GOVERNMENT OF INDIA
TEXTILES
LOK SABHA

STARRED QUESTION NO:188
ANSWERED ON:05.12.2006
REVIVAL OF SICK NTC MILLS
Dhanaraju Dr. K.;Kharventhan Shri Salarapatty Kuppusamy

Will the Minister of TEXTILES be pleased to state:

(a) whether the NTC mills in the country are running into losses or have been referred to BIFR;

(b) if so, the reasons therefore alongwith the steps taken to make them profitable;

(c) whether Government has revived the loss making and closed mills of NTC;

(d) if so, whether the revived mills have started their production; and

(e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF TEXTILES (SHRI SHANKERSINH VAGHELA)

(a) to (e) : A statement is laid on the Table of the House.

Statement referred to in reply to part (a) to (e) of Lok Sabha Starred Question No. 188 for 05.12.2006.

(a) : Yes, Sir.

(b) : During 1992-94, due to persistent losses, 8 NTC Subsidiary Corporations (104 mills) were referred to Board for Industrial and Financial Reconstruction (BIFR) under section 15(1) of Sick Industrial companies Act. BIFR sanctioned rehabilitation schemes for 8 subsidiaries [NTC (APKKM) Ltd., NTC (Gujarat) Ltd., NTC (MN) Ltd., NTC (MP) Ltd., NTC (WBAB&O) Ltd., NTC (UP) Ltd., NTC (SM) Ltd., and NTC (DPR) Ltd.] during February-July, 2002. The salient features of the sanctioned schemes (SS) for these 8 subsidiaries were as under:

i. Revival of 44 viable mills at a cost of Rs.661.81 crores

ii. Closure of 60 unviable mills by offering Modified Voluntary Retirement Scheme (MVRS) to the employees by realising funds from sale of assets.

iii. One time settlement with secured creditors.

iv Payment of statutory dues of PF & ESI, electricity dues and municipal taxes.

v. Conversion of outstanding loans of Rs.2689.79 crores into equity and write off of the entire interest on loan given by GOI to these 8 subsidiaries up to 31.3.2001 and not to charge any interest on further loan.

vi. CBDT to consider exempting these subsidiaries from the wealth tax and the entire sale proceeds from the incidence of Capital Gains Tax.

Based on the rehabilitation schemes sanctioned for above-mentioned 8 subsidiaries, the Government of India sanctioned a rehabilitation package for the 9th subsidiary, i.e. NTC (TN&P), also in December, 2001 as this subsidiary was not under BIFR then. According to this package, 9 viable mills of this subsidiary were to be revived at a cost of Rs.74.37 crores and 6 unviable mills were to be closed by offering MVRS to the employees by realising funds from sale of assets.

Subsequently, NTC (TN&P) Ltd. made a reference to the BIFR also on the basis of its audited balance sheet of 2002-03 and was declared sick by BIFR on 5.12. 2005.

Taking into consideration the rehabilitation schemes of BIFR in respect of 8 subsidiaries and the scheme in respect of NTC (TN&P) approved separately by GOI, 53 mills were to be modernized and 66 mills were to be closed. The consolidated cost of two Rehabilitation Schemes for all 9 subsidiaries was Rs.3937.49 crores. Subsequently, 2 mills (one each from 53 viable mills and 66 unviable mills) at Pondicherry were transferred to the Government of Pondicherry w.e.f. 1.4. 2005 reducing the number of mills to be revived to 52 and the number of mills to be closed to 65.

(c) to (e) : NTC has mobilized Rs. 2028 crores from the market by private placement of bonds, offered Modified Voluntary Retirement Scheme (MVRS) to 53,656 employees as on 1.11.2006 and paid Rs.1860.80 crores by way of compensation to them, closed down 65 mills, handed over two mills to the Government of Pondicherry and sold assets worth Rs.3112.90 crores. The NTC has earmarked Rs.530 crores for modernization of 22 mills and the process has already started. So far orders for purchase of machineries worth Rs.86 crores in respect of 13 mills have been placed. From the funds so generated, NTC has utilised Rs.3028.07 crores towards payment of MVRS, interest settlement with Banks and Financial Institutions