

## CHAPTER XIX: MINISTRY OF TEXTILES

### Jute Corporation of India Limited

#### 19.1.1 Loss of Rs.62.27 lakh due to improper fund management

**Improper fund management and contravention of DPE guidelines resulted in the Company sustaining a loss of Rs.62.27 lakh being the differential between the interest earned on short-term deposit and the interest paid on cash credit.**

In December 1994, the GOI, DPE issued guidelines for investment of surplus funds by Public Sector Enterprises (PSE) which stipulated that:

- (i) Funds should not be invested at a particular rate of interest for a particular period of time while the PSE is borrowing at an equal or higher rate of interest for its requirement for the same period of time; and
- (ii) Investment decision should be based on sound commercial judgment.

The BOD of the Jute Corporation of India Limited (Company) took note of the guidelines in April 1995 and authorised the Chairman and Managing Director, Director (Finance) and Director (Marketing) of the Company to take decisions on investment of surplus funds.

Audit observed (February 2005) that the Company availed of cash credit upto Rs.65 crore from the State Bank of India from August 2002 to November 2004 at rates ranging from 10.65 *per cent* to 11.10 *per cent*. During the same period, the Company invested its surplus funds (ranging from Rs.0.64 crore to Rs.30 crore) in short term deposits with banks at interest rates ranging from 4 *per cent* to 6.5 *per cent*. This not only contravened the DPE guidelines on investment of surplus funds but also resulted in a loss of Rs.62.27 lakh on account of higher interest paid on cash credit.

The Management accepted (July 2006) the fact that cash management had not been judicious and stated that corrective action had been taken from the year 2005-06.

The matter was reported to the Ministry in October 2006; reply was awaited (January 2007).

### National Textile Corporation (APKK&M) Limited

#### 19.2.1 Irregularity in implementation of Modified Voluntary Retirement Scheme

**Inclusion of inadmissible elements as part of salary for the computation of *ex-gratia* under Modified Voluntary Retirement Scheme resulted in extra expenditure of Rs.3.91 crore.**

The DPE stipulated (May 2000) that salary for the purpose of voluntary retirement schemes (VRS) shall consist of basic pay and dearness allowance (DA) and no other elements were to be considered. It also provided that a suitable variant be developed by the Ministry of Textiles (MOT) in respect of its textile units. Accordingly, MOT with the concurrence of DPE revised (March 2001) VRS and allowed HRA in addition to basic pay and DA, only for the employees of non-revivable National Textile Corporation Limited (NTC) mills which were proposed to be closed in pursuance of the revival plan of NTC.

NTC introduced (January 2002) a Modified Voluntary Retirement Scheme (MVRS) for the employees of 39 unviable mills under its subsidiaries. However, subsequently, the Company offered (October 2003 to April 2005) the same scheme in viable mills also though MOT had allowed the MVRS only for the employees of unviable mills. Hence, the decision of NTC to allow HRA in respect of revivable mills was in contravention of the instructions (March 2001) of the MOT and DPE.

Test check of MVRS offered in five mills to be closed, eight mills to be revived, two marketing divisions and the Corporate Office of NTC (APKK&M) Limited, a subsidiary of NTC, revealed that:

- (i) In respect of five closed mills, for computing *ex-gratia*, the Company included the elements like high cost allowance, personal pay, family planning increment, *ad hoc* payments, financial benefits, rationalisation benefits, agreement awards *etc.*, in addition to basic pay, DA and HRA resulting in estimated extra payment of Rs.23 lakh\*.
- (ii) In respect of working mills and units, the Company included the elements like HRA, personal pay, benefits under tripartite agreement, high cost allowance, special increment, interim relief, benefits under Andhra Pradesh Textiles Tripartite Wage Committee recommendations, Supreme Court award, flat increase, show room incentive, family planning increment, *etc.*, in addition to basic pay and DA resulting in estimated extra expenditure of Rs.3.68 crore\*.

The Ministry endorsed (December 2006) the reply of the Management and stated that:

- (i) In the DPE circular 6 November 2001 it was stated that the option of Gujarat or DHI (Department of Heavy Industries) pattern shall be available to the employees of marginally profit/loss making, as well as sick and unviable mills. Hence, allowing HRA in respect of viable mills was not in contravention of the instructions of the DPE and MOT.
- (ii) Basic pay including all Interim relief, awards by various agreements, tribunals *etc.* were treated as pay and attract all statutory payments like PF, ESI *etc.* and therefore, the payments made were in order.

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\* *The figure was computed on the basis of the actual extra expenditure in a representative sample of cases which was extrapolated to the entire parent population.*

The reply of the Ministry was not tenable as MVRS approved by MOT (March 2001) envisaged only basic pay and DA (and HRA in case of non revivable mills) to be considered for computation of *ex-gratia* and no specific approval was taken by the Company from DPE/ MOT to include the above inadmissible elements. Further, MVRS approved by the Board of Directors of NTC (Holding Company) had clearly stipulated that no amount of *ad-hoc*/award was to be treated as salary for the purpose of the Scheme.

Thus inclusion of inadmissible elements for the computation of *ex-gratia* which was in contravention to the MOT and DPE instructions for VRS resulted in extra expenditure of Rs.3.91 crore.