

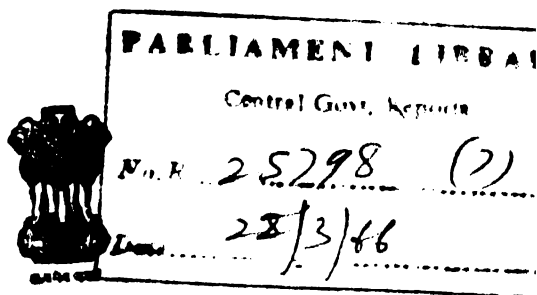
COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

SIXTEENTH REPORT

**TRAVANCORE TITANIUM PRODUCTS LTD.,
TRIVANDRUM**

(DEPARTMENT OF INDUSTRIES,
GOVERNMENT OF KERALA)



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1966

Phalguna, 1887 (Saka)

Price: Re. 0.55 P.

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**Sixteenth Report of the Committee on Public Undertakings
on the Travancore Titanium Products Ltd., Trivandrum.**

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COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

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*Appointed as Chairman i.e.f. 24-1-1966 vice Shri Panampilli Govinda Menon ceased to be a member of the Committee on his appointment as Minister.

**Elected w.e.f. 23-2-1966 in the vacancies caused by appointment Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Sixteenth Report on the Travancore Titanium Products Ltd., Trivandrum.

2. On a suggestion from the Governor of Kerala, the Speaker directed on the 18th December 1965 that the Committee on Public Undertakings might examine the working of the State-owned Public Undertakings in Kerala. The Committee accordingly decided to examine the working of State Government Companies in Kerala in general and of the following seven in particular:—

- (1) Travancore Titanium Products Ltd., Trivandrum;
- (2) Travancore Cochin Chemicals Ltd., Udyogamandal;
- (3) The Plantation Corporation of Kerala Ltd., Kottayam;
- (4) The Trivandrum Rubber Works Ltd., Trivandrum;
- (5) Kerala Ceramics Ltd., Kundara;
- (6) Kerala Premo Pipe Factory Ltd., Trivandrum; and
- (7) Traco Cable Co. Ltd., Ernakulam.

3. The Report is based on the examination of the working of Travancore Titanium Products Ltd. upto the year ending 31st March, 1965. The Committee took the evidence of the representatives of the company and the State Government Officers concerned on the 4th and 5th February 1966, at Trivandrum. The Report was adopted by the Committee on 10th March, 1966.

4. The Committee wish to express their thanks to the officers of the Kerala State Government and the Travancore Titanium Products Ltd. for placing before them the material and information that they wanted in connection with their examination.

D. N. TIWARY,
Chairman,

Committee on Public Undertakings.

NEW DELHI;

March 11, 1966.

Phalguna 20, 1887 (s).

INTRODUCTORY

India possesses one of the richest deposits of Titanium ore in the world i.e. the ilmenite sands of the sea shores of Kerala. Foreign owned mining companies operating under mining concessions granted by the erstwhile Travancore State exploited these ores and exported the Ilmenite sands for being processed into pigment abroad. In 1945-46 the Dewan of Travancore prevailed upon these companies to establish a 5-ton unit for the manufacture of Titanium dioxide and as a result, the Travancore Titanium Products Ltd., was established in December 1946 in collaboration with M/s. British Titan Products Co. Ltd. of the U.K. *Historical Background*

2. The erection of the factory was, however, delayed considerably and it could go into production only in September, 1951. Before long it ran into difficulties, mainly on account of shortage of sulphur (an important imported raw material) which resulted in uneconomic rate of production and consequently the factory had to be closed down for 18 months from July 1952 to December 1953. On tariff protection being granted by the Government of India in 1953 and a loan of Rs. 15 lakhs from the Industrial Finance Corporation of India in January 1954, to meet the temporary requirements of working capital, the factory resumed production in January 1954. Since then the Factory has been in continuous operation and has expanded from a capacity of 5 tons to 18 tons and has made profits ranging from Rs. 4.03 lakhs in 1954 to Rs. 19.55 lakhs in 1964. Since 1957 it has paid dividends on share capital, the last one in 1964 being 6%.

3. The Travancore Titanium Products is a public limited Joint Stock Company in which the Government of Kerala and the fully State-owned Kerala State Industrial Development Corporation hold 73 per cent of the total paid up capital of Rs. 73.25 lakhs. The company has two outstanding loans—Rs. 26,99,514 from the Industrial Finance Corporation of India and Rs. 9,00,000 from the Kerala Government. Reserves and Surpluses as on 31st December, 1964 amounted to Rs. 49,13,666.

4. Till the 15th August, 1960, the Factory was managed by a firm of managing agents, M/s Indian Titan Products Ltd. on behalf of M/s. British Titan Products Co. Ltd. and M/s. A. & F. Harvey Ltd., Madurai, a shareholder. When the managing agency system ceased in 1960 the Kerala Government appointed a Managing Director to manage the affairs *Managing Agency System*

of the company subject to the direction and control of the Board of Directors.

Budget

5. Though the managing agency system terminated more than 5 years ago, the management has been slow in effecting changes required under its new status. For example, the Committee were surprised to note that the company does not prepare any Budget for a financial year. It was stated that this was a legacy inherited from the Managing Agents. However, *ad hoc* sanctions for every item of expenditure were being obtained. The Secretary had powers to sanction expenditure upto Rs. 100/- and the Managing Director upto Rs. 1 lakh. Expenditure above this amount was sanctioned by the Board of Directors. It was admitted that this was a very inconvenient system and often led to delays. No satisfactory explanation was given for the reluctance to scrap this inefficient and unsatisfactory system and introduce a modern system of budgeting and financial control.

6. The Committee were however informed that a decision had now been taken to prepare a Budget for the next financial year and to lay down a schedule of financial powers, thereby enabling the officers concerned to spend the amounts within the budgeted sanctions. *The need for doing this cannot be over emphasised and the Committee hope that the decision will be implemented without any further delay.*

**Programme
and Per-
formance
Budgeting**

7. The Committee would in this connection draw the attention of the Management to modern concepts of programme and performance budgeting and would suggest that these be introduced in the company. Being one of the major industries in the public sector of the State, the introduction of such techniques would set a good example for the other industries to follow.

II

EXPANSION

8. During their examination of the Travancore Titanium Products, the Committee gained the impression that the history of the Company was a story of lost opportunities. This country has very rich deposits of the basic raw material, the Ilmenite sands. The know-how for the industry was fully available in the country as far back as 1950. The senior technical officers of the factory had been with it since inception and had also been trained in the U.K. The demand within the country was rapidly rising and the outside world demand was said to be literally sky-rocketing. Only very few foreign countries produced titanium dioxide. Some of the foreign plants produced as much as 300 tons per day in order to meet a world demand, estimated at about 1 million tons annually. There was good profit in this industry and in the initial years the company had also exported its products profitably. In spite of all these initial advantages and subsequent opportunities the Travancore Titanium Products had expanded from 5 tons to only 18 tons per day (actual production 15 tons) since 1960, when the Government took over full control of running the Plant.

9. There are two prominent features in this failure. The first and more important of these is the fact that the Board of Directors and the Kerala Government displayed a certain lack of faith in the competence and ability of the technical officers of the factory in carrying out any expansion programme. The other feature was a certain apprehension felt by M/s British Titan Products who saw the possibilities of this infant Industry growing into a giant, but did nothing to foster it as it perhaps was threatening their business interests around the world, and in this country.

10. In 1961, the Factory expanded from 5 tons to 10 tons and later to 18 tons per day in 1963. This expansion was carried out by the Company itself without any foreign collaboration.

11. The immense possibilities of the industry however, appear to have been well realised by the Company in 1961 when they submitted proposals for a 50-ton expansion programme and secured a licence from the Government of India for the purpose in April 1961. To achieve this expansion, foreign technical and financial collaboration was

sought from M/s. British Titan Products, the original collaborators. During these negotiations, as evidence indicates, M/s British Titan Products were procrastinating and were most unhelpful. Efforts were then made to interest M/s. Montecatini of Italy in collaborating, but their terms and conditions for technical and financial participation were considered unreasonable by the Government of India. Then the Government sought Japanese collaboration from M/s. Ishihara Sanyo Kaisha Ltd. of Tokyo. The Japanese Company's technical staff visited Trivandrum and all that they had to say was that the Travancore Titanium Products did not appear to require any foreign technical assistance to expand their factory. They were prepared to help in the preparation of drawings etc., if required.

12. The Government of Kerala and the Board of Directors have now come to the conclusion that the technical officers of the Company are competent enough to carry out the expansion programme. Most of the required machinery is capable of being fabricated in India and the foreign exchange requirements are estimated to be of the order of Rs. 40 lakhs only out of a total capital cost of Rs. 250 lakhs for the 50-ton expansion.

**Foreign
Colla-
boration**

13. The Committee would like to draw two important conclusions from this experience. One is the necessity to curb the demand for foreign collaboration when the necessary technical skill and know-how are available in this country. In this case, negotiations were held not only for technical collaboration but for foreign financial participation also. The T.T.P., as stated earlier, have already suffered because of British Titan Products' financial interest in the company (22% shares are held by British Titan Products). To have negotiated with foreign firms for further financial participation was in the opinion of the Committee, uncalled for. On the other hand, the Committee feel that the Kerala Government should have negotiated with the B.T.P. with a view to taking over their interests in the company. It would indeed have been unfortunate if part of the profits from the expansion had been allowed to go out of the country in this way.

**Lack of
confidence
in Indian
Techni-
cians**

14. The second conclusion is regarding the lack of confidence of Top Management and Government in the ability and technical competence of their men. It is equally necessary that import substitution should be coupled with Indian technical know-how where it is available. The Committee feel that Indian technical personnel are often not given the opportunity to prove their capabilities. The present is one such example. The Committee hope that the matter will receive the attention it deserves of the Government of India in particular and the State Governments and Top Management of Companies in general. It is only in that way that the country can develop confidence in itself, and achieve the progress that it needs.

15. There is another aspect of the expansion programme which requires emphasis. A large quantity of Ilmenite used to be exported to various countries in the past. In spite of the phenomenal rise in world production of titanium oxide pigment, the export of Ilmenite from Kerala has registered a steady fall in recent years. So much so that the factories engaged in the separation of the mineral are stated to be now practically closing down, thus causing widespread unemployment. This fall in export is stated to be largely due to competing sources of supply having been located in other parts of the world by foreign producers.

Export of ore

16. The present annual requirement of titanium dioxide in the country is stated to be of the order of 18,000 tonnes as against a production of less than 5,000 tonnes. World production today is about a million tonnes and the likely consumption in 1971 is estimated at 1½ million tonnes. Indian requirements around 1971 are estimated at 40,000 tonnes for the paint, rubber, linoleum, vitreous enamels, rayon, printing inks, leather, plastics, paper and cosmetics industries. The Managing Director of the Company in his evidence before the Committee stated that it would be wise to plan for a 200-tonne plant by 1971.

Estimates of demand

17. *The Committee would like the Government of India and the Government of Kerala to do whatever is possible to foster this important industry and ensure that the expansion in production keeps pace with the demands within the country and the possibilities of export.*

18. During 1961—63 when the Factory expanded from 5 tons to 18 tons, the capacities of certain sections of the Plant were increased by installing additional units. To economise on building costs, the additional plants were installed in the original building itself resulting in congestion in various parts of the factory and causing considerable difficulty in maintenance and operation. For example, the majority of breakdowns in the plant were due to chokes, the cause of which could be traced to the haphazard manner in which the liquor lines had been laid and also on account of the poor quality of the pipes. Again, adequate provision has not been made for discharge of exhaust fumes from the precipitation and leaching sections. This had led to complaints from labour.

Modernisation of existing Plant

19. There are also certain imbalances in the Plant. For example, there is extra capacity in the sulphuric acid plant, concentrators and Pigment Grinding Mills while the capacities of the Ilmenite Grinding Mill, filters, etc., are inadequate to maintain 18-ton production. In fact the production now is only 15 tons instead of the rated capacity of 18 tons per day.

20. The Plant therefore requires modernisation to remove these shortcomings and to maintain production at the rated capacity. A scheme was drawn up in 1964 by the Development Manager and the Chief Engineer for effecting the necessary changes but nothing has so far been done in this regard. The Committee were informed that the company now proposed to integrate the expansion programme (of 50 tons) and the modernisation programme of the existing Plant and that these items were being included in the new Project Report which was under preparation.

21. *The Committee are not happy over the way in which these important matters have been handled by the Management. On the one hand, production was suffering for want of adequate capacities in certain units like the Ilmenite Grinding Mill. On the other, most of the machinery had outlived their normal lives and their efficiency had declined considerably, threatening even the existing lower production. In spite of all this, nothing has been done to place orders for even the most essential machinery needed for stabilising the production at the rated capacity. The Committee hope that the Management will now carry out the expansion and modernisation proposals expeditiously and economically.*

III

PRODUCTION

A. Production process

22. Titanium dioxide is produced at the Travancore Chloride Titanium Products by the sulphate process. This involves the use of sulphur which has to be imported.

23. In certain countries, a chloride process has been developed for which mineral Rutile which has a higher titanium dioxide content than Ilmenite, is preferred as a raw material. This is not available in India in sufficient quantities and the chloride process, if it is to be established in India, has to be based on Ilmenite. Research work on this process is now being done in the National Chemical Laboratory, Poona. The Committee were informed that considerable progress had been made in finding out a good method of producing the pigment by first beneficiating the Ilmenite. *The Committee hope the project meets with success. It would effect considerable savings in foreign exchange by doing away with the import of sulphur.* The Committee were also informed that both in respect of cost of production and quality of the product, the chloride process was superior to the sulphate process.

24. The Committee were informed that in the proposed expansion of 50 tons, it was proposed to adopt the Sulphate process. The Committee were also given to understand that this process was far from being discarded in the West and that a new plant of 300 tons capacity recently set up in Germany adopted this method. *The Committee agree with this decision. There is hardly any meaning in holding up this expansion scheme to await the result of research at Poona. If the research succeeds and the new process is found suitable it could be adopted in further expansions.*

25. The Committee were informed that as far as the Sulphate process was concerned all the technical know-how was available in the country and that the technical officers of the Plant were fully confident of undertaking the expansion on the basis of this process. The General Superintendent of the factory, the Managing Director and the senior-most technical officers of the Plant were emphatic on this matter during their evidence before the Committee. *It is the Committee's view that Government should accept the position and go ahead with implementing the proposal.*

*Adoption
of Sul-
phate pro-
cess in ex-
pansion*

B. Machine maintenance

Unsatisfactory maintenance

26. During his evidence before the Committee, the Managing Director stated that he was not satisfied with the maintenance of plant and machinery in the factory. The Committee learnt that there was no schedule of preventive maintenance and that in many cases the machines were overworked. For example, the Ilmenite Grinding Mill was worked for 20 to 22 hours at a stretch even though the manufacturers stipulated a rest of at least one hour after every 8 hours of working.

27. An instance was brought to the notice of the Committee where a certain machine broke down and was repaired hurriedly and in the process, some of the parts were not put back, with the result that it broke down again causing great difficulty.

28. *On the whole, the Committee were not satisfied with the way in which the plant and machinery were being maintained. Immediate attention should be given to this matter. A maintenance-schedule should be drawn up and regular maintenance of plant and equipment carried out in accordance with that schedule. In a modern factory, preventive maintenance is of the utmost importance and there is no justification for TTP to lag behind in this matter.*

Workshop

29. As regards workshop facilities, the Committee understood that it was not self-sufficient and that repairs and maintenance work had sometimes to be got done from outside establishments. *This does not appear to be satisfactory. The workshop should have adequate facilities to handle the normal requirements of the factory both for repairs and maintenance and dependence on outside establishments should cease unless it is a major repair work and is unavoidable.*

C. Cost of Production

High Indian prices

30. The ex-factory prices per tonne of the Indian products are as follows:—

Anatase	..	..	Rs. 3,000
Rutile	..	..	Rs. 3,400

31. As against this, the import prices were as follows:—

Japan:	Anatase	..	..	Rs. 1800
	Rutile	..	..	Rs. 2040
U.K.	Anatase	..	..	Rs. 1850
	Rutile	..	..	Rs. 2400
West	Anatase	..	..	Rs. 1958
Germany	Rutile	..	..	Rs. 2400

32. *The Committee cannot understand as to why T.T.P.'s cost of production should be so high as compared to other countries, especially when TTP use raw material available at their doorstep while most other countries import it from distant places. For example, it is learnt that U.K. imports rutile raw material all the way from Australia.*

33. *From the evidence before them, the Committee are inclined to believe that the Management has not been cost conscious. To take just one instance, the Tariff Commission have taken the Company to task for purchasing Ilmenite at a higher cost from a certain company when cheaper supply from an alternate source was available. The Commission stated:—*

“The obligations imposed upon TTP by the protective tariff make it incumbent upon the Company to make its purchases at the lowest available price in the interest of reducing its cost and improving its competitive strength and would not permit a deviation from this principle on any extraneous considerations such as the State Governments' responsibility for the management of F. X. P. Minerals”.

34. *Even in a monopoly industry enjoying the benefits of tariff protection, the Management cannot overlook considerations of cost particularly when imported varieties cost less. In fact, the Tariff Commission reported in 1964 that many of the consumers had urged before them that the price of indigenous titanium dioxide particularly of the anatase grade was very much on the high side and should be reduced. What actually happened is that in September, 1965, 17 months after the Tariff Commission had reported, the company raised their prices by Rs. 200 per ton. The Committee could not go into details justifying this increase but they are not at all convinced that this was necessary in view of the Tariff Commission's findings and what is stated in the succeeding paragraphs. Instead of economising on their costs by means of efficient methods, it is not justifiable to pass on increased working expenses to the customers.*

35. *The Committee hope that when the factory expands, it will be possible to effect economies and to reduce cost at least to the International level. The Management should lay special emphasis on cost reduction as an objective.*

D. Recovery of waste products

36. *The Committee were given to understand that in collaboration with F.A.C.T., Alwaye, the T.T.P. had initiated some experiments for the recovery of waste products and that it was expected to yield beneficial results.*

37. In the sulphate process, sulphur is first converted to sulphuric acid and about 4 tonnes of this acid is utilised for every tonne of pigment. Almost the whole of this acid ultimately goes out as ferrous sulphate and very dilute sulphuric acid. It is understood that in foreign countries good use is made of these waste products leading to reduction in cost of production.

38. The T.T.P. now hopes to manufacture nitrogenous fertilisers from the waste products. *It is regretted that till now these waste products were dumped into the sea as effluents and no effort was made to utilise them for manufacturing by-products. A cost conscious organisation would have done so from the beginning. It is understandable that during the 5 ton stage the recovery of waste products was not economically advantageous. But this should certainly have been provided for when the factory expanded to 18 tons.*

39. The Tariff Commission in their Report in 1964 laid special emphasis on this matter and had recommended that the Management should urgently consider methods of greater utilisation of the waste products, than actually envisaged, as such utilisation was expected to yield a material economy in T.T.P.'s production cost. *The Committee fully endorse this recommendation.*

40. *The Committee would in this connection like to emphasise the need for greater coordination between T.T.P. and other chemical plants in Kerala State and other parts of the country. All chemical plants have problems of utilisation of waste products and exchange of know-how in this matter should prove advantageous. T.T.P. would also do well to maintain proper liaison with the National Laboratories with a view to obtain their help in regard to its problems. There should be a conscious effort to reduce costs all around and the management should make a concerted effort in this direction.*

E. Product mix

41. The T.T.P. is the only producer of titanium dioxide in the country. A Bombay firm M/s. Botanium Ltd., was granted a licence to produce 4470 tons of the pigment per annum but for some reason the firm has not proceeded with the project. No other licence has been granted and it seems that T.T.P. will be the only manufacturer of titanium dioxide for several years to come. *This being so, it is necessary for T.T.P. to ensure that indigenous requirements are at least met.*

42. The demand for rutile grade and anatase grade titanium dioxide in the country today is in the proportion of approximately 1:1. Yet most of last year's production of

T.T.P. was of the anatase grade. The reason advanced is that the factory is not equipped for this bifurcation of production. If the two types are produced, production is adversely affected. The company has, therefore, proceeded on purely economic considerations and have adjusted their manufacture to give the highest profits.

43. *A public owned company which is a monopoly manufacturer has also to discharge its social obligations. The company should instal the necessary additional facilities required in this regard. The Government of Kerala and the State Government have also a certain responsibility in this matter. It is necessary for them not only to advise on the product mix that serves the best interests of the country but also afford them the necessary facilities to do so. The Committee hope that this matter will receive due consideration by the authorities concerned.*

44. The Committee understand that the estimates of total requirements of the country today include certain special grades required by certain industries like vitreous enamel, rayon and other industries. The Tariff Commission had dealt with this matter in their report of 1964 as certain consumers had represented that their requirements were not being catered to. The T.T.P. appears to have expressed their inability to undertake production of special grades of pigment in view of their limitations, which was unlikely to improve much even after expansion. Since the paint industry accounted for the larger part of the consumption of titanium dioxide produced by T.T.P., the Tariff Commission recommended that T.T.P. should try to meet the demands of the paint industry to the extent possible and economically justifiable.

45. *The Committee appreciate the difficulties of the company at present in diversification of their products to cater to the special requirements of their customers. However, there would be no justification for the company to ignore the requirements of the country while planning their future programme. The factory has now started a Research and Development Wing and this organisation should contribute to the product development of the factory. Apart from producing what the country requires as far as practicable, the factory should be able to take the lead and produce new products which the market does not know of. The Committee hope that the company will give due importance to this matter instead of thinking purely in terms of "limitations" and "impact on both unit cost and total output of the factory" etc., which they have stated to the Tariff Commission.*

F. Exports

46. In the earlier years, viz. in 1954, 1955 and 1956, the company was able to export to U.K. and other countries a

part of its output, at very advantageous prices. Since then, indigenous demands rose and exports stopped.

47. As stated earlier, the world demand has been registering a steep rise and it was stated that between now and 1971, the increase in demand was likely to be of the order of half a million tons. *If properly pursued, this country has a bright chance of re-entering the export market.*

48. *When production increases after the expansions the Committee hope that it would be possible to bring down the prices to the International level. The Committee suggest that in the mean-time the Ministry of Commerce should study and develop export potential for this industry.*

IV

INVENTORIES

A. Stores and Spares

49. The stock of stores and spares as on 31st December, 1964 was Rs. 23.49 lakhs as against a consumption of Rs. 4.01 lakhs during the year. Asked why such a large stock of stores and spares which amounted almost to 6 years' consumption was maintained, the Committee were informed that this matter had engaged the attention of the management only recently. The Statistical Quality Control Unit of the Indian Statistical Institute recently conducted a study of the inventory control position in the company and their Report had high-lighted several of the shortcomings in this regard. *Study by SQC Unit*

50. Overstocking existed in regard to several items and there were certain items of stores which were expected to suffice for the next 17 years. There were several items which were stagnant or non-moving. *Overstocking*

51. No scientific method of materials management was being followed and stores and spares worth Rs. 23.49 lakhs had been purchased without any rational basis.

52. The Committee recommend that a technical Committee of the Factory's Officers should be appointed to study this matter thoroughly and determine firstly, the exact quantity of each item of stores and spares that should be carried by the Factory. On the basis of these norms, the surplus stores should be assessed and disposed of. The technical Committee should also lay down minimum and maximum balances, and prepare an ordering time schedule. A senior officer incharge of stores should be made to specialise in modern inventory control techniques and introduce them in the factory. The T.T.P. should set an example in this matter for smaller Government owned companies to follow. *Introduction of modern inventory control techniques*

53. The Managing Director of the company stated that according to a rough estimate about Rs. 2 lakhs per annum could be saved if the recommendations of the S.Q.C. unit were implemented. *Savings*

B. Raw materials

54. The Committee were informed that the procurement of sulphur, an important raw material imported mainly from U.S.A., was causing considerable concern. The present stocks were expected to last only upto the end of March, *Sulphur*

1966. It was stated that the Government of India had promised to help by releasing foreign exchange for the import of 100 tons of sulphur.

55. It is important to realise that this is a feeder industry and that several hundred other factories in India depend upon the product of this industry for one of their raw materials.

56. For every ton of pigment produced, the factory requires 1.3 tons of sulphur, valued between Rs. 200 and Rs. 250 per ton.

57. *The Committee recommend that the Government of India should release the necessary foreign exchange for import of this essential raw material.*

58. In this connection it is understood that this country imports considerable quantities of titanium dioxide every year. The figures are as follows:—

1961	1410 tonnes	Rs. 33.71 lakhs
1962	1999 tonnes	Rs. 46.54 lakhs
1963	1321 tonnes	Rs. 66.90 lakhs

59. *It would therefore be un-wise to import pigment while denying the import of sulphur which costs less than a tenth of the cost of pigment.*

60. *In the expansion stages, considerably larger quantities of sulphur would be required. It might be worthwhile for the Government of India to examine if it can be insisted upon that the company should export enough pigment at least to balance the cost of imports of sulphur.*

Iron scrap

61. The Committee were also informed that iron scrap, another important raw material was in considerable short supply and that difficulties were being experienced in obtaining the material of suitable quality and in adequate quantities. The contractors failed to fulfil their contracts for supplies and the company had been forced to purchase from whosoever was prepared to sell at Rs. 150 per ton.

62. *In view of the severe difficulties encountered the Committee would urge a proper study of this problem with a view to find out a permanent solution. Perhaps, the Bhadravathi Steel Project could help and the contractor who collects the iron scrap from the steel plant might be per-*

suaded to sell it to T.T.P. at a reasonable price. The Committee understand that the Southern Railway has also a large amount of surplus iron scrap. The T.T.P. could negotiate with the Railways about it. The Government of India might also perhaps be able to assist the T.T.P. in locating a permanent source of supply in South India itself, so that the freight costs do not prove prohibitive.

SOLE SELLING AGENTS

**Commis-
sion**

63. M/S T.T. Krishnamachari & Co., are the sole and exclusive Selling Agents of T.T.P. They have been Sole Selling Agents since 1954. They used to receive 2½% commission on sales value till 30th June, 1962 when the rate was lowered to 2% up to 5000 tons and 1½% for sales above 5000 tons.

Procedure

64. The contract has recently been renewed for a period of 3 years from the 1st July, 1965. Briefly, the working arrangement is somewhat as follows. The broad pattern of region-wise distribution is determined and T.T.P. despatches the goods either to the consumer direct or to the regional godowns of the Sole Selling Agents at T.T.P.'s own cost. The cost of transport is ultimately recovered from the consumer. The Sole Selling Agents market the products at ex-godown prices fixed by T.T.P. The Agents collect the sale value and after each month the sales accounts for the month are sent to T.T.P. At the end of the month the sale value for the previous month less their remuneration is sent by the Agents to T.T.P. after payment of a nominal interest on the amount for the period from the last day of the previous month to the date of realisation of the proceeds by T.T.P. The Agents recover as the first charge out of the gross sales, all carriage charges for getting the product into the godown, together with godown rental and insurance charges covering the periods during which stocks are held in the godowns prior to the sale and also the cost of rebagging if necessary.

**Remunera-
tion**

65. The commission paid to the Sole Selling Agents during the past three years is as follows:—

1962	Rs. 1,67,069
1963	Rs. 2,06,412
1964	Rs. 2,52,875

**Technical
advice**

66. The Committee are not happy with the terms and conditions of this Agreement with M/S T. T. Krishnamachari & Co. Firstly, in view of the very great demand for the product, it is doubtful if any Sole Selling Agent is necessary to effect or push sales. It has been stated that Agents employ a number of qualified and experienced technical personnel who will devote a major portion of their time supervising and directing sales promotion of the products and also ren-

dering technical services to the customers. This certainly would have been a useful contribution in the early stages of the industry but its usefulness now is not convincing to the Committee. The product has come to stay and its various uses are known and it would normally be sufficient for T.T.P. to publish an exhaustive technical information for each type of industry. For further advice required the customers could refer to the T.T.P.

67. Secondly, the pattern of distribution is set in the beginning of each month and trade follows a set pattern because the demand is greater than the supply and the available quantity has to be rationed in an equitable way. This being so, the Sole Selling Agents' work is reduced to insignificance. Besides, they get a handsome 2% commission on all sales made and are able to retain the amount for a period of 6 weeks on an average. T.T.P. pays freight and godown rents, and the goods are their responsibility till they are actually sold by the Agents. In the Committee's view the terms of the Agreement are loaded against the interests of the company. The Committee are of the opinion that the Agreement should be reviewed by the Board of Directors and the Government.

Liberal
Terms
of Agree-
ment

68. If T.T.P. cannot effect sales by itself, then whole-sale agents can be appointed either on an all-India basis or on regional basis. The products should be sold ex-destination so that a uniform price may be maintained for the whole country. The Committee see no justification for continuing the existing system of Sole Selling Agents, whatever the historical reasons for their terms of agreement might be.

Change of
Sale pro-
cedure

VI

STAFF

Work study

69. In 1965 a work study was conducted by M/s Management and Industrial Consultants (P) Ltd., Bangalore with a view to decide the personnel requirements of the factory. The findings of the Consultants can be summarised as follows:—

	Actual strength	Actual requirement	Surplus
(i) Factory personnel (including casual and temporary employees).	501	371	130
(ii) Others	168	160.	8

70. The savings represented by elimination of excess in cadre strength works out to over Rs. 1 lakh.

71. In short, according to the Consultants about 21% of the staff are surplus. This figure has been worked out on the basis of requirements during peak activity which means that the average requirements are even less. Secondly, an absenteeism rate of 18% has been allowed in the calculations.

No action on Report.

72. The report of the consultants was submitted in May 1965 but no action has been taken on their findings as yet. In answer to a question, the Managing Director of the Company stated that the Consultants had recommended too stringent a reduction of staff and that the actual surplus staff was not so much. Asked what were the actual figures according to the Company, the Committee were informed that the figures would have to be worked out. It is evident from this that the Management is yet to come to a definite conclusion as to the exact number of surplus staff they have and that in spite of almost a year having lapsed since the Report of the Consultants was presented, they have taken no action whatsoever, except to reach a general conclusion that the Consultants' figures of surplus are on the high side. *The Committee cannot appreciate this attitude.*

73. In fact, the Committee were somewhat surprised **Staff** to note that the Company had not laid down the exact **strength** staff strength for various sections and for Various Cadres. Persons have apparently been recruited as need arose without making any proper assessment of actual requirements. This is true not only of the lower categories but also of the technical staff.

74. It is high time the management made an exact assessment of their requirements and fixed the staff strength of each cadre and each section on the basis of workload to be fixed for each category of workers. The surplus staff should be absorbed during the expansion phase. For the expansion phase, the Committee recommend that right at this stage, the exact requirements of staff should be determined. A Committee of senior officers of the Factory may be constituted for this purpose, and they should be asked to lay down the exact requirements for every department, based on the experience of the 18 ton plant. The Management would do well to stick to these figures of staff strength assessed by the body of experts unless the figures prove wrong in actual working.

75. The Committee understand that in Japan a factory **Surplus:** of corresponding output employed only about 60 persons as **staff** against ten times the number at the Travancore Titanium Products. Asked how this was possible, the Managing Director stated that if computers and electronic control gadgets were used, it would be possible to drastically reduce the staff but it was questionable how far this was desirable to be introduced in India where the declared objective of Government was to create more employment opportunities. While the Committee concede this point, they cannot escape the conclusion from the facts available, that the factory is considerably overstaffed.

76. The labour in Kerala are literate and intelligent. One expects their productivity to be above average. Therefore the unnecessary burden on the cost of production should be eliminated by all possible means.

77. A rather disturbing feature which the Committee **Absen-** noticed was an absenteeism rate of 18% in the factory. **teeism** They were informed that authorised leave accounted for 8% and the balance alone could be credited to absenteeism. Even this is a high figure. The Committee recommend

that effective steps should be taken to reduce absenteeism even by offering incentives, if necessary.

78. The Committee were informed that absenteeism had increased since the inception of the E.S.I. Scheme and that leave had to be granted to a worker who produced a medical certificate of illness from the Scheme. The same phenomenon of increased absenteeism was also noticed in F.A.C.T. at Alwaye. *The Committee are rather surprised at this. If this is a fact, it would be worthwhile for the Government to study the problem and discuss their findings with the E.S.I. officials with a view to remove the shortcomings, if any, in the system. It would be improper to misuse a welfare scheme to the detriment of the industry.*

**Chief
Engineer**

79. The Committee found that the post of Chief Engineer in the Factory was vacant. They were informed that the practice had been to fill the post by deputation from the Public Works Department of the State and that the officers concerned stayed for a few years and returned to their parent department. It appears that difficulties were often encountered as the Company's method of managing was different from what the Chief Engineer was used to in the P.W.D. and this resulted in disputes. The last Chief Engineer left the company a few months ago. The Committee were informed that it had now been decided to do away with the practice of getting men on deputation and that the company had decided to get an officer of their own. The post had been advertised and recruitment was expected to be made in March.

80. It was apparent since long that the practice of getting a deputationist from the P.W.D. for this post was unsatisfactory. Yet, till now, the management had not thought of recruiting a person directly. *The Chief Engineer is a very important official of the factory and much depends on his initiative, drive and enthusiasm. If the officer concerned stays there only for a short period and is always awaiting his promotion elsewhere, his interest in the organisation is bound to be very subdued. The Committee feel that a suitable candidate should be found early and the post filled without further delay. The Committee would also recommend that this mistake of obtaining senior technical officers on deputation for the expansion stages will be avoided unless absolutely necessary.*

D. N. TIWARY,

*Chairman,
Committee on Public Undertakings.*

NEW DELHI;
March 11, 1966.
Phalguna 20, 1887 (S).

APPENDIX

Summary of conclusions/recommendations of the Committee on Public Undertakings contained in the Report

S. No	Ref. to para No. in the Report	Summary of conclusions/recommendations
1	2	3
1	5-7	<p>(i) The Committee were surprised to note that the company does not prepare any Budget for a financial year. They were, however, informed that a decision had now been taken to prepare a Budget for the next financial year and to lay down a schedule of financial powers, thereby enabling the officers concerned to spend the amounts within the budgeted sanctions. The need for doing this cannot be over emphasised and the Committee hope that the decision will be implemented without any further delay.</p> <p>(ii) The Committee would in this connection draw the attention of the Management to modern concepts of programme and performance budgeting and would suggest that these be introduced in the company. Being one of the major industries in the public sector of the State, the introduction of such techniques would set a good example for the other industries to follow.</p>
2	13-14	<p>The Committee would like to draw two important conclusions from the experience of the T.T.P. in its efforts to obtain foreign collaboration for its expansion. One is the necessity to curb the demand for foreign collaboration when the necessary technical skill and know-how are available in this country. In this case, negotiations were held not only for technical collaboration but for foreign financial participation also. The T.T.P., have already suffered because of British Titan Products' financial interest in the</p>

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company (22 per cent shares are held by British Titan Products). To have negotiated with foreign firms for further financial participation was in the opinion of the Committee, uncalled for. On the other hand, the Committee feel that the Kerala Government should have negotiated with the B.T.P. with a view to taking over their interests in the company. It would indeed have been unfortunate if part of the profits from the expansion had been allowed to go out of the country in this way.

The second conclusion is regarding the lack of confidence of Top Management and Government in the ability and technical competence of their men. It is equally necessary that import-substitution should be coupled with Indian technical know-how where it is available. The Committee feel that Indian technical personnel are often not given the opportunity to prove their capabilities. The present is one such example. The Committee hope that the matter will receive the attention it deserves of the Government of India in particular and the State Governments and Top Management of Companies in general. It is only in that way that the country can develop confidence in itself, and achieve the progress that it needs.

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The Committee would like the Government of India and the Government of Kerala to do whatever is possible to foster this important industry and ensure that the expansion in production keeps pace with the demands within the country and the possibilities of export.

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The Plant requires modernisation to remove several shortcomings in plant lay out and to maintain production at the rated capacity. A scheme was drawn up in 1964 by the Development Manager and the Chief Engineer for effecting the necessary changes but nothing has so far been done in this regard. The Committee were informed that the company now proposed to integrate the expansion programme (of 50 tons) and the modernisation programme of the existing Plant and that these items were being included in the new Project Report which was under preparation.

The Committee are not happy over the way

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in which these important matters have been handled by the Management. On the one hand, production was suffering for want of adequate capacities in certain units like the Ilmenite Grinding Mill. On the other, most of the machinery had outlived their normal lives and their efficiency had declined considerably, threatening even the existing lower production. In spite of all this, nothing has been done to place orders for even the most essential machinery needed for stabilising the production at the rated capacity. The Committee hope that the Management will now carry out the expansion and modernisation proposals expeditiously and economically.

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The Committee hope the research project now being conducted at NCL, Poona for the development of a chloride process for the manufacture of titanium dioxide meets with success. It would effect considerable savings in foreign exchange by doing away with the import of sulphur.

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The Committee were informed that in the proposed expansion of 50 tons, it was proposed to adopt the Sulphate process. The Committee agree with this decision. There is hardly any meaning in holding up this expansion scheme to await the result of research at Poona. If the research succeeds and the new process is found suitable it could be adopted in further expansions.

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The Committee were informed that as far as the Sulphate process was concerned all the technical know-how was available in the country and that the technical officers of the Plant were fully confident of undertaking the expansion on the basis of this process. The General Superintendent of the factory, the Managing Director and the senior-most technical officers of the Plant were emphatic on this matter during their evidence before the Committee. It is the Committee's view that Government should accept the position and go ahead with implementing the proposal.

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On the whole, the Committee were not satisfied with the way in which the plant and machinery were being maintained. Immediate at-

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tention should be given to this matter. A maintenance-schedule should be drawn up and regular maintenance of plant and equipment carried out in accordance with that schedule. In a modern factory, preventive maintenance is of the utmost importance and there is no justification for TTP to lag behind in this matter.

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As regards workshop facilities, the Committee understood that it was not self sufficient and that repair and maintenance work had sometimes to be got done from outside establishments. This does not appear to be satisfactory. The workshop should have adequate facilities to handle the normal requirements of the factory both for repairs and maintenance and dependence on outside establishments should cease unless it is a major repair work and is unavoidable.

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32-34

The Committee cannot understand as to why TTP's cost of production should be so high as compared to other countries, especially when TTP uses raw material available at their doorstep while most other countries import it from distant places. From the evidence before them, the Committee are inclined to believe that the Management has not been cost conscious.

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Even in a monopoly industry enjoying the benefits of tariff protection, the Management cannot overlook considerations of cost particularly when imported varieties cost less. In fact, the Tariff Commission reported in 1964 that many of the consumers had urged before them that the price of indigenous titanium dioxide particularly of the anatase grade was very much on the high side and should be reduced. What actually happened is that in September, 1965, 17 months after the Tariff Commission had reported, the company raised their prices by Rs. 200 per ton. The Committee could not go into details justifying this increase but they are not at all convinced that this was necessary. Instead of economising on their costs by means of efficient methods, it is not justifiable to pass on increased working expenses to the customers.

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The Committee hope that when the factory expands, it will be possible to effect economies

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		and to reduce costs at least to the International level. The Management should lay special emphasis on cost reduction as an objective.
13	38-39	<p>(i) The T.T.P. now hopes to manufacture nitrogenous fertilisers from the waste products. It is regretted that till now these waste products were dumped into the sea as effluents and no effort was made to utilise them for manufacturing by-products. A cost conscious organisation would have done so from the beginning. It is understandable that during the 5-ton stage the recovery of waste products was not economically advantageous. But this should certainly have been provided for when the factory expanded to 18 tons.</p> <p>(ii) The Tariff Commission in their Report in 1964 laid special emphasis on this matter and had recommended that the Management should urgently consider methods of greater utilisation of the waste products, than actually envisaged, as such utilisation was expected to yield a material economy in TTP's production cost. The Committee fully endorse this recommendation.</p>
14	40	The Committee would like to emphasise the need for greater coordination between TTP and other chemical plants in Kerala State and other parts of the country. All chemical plants have problems of utilisation of waste products and exchange of know-how in this matter should prove advantageous. TTP would also do well to maintain proper liaison with the National Laboratories with a view to obtain their help in regard to its problems. There should be a conscious effort to reduce costs all around and the management should make a concerted effort in this direction.
15	41	As T.T.P. will be the only manufacturer of titanium dioxide in the country for several years to come it is necessary for T.T.P. to ensure that indigenous requirements are at least met.
16	42-43	The demand for rutile grade and anatase grade titanium dioxide in the country today is of in the proportion of approximately 1:1. Yet most of

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last year's production of T.T.P. was of the anatase grade. The reason advanced is that the factory is not equipped for this bifurcation of production. A public owned company which is a monopoly manufacturer has also to discharge its social obligations. The company should instal the necessary additional facilities required in this regard. The Government of Kerala and the State Government have also a certain responsibility in this matter. It is necessary for them not only to advise on the product mix that serves the best interests of the country but also afford them the necessary facilities to do so. The Committee hope that this matter will receive due consideration by the authorities concerned.

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The Committee appreciate the difficulties of the company at present in diversification of their products to cater to the special requirements of their customers. However, there would be no justification for the company to ignore the requirements of the country while planning their future programme. The factory has now started a Research and Development Wing and this organisation should contribute to the product development of the factory. Apart from producing what the country requires as far as practicable, the factory should be able to take the lead and produce new products which the market does not know of. The Committee hope that the company will give due importance to this matter instead of thinking purely in terms of "limitations" and "impact on both unit cost and total output of the factory" etc., which they have stated to the Tariff Commission.

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47-48

If properly pursued, this country has a bright chance of re-entering the export market. When production increases after the expansion, the Committee hope that it would be possible to bring down the prices to the International level. The Committee suggest that in the meantime the Ministry of Commerce should study and develop export potential for this industry.

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The Committee recommend that a technical Committee of the Factory's Officers should be appointed to study this matter thoroughly and determine firstly, the exact quantity of each

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item of stores and spares that should be carried by the Factory. On the basis of these norms, the surplus stores should be assessed and disposed of. The technical Committee should also lay down minimum and maximum balances, and prepare an ordering time schedule. A senior officer incharge of stores should be made to specialise in modern inventory control techniques and introduce them in the factory. The T.T.P. should set an example in this matter for smaller Government owned companies to follow.

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57-59

The Committee recommend that the Government of India should release the necessary foreign exchange for import of sulphur. It would be unwise to import pigment while denying the import of sulphur which costs less than a tenth of the cost of pigment.

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In the expansion stages, considerably larger quantities of sulphur would be required. It might be worthwhile for the Government of India to examine if it can be insisted upon that the company should export enough pigment at least to balance the cost of imports of sulphur.

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In view of the severe difficulties encountered in obtaining iron scrap, the Committee would urge a proper study of this problem with a view to find out a permanent solution. Perhaps the Bhadravathi Steel Project could help and the contractor who collects the iron scrap from the steel plant might be persuaded to sell it to T.T.P. at a reasonable price. The Committee understand that the Southern Railway has also a large amount of surplus iron scrap. The T.T.P. could negotiate with the Railways about it. The Government of India might also perhaps be able to assist the T.T.P. in locating a permanent source of supply in South India, itself so that the freight costs do not prove prohibitive.

The Committee are not happy with the terms and conditions of this Agreement with M/s. T.T. Krishnamachari & Co. Firstly, in view of the very great demand for the product, it is doubtful if any Sole Selling Agent is necessary to effect or push sales. It has been stated that the Agents employ a number of qualified and ex-

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| | | <p>perienced technical personnel who will devote a major portion of their time supervising and directing sales promotion of the products and also rendering technical services to the customers. This certainly would have been a useful contribution in the early stages of the industry but its usefulness now is not convincing to the Committee. The product has come to stay and its various uses are known and it would normally be sufficient for T.T.P. to publish an exhaustive technical information for each type of industry. For further advice required the customers could refer to the T.T.P.</p> |
| 24 | 67 | <p>In the Committee's view the terms of the Agreement with M/s. T. T. Krishnamachari & Co, the Sole Selling Agents are loaded against the interests of the company. The Committee are of the opinion that the agreement should be reviewed by the Board of Directors and the Government.</p> |
| 25 | 68 | <p>If T.T.P. cannot effect sales by itself, then wholesale agents can be appointed either on an all India basis or on regional basis. The products should be sold ex-destination so that a uniform price may be maintained for the whole country. The Committee see no justification for continuing the existing system of Sole Selling Agents, whatever the historical reasons for their terms of agreement might be.</p> |
| 26 | 72 | <p>It is evident that the Management is yet to come to a definite conclusion as to the exact number of surplus staff they have and that in spite of almost a year having lapsed since the Report of the Consultants was presented, they have taken no action whatsoever, except to reach a general conclusion that the Consultants' figures of surplus are on the high side. The Committee cannot appreciate this attitude</p> |
| 27 | 73-74 | <p>The Committee were somewhat surprised to note that the Company had not laid down the exact staff strength for various sections and for various cadres. It is high time the management</p> |

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		made an exact assessment of their requirements and fixed the staff strength of each cadre and each section on the basis of workload to be fixed for each category of workers. The surplus staff should be absorbed during the expansion phase. For the expansion phase, the Committee recommend that right at this stage, the exact requirements of staff should be determined. A Committee of senior officers of the Factory may be constituted for this purpose, and they should be asked to lay down the exact requirements for every department, based on the experience of the 18-ton plant. The Management would do well to stick to these figures of staff strength assessed by the body of experts unless the figures prove wrong in actual working.
28	75	The Committee cannot escape the conclusion from the facts available, that the factory is considerably overstaffed.
29	76	The labour in Kerala are literate and intelligent. One expects their productivity to be above average. Therefore the unnecessary burden on the cost of production on account of surplus staff should be eliminated by all possible means.
30	77	A rather disturbing feature which the Committee noticed was an absenteeism rate of 18 per cent in the factory. They were informed that authorised leave accounted for 8 per cent and the balance alone could be credited to absenteeism. Even this is a high figure. The Committee recommend that effective steps should be taken to reduce absenteeism even by offering incentives, if necessary.
31	78	The Committee were informed that absenteeism had increased since the inception of the E.S.I. Scheme and that leave had to be granted to a worker who produced a medical certificate of illness from the Scheme. The Committee are rather surprised at this. If this is a fact, it would be worthwhile for the Government to study the problem and discuss their findings with the E.S.I. officials with a view to remove the shortcomings if any, in the system. It

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would be improper to misuse a welfare scheme to the detriment of the industry.

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It was apparent since long that the practice of getting a deputationist from the P.W.D. for this post was unsatisfactory. Yet, till now, the management had not thought of recruiting a person directly. The Chief Engineer is a very important official of the factory and much depends on his initiative, drive and enthusiasm. If the officer concerned stays there only for a short period and is always awaiting his promotion elsewhere, his interest in the organisation is bound to be very subdued. The Committee feel that a suitable candidate should be found early and the post filled without further delay. The Committee would also recommend that this mistake of obtaining senior technical officers on deputation for the expansion stages will be avoided unless absolutely necessary.
