



**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2008-2011)**

**FIFTY SEVENTH REPORT**

(Presented on 25th February, 2009)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2009

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ON  
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**FIFTY SEVENTH REPORT**

**On**

**The action taken by Government on the Recommendations contained in the  
Twenty Second Report of the Committee on Public Undertakings (2001-2004)  
relating to Travancore Titanium Products Ltd. based on the Report  
of the Comptroller and Auditor General of India for the years  
ended 31st March 1993 and 1997 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2008-2011)

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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 Fifty Seventh Report on the action taken by Government on the recommendations contained in the Twenty Second Report of the Committee on Public Undertakings (2001-2004) on the working of the Travancore Titanium Products Ltd. based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 1993 and 1997 (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 23-12-2008.

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.

Thiruvananthapuram,  
25-2-2009.

MANKODE RADHAKRISHNAN,  
*Chairman,*  
*Committee on Public Undertakings.*

## REPORT

The Report deals with the Action taken by Government on the recommendations contained in the Twenty Second Report of the Committee (2001-2004) relating to Travancore Titanium Products Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31-3-1993 and 31-3-1997 (Commercial) which was presented to the House on 20th February, 2003.

The Report contained 14 recommendations, Government have furnished replies to all recommendations. The Committee (2006-2008) considered the replies received from Government at its meetings held on 13-6-2007 and 30-7-2008.

The Committee accepted the replies to the recommendations No. 1(4), 2(5), 3(6), 4(9), 5(10), 7(20), 8(21), 9(22), 10(23), 11(24), 12(25), 13(26) and 14(27) without any remarks. These recommendations and its replies form Chapter I of the Report.

The reply to the recommendation No. 6(19) was accepted by the Committee with remarks. This recommendation, its reply and the remarks 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. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Recommendations/ Conclusions</i>	<i>Action taken</i>
(1)	(2)	(3)	(4)	(5)
1	4	Industries	<p>The Committee desires to be informed about the details of agreement, if any, entered into with Tioxide Group Limited (TGL) UK, penalty provisions, if any included in the agreement in case of non-fulfilment of contract conditions and the action taken in this regard. The Committee also desires to know whether there were any provisions in the agreement for transfer of shares to TGL. U.K. for technical collaboration and also fee paid to them for the study undertaken by them.</p>	<p>The Company was unable to attain full installed capacity due to equipment/production bottlenecks in some of the process stages. After initial negotiation with Tioxide Group Ltd. (TGL) it was decided to entrust them the preparation of techno economic feasibility report on the modernisation of the plant based on Tioxide Group Technology and to estimate the approximate investments. As per letter No. 101(92) TDF dated 19-1-1982 of Government of India Ministry of Industries Department of Heavy Industry, 30000 £ was permitted to be paid to TGL for the preparation of the Report.</p> <p>After detailed plant study the report was submitted in November 1982. The Government of Kerala agreed in principle for collaboration.</p>

(1)	(2)	(3)	(4)	(5)
				<p>The Company could not proceed further on the proposal as TGL insisted on getting majority shares in the company for technical collaboration.</p> <p>Hence the proposal had to be dropped.</p>
2	5	Industries	<p>The Committee expresses displeasure for not appending penalty clause in the agreement with Babcock-Woodall-Duckham (BWD), the company which was subsequently entrusted with detailed study of the plant and which backed out without submitting a detailed study report.</p>	<p>In March 1988 TTP engaged Babcock Woodall Duckham Ltd. (BWD), U.K. for an evaluation of the requirements so as to upgrade and increase the capacity utilization. The agreement was to prepare a formal survey report on the existing plant and utilities. The report was required to highlight plant items or sections of plant and utilities that need changing or modifying in order to upgrade the plant to its maximum capacity. Accordingly the plant was surveyed by two of their senior officers of M/s G. Woodhose. Senior Principal Process Engineer and D. S. Shakley, Head of Construction Manager, during the week of June 22nd to June 28th, 1988 and submitted their report.</p> <p>“A preliminary assessment of the modification and additions required to the company plant to enable it</p>

(1)	(2)	(3)	(4)	(5)															
				<p>to produce its rated output of Anatase Grade Titanium dioxide pigment” was made in August 1988.</p> <p>As per the payment terms, company should advance 50% of the lump sum on placement of order and the balance 50% on receipt of the survey report and as such the Company paid the balance amount on receipt of the survey report. Based on the report action was taken immediately by TTP for which no external help was needed. Since the BWD informed TTP that they are not prepared to take part in the follow up action for which there was no contractual obligation, most of the suggestions were implemented through TTP’s own resources and production increased substantially.</p> <p>The production details of the last five years were as follows.</p>															
				<table><tr><th><i>Year</i></th><th><i>Production in Mts.</i></th><th><i>Capacity utilization</i></th></tr><tr><td>2001-02</td><td>13311</td><td>89%</td></tr><tr><td>2002-03</td><td>11137</td><td>74%</td></tr><tr><td>2003-04</td><td>16251</td><td>108%</td></tr><tr><td>2004-05</td><td>18359</td><td>122%</td></tr></table>	<i>Year</i>	<i>Production in Mts.</i>	<i>Capacity utilization</i>	2001-02	13311	89%	2002-03	11137	74%	2003-04	16251	108%	2004-05	18359	122%
<i>Year</i>	<i>Production in Mts.</i>	<i>Capacity utilization</i>																	
2001-02	13311	89%																	
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(1)	(2)	(3)	(4)	(5)
				However the observation of the Committee is noted for future guidance.
3	6	Industries	However the Committee observes that the achievement of 100% capacity utilization is very remarkable and appreciate the company for its efficiency in achieving the same. The Committee desire that the Company should take all steps to maintain this level of functioning.	Noted
4	9	„	The Committee observes that the Company had gone in for blind purchases without observing the ground situation and suitability of the equipments. The equipment worth Rs. 1.66 lakh purchased for sterilizing utensils could not be put to use due to objection from employees. This being the case, the same mistake was repeated when it purchased a trailer worth Rs. 0.92 lakh which could not be utilized due to lack of space in the factory to reverse and manoeuvre it. So in total, the purchases had resulted in locking up of the funds amounting to Rs. 2.58 lakhs.	<p><i>Para 9 &amp; 10</i></p> <p>The trailer had been put to use. There were some problems in manoeuvring the vehicle inside the factory but it was extensively used to transport food materials from the main canteen to sub/mini canteens.</p> <p>The purchase order was placed by the then Commercial Manager, who had acted only on the recommendation of the Contract Advisory Committee as per the request of the Department/ Section concerned-Canteen. The Chief Commercial Manager during the period</p>

(1)	(2)	(3)	(4)	(5)
				under reference was Mr. P.C. Nair. The purchase officer had done only the duty entrusted to him.
5	10	Industries	<p>The Committee, therefore, desires to be furnished with the following details.</p> <p>The name of Officer who had ordered the purchase of the trailer.</p> <p>Whether the purchase was approved by Board of Directors of the Company.</p> <p>Details regarding the disposal of trailer viz., the date of disposal, selling price, mode of disposal and;</p> <p>Whether the decision to dispose trailer was taken by the Board of Directors or Managing Director.</p>	<p>Purchase was made after ensuring necessary provision in the Budget for Capital Purchase as per advice of Contract Advisory Committee. The Managing Director had endorsed recommendation.</p> <p>Details regarding disposal:</p> <ol style="list-style-type: none"> <li>1. Date of disposal : 26-2-1996</li> <li>2. Selling price : Rs. 10,101</li> <li>3. Mode of disposal : By advertisement in leading News papers and selling to the highest bidder.</li> </ol> <p>The decision to dispose was approved by the then Managing Director.</p>
7	20	„	<p>The Committee is of the view that the company could implement the proposal for the disposal of liquid effluents to the sea only with the Co-operation of local population. The Committee,</p>	<p>TTP has initiated lot of welfare activities for the benefit of the local people, which include the following:—</p> <p>Providing of potable water to all families in the residential areas nearby.</p>

(1)	(2)	(3)	(4)	(5)
			<p>therefore, suggests that the company should maintain cordial relationship with the local people and win their confidence. For this, the company should be willing to implement some of the feasible welfare activities as demanded by the local people.</p>	<p>The cost of installation of pipelines and monthly water charges are being paid by the company.</p> <p>Rs. 2 crore paid in October 2000, as grant, to the Welfare Committee Fund constituted by the Government, with the District Collector, Thiruvananthapuram as Chairman for implementing various welfare schemes for the professionally affected local people.</p> <p>Financial assistance being provided to nearby schools for purchase of essentials like benches, blackboards, desks etc. and also for books, uniforms etc. to poor students.</p> <p>Periodical financial assistance to local libraries and sports clubs.</p> <p>Financial assistance to local churches, temples and mosques.</p> <p>Above all, the company ensure employment opportunities to the local people by giving reservation to the local candidates in appointments to unskilled category jobs in the company.</p>

(1)	(2)	(3)	(4)	(5)
				About one-third of the total strength of the regular employees of the company is presently from the locality, in addition to the major chunk of casual workers/contractors being engaged by the company.
8	21	Industries	The Committee understands that the Titanium Dioxide pigments manufactured by the company is being sold in the market through KSIPTC and the company was paying 1% commission for this.	As recommended by the Committee, the company's products are marked directly with effect from 1-3-2003.
9	22	„	In the light of the pollution control measures to be taken up which is highly essential and the massive investment to be made for the same, Government should favourably consider the request of the company to market their product directly instead of through KSIPTC. The Committee recommends that the service charge levied upon the company may be stopped for the time being.	As recommended by the Committee, the company's products are marketed directly with effect from 1-3-2003.

(1)	(2)	(3)	(4)	(5)
10	23	Industries	<p>The Committee recommends that the company should adopt a time bound plan for modernization of its plant and technology. In a fast changing world, it is impossible to continue with age-old technology and worn out machinery. Unless and until the company go for upgradation of its plants, its very existence will be in danger.</p>	<p>As regard diversification, it is worthwhile to mention that manufacture of TiO<sub>2</sub> is a closely guarded technology and most of leading technologists are not willing to part with their technology. The latest attempt of the Company to get the technology of Sacht Laben Chemi, Germany also failed.</p> <p>However, the company is using its own technology to produce a diversified product-Rutile, which is being commercialized now.</p> <p>The Company has also sought the assistance of KSIDC for suggesting possible promoters for auxiliary industries using Ferrous Sulphate and Gypsum generated with the implementation of pollution control projects.</p>
10	24	„	<p>The Committee opine that it is high time that the company should think of diversification. So far, the company is concentrating only in the production of Titanium Dioxide pigments. The company should try to implement projects to</p>	<p>As regard diversification, it is worthwhile to mention that manufacture of TiO<sub>2</sub> is a closely guarded technology and most of leading technologies are not willing to part with their technology. The latest attempt of the company to</p>

(1)	(2)	(3)	(4)	(5)
			exploit the byproducts and solid waste in the factory in a better way.	<p>get the technology of Sacht Laben Chemi, Germany also failed.</p> <p>However, the Company is using its own technology to produce a diversified product-Rutile, which is being commercialized now.</p> <p>The company has also sought the assistance of KSIDC for suggesting possible promoters for auxiliary industries using Ferrous Sulphate and Gypsum generated with the implementation of pollution control projects.</p>
12	25	Industries	<p>The Committee further understands that as a result of globalization, the company is facing stiff competition from other countries, especially China. Since their products are cheap, the company needs generous support from State and Central Governments. The Committee recommend that the State Government should bring the matter to the notice of Central Government.</p>	<p>As desired by the committee the Company took up the matter with the Central Government and the State Government.</p> <p>The Government of Kerala allowed the company to market its products directly to customers from 1-3-2003.</p> <p>The Service charges levied on the product had been stopped from 1-3-2003 to 30-4-2004.</p>

(1)	(2)	(3)	(4)	(5)
				<p>On the basis of the final findings of the Designated Authority, Directorate of Anti-dumping &amp; Allied duties, pursuant to the petition filed by the company, the Finance Ministry, Government of India, vide its notification No. 54/2004-Customs dated 19th April 2004, have imposed definite anti-dumping duty on all imports of Titanium Dioxide pigment (Anatase grade) originating in or exported from the People's Republic of China, falling under tariff item/heading 2823 00 10 or 3206 of the Customs Tariff Act. The anti-dumping duty imposed under this notification has been levied with effect from the date of imposition of the provisional anti-dumping duty i.e. 11th July 2003. Unless reviewed, the anti-dumping duty would be applicable for a period of five years.</p>
13	26	„	<p>The Committee observes that being a mineral based company, it is solely dependent to IRE Plant at Manavalakurichy for</p>	<p>The Board of Directors of the Company has approved plan to install a Mineral Separation Plant for the extraction of the ore from the beach sand.</p>

(1)	(2)	(3)	(4)	(5)
			<p>ilmenite, the raw material needed for the plant. In the light of the new mineral sand policy, which enables private sector which come up with value addition projects also to enter the forray, the company would be subjected to more competition in the procurement of ilmenite. The Committee, therefore, recommends that the company should plan of mineral separation plant of their own. Leasing out areas of mineral sand deposit along the coast of Kerala should also be considered instead of depending entirely on other Public Sector Undertakings for the supply of the raw material.</p>	
14	27	Industries	<p>The Committee understands that an amount of Rs. 2 crore was sanctioned by State Government for the Welfare Scheme of local people and out of this, only Rs. 14 lakhs was spent so far. The Committee suggests that the company may invest balance amount prudently on feasible welfare activities</p>	<p>Regarding the Welfare-Schemes to local people, it may please be noted that the entire amount of Rs. 2 crores have been deposited with District Collector during March 2001 who is the sole authority to operate the account.</p>

## CHAPTER II

**Reply furnished by Government on the Recommendation of the Committee  
which has been accepted by the Committee with remarks**

<i>Sl. No.</i>	<i>Para. No.</i>	<i>Department concerned</i>	<i>Recommendations/Conclusions</i>	<i>Action taken</i>
(1)	(2)	(3)	(4)	(5)
6	19	Industries	<p>The Committee understands that Water Pollution Management is one of the major problems being faced by the Company. It has been assessed that a massive investment to the tune of Rs. 108 crore is needed for bringing effective control of water pollution. The Committee opined that if implementation of pollution control is also done along with the modernization and upgradation of the Company, then the investment of such huge amount would bring in returns to the company. Hence, the Committee recommend that the pollution control activities should be combined with the expansion programme and should be implemented as one package.</p> <p>The Company could approach some international organizations for financial assistance for implementing</p>	<p>Travancore Titanium Products Limited, had been attracting severe strictures from various quarters on account of the inadequate pollution control measures. While disposing a batch of petitions relating to pollution issues, the Hon'ble High Court of Kerala on 17-11-2003 directed the company to set up effluent treatment plants within a period of 30 months i.e. before 16-4-2006. Pursuant to this, in order to implement the project, the company selected MECON, a Government of India undertaking as the Project Management Consultant.</p> <p>Though the Rs. 256.1 crore project primarily aims at tackling the pollution related problems of the company, it also envisages expansion of the production capacity and diversification into</p>

(1)	(2)	(3)	(4)	(5)
			the pollution control measures and expansion project of the Company.	<p data-bbox="1261 212 1570 914">new grades of pigment. Along with capacity expansion, the product mix will also undergo changes with the company taking up production of rutile grade Titanium Dioxide Pigment, which commands a higher price in the market. The capacity expansion and diversification has become necessary to offset the huge additional investment required for setting up of the Effluent Treatment Plants to satisfy the pollution control norms, while keeping the operations of the company economically viable.</p> <p data-bbox="1261 930 1570 1426">Considering the extreme urgency to meet the deadline for completion of the pollution control projects in compliance with the directions of the Hon'ble High Court of Kerala, the Supreme Court Monitoring Committee and the Action Plan submitted by the company to the Pollution Control Board, the Board resolved to accept the revised offer of the Lowest Bidder (L.I.) Viz.</p>

(1)	(2)	(3)	(4)	(5)
				<p>M/s Chematur Ecoplanning Oy (CEP), Finland for the supply of basic engineering package and critical equipment for the Copper as Recovery Plant and Acid Recovery Plant, with the deviations finally agreed to during the negotiations with the Sub-committee held on 26-8-2005 and as per the final recommendations of MECON on CRP &amp; ARP.</p>
				<p>Thus the Board of Directors of the company accepted the lowest offer by CEO. The processing of the Global Tenders to award the contract for the main plants viz. Copper as Recovery and Acid Recovery Plants has already been completed.</p>
				<p>For tie-up of the project finance, the company had approached all major banks/ financial institutions and furnished copies of the project reports and other necessary details and their responses have been very positive. The Company had already received confirmed acceptance letters from a few banks for the entire loan amount required for</p>

(1)	(2)	(3)	(4)	(5)
				Phase-I at very attractive rates. They have confirmed willingness to provide requisite funds for Phase II also.

*Remarks of the Committee*

The Committee expresses its displeasure over the delay in implementing the project even after the acceptance of loan amount and the lack of mutual understanding of the financial position of both the company and project consultancy. The Committee wants to be furnished with the study Report entrusted with KITCO regarding the first phase of the project.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram  
25-2-2009.

*Chairman,  
Committee on Public Undertakings.*