

**STUDY TOUR REPORT NO. 28**

**COMMITTEE ON PUBLIC UNDERTAKINGS**

**(2001-2002)**

**(THIRTEENTH LOK SABHA)**

**STUDY TOUR REPORT**

**ON**

**HINDUSTAN LATEX LIMITED**

**Laid in the Lok Sabha on 21 March, 2002**

**Laid in the Rajya Sabha on...21 March, 2002**

**LOK SABHA SECRETARIAT**

**NEW DELHI**

**March 2002 / Phalguna 1923 (S)**

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**COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS**  
**(2001-2002)**

**CHAIRMAN**

Prof. Vijay Kumar Malhotra

**MEMBERS**

**LOK SABHA**

2. Shri Prasanna Acharya
3. Shri Mani Shankar Aiyar
4. Prof. S.P.Singh Baghel
5. Shri Sudip Bandyopadhyay
6. Shri Ram Tahal Chaudhary
7. Shri Ajay Singh Chautala
8. Shri Shiv Raj Singh Chauhan
9. Shrimati Sangeeta Kumari Singh Deo
10. Shri C.K. Jaffer Sharief
11. Shri K E Krishnamurthy
12. Shri Vilas Muttemwar
- \* 13. Shri C.P. Radhakrishnan
14. Shri Tarit Baran Topdar
15. Shri Dinesh Chandra Yadav

**RAJYA SABHA**

16. Shri Suresh Kalmadi
17. Shri K. Kalavenkata Rao
18. Shri Jibon Roy
19. Shri B.P.Singhal
20. Smt. Ambika Soni
21. Shri C.P.Thirunavukkarasu
22. Shri Ranjan Prasad Yadav

**SECRETARIAT**

- |    |                          |                      |
|----|--------------------------|----------------------|
| 1. | Shri John Joseph,        | Additional Secretary |
| 2. | Shri S. Bal Shekar,      | Director             |
| 3. | Shri Raj Kumar           | Under Secretary      |
| 4. | Shri Prabal Chakraborty, | Committee Officer    |

\* Elected w.e.f. 29<sup>th</sup> November, 2001 vice Shri Rajiv Pratap Rudy ceased to be Member of the Committee consequent upon his appointment as Minister w.e.f. 1.9.2001.

## **INTRODUCTION**

In pursuance of the procedure adopted under Rule 281 of the Rules of Procedure and Conduct of Business for laying the Study Tour Reports on the Tables of both the Houses of Parliament, I, Chairman, Committee on Public Undertakings have been authorised by the Committee to lay the Study Tour Report on their behalf, lay the Study Tour Report of the Committee on their discussions with the officials of Hindustan Latex Limited.

2. The Committee held discussions with the officials at Thiruvananthapuram on 30.10.2001. A copy of the tour programme is annexed (Annexure-I).

3. The Committee considered and approved the Report at their sitting held on 19<sup>th</sup> March, 2002.

4. The Committee wish to express their thanks to Hindustan Latex Limited for providing facilities during the visit of the Committee and for supplying necessary material and information required in connection with the Study Tour.

5. They would also like to place on record their sense of appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

New Delhi  
March, 2002  
Phalgun, 1923(S)

PROF. VIJAY KUMAR MALHOTRA  
*CHAIRMAN*  
COMMITTEE ON PUBLIC UNDERTAKINGS

## **'STUDY TOUR NOTES' OF THE COMMITTEE ON PUBLIC UNDERTAKINGS'**

### **DISCUSSION WITH THE OFFICIALS OF HINDUSTAN LATEX LIMITED ON 30<sup>TH</sup> OCTOBER, 2001 AT THIRUVANANTHAPURAM**

At the outset, the Convenor, Committee on Public Undertakings made opening remarks and then requested the Chairman-and-Managing Director, Hindustan Latex Limited (HLL) to introduce himself and his colleagues to the Committee. The Convenor, Committee on Public Undertakings also requested to give a brief account of the working of the Company.

2. After the introduction of the officials of Hindustan Latex Limited, the Chairman & Managing Director, informed the Committee that HLL was established in the year 1966 under the Ministry of Health & Family Welfare with the objective of producing Male Contraceptive Condoms for the family welfare programmes of the Government of India. The activities in the Company started in the year 1966 with the packaging of imported condoms. The Company has manufacturing facilities at 3 loactions namely (1) Peroorkada, Trivandrum (2) Kanagala, Belgaum district, Karnataka State and (3) Akkulam, Trivandrum. The factory at Peroorkada, Trivandrum manufacture condoms and the Kanagala factory produces Saheli and Mala D/N pills in additions to Condoms. Copper-T, Blood Bag and Hydrocephalus Shunt are manufactured at Akkulam Factory. The Company has established 7 Regional Offices for co-ordinating marketing operations in the specified regions.

3. The production performance of various products of the Company vis-à-vis installed capacity during the last 3 years is given below:-

Production Performance		Units	Installed Capacity	Production		
Unit-factory	Products			1998-1999	1999-2000	2000-2001
Peroorkada	CONDOMS	Million pcs	576.00	590.93	609.51	646.65
Belgaum	CONDOMS					
Belgaum	SAHELI	Million tablets	30.00	10.07	4.92	6.39
Belgaum	MALA D/N	Million cycles	30.00	29.33	38.40	45.5
Akkulam	BLOOD BAG	Million pcs	2.00	1.13	1.33	1.51
Akkulam	COPPER T	Million pcs	4.00	0.89	1.38	1.01

4. Regarding the capacity utilisation of Belgaum Factory, the Committee have been informed that the capacity for manufacturing condom is fully utilised and the Company is producing more than the capacity. In the case of Hormonal Pills also, full capacity is being utilised. The third product is the non-hormonal pills which the Company is marketing in the brand name Saheli and being a new product in the market, it is gradually getting acceptance and the capacity utilization will go up in the coming years with the Company's efforts to make the brand more popular. About the capacity utilisation of Akkulam Factory, the Committee have been intimated that full utilisation of Copper-T Plant will depend on the orders from the Government of India since the shortfall in procurement from the Government of India is leading to idling of capacity. Regarding Blood Bags it can be seen from the production figures that the manufacturing and sales has been on the increase during the last few years and the Company is hopeful

of utilizing the full capacity by producing and selling more than 2 Million bags by the next year.

5. It has been stated in the Brief submitted to the Committee that Hindustan Latex Limited is entering into Memorandum of Understanding (MOU) with the Administrative Ministry for every financial year. Through MOU, the Company commit its performance in advance for a year and in turn the Ministry agrees to extend certain support, which includes purchasing agreed quantities of products manufactured by the Company. However, in spite of the existence of MOU, there has been instances where the commitment of the Ministry has not been honoured. The following information is given in the Table below :

Year	Government Orders expected			Actual Government orders		
	Condoms (M.Pcs)	Copper_T (M.Pcs)	OCPs (M.Pcs)	Condoms (M.Pcs)	Copper_T (M.Pcs)	OCPs (M.Pcs)
1996-97	458.00	3.60	25.00	525.00	2.50	22.51
1997-98	408.00	3.60	25.00	250.00	0.87	19.10
1998-99	383.00	3.60	25.00	203.00	1.80	23.40
1999-00	608.00	2.50	27.50	580.00	1.20	38.40
2000-01	613.00	3.60	34.00	621.00	0.96	45.40
2001-02 (Upto Sept. 01)	640.00	3.60	45.00	625.00	1.20	46.00

6. It is seen from the Table that actual Government orders for Copper-T were far below the expected orders during all these years. From 1996-97 to 1998-99, the actual Government orders for OCPs were also less than the expected orders. When asked whether the Company has brought these facts to the notice of the Administrative Ministry for honouring the commitments made by them, the Committee have been informed that whenever there has been insufficient order, the Company has brought to the notice of the Administrative Ministry. There are

occasions when the Company did not receive further orders and on few other occasions the Ministry had obliged by releasing more orders.

7. When enquired about the reasons for the shortfall in procurement of Copper-T by the Government of India, the Committee have been apprised that it is not because of inferior quality in comparison with other private manufacturers. Infact HLL is the only manufacturer in India having ISO 9002 Certification and the quality is far superior compared to other competitors in the private sector. During the last 2 years, the price offered by the Company was slightly higher than the competitors. But before that also, full capacity was not utilised irrespective of lower prices, based on Government decision to source Copper-T from various manufacturers.

8. It has also been stated in the Brief that special privileges for PSUs in respect of price and purchase performance were reviewed in early 90s to make PSUs more competitive in the context of opening up the economy to a global competition. The Purchase Preference extended to PSUs will discontinue as such after 31.3.2002. The price preference given to PSUs was removed from 1992 onwards.

9. When asked about the impact of discontinuance of Purchase Preference after 31.3.2002 on the growth of the Company, the Committee have been informed that the impact of discontinuance of purchase preference after 31.3.2002 could have far reaching implications for the growth of the Company. The major customer for the Company's products is the Government of India. For the products ordered by the Government the capacity built in the country is far in



excess of the total demand. The Company has to work with many constraints as compared to its competitors from private sector. Some of the manufacturing facilities for the Company were set up at the instance of the Government and if purchase preference is removed it is feared that there will be inadequate capacity utilisation leading to unemployment, under-employment and financial sickness of the Company.

10. The information furnished by the Company to the Committee about its financial performance during the years from 1996-97 to 2000-2001 is as follows:

(Rs in Lakh)

<b>Year</b>	<b>Turnover</b>	<b>Net Profit</b>
1996-1997	8188.23	816.16
1997-1998	6606.43	78.40
1998-1999	8724.20	257.74
1999-2000	10255.04	739.03
2000-2001	10524.20	703.69

11. When asked to state the reasons for sudden decline in profits during the years 1997-98 and 1998-99 as compared to 1996-97, the Committee have been informed that the decrease in profit in 1997-98 compared to 1996-97 is due to the lower off-take of the products by Government of India in 1997-98. The decrease in profit in 1998-99 compared to 96-97 is due to the increase in the wage component ( 10 % Interim Relief against the Wage Revision from October 1998 onwards ) and also due to the increase in advertisement cost. (Rs 211 lakh in 1996-97 increased to Rs.622 lakh in 1998-99 ). This expenditure is incurred for meeting the increased competition from the private sector and also to launch and

stabilise HLL brands in the market. This has resulted in increased awareness of the Company brands. This will also fetch better sales in the years to come.

12. The Company has furnished the following details regarding sales targets and actuals in respect of various Health Care Products for the last 3 years:

### **CONDOMS**

Quality in million numbers

REGION	1998-99		1999-2000		2000-2001	
	Target	Achievement	Target	Achievement	Target	Achievement
North	52.50	61.80	74.00	87.60	61.50	42.60
South	52.50	58.80	55.50	65.80	61.50	42.60
East	35.00	36.20	33.30	26.20	41.00	28.40
West	35.00	44.20	22.20	39.50	41.00	28.40
Exports	50.00	59.00	65.00	23.90	50.00	22.00
TOTAL	225.00	260.00	250.00	243.00	255.00	196.40

### **SAHELI**

Quality in million tablets

REGION	1998-99		1999-2000		2000-2001	
	Target	Achievement	Target	Achievement	Target	Achievement
North	4.80	3.50	4.80	2.04	5.20	3.13
South	1.20	0.90	1.20	0.51	2.60	0.63
East	3.60	3.10	3.60	1.78	3.90	0.63
West	2.40	1.43	2.40	0.77	1.30	1.88
Total	12.00	8.93	12.00	5.10	13.00	6.25

### **BLOOD BAGS**

Quality in million numbers

REGION	1998-99		1999-2000		2000-2001	
	Target	Achievement	Target	Achievement	Target	Achievement
North	0.18	0.15	0.15	0.12	0.15	0.08
South	0.17	0.15	0.17	0.15	0.18	0.23
East	0.20	0.19	0.28	0.25	0.28	0.17
West	0.25	0.22	0.25	0.22	0.25	0.25
Kerala	0.15	0.17	0.13	0.10	0.14	0.07
Exports	0.55	0.26	0.52	0.45	0.55	0.62
TOTAL	1.50	1.04	1.50	1.29	1.55	1.42

13. When asked to specify the steps being taken to improve the sales performance of the Company in the years to come, the Committee have been informed that the following actions are being taken for boosting the sales performance:

- (a). Strengthening the social marketing programme with external assistance: The effective implementation of social marketing programme has led to increase in use of condoms, pills and IUDs.
- (b) Investment in brand communications: The use of mass media and other non-conventional media has resulted in expanding the awareness on HLL brands and its usage.
- (c) Enhancing the product range: For gaining wider access among the consumers adequate investment has been made in product upgradation.
- (d) Developing a professional well trained team: HLL has selected, placed and trained a team who could ensure that marketing programme are implemented well in expanding the customer base.

14. When enquired about the quality of Health Care Products of the Company, the Committee have been informed that the Company has received CE mark for Blood Bags and Condoms. The Company is also registered for supply of its products in a number of countries like USA, South Africa, France etc. The Company has also prepared for ISO 14001 Certification in all the Units. The audit in Akkulam Factory is over and were awarded ISO 14001 and the other Units are undergoing audit for certification. Internal quality audit is carried out twice a year. In addition, external auditors from all of the above mentioned agencies and other

customers carry out audit at different intervals. In effect, the Company has atleast one external audit in every 3 months.

15. About marketing through private agencies, the Committee have been informed that the Company has established its own marketing agents throughout the country. The Company has Regional Marketing Offices in all the 4 metros and also project offices in Hyderabad , Gwalior etc. There are around 1 lakh retail outlets selling Company's products in urban and rural areas. Most of the private manufacturing companies are operating mainly in the urban areas whereas the Company has developed its own marketing set up which extends to the rural areas also.

16. The expenditure incurred by the Company on healthcare product campaign, during the last 3 years is given below:

<b>Year</b>	<b>Amount (Rs. In Lakh)</b>
1997 – 1998	341.12
1998 – 1999	622.16
1999 – 2000	729.80

17. About marketing strategy, the Committee have been informed that the Company is using TV media, print media and also the non conventional IEC method. The Company has been allotted some social marketing projects in Uttar Pradesh, Madhya Pradesh, Andhra Pradesh and Orissa. In all the social marketing projects it has been found that other condom manufactures are concentrating on urban areas and to some extent in semi urban areas. There was an unmet need of contraceptives in rural areas. These projects are really capital intensive because initially the Company has to employ a lot of people

there and more investment is necessary. So the Company has made project reports for all these States and fortunately European Commission, US aid and Government of India has come forward to fund different projects of the Company. Now the Company has introduced social marketing projects in the non conventional IECs. The Company is using video van, participating in all village melas and also using Song and Drama Division of the Government of India to a great extent. In every village, the Company is having vendor so that the Health Care products are available to the customers.

18. The Committee have also informed that the Company is involved in the Social Marketing Programme of the Government of India and manufactures and market the Nirodh range, Ustad Condoms and Mala-D and Mala-N Oral Contraceptive Pills. During 1999-2000, the Company achieved a sale of 193.02 million pieces of condoms, 51.66 lakh cycles of Mala-D and 56.85 lakh tablets of Saheli under the Social Marketing Programme.

The Hindustan Latex Limited Family Planning Promotion Trust (HLFPPT), a non-profit organisation promoted by HLL, is currently involved in the project for the Community Based Distribution of CSM brands of contraceptives in Gwalior, Bhind and Morena districts of Madhya Pradesh, by the Government of India. The development objectives of this project include, distribution of Social Marketing brands of contraceptives through employed, and educated and mobile rural youth, supported by local media based IEC Programmes.

HLL is also implementing the contraceptive Social Marketing Programme in Andhra Pradesh. It is funded by UNFPA and is for a period of three years till

2003. The total project outlay is Rs. 455.76 lakh. It aims at the marketing of condoms, oral contraceptive pills, Intra Uterine Devices, Oral Rehydration Salts and folic Acid tablets.

19. The Committee have also been informed that the International Division of the Company set up in 1993 has given a great thrust to Company's Export Marketing. The Company exports its products to over 70 countries around the world. The export performance of the Company during last four years is as follows:-

(QUANTITY IN MILLION PIECES )  
(VALUE - RUPEES IN LAKH)

Products	1997-98		1998-99		1999-00		2000-01	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
CONDOMS	48.86	517.33	59.44	721.46	23.89	275.29	22.08	257.63
GLOVES	4.51	102.43	0.55	6.32	0.46	5.15	0.50	6.05
BLOOD BAGS	0.29	105.57	0.30	102.13	0.36	118.81	0.63	214.36
SAHELI	3840 Nos.	0.12	--	--	--	--	50 gms	0.01
COPER-T	--	--	0.02	4.16	0.13	33.79	0.38	89.42
SHUNT	--	--	38 Nos.	0.78	--	--	200 Nos	3.33
TOTAL		725.45		834.85		433.04		571.00

About decline in foreign exchange earnings during 1999-2000, the Committee have been informed that due to the introduction of low cost Chinese and Korean products in the global market, HLL has found it difficult to compete

with them due to higher manufacturing costs. This has resulted in decline in the foreign exchange earnings of the Company during 1999-2000.

20. When asked about the efforts made to increase the volume of export of its products, the Committee have been informed that action has been initiated to increase the volume of export of its products. The Company has updated the quality standards acceptable in various countries. Accordingly, the Company has obtained ISO 9002, ISO 14001, CE Marking and the Company has registered for supply of its products in a number of countries like USA, South Africa, France etc. The Company is also participating in major international exhibitions like Medica 2001, Chinese International Trade Fair etc.

21. When enquired about the implementation of HIV /AIDS programme, the Committee have been informed that Trucker project is funded by Department for International Development (DFID), India, under the British High Commission. The project seeks to address the issue of widespread prevalence of HIV and STDs by co-ordinating the activities of NGOs involved in the promotion of safer sexual and health practices amongst the trucker community. The three-pronged strategy on which the project primarily operates are:

- a) Behavioural change communications ;
- b) STD diagnosis and treatment using Syndromic Case Management ;  
and
- c) Condom promotion

The RMU was set up with the technical assistance from M/s.Features Group, Europe and the activity was started on 29/1/1998 based on a contract with M/s.DFID. The project received further extensions with continued assistance from DFID, India, and it was closed on 30/9/2001.

22. When the Committee desire to know about HLL's participation in HIV/AIDS prevention programme, the Committee have been informed that Company is involved in a few Condom Programming Projects amongst the outlets that are located in the APAC supported NGO intervention sites. AIDS Prevention and Control Project (APAC) is a voluntary Health Service association supported by USAID, working in combating the spread of HIV and AIDS in the State of Tamil Nadu. They have been carrying out intensive HIV/AIDS prevention programmes by associating with condom manufacturers, by supporting and strengthening various brands on promotion, coverage and availability of condoms for prevention and control of AIDS. The Company has been associated with APAC since 1997-98 and implementing similar projects in the State of Tamil Nadu. The Company has now taken up a project for promotion of economy condoms in the select outlets identified by APAC. The project commenced from 1/9/2001 and ended on 31/1/2002.

23. The Company had entered into a contract in June, 1999 with the Department for International Development (DFID), India, and AP State AIDS Control Society (APSACS) for setting up a State Management Agency in Hyderabad for the implementation of the PSH Project (Partnership in Sexual Health) in the State of Andhra Pradesh. The main objective of the project is the targeted interventions with the following groups:

- Sex workers
- Street children
- Slums-migrant workers, prison inmates, men having sex with men
- Transgender



SMA works with a network of partners-Non-Government Organisation (NGO), community based organisation and Government Departments to implement the project components i.e. Behaviour change communication, Sexually Transmitted Diseases care, Condom Programming and Enabling environment.

United States Agency for International Development (USAID) has entered into an agreement with the Government of India for supporting the 41.5 million AVERT project in Maharashtra. This project aimed at reducing the impact of HIV/AIDS is proposed to be implemented over a seven-year period. The multi-sectoral approaches needed for mitigating the impact of HIV/AIDS calls for effective public private partnership, inter-sectoral linkages and civil society partnerships. This project has been designed in cognizance to the National AIDS Control Project Phase 2, which emphasizes on civil society partnerships and inter sectoral linkages. The Company has set-up a Project Management Unit for the AVERT project and developed various management systems towards implementing the project objectives.

24. The expenditure incurred by the Company on R&D activities during the last 5 years is as follows :

Particulars	1996-97	1997-98	1998-99	1999-00	2000-01
Total.Expenditure	7216.00	7257.00	8449.00	9970.00	10703.00
Total R&D Exps.	13.59	6.66	8.73	13.96	159.32
% of R&D to Total Expenses	0.19%	0.09%	0.10%	0.14%	1.49%

25. About R&D activities, the Committee have been informed that some of the specific areas in which the Company has carried out R&D activities during the last 5 years are :

- a) Development of condom packaging machine.
- b) Pin hole testing machine for condoms by dry technology.
- c) Development of Tissue Expander – A plastic Surgery product.
- d) Development of Bovine Embryo Catheters.
- e) Development of Bovine Vaginal Liners and Semen Collection cones.

Recently the Company had appointed M/s Industrial Research and Services, Kochi to prepare Perspective Plan for Corporate R&D. Accordingly, it is expected that R&D will consist of different groups namely – product, contraceptive, health care, basic facilities and technology development and planning and administration. It is also planned that the Company will earmark 2.5% of its turn over for the R&D activities of the Company.

26. About the scope for diversification, it has been informed to the Committee that currently the Company has products and services which cater to the contraceptive and health care need. The National Population Policy 2000 identifies the need to address the unmet needs for contraception and health care as immediate objective. Hence, there is a scope for the Company to diversify further in the areas of its core competency. Sanitary Napkin, Tissue Expender etc. fall within the Company's present areas of strength either in marketing or in production. Last few diversification projects of the Company have been funded through long term borrowing from financial institutions and through internal

accruals. It is expected that future projects will also be funded in the same manner.

27. About disinvestment, the Committee have been informed that the decision related to disinvestment of Public Sector Undertaking is a policy matter which the Government of India is in best position to take. However, if disinvestment has to be done, the control of management to a strategic partner is in the best long term interest of the Company and possibly for the Government also.

28. The Sundry Debtors of the Company during the years from 1997-98 to 1999-2000 are as follows:-

Year	Amount (Rs. in Lakh)		
	Marketing	Government	Total
1997-98	1217	1369	2586
1998-99	1056	1730	2786
1999-2000	980	2270	3250

29. In reply to a query about increase in outstanding amounts against the Government, the Committee have been informed that the increase in outstanding against Government sales is due to increase in sales to Government of India. As far as Government outstanding is concerned usually in every year a portion is received as advance from Ministry before 31<sup>st</sup> March and this is adjusted against the said outstanding in the month of April. Balance outstanding as on 31<sup>st</sup> March are collected during the months of April / May. The outstanding in the Marketing Dept., shows a declining trend . This is mainly due to the Credit Policy introduced by the Company on direct Sales and also based on the strict monitoring on the Debtors balances. The Company has made detailed Credit

Policy for the direct marketing supplies other than for Government /Tender based supplies. Supplies to a distributor is being made two times his security deposit only. Along with every supply order from the distributor, cheque for the value of the order is also being collected which is being presented on the due date ( Based on the credit period extended to the distributor).

30. The Committee have also been informed that there are few defaulters against the direct marketing sales. The direct marketing sales though started during 1991-92, picked momentum during 1994-95 period. The defaulted accounts are relating to these sales period. The accumulated amount in this accounts is Rs.137 lakh. Against this Rs.90.81 lakh has been provided against the earlier year profits as doubtful debts. The total accumulation of defaulted accounts works out to 1.20% only of the total direct marketing sales in the last 10 years. Recovery proceedings including legal actions against the defaulters are already taken and the Company is hopeful of recovering the dues.

31. The Company is managed by the Board of Directors consisting of a Chairman & Managing Director and two Government Directors viz. Jt. Secretary (FA) and Joint Secretary (P) in the Ministry of Health & Welfare. The day-to day operations and the manufacturing activities are controlled by the Executive Directors.

It has been pointed out by the Committee that there are no Functional Directors and non-official Directors on the Board of Directors of HLL. When asked about the reasons for not having Functional Directors and non-official Directors on the Board of Directors, the Committee have been apprised that till

1990's, was a single product, single location Company. From 1990's onwards the Company really took off into multi product, multi location Company. So the Company has felt the need for creating Functional Directors and around one year back the Board of the Company has approved selection of 3 Functional Directors in the areas of Operation, Technical and Marketing. The recommendation of the Board was sent to the Administrative Ministry and from there it has to go to DPE for a final decision, which is expected to be finalised shortly. Regarding non-Official Directors, the Company has already sent the recommendations regarding some 8 to 10 eminent persons who can be considered for nomination and these names are under the active consideration of the Honourable Minister and may be in another couple of months, these nominations are also likely to come through.

32. The Committee have been informed that the manpower strength of the Company as on 1<sup>st</sup> October, 2001 was 1938. Out of this, 187 employees were in Executive Cadre and the balance 1751 were Non-Executives. The Committee have also been informed that the manpower requirement of Nirodh Factory, Trivandrum and Nirodh Factory, Kanagala and the Corporate and Registered Office was decided on the basis of the manpower study conducted by the National Productivity Council in 1995. The strength of Marketing Department was studied by Tata Consultancy Services. For the new Unit at Akkulam, Trivandrum, the manpower strength is as per the Project report prepared for the factory. Consequent to the diversified activities that the Company has taken up subsequently including Social Project Division, Procurement Division and the proposed new Projects, it has been decided to review the manpower requirement

for all the Units and the study has been entrusted with M/s. Kerala State Productivity Council, Cochin. They have started the study on 1<sup>st</sup> August, 2001 and has to submit the reports within 4 months from the date starting the study.

33. One of the major factors affecting the profitability of the Company is manpower cost. The manpower cost of the Company as on date is around 32 to 33% of the turnover whereas, the manpower cost of competitors is only around 12 to 15%. This has mainly been because of the labour laws prevailing in the country. In the past, the Company used to employ people always on a permanent basis. Now the Company has changed the policy in the last couple of years and the Company is not recruiting any more people and now trying to reduce the present manpower. Now the Company is trying to emulate some of the features of the private sector companies by employing contract labours, not employing permanent people for many jobs which are not of perennial in nature. The aim of the Company now is to reduce the manpower so that the profitability level goes up.

34. To a query about introduction of Voluntary Retirement Scheme (VRS), the Committee have been informed that Company had introduced Voluntary Retirement Scheme in the year 1994-95, 1999, 2000 and 2001. The Scheme was made operative to retire the excess employees identified based on the productivity improvement scheme worked out as part of the Long Term Agreement signed with the Unions and on the basis of the funds available from the National Renewal Fund. The scheme was made operative only during the period when the Company could mobilise money to pay VRS compensation. In

the latest long term settlement signed with the recognised trade unions of the Company, 204 employees were identified as excess consequent to the improvement in productivity. Out of the 274 employees identified as excess in 1997, only 218 could be retired under VRS. Thus 260 employees are excess as on date and could be offered VRS subject to availability of required funds. The Company has requested the Government to release Rs.8,00,46,860/- required to meet the expenses for sending the above excess employees on VRS. In case the required funds are made available, the same scheme of VRS operated in the year 2001 could be made operative.

## **RECOMMENDATIONS / OBSERVATIONS OF THE COMMITTEE**

### **RECOMMENDATION NO. 1**

#### **NEED FOR PURCHASE PREFERENCE POLICY BEYOND 31.03.2002**

The Committee find that Hindustan Latex Limited has played a significant role in manufacture and supply of contraceptive products for the family welfare programme for the last 3 decades. The Committee note that special privileges for PSUs in respect of price and purchase preference were reviewed in early 90s to make PSUs more competitive in the context of opening up the economy to global competition. The price preference given to PSUs was removed from 1992 onwards and the purchase preference policy will continue only upto 31.3.2002. The Committee have been informed that the impact of discontinuance of purchase preference after 31.3.2002 will affect the growth of the Company which would further result in inadequate capacity utilisation leading to unemployment, under employment and financial sickness of the Company. The Committee feel that such a decision will only help foreign companies, particularly the Chinese and the Korean Companies to export their products in the Global Market, whereas it will be difficult for HLL to compete with them due to its higher manufacturing costs. The Committee, therefore, recommend that the present policy of purchase preference for PSUs should be



continued after March, 2002 to enable the Company to supply quality product for the family welfare programme.

## **RECOMMENDATION NO. 2**

### **NEED FOR HONOURING COMMITMENTS MADE THROUGH MOUS**

It has been noticed by the Committee that every financial year Hindustan Latex Limited (HLL) is entering into a Memorandum of Understanding (MOU) with the Administrative Ministry for supply of various health care products for the family welfare programme against certain assured quantity of supply orders for various products on HLL. In spite of the existence of MOU, there has been instances where the commitment of the Ministry has not been honoured, as the Ministry did not place supply orders for the assured quantity in the MOU on Hindustan Latex Ltd. The Committee are given to understand that the Government of India has also been procuring the health care products for the family welfare programme from the private companies even when the price offered by HLL was the same as that of the private companies. The Committee note that Government of India is the major customer of the HLL's products and originally this company has been set up by the Government with the clear intention of having it as a captive unit which would cater to the complete requirement of the government . Since the off-take of the products by the Government of India is the only way by which the company could be kept functioning, the Committee recommend that the Government of India should adhere to its commitments made

through Memorandum of Understanding to enable the Company to  
function in a viable manner.

### **RECOMMENDATION NO. 3**

#### **RATIONALISATION OF MANPOWER**

The Committee note that the manpower cost in the Hindustan Latex Limited is one of the major factors which is affecting the profitability of the Company. It has been noticed by the Committee that the manpower cost of the Company as on date is around 32% to 33% of the turnover whereas the manpower cost of the competitors is only around 12 to 15%. The Committee are given to understand that there about 260 employees who have been identified as excess and could be offered VRS. For sending these 260 excess employees on VRS, the Company has requested the Government to release about eight crore rupees for meeting VRS expenses. The Committee, therefore, recommend that Government should release the amount as requested by the Company for meeting the VRS expenses. The Committee have also noticed that M/s Kerala State Productivity Council, (KSPC) Cochin has undertaken a study on 1<sup>st</sup> April, 2001 to review the manpower requirement in the Company and they have to submit their reports within a period of 4 months. They hope that M/s Kerala State Productivity Council might have by now submitted the report on the manpower requirement of the Company. The Committee also wish to be informed of the findings of the KSPC and the follow-up action taken thereon.

#### **RECOMMENDATION NO. 4**

##### **APPOINTMENT OF FUNCTIONAL DIRECTORS AND NON-OFFICIAL PART TIME DIRECTORS IN THE BOARD OF DIRECTORS**

As per the DPE guidelines of March, 1992, the Board of Directors of a public sector enterprise consists of Functional Directors, Government Directors and Non-official Part-Time Directors. The Committee note that the present Board of Directors of Hindustan Latex Limited consists of a Chairman-and-Managing Director and two Government Directors only. The Functional Directors in a public sector enterprise are responsible for day-to-day functioning of the Company. The Committee are surprised to note that the Company has been functioning without Functional Directors since its inception. The Committee have noticed that the Company has recommended the association of Functional Directors who look after the Operations, Technical and Marketing areas in the Board of Director and the proposal for the same is pending with the Government. They have also noticed that for appointment of Non-official Part-Time Directors on the Board of the Company, the Company has proposed the names some eminent persons for consideration for being nominated on the Board by the Government. Since Functional Directors and Non-official Part-Time Directors have a significant role in the functioning of the public sector undertaking, the Committee recommend that the

Government should take quick action for appointing Functional Directors and Non-official Part-Time Directors on the Board of Directors of HLL. They also desire that the entire formalities and procedures, including creation of posts, notifying the vacancies, selection and appointment of candidates to all these posts by the Government should be completed within a specific time frame of three months.

## **RECOMMENDATION NO. 5**

### **AUTO DISPOSABLE SYRINGE PROJECT**

The Committee note that Hindustan Latex Ltd. has proposed the setting up of a Joint Venture unit for the manufacturing of auto-disposable syringe and has submitted the proposal to the government for approval. The Committee feel that approval this proposal of the company is essential to enable the company to diversify into profitable activities. The Committee, therefore, recommend that the government should accord the necessary approval for the proposal expeditiously, keeping in view the urgent need to ensure the financial health of the company.

## **RECOMMENDATION NO. 6**

### **MANUFACTURE OF SAHELI**

The Committee note that the installed capacity could not be fully utilised for the manufacture of Saheli tablets by Hindustan Latex Ltd., as the company is depending on an outside agency for the bulk during manufacture. HLL first obtains the bulk drug from the outside agency and thereafter formulates it and makes tablets in the HLL factory. Since the sale of Saheli is showing very good progress in the recent times, there is a vast potential for marketing the product in a big way in the future. In this connection, the Committee note that Hindustan Latex Ltd. proposes to create its own facility for manufacture of the bulk. The Committee desire that all steps necessary in this regard should be expeditiously taken so that the company is able to achieve this capacity. The Committee recommend that the government should convey their approval for this project and offer all other assistance required in this regard.



**ANNEXURE - I**

**TOUR PROGRAMME OF THE COMMITTEE ON  
PUBLIC UNDERTAKINGS TO KOCHI AND THIRUVANANTHAPURAM  
FROM 27<sup>TH</sup> TO 30<sup>TH</sup> OCTOBER, 2001 AS ACTUALLY PERFORMED**

( MEMBERS ASSEMBLED AT KOCHI )

DATE & DAY	TIME	VISIT & DISCUSSION
27.10.2001 (Saturday)	1630 hrs	Discussion with the Officers of Cochin Shipyard Ltd.
( NIGHT HALT AT KOCHI )		
28.10.2001 (Sunday)	0900 hrs	Discussion with the Officers of Fertilizers and Chemicals (Travancore) Ltd.
	1100 hrs	Discussion with the Officers of Kochi Refineries Ltd.
( NIGHT HALT AT KOCHI )		
29.10.2001 hrs) (Monday)	1000 hrs	Departure for Thiruvananthapuram by IC-803 (1135
	1205 hrs	Arrival Thiruvananthapuram
( NIGHT HALT AT THIRUVANANTHAPURAM )		
30.10.2001 (Tuesday)	0930 hrs	Discussion with the Officers of Hindustan Latex Ltd.
	1130 hrs	Discussion with the Officers of Hindustan Newsprint Ltd.

**DISPERSAL**

## ANNEXURE - II

### **COMPOSITION OF THE COMMITTEE ON PUBLIC UNDERTAKINGS WHICH VISITED KOCHI AND THIRUVANANTHAPURAM**

<b>S. NO.</b>	<b>NAME</b>	<b>DATE OF JOINING</b>	<b>DATE OF LEAVING</b>
1.	Prof Vijay Kumar Malhotra, Chairman	27.10.2001 Kochi	29.10.2001 Kochi
2.	Shri Prasanna Acharya	26.10.2001 Kochi	31.10.2001 Thiruvananthapuram
3.	Prof. S. P. Singh Baghel	30.10.2001 Thiruvananthapuram	30.10.2001 Thiruvananthapuram
4.	Shri Ram Tahal Chaudhary	27.10.2001 Kochi	30.10.2001 Thiruvananthapuram
5.	Smt Sangeeta Kumari Singh Deo	28.10.2001 Kochi	31.10.2001 Thiruvananthapuram
6.	Shri Tarit Baran Topdar	27.10.2001 Kochi	30.10.2001 Thiruvananthapuram
7.	Shri Jibon Roy	27.10.2001 Kochi	29.10.2001 Kochi
8.	Smt Ambika Soni	27.10.2001 Kochi	29.10.2001 Kochi
9.	Shri Suresh Kalmadi	28.10.2001 Kochi	31.10.2001 Thiruvananthapuram
10.	Shri Ranjan Prasad Yadav	27.10.2001 Kochi	30.10.2001 Thiruvananthapuram
11.	Shri B P Singhal	27.10.2001 Kochi	30.10.2001 Thiruvananthapuram
12.	Shri C. P. Thirunavukkarasu	26.10.2001 Kochi	28.10.2001 Kochi
	<b><u>SECRETARIAT</u></b>		
1.	Shri S Bal Shekar, Director		
2.	Shri Raj Kumar Under Secretary		
3.	Shri Prabal Chakraborty Committee Officer		

**LIST OF OFFICIALS OF HINDUSTAN LATEX LIMITED WHO WERE  
PRESENT DURING DISCUSSION WITH THE COMMITTEE ON PUBLIC  
UNDERTAKINGS AT THIRUVANANTHAPURAM ON 30.10.2001**

- |    |                           |                                |
|----|---------------------------|--------------------------------|
| 1. | Shri G. Rajamohan,        | Chairman & Managing Director   |
| 2. | Dr. S.N.Pal,              | Executive Director (Technical) |
| 3. | Shri N. Satyavageeswaran, | Executive Director (Finance)   |
| 4. | Shri M.Ayyappan,          | Executive Director (Marketing) |
| 5. | Shri Babu Thomas,         | General Manager (P&IR)         |
| 6. | Shri M.Sundaram Reddlar,  | General Manager, AFT           |
| 7. | Shri S.R.Panicker,        | General manager (O), NFT       |
| 8. | Shri G.N.Nair,            | General Manager (Finance)      |
| 9. | Shri V.A.Sasidharan Nair, | C.S & DGM (IA)                 |