FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2019-2021)

EIGHTY FIFTH REPORT

(Presented on 6th February, 2019)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2019

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On

The Action Taken by the Government on the Recommendations contained in the First Report of the Committee on Public Undertakings (2016-2019) relating to Travancore Titanium Products Limited, based on the Report of the Comptroller and Auditor General of India for the years ended 31-3-2009 and 31-3-2011 (Commercial)

282/2019.

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COMMITTEE ON PUBLIC UNDERTAKINGS(2019-2021)

COMPOSITION

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Legislature Secretariat :

Shri V. K. Babu Prakash, Secretary

Shri K. Suresh Kumar, Joint Secretary

Shri G. Harish, Deputy Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2019-2021) having been authorised by the Committee to present the Report on their behalf, present this EIGHTY FIFTH Report on the Action Taken by Government on the Recommendations contained in the First Report of the Committee on Public Undertakings (2016-2019) relating to Travancore Titanium Products Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31-3-2009 and 31-3-2011 (Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2016-2019) in its meeting held on 25-7-2018.

This report was considered and approved by the Committee at its meeting held on 1-2-2019.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala and express gratitude to officials of Industries Department and Travancore Titanium Products Limited who were present during the examination of the Action Taken Statements included in this Report.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
1st February, 2019.

REPORT

This Report deals with the action taken by the Government on the recommendations contained in the First Report of the Committee on Public Undertakings (2016-2019) relating to Travancore Titanium Products Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31 March 2009 and 2011 (Commercial).

The First Report of the Committee on Public Undertakings (2016-2019) was presented to the House on 27th October 2016. The Report contained 18 recommendations in Paragraph numbers 37 to 52, 54 and 56 of which the Government furnished Statements of the Action Taken on 27-2-2018.

The Committee accepted the replies to the recommendations in Para Nos.37, 39 to 52, 54 and 56 without remarks. These recommendations and the replies furnished by the Government form Chapter I of the Report.

The Committee accepted the reply to the recommendation in Para No.38 with remark. This recommendation, its reply furnished by the Government and the remark of the Committee form Chapter II of the Report.

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CHAPTER - I

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	37	Industries	The Committee is of the opinion that a corporate plan is a prerequisite for the growth of a Company. It observes that the Company lacks a corporate plan, a crucial lapse, which resulted in the declining trend in the networth of the Company. Therefore, the Committee directs the Company authorities to prepare a comprehensive corporate plan within a week.	Company prepared a detailed corporate plan envisaging long term and short term goals of the Company. The Company availed the services of Centre for Management Development (CMD)for doing a SWOT analysis of the company based on which the corporate plan has been prepared.
2	39	Industries	The Company did not revise the standard norms fixed before two decades and thus failed to exercise proper control over consumption of raw materials which resulted in a loss of ₹10.08	The Company has standard norms for consumption. The Company has been regular in revising these norms based on actual improvements in

			Crore during the period 2002-2007. Excess consumption of ilmenite resulted in loss to the tune of ₹24.36 lakh. The Committee criticizes the Company for not taking any step to reduce the loss due to the excess consumption of ilmenite by merely stating the lame excuse that handling, grinding and storing might have resulted in loss. The Committee suggests that in order to compete successfully in the market, the Company should study the cost reduction methods adopted by similar Companies.	production norms. The possibilities of cost reduction were examined and the suggestions are being implemented. 1. Contract demand for power availed from KSEB has been reduced and thereby there was a saving of ₹ 1.20 lakhs per month in electricity bills. 2. Improvements in process were done like reducing the number of vacuum drum filters in operation thereby water consumption is reduced and power for vacuum pumps were reduced. 3. Capacity of digester reaction was increased by 0.5T/batch thereby daily throughput increased. 4. New Value added products like potassium titanate and hydrated titania etc. were introduced in the market.

<table>
<tr><td rowspan="5">3</td><td rowspan="5">40</td><td rowspan="5">Industries</td><td rowspan="5">The Committee is aggrieved to note that the Company did nothing to reduce procurement cost. Unscientific material management, absence of long-term formal contracts, non-collection of security deposits, non deduction of retention money etc. are the deficiencies prevalent in the purchase procedures. Moreover the Company was forced to purchase materials at higher rates due to short supply of materials which resulted in an additional expenditure of ₹19.51 lakh. Eventhough the Company could have purchased iron scrap directly from traders, the Company did nothing to that effect adding an additional expenditure of ₹17.38 lakh. Furthermore the Company incurred an extra expenditure of</td><td colspan="2">The deficiencies pointed out by the committee are noted and corrective steps taken.</td></tr>
<tr><td>Details</td><td>Present situation</td></tr>
<tr><td>Unscientific material management</td><td>Being managed scientifically now the company is following the method of ABC analysis for materials.</td></tr>
<tr><td>Long term contract</td><td>Changed over to yearly contracts with the company's regular suppliers.</td></tr>
<tr><td>Non collection of Security Deposit</td><td>Now Security Deposit is collected without fail.</td></tr>
</table>

			₹13.20 lakh by incorporating purchase order provision beneficial to the supplier rather the Company. The Committee expresses its strong suspicion that the inclusion of purchase order provision at seller's option against the tender conditions was deliberately done inorder to favour the supplier, that in no way seemed to benefit the organization. The Committee insisted to avoid similar instances in future.	Non deduction of retention money	Retention money is deducted and released as per the terms of the contract.
4	41	Industries	The Company placed the order to Kochi Refineries Ltd. for the supply of Sulphur after a delay of over 12 months. The Committee opines that if the Company had finalised the purchase order without delay an amount of ₹38.51 lakh could have been saved by the Company. Therefore the	Purchase procedure has been speeded up by ensuing minimum lead time. Also the purchase procedures recommended by the Kerala Store Purchase Manual are strictly being followed by the Company.	

			Committee recommends that, going forward, this kind of instances are not acceptable and proactive measures should be taken to avoid such delay.	
5	42	Industries	The Committee is amazed to note that the Company did nothing when the transporters refused to undertake transportation by tipper eventhough the Board of Directors directed the MD to switch over to tipper lorry for transpor tation purposes as a measure of economy in transportation. The Committee remarks that ₹ 39.09 lakh was lost in this regard and there is no reason on record to substantiate the above decision. Hence the Committee urges the Government to furnish a detailed report regarding the same.	The system of engaging normal lorries in the place of tipper lorries was opted by the Company during the period under audit was with an intention to provide employment to award workers who were in the unloading operations in the Company. But based on the recommendation of the audit, Company invited tender for normal lorry and tipper lorry and had found that cost was higher to tipper lorries. Hence in order to avoid financial loss company is not resorting to engaging of Tipper Lorries.
6	43	Industries	The Committee is also concerned to note that	The marketability of sulphuric acid has been

			the Company could not explore the market ability of Sulphuric acid which resulted in a loss of ₹ 2.75 crore during the period 2003-2006 and shortfall in generation of steam in Sulphuric Acid Plant resulted in a loss of ₹3.19 crore. Therefore, the Committee suggests that the Company should adopt alternative methods to boostup the marketability of sulphuric acid.	examined by the Company. Presently the company is marketing to Public Sector Companies within Kerala and to other customers outside Kerala. TTPL is selling Sulphuric Acid to Public Sector Units like KMML, TCC, HNL in Kerala and also, Company is inviting Tenders based on which Sulphuric Acid is sold to the parties outside Kerala. As sulphuric acid is not the main line of product and is manufactured for captive consumption for reaction with ilmenite, only surplus acid generated can be sold. With the present effort on monthly pricing and penetration to Tamil nadu market the company is able to sell all the excess quantity of sulphuric acid produced.

7	44	Industries	The failure of the Company to adopt proper power savings techniques resulted in a loss of ₹33.18 lakh. Power intensive machinery like grinding machines are not operated in offpeak period with a view to reduce power consumption. The Company could not avail the offpeak hour incentive due to the usage of old machineries. The Committee learns that for the efficient functioning of the machinery, it is high time to implement new technology. Hence the Committee insisted the management for the replacement of outdated machinery with new ones there by reducing power consumption.	Company has done a detailed energy audit by engaging a professional Agency M/s. Siri Exergy and Carbon Advisory Services Pvt. Ltd. and an action plan has been drawn out and is being implemented. Priority has been given to installation of steam turbine condensate recovery and replacement of electric motors with energy efficient ones. The Company operates power intensive machineries during offpeak hours for availing incentives offered by KSEB. Comprehensive plans for modernization of old plant and machinery have been prepared. Moreover we are presently planning for availing power under the open access system so as to minimize the power cost.

8	45	Industries	The Sales Promotion Committee which was constituted for fixing the selling price of the products did not have the approval of Board of Directors. The Committee criticises the Company for not taking marginal cost and variable cost for the purpose of product pricing. The Committee recommends that the Sales Promotion Committee of the Company should be formalized and it should consider the primary elements while fixing the selling price of the product. The Committee is aggrieved to note that the Company did not follow the marketing and pricing policy according to the best interest of the Company. Hence the Committee insisted the management to follow a reliable and an effective pricing strategy that would benefit the organization.	The Company considers marginal costing methods for the purpose of pricing of products. Cost sheets are prepared wherein each element of cost is analysed. These form the basis while fixing price of finished goods. Also it may please be noted that the Sales Promotion Committee (SPC) has been approved by the Board of Directors and the recommendations of the SPC has the approval of the Board.

9 282/2019.	46	Industries	Non-lifting of TiO2 by the stockists and uncontrolled production without planning resulted in the accumulation of TiO2 which forced the Company to sell the accumulated stock at lower prices resulting in a loss of ₹ 6.06 crore. The Committee is aggrieved to note that absence of enabling clause in the agreement prevented the Company from recovering the loss from the under performing stockists. Therefore, the Committee recommends that the Company should incorporate enabling clauses in the agreement with the stockists in order to ensure the lifting off of agreed quantity.	As directed by the Committee company included enabling clauses in the agreement with stockists in order to ensure specified off take quantity. Any stockist who performs below target is penalized by not extending incentives. The incentives given are thus performance related. Moreover non performing stockists have been identified and terminated.
10	47	Industries	The Committee also observes that non-adherence to credit policy resulted in	The Company presently follows the credit policy wherein 60 days credit is extended to

			blocking of funds amounting to ₹ 42.67 lakh. Violating the credit limit, the Company despatched 25 MTS of materials valuing ₹ 21.56 lakh against post dated cheques when ₹ 21.57 lakh was already outstanding from one of the stockists. The Committee remarks that reduction of the credit limit of the stockists from ₹ 50 lakh to ₹ 25 lakh in a non transparent manner and in contravention of the laid down credit policy lead to blocking up of funds which affected the financial interest of the Company. The Committee instructs that the management is obliged to follow a credit policy to the best interest of the Company under all circumstances.	customers. Any customer who overshoots this limit is penalised by charging interest in proportion to the extended days.
11	48	Industries	The Company exported large quantity of TiO_2 at reduced prices to Itochu	The export customers presently are being chosen in a very

			Corporation which resulted in a revenue loss of ₹49.73 lakh. The Committee remarks that if the Company took measures to reduce its production by controlling raw material consumption, input consumption, rationalising production investment and payments to its employees, an amount of ₹49.73 lakh could have been saved by the Company. Since Itochu Corporation was selected without inviting tenders, the Committee reaches the suspicion that whether there was any nexus between the Company and Itochu Corporation. The Committee insists that the company should avoid such instances in future.	transparent manner based on monthly pricing by Sales Promotion Committee (SPC) and Board approval. Bulk exports on long term basis has been dispensed with subsequently.
12	49	Industries	To redeploy the surplus man power the Company did nothing, according to the	The Company redeployment of surplus manpower has been done. This was

			recommendations of TG Process and Project Consultants which was appointed by the Company. The Committee is aggrieved to note that ₹ 9.65 crore was spent towards the payment of salaries and wages and ₹8.08 crore was spent towards overtime wages to the surplus staff. Therefore the Committee suggests that excess staff from other units should be redeployed and no further appointments should be made. The Company gave PCMA @ ₹ 6,000 to all its employees in addition to applicable Bonus and SFA by violating specific Government Orders. The Committee is surprised to note that how the State Government proceeded to ratify payments of PCMA of ₹ 6.53 crore even though the Company made the	done by transferring. excess staff in office to the Production centres where there was shortage of workers. Performance cum Motivation Allowance (PCMA) has being extended to workers every year during Onam Festival season. This was done to motivate the workers in order to increase their productivity. Specific Government approvals has been taken in all cases where company deviated from the existing government guidelines.

			payment in violation of the directives of the State Government. Moreover the Company spent ₹ 23.30 lakh towards the distribution of gifts by stating lame excuses that gifts were distributed for better performance during 2005-06 even though the Company was running at a loss of ₹15.53 crore that year. The Committee is at pains to note that the Company distributed the gifts while facing such grave financial problems. Non revision of MoU in time resulted in financial loss to the Company. The Committee expressed its displeasure over the delay and remarked that if the Company adopted 12 months moving average and revised the base level production in time for calculating incentive, an amount of ₹ 4.87 crore could have been saved by the	

			Company. The Committee desires that such instances should not be entertained and recommends to perform proper analysis before committing incentives to employees when the company's financial situation is not stable.	
13	50	Industries	The Company proposed Copperas Recovery Plant and Acid Recovery Plant at a huge investment of ₹ 82.44 crore despite knowing the fact that Neutralisation Plant was sufficient enough to meet the requirements of Pollution Control Board and Court Orders. The Committee is surprised to note that the Company decided to expand the capacity of the TiO2 Plant at a projected cost of ₹ 40.15 crore to acquire the technology of manufacturing surface coated rutile from	An Expert Committee was appointed by the Government to study the matters relating to the implementation of the Pollution Control Project. Based on the recommendations of the Committee, Government vide G.O. (Ms.) No. 67/ 2011/ID dated 1-3-2011 decided to abandon the Acid Recovery Plant and to implement Copperas Recovery Plant (CRP) and Neutralisation Plant (NP). However, only 50% of the work relating to implemen tation of Copperas Recovery Plant (CRP)

			KMML even when KMML the manu facturer of rutile grade TiO2 was facing marketing problems. Further, by exempting the contractors of ARP from providing the necessary know-how, the Company defeated the very purpose of the project.	is done. Regarding commissioning of the Neutralisation Plant, there was some differences with the contractors M/s. VA Tech Wabag Ltd., and in order to comply with the directions of the Central Pollution Control Board the Company took over the plant and commissioned the same. Government has provided ₹ 26 crores in the Budget for the year 2017-18 for completing the remaining works of Copperas Recovery Plant (CRP).
14	51	Industries	The delay occured on the part of the Company in opening LC as stipulated in the contract which resulted in delayed execution of contracts for CRP, ARP and NP. In addition to that advance payment against LC resulted in a loss of ₹ 36.47 lakh to	The status of the project has been examined by Government and further action has been directed as per GO.(Ms.)No. 67/2011/ID dated 1-3-2011. Further Projects are only being taken up after detailed analysis and approval.

			the Company. The Committee is aggrieved to note that the Company did nothing to finalise the financial packages to meet increased cost due to escalation in price, rise in interest rates, limited availability of bidders and alternation of equipments. The Committee opines that failure of the Company to obtain revised estimates from MECON at the time of entering into contracts for ARP/CRP for ascertaining financial viability of the project reveals that the officials were irresponsible in safeguarding the financial interest of the Company. By wrong selection of project the Company lost the opportunity to implement a cost effective captive power project. Therefore, the Committee recommends that the Company	

			should finalise financial arrangements to ensure timely completion of the Effluent Treatment Project. Going forward, the Company has to go through proper analysis before heading to a new project.	
15	52	Industries	The Committee also expresses its dissatis faction over the negative attitude of the Company in implementing Mineral Separation Plant to produce basic raw material. The Committee observed the reluctance of the Company to go ahead with the project despite the recommen dations of COPU (22nd report) in February 2003. The Committee reiterates its earlier recommendation that pollution control activities should be combined with expansion programme and imple mented as one package.	Since the Company's financial position is not sound to go in for mining activities the Company does not have leasehold over mining area. Since another public sector undertaking is having mining leasehold it is informed that the Government is planning to take up mining activities in public sector by adopting a combination of the Kerala Minerals and Metals Limited and the Indian Rare Earths Limited. In View of the above, it is understood that TTPL need not proceed independently

				and need only participate in the above venture to ensure availability of raw ilmenite.
16	54	Industries	The Committee notes with displeasure that the Company failed to obtain EPCG licence in time due to defective planning and monitoring. The Committee is of the opinion that had the Company obtained EPCG licence in time, an amount of ₹ 37.62 lakh paid towards demurrage charges could have been avoided. Therefore, the Committee suggests that inorder to safeguard the financial interest of the Company, the Company should take necessary steps in time to secure licences in future.	The Company has not imported any machinery subsequent to this project. Company will strictly adhere to the recommendations of the Committee in this regard.
17	56	Industries	The Committee observes that the excess contributions made to the Provident Fund account resulted in an	The contributions to Provident Fund on the total salary/wages drawn has been done based on long term

			unbalanced payment of ₹ 3.3 crore and the reason for such a huge gap was the inefficient administration of the responsible officers. Therefore, the Committee suggests that all EPF contributions should only be made in consonance with the existing statutory rules and orders. <u>Vetting Remarks of AG</u> The suggestion of COPU that contribution to EPF should be made in consonance with existing statutory rules and orders has not been complied with.	agreement with the trade unions. The employees of the Company have been enjoying contributions to the Provident Fund on the total salary drawn by them instead of limiting the employer contribution to ₹ 6,500/15,000 per month. This is continued in order to maintain cordial industrial relations. Moreover this Contri bution on total salary has now enabled the workers who have superannuated from the Company to avail the benefit of the new EPF pension scheme announced by the Government. This may also be seen as a social welfare measure since otherwise the PF pension for those who limit the employer contribution to the minimum amount as per the Act is a very meagre amount only.

CHAPTER-II

REPLY FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATION OF THE COMMITTEE WHICH HAS BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para No.	Department Concerned	Conclusions/Recom mendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	38	Industries	For getting incentive by over production, the then officers of the Company budgeted its production above the de-rated capacity without planning. The Committee criticises the Company for ignoring the suggestions of Wazir Committee. The Committee remarks that if the Company had restricted its production according to the suggestions of Wazir Committee, an amount of ₹ 6.49 crore could have been saved by the Company. There fore, the Committee directs	As directed by the Committee, Enquiry has been posted and is in progress against those officials who were in charge of HR Department,Production Department and Finance Depart ment during the period under audit. The Company has stopped the payment of production incentive since financial year 2007-08. The same has not been revived so far.

			that an Enquiry should be conducted and stringent action needs to be taken against those officials who were responsible for such serious lapse. The Committee also suggests to take appropriate steps to stop production beyond the de-rated capacity.	

Remarks:— The Committee wants to be furnished with the final report on action taken against officials concerned based on the enquiry report.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
1st February, 2019.

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