



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

TWELFTH REPORT

(Presented on 17th October, 2006)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2006**

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**COMMITTEE
ON
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On

**The action taken by Government on the Recommendations contained in the
Tenth Report of the Committee on Public Undertakings (2001-2004)
relating to Travancore Cements Limited based on the Report
of the Comptroller and Auditor General of India
for the year ended 31st March 1994 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

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INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Twelfth Report on the action taken by Government on the recommendations contained in the Tenth Report of the Committee on Public Undertakings (2001-2004) on the working of the Travancore Cements Limited based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 1994 (Commercial).

The Statement of action taken by the Government included in this Report were considered by the Committee constituted for the year 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 9-10-2006.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the statements included in this Report.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
17th October, 2006.

*Chairman,
Committee on Public Undertakings.*

REPORT

This Report deals with the action taken by Government on the recommendations contained in the Tenth Report of Committee on Public Undertakings (2001-2004). The Tenth Report relating to Travancore Cements Ltd. based on the report of the Comptroller and Auditor General of India for the year ended 31st March, 1994 (commercial) was presented to the House on 1st July 2002.

The Report contained 13 recommendations. Government have furnished replies to all the recommendations. The Committee (2004-2006) considered the replies received from Government at its meeting held on 14-12-2005.

The Committee accepted the replies to the recommendations No. 1(19), 2(20), 3(21), 4(22), 5(23) and 9(27) without any remarks. These recommendations and their replies form Chapter I of the Report.

The replies to the recommendations No. 6(24), 7(25), 8(26), 10(28), 11(29), 12(30) and 13(31) were accepted by the Committee with remarks. These recommendations, their replies and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

Replies furnished by Government on the recommendations of the Committee which have been accepted by the Committee without remarks

<i>Sl. Para No. No.</i>	<i>Department</i>	<i>Conclusions/ Recommendations</i>	<i>Action taken by Government.</i>
(1) (2)	(3)	(4)	(5)
1. 19	Industries	The Committee recommend that the financial management of the Company should be made more effective and systematic. The Company should be prudent enough to deposit their surplus funds in term deposits so as not to lose any interest on those funds.	The Finance Management of the Company is made more effective and systematic and the Company takes steps to deposit surplus funds with District Treasury, Kottayam, as and when the bank balance in current account exceeds the sanctioned limit for working capital.
2. 20	"	The Committee notice that shortage of lime shell, which is the main raw material in the manufacture of white cement, is a serious problem faced by the Company. The Committee understand that a deposit of lime shell sufficient for about 25 years has been found in Vaduthala but the Company is at present restrained from exploiting this natural resource due to the objection of the local people. Since it is learnt that this resource will be wasted if left untapped, the Committee	Series of studies were conducted earlier regarding the modernization of the Company through renowned consultants like Holed and MECON. One proposal was to go in for the manufacture of Calcium Carbide which was dropped due to uncertainty of getting adequate lime shell. Later a scheme was also considered for change of process with Japanese collaboration. The above proposal did not also materialize. For the last few years the Company is facing great difficulty in

(1)	(2)	(3)	(4)	(5)
			<p>suggest that an amicable settlement be made in the shell to meet the daily dispute in mining the lime shell available in that area.</p>	<p>getting adequate lime to meet the daily production requirement.</p>
			<p>The Committee also recommend that instead of concentrating in one area the Company should make alternate arrangements for exploration and exploitation of lime shell available in the back waters of the State.</p>	<p>Even though Company is holding valid mining license for areas with good deposit of shell starting dredging is not possible due to heavy objection from the local people like fishermen and lime shell societies. Even continuing with the existing production has also become difficult due to local problems.</p>
3	21	Industries	<p>The Committee recommend that in the light of availability of a new deposit of lime shell, the Company should seriously think of increasing the capacity of the plant either by adding new kiln or by modifying the existing one. The Committee also recommend that the Company should conduct a thorough study about the modernization of the factory and work out a programme that could be implemented with the minimum investment to get 'maximum output.</p>	<p>Government is taking all steps to settle the issue. A meeting was convened by the Minister (Industries and Social Welfare) with Revenue Officers to sort out the issue. Any new schemes can be implemented only after settling the problems in the mining area. Purchasing of lime shell, even though available, will not be economical at the present competitive market scenario.</p>

(1)	(2)	(3)	(4)	(5)
4	22	Industries	<p>The Committee observe Earlier the company were that the Company cannot using imported agate at present ensure the pebbles for raw grinding quality of the grinding and cement grinding . It media due to the scarcity was later substituted with of the same. The flint pebbles got from Committee would like to Calcutta side. Now the bring to the notice of availability of this has also Government that at a time become very difficult and when the mineral policy of the Company use felisite the country has been cylinders as a substitute re-defined and the resource which is not as efficient as maps of almost all the the flint pebbles. The next States are available it is not alternative is fused alumina difficult to identify the balls or high chrome balls. areas where the felisite Both the items are very blocks are available and costly and in case of using procure it from those areas. high chrome, the lining of The Committee also the mills also have to be suggest that the mills be changed. The proposed modernized according to expense for such a change the latest technology using over will be of the order of the minimum resources and Rs.100 lakhs, which at the production be increased to present financial set up of compete in the market. The the Company is difficult. Company should examine Some external loan may be the feasibility of entering required to implement such the export market also. a project.</p>	
5	23	..	<p>The Committee notice that Company had earlier the reason for the excess conducted a detailed study consumption of fuel and in this regard with the help electricity was mainly due to of a Consultant viz. Entec the old and outmoded Engineers. They have machinery and technology made some suggestions to used in the factory. No replace some of the effort has been made to inefficient motors to save modernize the plants till electricity. Now by changing</p>	

(1)	(2)	(3)	(4)	(5)
5	23	Industries	<p>now. The Committee observe that it is high time that the Company embark upon modernization and technological upgrading of the factories. The Committee would like to point out that if the Company do not imbibe the changes in the technological world and keep abreast of them, they would be ousted from the business and a time will come, when this factory itself would have to be closed. Hence, the Committee recommend that a study on the feasibility of modernization of the plants be done without any delay and a time bound programme in a phased manner be implemented for modernization of the factory with the most competitive and minimum expenditure.</p>	<p>the motors alone the Company may not get the required saving. The entire machinery have to be replaced with higher capacity machineries with a change of technology which is also not worth considerable at this stage when the Company face raw material shortage and Company is under financial crisis.</p>
9	27	..	<p>The Committee condemn the decision of the Board of Directors in going in for manufacture of mosaic tiles and purchasing the machinery worth Rs. 47 lakhs for the purpose when as per Government policy, the industry was earmarked for the small scale sector. Even though the Company</p>	<p>List of Directors as on 30th August 1985.</p> <ol style="list-style-type: none"> 1. Dr. P. J. Alexander, Ex-Chairman & Managing Director, "Kripa", Belhaven, Kowdiar, Thiruvananthapuram. 2. Shri N. H. Subramonia Iyer, Ex. Addl. Secretary to Govt. of Kerala, T.C. 37/1715, Deekshidhar Street, Fort, Thiruvananthapuram.

(1)	(2)	(3)	(4)	(5)
			<p>was in the private sector, there were Government representatives in the Board of Directors at that time and hence they could have differed with the decision of the Board. The Committee desire that the list of the members of the Board of Directors be furnished to them.</p>	<p>3. Shri Varkey George, Ancheril, Gandhi Nagar, Kottayam.</p> <p>4. Shri S. Krishna Moorthy, T.C. 17/1819, Amruth, Poojappura, Thiruvananthapuram.</p> <p>5. N. Krishna Iyer (Deceased).</p> <p>6. S. V. Pandit (Deceased).</p> <p>7. K. Kuriyan Uthup (Deceased).</p> <p>8. A. V. Hamsakutty Rawther (Deceased).</p>

CHAPTER II

Replies furnished by Government on the Recommendations of the Committee which have been accepted by the Committee with remarks

Sl. Para Department No No. Concerned			Conclusions/ Recommendations of Committee	Action taken by ^{Government} Report
(1)	(2)	(3)	(4)	(5)
6	24	Industries	The Committee recommend that the Company should take all possible steps to promote the manufacture and marketing of cement paints. The Committee are of the opinion that if the company can provide different varieties of cement paint having different colour range and adopt the latest marketing techniques, they can then definitely compete with the large scale private paint manufacturers who reign the market now. The Committee also recommend that all possible efforts should be made to promote export business also.	The Company had made several efforts to get an approval from the Stores Purchase Department in Government to enlist the Company's product i.e. Super Shelcem also in the list for Government works. Due to one reason or other the company's request was not approved by the Government. Due to the payment of excise duty and higher rate of sales tax, which the Company's competitors in the SSI Sector are not bound to pay the product of the Company will be costly. For most of the works including Government works entrusted to contractors, the low priced materials are used. Even though the Company provide job opportunity to women by giving job work contract for, producing cement paint at Cherthala and Thiruvananthapuram, the request of the

(1)	(2)	(3)	(4)	(5)
6	24	Industries		<p>Company for reduction in sales tax to make it par with SSI Units are not yet approved by Government. Many substitute products are now available in the market. The emulsion paint has captured a major portion of the market of cement paint. The effort to produce acrylic emulsion did not turn to be successful due to various reasons. With all the efforts, the sale of Super Sheleem is also not picking up. The profit the Company earn now does not justify going for large scales advertisement in visual or print media.</p>

Remarks of the Committee :

The Committee opined that the concession which are given to the SSI units may be provided to this company also since it is a Public Undertakings.

7	25	Industries	<p>The Committee is of the opinion that, if a purchase policy to the effect that all Government departments and public sector undertakings should meet their requirement as far as possible from the products of the various public sector undertakings of the</p>	<p>The Store Purchase Department in Government has issued necessary instructions to take action in the light of the recommendation of the Committee.</p>
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(1)	(2)	(3)	(4)	(5)
7	25	Industries	State itself is adopted, then the problem of marketing the products of the public sector concerns in the State could be resolved to a great extent. This would help to wipe out the loss sustained by the PSUs as well. Hence the Committee urge the Government to consider this aspect seriously and take an appropriate decision in the matter.	

Remarks of the Committee :

The Committee desires to know the details of Action Taken in the instructions issued by the Store Purchase Department.

8	26	Industries	The Committee urge the Government to speed up the vigilance enquiry and to furnish to bring to book the persons responsible for the irregularities in the marketing of cement.	The Vigilance Department has been urged to complete the enquiry and to furnish report to Government, urgently.
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Remarks of the Committee :

The Committee opined that Government should take urgent steps to complete the Vigilance enquiry and report the fact to the Committee.

(1)	(2)	(3)	(4)	(5)
10	28	Industries	The Committee urge the Government to take an early decision in the disposal of the machinery purchased and the action taken in this regard should be furnished to the Committee.	Actions are progressing to dispose off the machinery by news paper advertisement.

Remarks of the Committee:

The Committee wants to know the reasons for the delay caused in the disposal of the machine and also wants to know the financial loss due to this in terms to idle investment. The Committee also wants to know the action taken against the officers responsible for the above delay. The details may be informed to the Committee urgently.

11	29	Industries	The Committee urge Company to dispose of the generator at the earliest and the details of the sale should be informed to them.	Though Committee including senior officers from Government was appointed to decide on the disposal of the old generator set, no decision was taken. If the disposal has to be materialized a new Committee has to be appointed for the purpose.
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Remarks of the Committee :

The Committee pointed out that the reasons for the non-disposal of the old generator has not been stated in the Government reply and also wants to know whether any disciplinary action has been taken against the officers concerned in this regard, If not, the reason for the same may also be informed to the Committee at the earliest.

(1)	(2)	(3)	(4)	(5)
12	30	Industries	<p>The Committee find that there was unnecessary haste in the purchase of steel barges, which had resulted in locking up of funds to the tune of Rs.157.46 lakhs. The Committee note that against the investment of about Rs. 158 lakhs, the Company could earn only a sum of Rs. 24 lakhs as hire charges. The Committee criticize the management as well as the Board of Directors in resorting to the hasty purchase of the barges before the proposal for modernization had taken off and without assessing their utility.</p>	<p>The barges could not be used regularly for transport of lime shell from dredger. But to avoid piling, the barges were given on hire to some agencies which generated some income for the Company. When the barges were due for very major repairs the same were sold.</p>

Remarks of the Committee :

The Committee wants to know the reason for the unnecessary purchase of Steel barges even though there is no proposal for modernisation of the company.

13	31	Industries	<p>The Committee desire to know whether these barges had since been put to use by the Company and if so, the details may be furnished to them.</p>	<p>The two steel barges in possession of the Company were given on hire and a total amount of Rs. 56,33,795 was received as hire charges, during the period from 1988-89 to 1996-97. One barge was sold during the year 1997-98 at Rs. 7,11,000 at a profit of Rs. 85,389.</p>
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(1)	(2)	(3)	(4)	(5)
				The second barge was sold during the year 1998-99 at Rs.11,33,448 at a profit of Rs. 5,69,603.

Remarks of the Committee :

The Committee wants to know the company to which the steel barges were given for rent and to which it is sold.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
17-10-2006.

*Chairman,
Committee on Public Undertakings.*