties who were ready to supply it on credit basis as procurement from JCI necessitated advance payment. The Company procured 2001.41` MT of raw jute from 5 private parties on credit basis during 2000-01 at an average rate of Rs. 10453 per MT against the JCI jute rate of Rs. 9430 per MT. Thus due to lack of working capital the Company had incurred avoidable excess expenditure of Rs. 20.47 lakh on purchase of raw jute.

It was further noticed that during 1997-99 the Apex Marketing Cooperative Society , Agartala claimed interest of Rs. 16.10 lakh as the Company failed to clear the payments within one month of the supply of raw jute to it. The Company had paid Rs. 6.34 lakh and the balance of Rs. 9.76 lakh remained unpaid for want of funds.

Thus, lack of working capital resulted in avoidable expenditure of Rs. 36.57 lakh which consequently increased cost of sales.

Government while accepting the audit observations stated (August 2005) that shortage of working capital prohibited TJML from procuring jute in adequate volumes for processing.

48. Regarding the observation in the above audit para, the Industries & Commerce Department in its written replies stated that TJML always purchased the raw jute from local JCI whenever there was stock with them. The market price of raw jute went up in 2000–01 as JCI did not procure jute in Tripura. So TJML did not have any option to purchase from private parties at higher price to keep the mill in operation. The company had to make payment of Rs. 16.10 lakh to TAMCS Ltd. as interest, because TJML could not pay the dues to TAMCS in due time for shortage of fund.

49. The Finance Department in its views on the above replies stated that the reply of the department may be considered due to the fact that the company did not have enough of working capital to purchase raw jute during the audited period. Steps may be taken so that this type of situation does not arise in future.

50. During examination, the Committee wanted to know what steps have, by now, been taken to improve the position of the working capital to save the company from being non-viable ?

Besides this, expressing his dissatisfaction, the Hon'ble Chairman of the Committee opined that it is also due to lack of management. There is a Tripura Agriculture Marketing Co-operative Society. The management of the company could take amicable decision to avoid paying of interest to TAMCS. But, they did not do this. Practically, there was no proper initiative on the side of TJML.

51. In this respect, the A.G. (Tripura) raised a point for the Secretary, Industries & Commerce Department that the Jute Mill is in a position where every action by the management or lack of action by the management has to be paid for by the government. In case of procurement of raw materials in this case, procurement was made from private parties because JCI was not in any position to supply jute to TJML. So, the higher rate was paid to private parties. Ultimately, the State Govt. bore the expenses and not TJML, because TJML was running in loss. So, finally the bill was paid by the government. Similarly, the penal interest that was charged by the suppliers, it was not TJML but the government who paid the penal interest. So, in future because TJML is going to have these

problems of working capital, wherever this arrangement for supply is made the government should be pro-actively involved because ultimately the bill has to be paid by the government untill TJML profit. Then lot of penal interest and higher purchase price perhaps can be avoided. For example in case of purchase from JCI if they are not agreeable to supply on credit than perhaps government guarantee can help because the money has to be provided by the government. So, in this way, perhaps more competitive rate can be obtained and also the penal interest can be avoided.

52. The Commissioner and Secretary of Industries & Commerce Department in his deposition stated that he is unanimous in the advice of the A.G. (Tripura). They will examine the matter and will take effective decision on the same to avoid either payment of excess money or any kind of excess interests.

53. During discussion, the Committee suggested that the company will have to be make fresh and clear agreement with any co-operative or supplier of raw materials (jute) and a particular period of payment is also to be fixed during agreement so that the company can avoid the payment of excess interest or penalty, if any.

54. ***After details discussion on the matter, the Committee wanted to know what steps had been taken by the TJML (Department of Industries & Commerce) in respect of the suggestions given by the A.G. (Tripura) as well as the Committee.***

The Committee, in this respect, also wanted to know that during purchase of raw materials whether any agreement was made for which excess interest of Rs. 16.10 lakh had been paid to the TAMCS Ltd. Besides this, whether any period was mentioned for payment of price of raw materials to the TAMCS Ltd. Has any arbitration been filed by the supplier against the Company for payment of excess interest ?

Detailed information on the above queries are to be furnished to the Committee within 2 (two) months from the date of presentation of this Report before the House.

Para : 6.2.14 : Avoidable expenditure.

55. The audit paragraph stated that sales conditions of Jute Corporation of India (JCI) provide that the buyer should lift the raw jute within the specified period and that payment should be made on the date specified by the JCI. In case of default , the buyer is liable to pay @ Rs. 25/- per quintal per month as carrying cost for the period of delay. Due to delay in lifting of raw jute and making delayed payments, JCI raised a claim of Rs. 7.38 lakh towards carrying cost (February 2003 to December 2004, of which Rs. 1.42 lakh had been paid to JCI and payment of the balance amount of Rs. 5.96 lakh was pending.

The Government stated (August 2005) that delay in making payment was due to paucity of funds.

The fact remains that lack of working capital resulted in avoidable expenditure of Rs. 7.38 lakh which consequently increased cost of sales.

56. On the above audit observation, the Department of Industries & Commerce in its written reply stated that as stated earlier, TJML could not avoid the carrying cost charged by JCI for delayed

payment and lifting of jute due to shortage of fund. However, the JCI is not insisting for the payment of balance amount of Rs. 5.96 lakh as per the request of TJML for waiver.

57. The Finance Department in its views stated that the reply of the department may be considered provided the JCI already waived the payment of balance amount of Rs. 5.96 lakh. Steps may also be taken so that this type of situation does not arise in future.

58. During discussion on the para, the Committee wanted to know whether position of working capital has, by now, improved .

59. The Managing Director, TJML stated before the Committee that the working capital has improved. He stated that the working capital comes from sales of finished goods and the company is also getting working capital from the Government of India.

In this respect, the Commissioner and Secretary of Industries & Commerce Department stated that the Department releases an amount of Rs. 40 to Rs. 50 lakh in the month of February every year against TJML to use as working capital. Besides this, the Department releases the fund allotted by the State Government for quarterly expenditure at a time to TJML.

60. ***During discussion, the Committee observed that balance amount of Rs. 5.96 lakh as charged by the JCI for delayed payment of carrying cost is not settled till now. Therefore, the Committee suggested that the matter be discussed with the JCI and be settled immediately.***

Steps taken in this respect by the Company to be intimated to the Committee within 2 (two) months from the date of presentation of this Report to the House. (4) 4

(B) TRIPURA SMALL INDUSTRIES CORPORATION LTD.

Para : 6.3 – **Expenditure on idle staff.**

60. The audit paragraph stated that scrutiny (January – February 2005) of records of the Pharmaceutical Unit (PU) revealed that as against seven employees required for its running , the actual men-in-position ranged between 22 (2205) and 44 (2001) . The unit incurred an expenditure of Rs. 75.23 lakh on salaries of the idle staff during the period from 2000-01 to 2004-05.

On this being pointed out (April 2005), the Managing Director (MD) admitted the facts and stated (April 2005) that to avoid expenditure on idle staff, a Memorandum of Understanding (MOU) was entered into with the Industries and Commerce Department where-in transfer of the idle labourers to other Government Departments was proposed. But transfer of staff from the PU to other Government departments had not been made as of July, 2005.

Thus, the TSIC continued to incur expenditure on wages and salaries on the idle staff but could not arrange funds to make the PU viable.

The Government stated (August 2005) that inadequacy of funds to reinvest in modernisation of its equipment and machineries had resulted in the Company's continuous losses in its operation. It is further stated that TSIC could not retrench idle staff as it was not within the scope of Government policy. Options for redeployment of idle staff on deputation to other departments of possibility of introducing VRS applicable to State Government PSUs was being explored.

61. In respect of the audit observation, the Department of Industries & Commerce in its written replies stated that the productions of the 3 (three) sections were stopped from 1997 onwards due to obsolete technology of machineries and shortage of funds. Restructuring and revival of the pharmaceutical unit was suggested with investment of Rs. 37 lakh with an assumption that the unit could produce at competitive price. However, pharmaceutical sector market operates on very thin margins with economies of scale with extreme and cut-throat competition. In the changed scenario it was not found feasible for TSIC to operate this unit competitively, as was proven by drying up of order even from Health & Family Welfare Department.

After closure of production activities, the three sections have only engaged in trading activities till date. For trading activities only limited number of employees were required and other staff deputed to these units were actually in excess.

As per Government policy, the staff could not be retrenched and had to be paid wages and salaries.

1] To reduce the unit's losses, mainly on the expenditure incurred on salaries, TSIC had resolved to close the unit. As per resolution of 175th Board meeting , including Memorandum of Understanding with the Industries & Commerce Department, request was made by the TSIC to depute excess staff to other Departments.

2] Subsequently some of the staff of Pharmaceutical Unit have been deputed to organizations like SOFED and Swavalamban. Thus some steps were actually taken for deputing excess staff from TSIC to other offices and these would be continued.

3] Redeployment of idle staff on deputation to other Departments is as per their requisition and may not be as per TSIC request alone.

As stated above TSIC/Department of Industries & Commerce had taken effective steps for redeployment as and when the vacancies have arisen. However, comprehensive VRS is yet to be introduced as a policy by the Government for all PSUs including TSIC.

62. In view of the above reply, the Finance Department in its views stated that the Department may vigorously pursue with other Departments of the State Government for placement of the excess staff on deputation to different Departments. Simultaneously Department may also finalise the comprehensive VRS proposal for all PSUs in consultation with Finance and Planning & Coordination Department.

63. During examination of the audit paragraph as well as written replies furnished by the Department, the Committee wanted to know what the latest position of the idle staff was.

64. In respect of the above queries, the Managing Director, Tripura Small Industries Corporation Ltd. (TSIC) in his deposition stated before the Committee that out of 45 staff of the Corporation, 40 (forty) Nos. are workers (labour), 2 (two) Nos. are Group-C and 3 (three) are Group-D employees. 40 workers are idle and rest 5 employees are performing their duties regularly. He also stated that the Corporation has an Institute and some staff are engaged there. The Corporation is also making contact with various PSUs/Departments for redeployment of the idle staff of TSIC as per their requirement.

In this respect, the Commissioner and Secretary of Industries & Commerce Department stated that the in the initial stage the pharmaceutical unit of TSIC was viable. The unit was set up according to the request of the Health & Family Welfare Department. As per request and requirement of the Health & Family Welfare Department, the unit manufactured Saline Water, Distilled Water etc. and the Health & Family Welfare Department purchased these products from this unit. Next time the Health & Family Welfare Department informed TSIC that they themselves have started similar unit and they will not purchase such products from the unit of TSIC. Later it came to the notice of the Corporation that the Health & Family Welfare Department started to collect such products of other manufacturing company from the market with lower rate than the products rate of TSIC. For this reason, the products of TSIC gradually stopped selling. The TSIC/Industries & Commerce Department discussed the matter many times with the Health & Family Welfare Department, but no fruitful result has come out. TSIC submitted tender against the tender invited by the Health & Family Welfare Department for supplying their products, but did not compete due to the lower rate of other companies who submitted tenders.

65. ***After detailed discussion, the Committee suggested that the TSIC/Department of Industries & Commerce may proceed for redeployment of the idle staff/workers either to other units of TSIC or other various departments of the state government.***

Thereafter, the Committee dropped the para.

Para : 6.4 – Excess expenditure on consumption of coal.

66. The audit para stated that test-check (January–February 2005) of records revealed that 219.88 lakh green bricks, loaded for burning in 12 kilns during 2003-04 , consumed 5526.70 MT coal against the prescribed (by the company) norms of 4397.60 MT taking into consideration the maximum quantity of 20 MT coal required for burning of one lakh bricks. Thus , there was excess consumption of 1129.10 MT valued at Rs. 30.45 lakh.

On this being pointed out in audit, the Managing Director admitted the facts and stated (April 2005) that excess consumption of coal against the prescribed norms was due to (a) supply of poor quality of coal by the suppliers ; (b) use of different kinds of soil at different kilns for manufacturing of green bricks ; (c) green bricks could not be loaded to the full extent into the kilns for burning for shortage of labourers ; and (d) lack of supervision as most of the kilns were situated in remote localities. Besides the Company did not keep any record indicating the quantity of bad coal received by it. The Company officials were not aware of the various aspects that need to be looked into before entering into coal contract.

The reasons given by the Management for excess consumption of coal were controllable and, had the Management exercised better control, the loss due to excess consumption of coal could have been minimized/avoided.

Government stated (August 2005) that 254.06 lakh bricks were burnt and not 219.88 lakh as stated by Audit. The reply is not tenable as damaged green bricks which were not loaded for burning had also been taken into account. Government further stated that consumption of coal depends upon quality of coal, quality of soil, climatic conditions, skill of workers and design of kiln, and the feasibility of arriving at a norm for consumption of coal in brick field operation was being explored by the Company.

67. In respect of the audit observation, the Department of Industries & Commerce/TSIC in its written reply stated that there is no norms of coal required for burning of bricks. For administrative control the Managing Director issued a letter to all Brick field in-charges to use 17-20 MT coal for burning of 1000 bricks which can not be reasonably fixed at 20 MT.

The comparative statements of consumption of coal for burning of the bricks analyzed over the last few years show that 21.8 MT of coal was required for burning 1 lakh bricks with variation, across location. The detailed statement of coal consumption of burning bricks for 2003-04 was placed before transaction audit and it appears a calculation error has occurred.MD, TSIC has communicated the same to the Office of the A.G. vide letter No. TSIC/BRICKS/GEN/1(27)/Vol.1/90/626 dated 8th June, 2005.

The basis used for calculating excess consumption is not a prescribed or standard norms, as has already been pointed out herein above. Administrative steps are being taken by TSIC for reducing the consumption of coal without hampering the quality of bricks. However, it is a real fact that TSIC has very little control in checking the quality of coal while it is being procured.

TSIC would definitely take into account the observation and reduce the losses by exercising better control.

The stock verification register and allocation of the bricks to different agencies indicate that 254.06 lakh bricks were actually burnt, instead of 219.88 lakh as reported by the audit. The damaged green bricks were not included as part of burnt bricks in this.

68. The Finance Department in its views on the above written reply stated that the Department's reply may be accepted.

69. During examination of the para the Committee wanted to know –

i) Whether the quality of coal was not specified in the coal contract ?

ii) What steps have been taken by the Company to check excess consumption of coal ?

70. In respect of the above queries, the Commissioner and Secretary of the Department in his deposition stated that the Managing Director of TSIC in a letter suggested the Brick Fields run under the control of TSIC to reduce the consumption of coal and to consume 20 MT of coal to produce 1 lakh bricks. But, the Department of Industries & Commerce and TSIC analysed the matter in different ways and found that it is impossible to reduce the consumption of coal as suggested by the M.D., TSIC. Last few years, it is observed that average consumption of coal is 21.84 MT for production of 1 lakh bricks.

The Managing Director, TSIC stated that the corporation properly supervised the quality of coal every year. The Corporation procures the coal in time every year. Sometimes, the supplies create troubles in case of maintaining of quality of coal. They try to impose to receive inferior quality coal. The Corporation solved such problem with discussion.

He stated that the Corporation has been trying to produce more bricks consuming similar quantity of coal in their existing brick fields. The Corporation decided to establish their new brick fields with updated technology so that they can produce more bricks with less consumption of coal.

71. ***After detailed discussion, the Committee suggested that the coal is to be received after proper checking and then certificates are to be issued by the units. In this case, the units may engage their Firemen also for checking. The Committee also suggested to make guidelines in respect of consumption of coal and quality of coal to avoid any kinds of troubles from anywhere.***

Thereafter, the Committee dropped the para.

(C) TRIPURA HANDLOOM AND HANDICRAFTS DEVELOPMENT CORPN. LTD.

Para : 6.5 – **Avoidable expenditure on penal damages.**

72. The audit para stated that test-check (April 2004) of records revealed that employees' subscription and employer's contribution were not deposited with the Regional Provident Fund Commissioner (RPFC) within the specified time limit. As a result, the RPFC issued (April 2000, June 2001 and October 2002) orders for depositing the amount of subscription and employer's contribution together with interest thereon and penal damages. The interest and penal damages amounted to Rs. 16.59 lakh. The Management paid only Rs. 2.45 lakh in December 2000. Subsequently, the RPFC recovered the balance amount of Rs. 14.14 lakh (November 2002) by bank attachments.

Thus, delayed deposit of EPF subscription and contribution resulted in avoidable payment of penal damages and interest of Rs. 16.59 lakh. Managing Director while admitting the facts stated (April 2004) that due to financial stringency (constraints) the Company could not remit the aforesaid amount in time.

The Government stated (August 2005) that inadequacy of funds had resulted in continuous losses to the Corporation. THHDC could manage funds for payment of net salaries only. It did not have enough funds to meet EPF subscriptions and contributions. THHDC had since to ensure meeting EPF liabilities on current basis.

73. In respect of the above audit observation, the Department of Industries & Commerce in its written replies stated that at the outset it may be worthy to mention that for quite a few years Tripura Handloom and Handicrafts Development Corporation Ltd. has been running with acute financial stringencies. Employees could not be paid salary on time in many months.

With the funds available employees were paid their net salary i.e. excluding the employees subscription to CPF just to tide over the prevalent situation. Even employees at different stations were paid salaries on different dates just to make both ends meet. This situation contributed in failing to deposit statutory dues in time. Deposit of statutory dues was never stopped at all. Statutory dues were deposited with a bit of delay. Meanwhile Regional Provident Fund Commissioner (RPFC) in exercise of power vested with him attached Bank Account of THHDC to recover Rs. 14.14 lakh as penal damage for belated deposit of statutory dues.

RPFC attached Bank Account in November 2002 and recovered Rs. 14.14 lakh as panel damage.

THHDC in discharge of its statutory obligations was very sincere in depositing the dues even before their attachment of Bank Account. Only flaw with them was our failure to deposit in time which was sheerly due to paucity of adequate fund. The penal damage of Rs. 14.14 lakh so attached by RPFC and Rs. 2.45 lakh paid by us is avoidable expenditure as pointed out in the Audit objection.

The avoidable expenditure arose due to dearth of required funds. However the Corporation has been utmost regular in depositing statutory dues with RPFC and no arrear lies with RPFC in regard to employees subscription and employer's contributions.

74. The Finance Department in its views on the above written replies stated that the department's reply may be accepted.

75. During examination of the para as well as written reply furnished by the department the Committee wanted to know –

i) What steps have been taken by the Company to ensure meeting EPF liabilities ?

ii) What is the latest position ?

76. In respect of the above queries, the Managing Director of Tripura Handloom and Handicrafts Development Corporation Ltd. (THHDC) in his evidence stated that for few years THHDC passed with acute financial stringencies. Employees could not be paid salary on time in many months. With the funds available employees were paid their net salary i.e. excluding the employees subscription to CPF just to tide over the prevalent situation. Even employees at different stations were paid salaries on different dates just to make both ends meet. Now there is no problem and employees are getting regularly their salary etc.

The Commissioner and Secretary of the Department in this respect stated that at these periods the Corporation showed the deduction of employees' subscription and employers' contribution of EPF during preparation of employees' salary bill. Actually, the Corporation did not transfer or deposit the deducted amount in any other accounts of the Corporation. Due to acute financial stringencies, the corporation failed to deposit the said amount to Regional Provident Fund Commissioner in time. For this reason, the RPFC charged the penalty with interest. Now all are upto date and the Corporation as well as the Department is alert so that no such situation may arise in the Corporation in future.

Replying to a query the Commissioner and Secretary of the Department stated that the Department (Department of Industries & Commerce) released the fund as share capital and not for salary purpose. To pay the salary to employees, they (Corporation) have to earn the money from business sector and they have done this. But, total salary amount was not covered from their business sector. Ten to fifteen per cent of salary amount is managed from other sources. He stated that the government is giving financial support to the Corporation and now all are upto date.

During discussion, the Committee wanted to know the present business position of the THHDC Ltd.

In this respect, the Managing Director of the Corporation stated that there are more surplus staff in the corporation. The Corporation requested the State Government to absorb those surplus staff in different government departments. Because, the corporation are paying about 80% to 90%

amount of sales produces and share capital for their salary purpose. Working Capital of the Corporation is reducing day by day and business has also reduced. He stated that, the Corporation is making payment to the Artisans and Weavers and till now 80% dues are already cleared. He also stated that, if the state government absorbs the 89 surplus staff of the Corporation in other government departments, then the corporation will run in a viable position.

77. ***After detailed discussion, the Committee expressed its satisfaction and decided to drop the para without further recommendations/observations, if any.***

(Niranjan Debbarma)
Chairman,
Committee on Public Undertakings,
Tripura Legislative Assembly.

Date : **13th February, 2015.**