

COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

TWENTY-SIXTH REPORT

TRACO CABLE CO. LTD., ERNAKULAM

(DEPARTMENT OF INDUSTRIES, GOVERNMENT OF
KERALA)



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COMMITTEE ON PUBLIC UNDERTAKINGS

(THIRD LOK SABHA)

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Shri N. N. Mallya—*Joint Secretary.*

Shri A. L. Rai—*Deputy Secretary.*

*Appointed as Chairman w.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 of Shri P. Govinda Menon as Minister and resignation of Shri Harish Chandra Mathur.

***Ceased to be a Member of the Committee on retirement from the Rajya Sabha w.e.f. 2nd April, 1966

INTRODUCTION

I, the Chairman, Committee on Public Undertakings, having been authorised by the Committee to submit the Report on their behalf, present this Twenty-sixth Report on the Traco Cable Co. Ltd., Ernakulam.

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. This Report is based on the examination of the working of the Traco Cable Co. 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 2nd February, 1966 at Trivandrum. The Report was adopted by the Committee on the 11th April, 1966.

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

NEW DELHI;
19th April, 1966.

Chaitra 29, 1888 (S).

D. N. TIWARY,
Chairman,

Committee on Public Undertakings.

I

HISTORICAL BACKGROUND

The life-lines through which the electric power generated ultimately reaches the utilisation points are the transmission and distribution lines, the service connections and the power wiring to the various electric equipment and apparatus. In this service bare aluminium conductors, both A.A.C. and A.C.S.R. and insulated cables and flexibles play a major part. Importance.

2. The demand for V.I.R. and plastic cables at the end of the Third Five-Year Plan was estimated to exceed 500 million core yards. As against this, the actual production of these cables in 1959-60 was only 214 million core yards. There was thus scope for more factories for the manufacture of cables. In Kerala itself, with its extensive programmes of exploiting the various hydro-electric projects, electrifying the rural areas and industrialisation, an ever increasing demand for wires and cables was anticipated. Demand in the country.

3. To meet this growing demand, Messrs. Traco Enterprises, a private limited company registered in Ernakulam, obtained an industrial license in 1958 for the manufacture of 36 million core yards of V.I.R. Cables*. It was estimated that Rs. 40 lakhs would suffice for the establishment of the factory. Accordingly, a new company called 'Traco Cable Co. Ltd.' was registered on the 5th February, 1960, with an authorised capital of Rs. 1 crore. Messrs Traco Enterprises Private Ltd. were appointed Managing Agents of the company. The Directors and their friends agreed to take shares to the value of Rs. 5 lakhs and the Government of Kerala agreed to participate in the share capital to the extent of Rs. 10 lakhs (i.e. 25% of the capital required). The balance of Rs. 25 lakhs was expected to be subscribed by the public. License granted in 1958.

4. In 1961, the company issued a prospectus inviting applications for shares. Applications for shares from the Directors, their friends and the public together amounted to Rs. 9,83,000/- only. There was thus a deficit of Rs. 20,17,000/-. At that stage, Messrs Traco Enterprises resigned their Managing Agency and requested Traco Cable Co. Ltd. to establish the factory with the help of the Kerala Government. Prospectus issued in 1961.

5. Government of Kerala agreed to contribute the deficit amount and took shares to the value of Rs. 30,17,000 out

*The licence has since been amended to include the manufacture of aluminium cables of various types and voltages with P.V.C. and polythene insulation.

of a total issue of Rs. 40 lakhs and the company became a Government company under section 617 of the Indian Companies Act. One of the Government Directors on the Board was appointed a full-time Managing Director and he assumed charge on the 17th April, 1962.

6. During evidence, the Industries Secretary of the Kerala Government informed the Committee that technical opinion about the proposed factory was encouraging. As such the State Government agreed to subscribe 25% of its share capital. But the issue of shares to the public proved to be a failure and the Government decided on the 19th of July, 1961 to take over the remaining shares. Out of a total investment of Rs. 40·17 lakhs at present, the shares of the State Government amount to Rs. 30·17 lakhs, and the balance of Rs. 10 lakhs has been subscribed by the Kerala State Industrial Development Corporation Ltd. which is a fully owned Kerala Government Company.

7. Thus it took the promoters of the scheme—Messrs. Traco Enterprises—a period of two years (1958 to 1960) to float the new company and another 2 years to issue the prospectus and raise the necessary capital for setting up of the factory. The financial position of the promoters should have been verified by the State Government and the Central Government before recommending their case and at the time of issuing the industrial license in 1958. In its absence, a valuable period of 4 years (upto 1962) was lost in raising the necessary capital, by which time the factory was originally expected to be commissioned. It will also be seen that the State Government which had originally agreed to participate in the share capital of the new company to the extent of only 25% and had no intention of running it as a Government concern, was compelled to take over a larger liability than anticipated.

II

PRODUCTION

A. Commissioning of the Factory

8. Messrs. Traco Enterprises, the original promoters, had entered into a technical collaboration agreement with Messrs. Furukawa Electric Co. Ltd. Tokyo, Japan and the factory was to go into production by the middle of 1962. In actual fact, the company started correspondence with them for the implementation of the Project only in the latter half of 1961 after the application money was received in July, 1961. In the meantime the Government of India had taken a policy decision to change over the manufacture of cables from copper to aluminium. Messrs. Furukawa Electric Company expressed their inability to provide the technical 'know-how' for the manufacture of aluminium cables. Then the original collaboration agreement became inoperative. It was decided to seek fresh collaboration and after prolonged negotiation an agreement was entered into with Messrs. Kelsey Engineering Ltd., Vancouver, British Columbia, Canada on the 30th January, 1963 with the approval of the Government of India.

9. Detailed reports on the machinery to be imported etc. were received from the collaborators by the middle of 1963. Orders for the machinery were finalised in September, 1963 and the machinery started arriving from June, 1964. In the meantime, necessary land was acquired and the construction of the factory commenced. In September, 1964 an Erection Engineer, deputed by the collaborators arrived in India and commenced erection of the machinery. This was completed in December, 1964. The company was formally inaugurated on the 28th December 1964 and the trial production commenced immediately thereafter. The company went into commercial production from the 1st April, 1965.

10. *From the foregoing, it would be seen that a period of about 5 years (1958 to 1963) was lost in completing preliminaries and selecting the collaborators. The acquisition of land started in 1963 while the factory went into production in April 1965. Thus, it took the company seven years to start production after the industrial licence was granted in 1958. Actually, it should not have taken more than 2 years to erect and commission the factory, if the*

necessary funds were available. After the initial difficulty of raising the funds was overcome, the Government decision to change the manufacture of cables from copper to aluminium added to the problems of the company inasmuch as fresh collaborators had to be appointed and the time and effort spent in selecting the original collaborators was rendered infructuous. Had the factory gone into production even by 1962 as stated in the prospectus, the Government decision to change over from copper to aluminium would not have been a serious problem for the company. Such delays also add to the capital costs of the factories and should be avoided.

B. Production Pattern

11. As stated earlier, the company was originally licensed for the manufacture of 36 million core yards of V.I.R. cables, on a double shift basis. These cables were stated to be in demand at the time the licence was granted. However, before finalising the orders for the machinery in 1963, it was considered desirable to assess the prevailing pattern of demand and accordingly the Managing Director made a survey in the middle of 1963. This survey indicated that the demand for building wires was to a great extent being met by the established cable manufacturers. But due to the rapid industrialisation of the country there was a growing demand for heavy duty power cables. In the circumstances, it was decided to include, in the production programme, the manufacture of these cables as well.

12. The company has already obtained a 'Letter of Intent' from the Government of India for the manufacture of high tension cables upto and including 33 K.V. The company has also approached the Government of India for permission to manufacture bare conductors (A.A.C. & A.C.S.R.) to the extent of 1,500 tonnes per annum, for which there is stated to be a great demand.

13. It has also been represented by the company that it should be permitted to manufacture special cables required by the Government Departments. In fact, it has already submitted a proposal to the Government of India, through the Government of Kerala, for the manufacture of a new design of telephone cables using foamed polyethylene. The Company has also been negotiating with the Ministry of Defence for the manufacture of communication cables.

14. During evidence, the Managing Director of the company stated that after establishing the factory, according to the original license, the possibility of expanding its activities and developing new items had been examined so that the existing machines could be used to the best advantage to meet the changing demand pattern in the country. High tension cables was one such item. The Managing Director, however, admitted that the high tension cables was a new product not contemplated in the original licence.

15. *It is seen that immediately after the new collaborators were appointed in 1963, a change in the production pattern was considered desirable to include the manufacture of heavy duty power cables. Since then, in order to utilise the idle capacity, the manufacture of high tension cables, bare conductors etc. has been taken up. It is also proposed to take up the manufacture of telephone cables. The plea that these changes were necessitated solely by lack of demand for cables (VIR cables), originally proposed to be manufactured, is not quite convincing. In fact, according to the prospectus issued in 1961, the company expected a ready market for its products in respect of Government requirements. The possible explanation for lack of demand appears to be that new Units must have been set up for the manufacture of these cables during the past 5-7 years or the original survey was defective.*

16. *The Committee suggest that the final production pattern of the company should be determined after a detailed study of the demand instead of basing it on mere assumptions.*

17. *As regards the proposal to manufacture telephone cables of a new design, using foamed polyethelene, the Committee note that the Posts and Telegraphs Department has asked the company to furnish detailed specifications. If the specifications meet with the approval of the Posts and Telegraphs Department, the company should be given the necessary encouragement.*

C. Idle Capacity

18. The Committee were informed that even though the original production programme of the company envisaged the manufacture of 36 million core yards of V.I.R. cables, the machinery installed was capable of producing only 12 million core yards (value Rs. 120 lakhs) on a double shift basis with the new product-mix, which included armoured and unarmoured cables, building wire and flexibles, single

and multi-core. A target of Rs. 60 lakhs had been fixed for the current year. Some of the machines such as wire drawing and stranding were, however, capable of extra production. The plant and machinery were not being fully utilised and there was idle capacity for want of sufficient orders and power cut imposed by the Electricity Board. The Committee note that the aluminium wire drawing and stranding machines were being worked only for 3 or 4 hours a day while the copper wire drawing and the fine wire drawing machines were hardly being worked for one hour a day.

19. To enable the entire plant capacity being fully utilised, at least for one shift, the company had in July 1965 approached the Government of India for sanction to manufacture 1500 tonnes of bare conductors per annum. It was also proposed to add the balancing equipment.

20. *The questions of lack of orders and power cut have been dealt with by the Committee separately. It is regrettable that the Plant and equipment imported at considerable expenditure of foreign exchange are not being fully utilised with the result that the productivity is low and the factory is suffering a heavy loss. It is hardly necessary to stress on the importance of the best possible and maximum utilization of machines. Government should therefore, grant them necessary permission to manufacture bare conductors so as to increase productivity. The Committee recommend that other ways and means, including installation of balancing equipment, should also be found to increase the utilisation of machines so as to improve the economic position of the company.*

D. Lack of orders

21. It has been stated that the company would not reach the rated capacity during the year 1965-66, because cables are not being manufactured according to the rated capacity of the machines for want of orders and it is not considered prudent to manufacture large quantities of cables for the sake of utilising the machine capacity fully, resulting in an unduly large inventory of finished goods. The production programme was periodically revised according to the orders received. Further being a new undertaking, in a most competitive field, it takes considerable time before the products are established in the market and a sustained demand generated for them. Moreover, the company is not able to offer credit to the dealers upto 90 days, as is done by its competitors.

22. Marketing being a specialised job and due to its limited resources and experience, the company has entrusted its sole selling agency to Messrs Larsen and Toubro Ltd., Bombay.

23. As regards the purchases made by the Government Departments, Railways and statutory bodies/institutions, which are based on competitive tenders, it was stated that the lowest price was the main consideration and no preference was given to the quality of the products. It was suggested that prices for various types of cables should be fixed on the basis of cost of production and orders distributed to the various manufacturers according to their rated capacity, consistent with the quality of the products. In the opinion of the company, that would eliminate unhealthy competition and monopoly by major units and ensure equitable distribution of work to all the units.

24. *With the appointment of Sole Selling Agents, the Company should get sufficient orders. The Committee, however, recommend that the Kerala State Government should consider the above suggestions of the company with a view to solving its marketing difficulties. The State Government should also issue a directive to the Electricity Board/State Government Departments and all the statutory bodies of the State Government to procure their requirements of cables from the Traco Cable Co., so long as the quality of its products is satisfactory. If, as a result of this, the company gets sufficient orders, its cost of production would automatically come down thereby making it possible for the company to offer competitive rates.*

E. Cost of Production

25. The Committee were informed that being the first year of operation, it was not possible for the company to give correct figures of the anticipated and actual cost of production. The machinery imported was of the latest design with high productivity and if the production could be maintained at the rated capacity, the cost of production would be comparatively low. At present it was stated to be slightly high as the machines were not fully utilised.

26. During evidence the Managing Director stated that the cable industry was machine intensive and the machines were very costly with the result that depreciation was very high. Further, the cost of production was at present worked out on the basis of 60 per cent utilisation of machinery. However, the cost of big sized cables could be reduced by using regenerated rubber instead of plastic material.

27. *With the increased utilisation of plant and machinery recommended in paragraph 20, the cost of production*

should come down. The Company should also exercise utmost economy so as to improve its competitive strength.

F. Cost Accounting

28. The Committee were informed that cost accounting had not been introduced by the company so far. A Senior Accounts Officer of the Fertilisers and Chemicals Travancore Ltd., had studied the matter and cost accounting was expected to be introduced. *The Committee urge that this should be done early.*

G. Inventory Control

29. The Company held in stock raw materials of the value of Rs. 17.80 lakhs on the 31st March, 1965 (Rs. 29.38 lakhs on 30-9-1965) as against a total consumption of Rs. 11,691 during the trial run and Rs. 15,21,123 upto the 30th September, 1965.

30. As to the reasons for overstocking, it was stated that the company was fortunate enough to get a licence for the import of raw materials during 1964-65. As copper and aluminium—the major items of raw materials—were in short supply, the company considered it desirable to import the entire quantity allocated for use later on.

31. Justifying the position, the Managing Director stated during evidence that just, at present, the factory was not working to its full capacity. But in order to keep the factory going, they kept raw materials in stock to be able to take up the manufacture of goods on receipt of orders. Moreover, the price of raw materials was going up and the material in stock was not such as would deteriorate.

32. *It might be true that in his particular case the company did not suffer any loss due to excessive stocking of materials because their price had subsequently gone up. But in view of the serious foreign exchange situation, through which the country is passing, it was not proper to have imported large quantities of materials long before they could be used*. To that extent some other undertakings needing the materials urgently might have been deprived of imports. In this connection it may be pointed out that certain private cable and wire manufacturers** are able to manage with as low an inventory as 25.2 to 29.5 per cent of sales.*

*At the time of factual verification, it was stated that it was considered prudent to utilise only the minimum quantity, so that the balance raw materials would be available for utilisation at a later date.

**Page 7 of Economic Times, Bombay dated 21-3-1966.

33. *The Government companies should plan their procurement of raw materials on the basis of production programme and avoid overstocking as far as possible. This would enable them to make better use of their scarce capital resources, conserve valuable foreign exchange, reduce production costs and thereby improve the results of their working. The State Government should inculcate materials consciousness among the managements of Government Companies and introduce modern methods of inventory control.*

III

FINANCE AND ACCOUNTS

A. Capital

34. As stated earlier, the issued capital of the company was initially fixed at Rs. 40 lakhs and the whole of it was subscribed in 1961-62. This was based on the following estimate of capital expenditure prepared by the original collaborators for the manufacture of 36 million core yards of VIR cables:—

(i) Land and its development	Rs. 2.50 lakhs.
(ii) Buildings	Rs. 7.00 lakhs.
(iii) Machinery & Equipment	Rs. 21.00 lakhs.
(iv) Cost of installation of Plant, technical fees, training technical staff etc.	Rs. 2.50 lakhs.
(v) Brokerage & Commission	Rs. 0.25 lakhs.
(vi) Preliminary Expenses.	Rs. 1.35 lakhs.
(vii) Working capital	Rs. 5.40 lakhs.
	Rs. 40.00 lakhs.

35. The construction of factory buildings was taken up and orders for plant and machinery were placed in the year 1963-64. Till then the surplus money was kept in fixed/call deposit accounts with the Banks and income-tax was paid on the interest earned thereon as follows:—

	Amount in fixed/ call deposit.	Interest earned.	Tax paid.
			(Rs. in lakhs)
1962-63	Rs. 37.65	1.44	0.89
1963-64	Rs. 22.50	1.32	0.67

36. The Committee enquired whether the practice of fixing the subscribed capital at a figure higher than the immediate needs of the company, depositing surplus funds in the Banks and paying income-tax on the interest earned was satisfactory. The Managing Director stated that the Company would have gone into production two years earlier

if funds could be raised in time from public subscriptions and Government had not changed the manufacture of cables from copper to aluminium. He also contended that it was not correct to charge tax on the interest earned and the matter was under appeal.

37. *The Committee feel that the entire capital required by the company should not have been subscribed initially. Further, after Government decision to change over the manufacture of cables from copper to aluminium, which necessitated the appointment of new collaborators, and the decision to take up the manufacture of high tension cables, a fresh estimate of the capital expenditure should have been made and the capital raised in stages in relation to the estimated requirements of the company in the ensuing year. That does not appear to have been done, with the result that the company was forced to bear the tax liability on interest earned on its surplus funds. At the same time certain other companies (e.g. Premo Pipe Factory) might have been experiencing difficulties for want of funds. The State Government might keep this in view and also issue instructions to all the State Government Companies on the subject to avoid recurrence of similar situations.*

B. Working Capital

38. The company has borrowed working capital to the tune of Rs. 60 lakhs resulting in the payment of interest amounting to Rs. 4.50 lakhs during the year 1965-66. In this connection it was stated that most of the orders secured were for supplies against Government contracts and there was in-avoidable delay in getting payments and final settlement of accounts. This resulted in the locking up of company's finances and consequent loss.

39. During evidence, the Managing Director stated that most of the Departments were willing to make payment for the goods supplied only on production of Railway Receipts direct to them but not through Banks. It would help if Government Departments accepted documents through the Banks so that payments were realised immediately. *The Committee recommend that the State Government should look into the matter with a view to avoiding the working capital of the company being locked up unnecessarily, and saving it from paying interest on borrowed funds.*

C. Manufacturing Account

40. The annual report of the company for the year 1964-65 did not contain the manufacturing account. The 156 (a) LS—2.

Committee were informed that a regular manufacturing account was being maintained. They recommend that it should be published in the annual reports of the company from the next year, as is being done by the industrial undertakings of the Central Government.

D. Profitability

41. As regards estimated returns, the Prospectus of the company issued in 1961 stated as follows:—

“on the basis of a two-shift working and assuming the output to be spread over the normal range of sizes and types of VIR cables and flexibles, for which the machinery is intended, it is estimated that the turnover will be of the order of Rs. 1 crore during the first 12 months. The directors estimate that this turnover will enable the Company to pay reasonable dividends to the shareholders. The working of similar cable factories in India will lend support to this estimate.”

42. The Committee were, however, informed that for anticipated turnover of Rs. 60 lakhs during the year 1965-66 the company estimated a profit of Rs. 4 lakhs. They were further informed that in view of the glut in the cable market and keen competition from the established manufacturers, the profit margin might go down.

43. During evidence, the Managing Director stated that originally, in the report prepared in consultation with the collaborators, profits at 40 per cent on the invested capital were anticipated but that was not correct. At present, the company anticipated 9 to 10 per cent profits. He added that if the production and sales increased the margin of profit would go up.

44. From a comparative study* of the working of cable & wire manufacturers published recently, the Committee note that the gross-profits of a private cable company (Estb. 1957) as percentage of total capital employed amounted to as much as 26.5 in 1964-65. Its profit after tax as percentage of net worth during the same year was 29.5. The Committee urge that every effort should be made to improve the production, sales and consequently the working results of the company so as to bring it to the level of well-managed cable manufacturers in the private sector.

*Page 7 of Economic Times, Bombay dated 21-3-1966.

IV

ORGANISATION

45. The company is managed by the Managing Director under the direction and control of the Board of Directors. The Managing Director is assisted by a Chartered Accountant as Accounts Officer, an Administrative Officer and a Sales Engineer. The factory is under the direct control of the Works Manager, who is assisted by an Electrical Engineer, a Mechanical Engineer and an Assistant Accounts Officer, incharge of Accounts, Stores, etc.

A. Board of Directors

46. The Board of Directors of the Company, which is headed by the State Director of Industries and Commerce, consists of a representative of the Finance Department, Chief Engineer, State Electricity Board, the Managing Director and 5 non-officials. The non-officials include a retired Chief Engineer, who represents the original promoters, Traco Enterprises, and Planters and/or Bankers.

47. Referring to the appointment of three planters on the Board, the Industries Secretary informed the Committee that they were among the original promoters of the company and were allowed to continue after their term expired because their presence was necessary. The non-official Directors were also stated to have industrial experience.

48. The Committee, however, find that two of these non-officials are directors of as many as eight to ten companies. *Such Directors obviously cannot devote sufficient time to the affairs of the Government Company. The Committee, therefore, recommend that while making appointment of non-officials on the Board of Directors of a Government Company, the State Government should ensure that the persons concerned do not have many commitments so that they can do justice to the responsibilities entrusted to them.*

B. Representation to Hindustan Cables

49. The Committee enquired whether it would not be desirable to appoint an officer from the same or allied industry e.g., Hindustan Cables, on the Board of Directors of

Traco Cable Co., Ltd. The Managing Director said that it might be useful and that co-ordination was maintained with Hindustan Cables. *Inter-locking of Directors between the Government Companies in the same or allied fields would be useful and the desirability of appointing an officer of Hindustan Cables on the Board of Traco Cable Co., Ltd. might be examined.*

NEW DELHI;
April 19, 1966.

Chaitra 29, 1888 (S)

D. N. TIWARY,
Chairman,

Committee on Public Undertakings.

APPENDIX

Summary of Conclusions/Recommendations contained in the Report

S. No.	Reference to Para No. in the Report	Summary of Conclusions/Recommendations
1	2	3
1	10	<p>A period of about 5 years (1958 to 1963) was lost in completing preliminaries and selecting the collaborators. The acquisition of land started in 1963 while the factory went into production in April 1965. Thus, it took the company seven years to start production after the industrial licence was granted in 1958. Actually, it should not have taken more than 2 years to erect and commission the factory, if the necessary funds were available. After the initial difficulty of raising the funds was overcome, the Government decision to change the manufacture of cables from copper to aluminium added to the problems of the company inasmuch as fresh collaborators had to be appointed and the time and effort spent in selecting the original collaborators was rendered infructuous. Had the factory gone into production even by 1962, as stated in the prospectus, the Government decision to change over from copper to aluminium would not have been a serious problem for the company. Such delays also add to the capital costs of the factories and should be avoided.</p>
2	15	<p>It is seen that immediately after the new collaborators were appointed in 1963, a change in the production pattern was considered desirable to include the manufacture of heavy duty power cables. Since then, in order to utilise the idle capacity, the manufacture of high tension cables, bare conductors etc. has been taken up. It is also</p>

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proposed to take up the manufacture of telephone cables. The plea that these changes were necessitated solely by lack of demand for cables (VIR cables), originally proposed to be manufactured, is not quite convincing. In fact, according to the prospectus issued in 1961, the company expected a ready market for its products in respect of Government requirements. The possible explanation for lack of demand appears to be that new Units must have been set up for the manufacture of these cables during the past 5-7 years or the original survey was defective.

3 16

The Committee suggest that the final production pattern of the company should be determined after a detailed study of the demand instead of basing it on mere assumptions.

4 17

As regards the proposal to manufacture telephone cables of a new design, using foamed polythelene, the Committee note that the Posts and Telegraphs Department has asked the company to furnish detailed specifications. If the specifications meet with the approval of the Posts & Telegraphs Department, the company should be given the necessary encouragement.

5 20

It is regrettable that the plant and equipment imported at considerable expenditure of foreign exchange are not being fully utilised with the result that the productivity is low and the factory is suffering a heavy loss. It is hardly necessary to stress on the importance of the best possible and maximum utilisation of machines. Government should therefore, grant them necessary permission to manufacture bare conductors so as to increase productivity. The Committee recommend that other ways and means, including installation of balancing equipment, should also be found to increase the utilisation of machines so as to improve the economic position of the company.

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With the appointment of Sole Selling Agents, the Company should get sufficient orders. The Committee, however, recommend that the Kerala State Government should consider the suggestions of the company continued in para 23 with a view to solving its marketing difficulties. The State Government should also issue a directive to the Electricity Board/State Government Departments and all the statutory bodies of the State Government to procure their requirements of cables from the Traco Cable Co., so long as the quality of its products is satisfactory. If, as a result of this, the company gets sufficient orders, its cost of production would automatically come down thereby making it possible for the company to offer competitive rates.

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With the increased utilisation of plant and machinery recommended in para 20, the cost of production of Traco Cable Co. Ltd., should come down. The Company should also exercise utmost economy so as to improve its competitive strength.

8 28

The Committee were informed that cost accounting had not been introduced by the company so far. A Senior Accounts Officer of the Fertilisers and Chemicals Travancore Ltd., had studied the matter and cost accounting was expected to be introduced. The Committee urge that this should be done early.

9 32-33

(i) It might be true that the company did not suffer any loss due to excessive stocking of materials because their price had subsequently gone up. But, in view of the serious foreign exchange situation, through which the country is passing, it was not proper to have imported large quantities of materials, long before

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they could be used. To that extent some other undertakings needing the materials urgently might have been deprived of imports. In this connection it may be pointed out that certain private cable and wire manufacturers are able to manage with as low an inventory as 25.2 to 29.5% of sales.

(ii) The Government companies should plan their procurement of raw materials on the basis of production programme and avoid overstocking as far as possible. This would enable them to make better use of their scarce capital resources, conserve valuable foreign exchange, reduce production costs and thereby improve the results of their working. The State Government should inculcate materials consciousness among the managements of Government Companies and introduce modern methods of inventory control.

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34-37

The issued capital of the company was initially fixed at Rs. 40 lakhs and the whole of it was subscribed in 1961-62. The Committee feel that the entire capital required by the company should not have been subscribed initially. Further, after Government decision to change over the manufacture of cables from copper to aluminium, which necessitated the appointment of new collaborators, and the decision to take up the manufacture of high tension cables, a fresh estimate of the capital expenditure should have been made and the capital raised in stages in relation to the estimated requirements of the company in the ensuing year. That does not appear to have been done, with the result that the company was forced to bear the tax liability on interest earned on its surplus funds. At the same time certain other companies (e.g. Premo Pipe Factory) might have been experiencing difficulties for want of funds. The State Government might keep this in view and also issue instructions to all the State Government Companies on the subject to avoid recurrence of similar situations.

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| 11 | 39 | <p>The Managing Director stated that most of the Departments were willing to make payment for the goods supplied only on production of Railway Receipts direct to them but not through Banks. It would help if Government Departments accepted documents through the Banks so that payments were realised immediately. The Committee recommend that the State Government should look into the matter with a view to avoiding the working capital of the company being locked up unnecessarily, and saving it from paying interest on borrowed funds.</p> |
| 12 | 40 | <p>The annual report of the company for the year 1964-65 did not contain the manufacturing account. The Committee were informed that a regular manufacturing account was being maintained. They recommend that it should be published in the annual reports of the company from the next year, as is being done by the industrial undertakings of the Central Government.</p> |
| 13 | 44 | <p>The Committee urge that every effort should be made to improve the production, sales and consequently the working results of the company so as to bring it to the level of well-managed cable manufacturers in the private sector.</p> |
| 14 | 48 | <p>The Committee find that two of the non-officials on the Board of Traco Cable Co. are directors of as many as eight to ten companies. Such Directors obviously cannot devote sufficient time to the affairs of the Government Company. The Committee, therefore, recommend that while making appointment of non-officials on the Board of Directors of a Govt. Company, the State Government should ensure that the persons concerned do not have many commitments so that they can do justice to the responsibilities entrusted to them.</p> |
| 15 | 49 | <p>Inter-locking of Directors between the Government Companies in the same or allied fields would be useful and the desirability of appointing an officer of Hindustan Cables on the Board of Traco Cable Co., Ltd. might be examined.</p> |