

STUDY TOUR REPORT NO. 32

COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

(THIRTEENTH LOK SABHA)

STUDY TOUR REPORT

ON

HINDUSTAN NEWSPRINT LIMITED

Laid in the Lok Sabha on.....

Laid in the Rajya Sabha on.....

LOK SABHA SECRETARIAT

NEW DELHI

April, 2002 / Chaitra 1924 (S)

CONTENTS

Composition of the Committee (2001-2002)

Introduction

Study Tour Notes on Hindustan Newsprint Limited.

Recommendations/Observations of the Committee

ANNEXURES

- Annexure-I Tour Programme of the Committee on Public Undertakings to Kochi and Thiruvananthapuram from 27th October, 2001 to 30th October2001..
- Annexure-II Composition of the Committee on Public Undertakings which visited Kochi and Thiruvananthapuram from 27th October, 2001 to 30th October2001.
- Annexure-III List of officials of the Hindustan Newsprint Limited who were present during discussion with the Committee on Public Undertakings at Thiruvananthapuram on 30-10-2001.

COMPOSITION OF COMMITTEE ON PUBLIC UNDERTAKINGS

(2001-2002)

CHAIRMAN

Prof. Vijay Kumar Malhotra

MEMBERS

LOK SABHA

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

RAJYA SABHA

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

SECRETARIAT

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

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

INTRODUCTION

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

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

3. The Committee considered and approved the Report at their sitting held on 11th April, 2002.

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

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

New Delhi
11 April, 2002
21 Chaitra, 1924(S)

PROF. VIJAY KUMAR MALHOTRA
CHAIRMAN
COMMITTEE ON PUBLIC UNDERTAKINGS

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

DISCUSSION WITH THE OFFICIALS OF HINDUSTAN NEWSPRINT LIMITED ON 30TH OCTOBER, 2001 AT THIRUVANANTHAPURAM

At the outset, the Convenor, Committee on Public Undertakings made opening remarks and requested the Chairman, Hindustan Newsprint Limited (HNL) to introduce himself and his colleagues to the Committee. The Convenor, Committee on Public Undertakings also requested him to give a brief account of the working of the Company.

2. After the introduction of the officers of Hindustan Newsprint Limited (HNL), the Chairman, HNL informed the Committee that HNL was incorporated on June 7, 1983, as a Government Company in the form of a wholly owned subsidiary of Hindustan Paper Corporation Limited (HPC) with the main objective of taking over and acquiring of the business of Kerala Newsprint Mill, the erstwhile unit of HPL, which had commenced production with effect from November 1, 1982. In accordance with the directive of the Government of India, HNL took over the business with effect from October 1, 1983. The company has been accorded Mini-Ratna Category-I status in 1997.

3. When enquired to what extent the Company has been able to achieve its objectives, it has been informed to the Committee that the Company continues :

- to ensure optimum utilisation of existing assets for maximising internal resources generation for funding modernisation, technological upgradation and growth.
 - to develop Professional Management Culture consistent with the requirements of the Industry that would attract, develop and retain skills and talents at all levels and would be conducive for maintaining harmonious Industrial relations.
 - to preserve and improve upon the ecological balance at the locations of the Company's operations.
 - to explore and implement technological upgradation of the existing equipment for getting the maximum benefits in terms of volume of production, improved quality and productivity and thereby achieve overall cost effectiveness.
 - to enlarge market channels and to ensure customer satisfaction.
 - to augment utilisation of unconventional raw materials to eventual reduce dependence on forest resources.
 - to provide adequate thrust on product diversification for manufacturing value-added papers like computer stationery, copier, SS maplitho, etc so as to ensure higher profitability and secure adequate share both in domestic and international markets particularly through development of niche market.
4. The Committee have been informed that in view of the fast changing technological situation, the Company has been making continuous efforts to

upgrade its technology, to modernise its machines and equipments, to fully utilize their inbuilt capacity, to reduce cost, to eliminate waste, to conserve scarce resources like energy, raw materials, etc. and to implement effective measures for environmental protection. At the same time, the Company has also implemented several welfare schemes not only for its employees and their families but also to the general public at large in the neighboring areas. The Company has also substantially contributed all these years to the revenues of both State and Central Governments.

5. The production performance of the Company during the years from 1998-99 to 2000-01 is shown in the Table below :-

Particulars	Unit	Years		
		1998-99	1999-00	2000-01
Target (Finished Newsprint)	MT	1,00,000	1,00,000	1,00,000
Actual (Finished Newsprint)	MT	1,05,570	91,004	1,04,004

6. When asked about the factors attributable to the shortfall in actual production against the target in the year 1999-2000, the Committee have been informed that due to adverse market conditions, production had to be suspended for about 52 days for want of space for storage of newsprint which had resulted in a production loss for about 14,000 MT.

The Committee have also been informed that production target for the year 2001-2002 is 1,05,000 MT (Finished Newsprint) and up to first 6 months i.e. upto September 2001, the actual production is 48,521 MT against the target of 52,800 MT. The shortfall in production is mainly due to restriction of the

production from August 1 on account of build up of finished newsprint stock due to sluggish market conditions. Accordingly, operations of pulping plants such as Chemi-Mechanical Pulp Plant and Chemical Pulp Plant were also affected due to the above reasons.

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

(Rs.in lakh)

S.No.	Year	Sales Turn over	Profit (After tax)
1.	1996-97	14,194	432
2.	1997-98	18,972	236
3.	1998-99	22,109	2108
4.	1999-2000	21,249	317
5.	2000-2001	25,336	1620

8. When asked to state the reasons for the quantum jump in profit during 1998-99 as compared to 1997-98, the Committee have been informed that it is due to increase in average sale price, additional contribution due to increase in production, etc.

When enquired about the reasons for decline in profit during 1999-2000 in comparison to 1998-99 the Committee have been apprised that it is due to decrease in contribution due to decrease in average sales realization, increase in variable cost and decrease in contribution due to lower production, etc.

9. It has also been informed to the Committee that the cost of production of newsprint has shown substantial increase from the current financial year mainly on account of the increase in the input prices of forestry raw materials, chemicals like Caustic Soda, Hydrogen Peroxide etc and also due to 25% increase in the power tariff imposed by Kerala State Electricity Board. The cost of production of newsprint during the current year has increased by more than Rs.2000 per MT as compared to the previous year. As a result the Company is presently incurring operational losses.

10. When asked to specify the steps taken to keep up the profitability of the Company, the Committee have been intimated that the Company has proposed to reduce the cost of production by reducing the quantum of imported pulp to be used, minimizing the consumption of chemicals like caustic soda and hydrogen peroxide, use of imported coal having high calorific value mixing with indigenous coal, energy conservation measures, etc.

11. About marketing scenario, the Committee have been informed that the Newsprint industry in India as well as abroad is undergoing very difficult times. All the customers as well as manufacturers are holding huge inventory right from the beginning of the financial year. In the U.S. and Canada demand for all grades of paper including newsprint has weakened due to economic recession resulting in low sales volume. As the demand has weakened, the pressure on reduction of price is on the increase. Hence the international newsprint suppliers are dumping their excess quantity in the Asian region on marginal costing basis. The Indian newsprint establishments who have been getting newsprint of Canadian origin at

a price around USD 700 during the Quarter Jan-March 2001 are now getting at a price of USD 550-600. The other varieties of imported newsprint of Russian origin which can be equated in quality with HNL newsprint and are available at a landed price of USD 450-500 per MT. Responding to the drastic reduction in the price of imported newsprint HNL as well as other newsprint manufacturers have also reduced their basic price of newsprint by Rs.1500 per MT with effect from 1.7.2001. The customers are also enjoying quantity discount, freight subsidy and cash discount. Despite reduction in the newsprint price and offering discounts the off-take of newsprint is not improving. The effective average sales realization is lower than the cost of production.

The Committee have also been informed that dumping of newsprint in Indian market at cheap price by countries like Indonesia, Russia, etc are the reasons for sluggish market.

12. When enquired about the impact of present market situation on the cost of production, the Committee have been informed that the Newsprint manufacturers are trimming down their production for want of orders. This would result in increase fixed cost per MT of newsprint. It is expected that the present market scenario may continue to prevail till June, 2002 after which it is expected to improve.

13. When the Committee further desired to know about the adverse impact on newsprint market due to Electronic media, it has been stated that the major revenue of newspaper establishments is from advertisement. Major Fast

Moving Consumer Goods Companies (FMCGC) have substantially reduced their advertisement through print media and instead switched over to Electronic media. This has eventually resulted in reduction in consumption of newsprint by the newspaper establishments.

14. The position of Sundry Debts of the Company for the years from 1998 to 2000 is as follows :

Year	Total Sundry Debts (Rs. in lakh)	Percentage of Sundry Debts to sales (Rs. in lakh)
1997-98	1020.67	5.38
1998-99	655.94	2.97
1999-2000	1151.38	5.42

To a query about increase in Sundry Debts during 1999-2000 in comparison to 1998-99, the Committee have been informed that during last quarter of the financial year 1999-2000, newsprint market picked up and the Company could sell maximum quantity in the month of March, 2000. While sale of 100682 MT was for the year 1999-2000, the sale for the month of March 2001 was 15732 MT and sale for the second half of the same month was 10399 MT. The sales policy of the company allows a credit period of 45 days. Hence the sundry debts has gone up to Rs.1151.33 lakhs. Intensive follow-up is made with the customers to realise the dues in time.

15. The inventory levels for the years from 1997-98 to 1999-2000 are given below :-

(Rs. in lakh)					
S.No.	Particulars	1997-98`	1998-99`	1999-2000	2000-01
1.	Raw materials	928.98	2377.60	1426.29	2811.42
2.	Stores and spares	3028.91	2196.56	2380.47	2160.11
3.	Stock-in-process	76.24	74.58	60.04	80.12

4.	Finished products	227.94	2008.34	350.36	396.34
5.	Other materials	620.98	511.98	959.57	1075.21
	TOTAL	4883.05	7169.06	5176.73	6523.20

The Committee have been informed that the inventory levels in respect of raw materials, process materials, chemicals, etc. were within the prescribed norms. However, in respect of spare parts, the inventory holding is beyond the norms as most of the machineries are imported and sophisticated nature. In view of the long lead-time, required quantities of imported spares are kept in stock to take care of emergency. In order to bring down the level of spare part inventory, import substitution efforts are made by developing indigenous source of supply.

16. As per information furnished to the Committee, the annual expenditure on pollution control measures of the Company from 1998-99 to 2001-02 (upto 30-9-2001) is given below:-

(Rs in lakh)

Year	Expenditure
1998-99	356.28
1999-00	354.26
2000-01	380.49
2001-02 (upto 30-9-2001)	177.94

When enquired about the steps taken to ensure pollution free environment in and around the project sites, the Committee have been informed that the Company maintains a full-fledged Effluent Treatment System. The Company has a separate Environment Cell headed by GM(Works). The Environmental

Management System (EMS) of the Mill and the Township was accredited to ISO 14001 standards and certified in October 2000 by M/s. BVQI. In 1998 and 1999, the Company received awards from Kerala State Pollution Control Board (KSPCB) for substantial and sustained efforts in pollution control measures. HNL was rated 4th in the country in Green Rating of Indian Pulp and Paper Industry by the Centre for Science and Environment, New Delhi.

Following are the status of the pollution control measures:

- (a) Liquid Effluent The treated effluent conform to the standard specified and monthly report is sent to KSPCB.
- (b) Gaseous emission The Power Boilers, Recovery Boilers and the Lime Kiln of the mill are fitted with most efficient Electrostatic Precipitators and the air emitted through Chimney stacks are within the stipulated norms and monthly report on this is sent to KSPCB.
- (c) Solid waste management The solid waste is recycled and 80% of it is used for productive purposes. The entire fly ash (about 50,000 MT per annum) from the Power Boilers are used for manufacturing cement. The lime sludge is recycled in Lime kiln and 80% of it is converted into lime and used in the process itself. The organic sludge and chip dust are used as fuel in the power boiler.

It has also been informed to the Committee that the Kerala State Pollution Control Board randomly visit and check the pollution control measures implemented by HNL based on the monthly reports sent to them regularly. The fly ash generated in HNL is an air-pollutant. To eliminate this, HNL made a tie-up

with a local Cement Company who lifts this flyash continuously from the generation point and manufactures about 2 lakh TPA of cement. The present assured availability of forest raw material would not be there. The price of forest raw material would also go up which would result in increase in cost of production.

17. With regard to the Environment Management Policy of the Company, the Committee have been informed that Hindustan Newsprint Ltd., an environment friendly organisation, is committed to :

- (a) Reduce progressively the use of natural resources like raw materials, water, fuel and energy and reuse and recycle such resources, wherever possible.
- (b) Promote proactive and compensatory deforestation efforts to restore the natural environment for evolving clean and green environs by seeking to achieve the highest standards of hygiene and health.
- (c) Comply with relevant environmental legislation and regulation.
- (d) Spread Eco-awareness amongst members, affiliates including customers and suppliers and the community at large.
- (e) Attain and sustain product leadership while emphasis on minimising usage of non bio-degradable substances.
- (f) Upgrade all plants with state-of-art technology and operating practices to minimise and eliminate sources of pollution by

continually benchmarking and bettering process parameters and performance.

- (g) Help members to internalise and operationalise environmental policy, objectives and targets in a time-bound and cost-effective manner.
- (h) Avoid adopting exploitative approach towards Nature, Habitat and environment for creating conditions conducive to Sustainable Development.
- (i) Practice the creed of conservation in word and deed for preparing the seed-bed of a better world geared to meeting needs rather than human greed.
- (j) Be a responsible and responsive corporate citizen through endeavors to create a safe, harmonious and ecologically balanced environment for its members.

18. When enquired whether the Company has fulfilled its duty in ensuring afforestation, the Committee have been apprised that HNL is using better clonal plants in GoK-owned forest areas for achieving higher yields and thereby giving more emphasis on afforestation. The Company is evolving newer and newer clonal transplants in association with Forest Research Institute, Dehradun and Kerala Forest Research Institute, Trichur, to get higher yield from the same area. The State Forest Department. Plantations allotted to HNL for extraction are afforested by replanting or by maintaining the copice crop by the Deptt. Same way, when HNL captive plantation is felled, it is afforested again through seedling

crop or copice crop. Further, HNL has distributed about 55 lakh seedlings of different tree species sufficient to cover about 2500 ha. area under tree growth.

To a query about allotment of additional land for forestry operation ,it has been informed to the Committee that the land required is 10,000 ha. and the land allotted so far is 5600 ha. For the balance 4400 ha, the Company is constantly following up with the Government of Kerala.

19. The number of mandays lost due to strike, lock-out and absenteeism during the last five years is given below:-

Year	<u>Mandays lost due to</u>			
	Strike	Lock-out	Absenteeism	Total
1996-97	720	-	10279.5	10999.5
1997-98	526	-	7059.5	7585.5
1998-99	509		4274.5	4783.5
1999-00	411		3744.0	4155.0
2000-01	583		3981.0	4564.0
TOTAL	2749	-	29338.5	32087.5

There was no loss due to the above reasons because the Mill was kept running with the available manpower.

20. When asked what efforts have been made by the Company to maintain harmonious relations with the employees, the Committee have been informed that the industrial relations scenario in the Company has been cordial and healthy. There are Participative Forums like Plant Councils, Shop Councils apart

from Works Committee, Canteen Committee, Grievance Committee and Safety Committee where the representatives of both Management and Labour are involved in the decision making process. Due importance is given to the constructive suggestions put forth and decisions taken by these Participative Forums and certain decisions of these Forums have been implemented.

21. As per the information furnished to the Committee, the Board of Directors of HNL consists of Chairman, Managing Director, Director(Marketing) and three Government Directors of which one is from the Government of India and two are from the Government of Kerala. Apart from the above, there are two Non-Official Part-Time Directors on the Board of the Company.

It has been stated that all Directors of HNL can be appointed by the Holding Company, HPC except the full-time Managing Director and the Non-Official Part-Time Directors. In the case of MD i.e. full-time Functional Directors and the Non-official Part-time Directors, the subject is reserved for the competence of the Government of India.

It has been further stated that the Company requires functional autonomy and therefore, it needs to be completely Board-managed and for this purpose, creation of position of two full-time Functional Directors viz. Director (Finance) and Director(Operations) is essential.

22. The Committee have been informed that the manpower strength of the Company as on 1st October, 2001 was 1437. Out of this, 265 were Executives, 87 were Supervisors and 1085 were workmen. Besides, there were 254 casual

labour, 954 contract labour, 135 CISF and 67 Kendriya Vidyalaya employees in the Company.

23. About rationalisation of manpower, the Committee have been apprised that with the inclusion of state-of-art technology and information systems and procedures, the manpower strength needs to be rationalised keeping in view the personnel productivity enhancement. The present organisational structure needs to be reviewed and redesigned in an effective way so as to be more change responsive and competitive in the current business scenario.

24. To a query about the impact of Supreme Court judgement on the rights of contract labour for absorption into the Company, the Committee have been informed that as per the earlier judgement of the Hon. Supreme Court of India in the case of Air India and others, the employer was bound to absorb the contract labour once contract is abolished. This judgement was overruled by the Constitution Bench of the Supreme Court in the case of Steel Authority of India & others and accordingly the employer is not bound to absorb the contract labour on the abolition of contract. The judgement has, therefore, a favourable impact on the Company in respect of cases filed on the basis of the earlier ruling of Supreme Court in the case of Air India & others.

25. It has been informed to the Committee that the HNL was selected as a Miniratna Category –I PSU as part of the Government policy in October, 1997. When asked about the nature of the additional powers/autonomy provided to the Company consequent to Miniratna Status by the Government, the Committee

have been informed that the following decision making authority has provided to the Company :

- a) to incur capital expenditure on new project, modernisation, purchase of equipment without Government approval up to Rs. 300 crore or equal to net worth whichever ever is lower.
- b) to establish joint-ventures and subsidiary in India with the stipulation that the equity investment of PSEs should be limited to Rs. 100 cr in any one project, should not exceed 5% of the net worth in any one project or 15% of the net worth of the PSEs in all joint ventures/subsidiaries put together. Establishment of subsidiaries and opening of office abroad may be finalised with the concurrence of the Administrative Ministry.
- c) to enter into technology joint ventures, strategic alliances and to obtain technology and know-how by purchase or other arrangements subject to Government guidelines as may be issued from time to time.
- d) to structure and implement schemes relating to personnel and human resources management, training, voluntary or compulsory retirement schemes.

It has further been informed to the Committee that the Miniratna status will become operational on the induction of one more Non-Official Part-Time Director on HNL Board by HPC and the Company will be exercising the powers and authority as and when required.

26. It has been stated in the Brief submitted to the Committee that 100 TPD De-inking Project of the Company had been recommended by the Expenditure Finance Committee (EFC) on December 31, 1999 and the Cabinet Committee of Economic Affairs (CCEA) had also approved it on June 12, 2000. The cost of the project is Rs.52.20 crore and the project is to be completed in 30 months period.

The Committee have been informed that De-inking Project was envisaged due to the following causes :-

- (a) Total dependence on forest based raw materials for the production of newsprint. The forest based raw-materials availability is fast depleting in general.
- (b) Power cost spiraling – which requires the trimming of the power consumption during the production in order to maintain the competitiveness.
- (c) At present the company is producing only Newsprint which have the seasonal effects. In order to go in for multi-products (and also to add value to the product) the Company requires new type of raw materials.
- (d) Increasing awareness about the environmental concerns – due to this the production has to be limited with the use of minimal natural forestry raw material.

27. Detailing the advantages / benefits of 100 TDP De-inking Project, the Committee have been informed as under :-

- (a) Improved Raw Material availability

HNL mill established on assured raw material supply of 1,89,000 MT (94,500 BDMT) of Reed (long fibre) and 1,50,000 MT (75,000 BDMT) of Eucalyptus (short fibre) through a 30 years agreement with Government of Kerala (GoK) with effect from October 1974.

HNL is experiencing severe scarcity of forest based raw material such as eucalyptus, reed, bamboo, etc. The 30 years agreement with Government of Kerala for allotment of forest based raw material expires in October 2004. A detailed review through field studies undertaken by HNL in end 1998 limits the likely availability to 30,000 BDMT of long fibre material and 50,000 BDMT of short fibre material per annum accounting for only 50% of HNL's raw material requirements (even after 5,600 ha. is brought under captive plantation).

Under the circumstances the installation of De-Inking Plant at HNL would solve the raw material problem of HNL to a large extent as the raw material for De-Inking Plant being waste paper, will have a perennial source of supply. This approach is in tune with the national forest policy 1988 and spares about 1500 ha of forest land per annum.

(b) Reduced Energy requirement

The conventional pulping process followed in HNL is highly power intensive and the spiraling cost of power is threatening to

erode the profitability of the Company. The installation of De-Inking Plant will help in reducing the specific power consumption as the De-Inking Process requires only about 25% - 30% of the power consumed by the conventional chemi-mechanical pulping process.

(c) Reduced pollution

De-inking is an environment friendly process, as a 100 tpd capacity spares about 44000 BDMT of forest based virgin raw material per annum. Pollution load of the effluent generated from the mill will come down substantially with the commissioning of the De-Inking Plant.

(d) Flexibility in Product

HNL will have the flexibility to produce cultural varieties of paper after installation of De-Inking Plant depending on the market conditions, as De-Inking Plant possesses the capability to produce superior quality pulp compared to chemi-mechanical pulp produced at HNL from hard wood. De-Inking Plant will further facilitate production of lower gsm (45 gsm) newsprint in tune with global trends. HNL has already switched over from 52 gsm to 49 gsm newsprint. The occasional constraints of low opacity of 45 gsm newsprint can be tackled well by using the de-inked pulp. The lower gsm newsprint implies to higher value addition.

28. The Committee have been apprised that the Company has implemented various energy conservation measures at its various installations to ensure

minimum energy consumption during the last few years. As a result, the energy consumption has been brought down from 9.6 Mk Cal / MT of Newsprint in 1997-98 to 8.35 MK Cal / MT in 2000-01.

29. When the Committee desired to know about actual power requirement for the Company, it has been stated that the peak power requirement is 29.5 MW. Base load level would come to 28MW. HNL is able to generate from internal sources a maximum of 12.5 MW from the existing 15 MW TG. Further, after commissioning of the De-inking Plant which consumes lesser power, the power requirement at the base load level could be slashed down by 7 MW.

30. To a query about cost saving on power, the Committee have been apprised the Company has implemented energy saving schemes suggested by Tata Energy Research Institute, modernising and upgrading plant and machinery with energy efficient equipment/accessories. Some more schemes have been identified and are under implementation. The Company has also initiated process modification to preserve and save energy by staggering the operations of energy-intensive chemi-mechanical pulp mill and chipper house during peak hours. In addition, the Company has started mixing imported coal with domestic coal in a definite proportion to reduce unit cost of generated power as the calorific value of imported coal is 6000 k.cal as against 3300 k.cal to 3500 k.cal value of domestic coal.

31. As per the brief furnished to the Committee, HNL has the following two futuristic projects:-

(a) Rs.600 crore Expansion Project

(b) 30 MW Captive Power Generation Project

When enquired about the present status of these projects, the Committee have been informed as follows :-

- (a) Rs.600 cr. Expansion Project: Consultant for preparation of the DPR for this project is to be selected.
- (b) 30 MW Captive Power Plant: Originally, this project was to be executed on BOOT basis in the Company's plant premises using LNG from Petronet LNG, Puthuvypeen, Kochi. Since the availability of fuel from Petronet LNG is uncertain, it was considered prudent to examine the option of setting set up hydel power stations. The Company has requested the Govt. Kerala to allot suitable locations for this purpose. This project is still in its infancy.

The funds required for these projects will be met out of internal resources and also borrowings from FIs. The quantum of borrowings will be based on the details of DPR projections.

32. Expressing views on Government's policy of disinvestment in public undertakings, it has been stated that disinvestment as per policy may be considered in Public Sector Undertaking which are not in core / strategic sector. Transfer of control of management to the strategic partner may enhance the operational efficiency of the organisation.

RECOMMENDATIONS/OBSERVATIONS OF THE COMMITTEE

RECOMMENDATION NO. 1

NEED TO GIVE RELIEF TO NEWSPRINT INDUSTRY

The Committee note that the Newsprint Industry in India as well as abroad is facing very difficult times now. Due to economic recession, the demand for all grades of paper, including newsprint, has weakened in USA and Canada, resulting in reduction of price of newsprint and dumping of excess quantities by the international newsprint suppliers in the Asian region on marginal costing basis. The Committee further note that the Indian Newsprint establishments who have been getting Canadian Newsprint at US\$ 700 during the first quarter of 2001 are now getting the same at US\$550-600. Similarly, other varieties of imported newsprint of Russian origin which can be equated with the product of Hindustan Newsprint Limited are available at a landed price of US\$ 450-500 per MT. The Committee have also noticed that due to drastic reduction in the price of imported newsprint, the Hindustan Newsprint Limited as well as other newsprint manufactures have also reduced their basic price by Rs. 1500/- MT from July, 2001. Another aspect noticed by the Committee is the increase in the cost of production of newsprint during the financial year 2001-2002, mainly on account of the increase in the prices of forestry raw

materials and also due to 25% increase in power tariff imposed by the Kerala State Electricity Board. As a result, the Company is now incurring operational losses. In order to mitigate the hardships caused by the bleak marketing scenario, higher cost of production, etc. the Committee are of the opinion that the Government should provide relief to the newsprint industry including a zero per cent floor rate under the proposed VAT system to enable them to survive and withstand the global competition. Since 'Newsprint' is a commodity of special importance in the inter-State trade, it should be considered for inclusion under Section 14 of Central Sales Act as 'Declared Goods'. The Committee are aware that the Antidumping Authority has established on the basis of incontrovertible evidence that the domestic newsprint industry has been adversely affected by dumping indulged in by foreign manufacturers. The finding of the Authority has also been accepted by the Ministry of Commerce and the matter has been brought to the attention of the Ministry of Finance for appropriate action. Therefore, in order to check the dumping of the newsprint in the Indian market, the Committee recommend that Government should impose anti-dumping duty to protect the domestic industry and to prevent the multinationals from capturing our domestic market. The Committee also

recommend that the import duty on newsprint should be increased from the existing 5% to the WTO bound rate of 25%, while import duty for intermediary consumables like spares, etc. may be reduced to a level below 25% from the current rate of 40% to 78% in order to safeguard the domestic industry.

RECOMMENDATION NO. 2

DE-INKING PROJECT

The Committee note that Hindustan Newsprint Limited is experiencing severe scarcity of forest based raw materials such as eucalyptus, reed, bamboo, etc. The 30 years agreement with the Government of Kerala for allotment of forest based raw materials to HNL will expire in October, 2004. The Committee have been informed that the installation of the environment friendly De-Inking Plant would solve the problem of the Company to a large extent, as the main raw materials for the plant is only recyclable waste paper. The Committee further note that the Cabinet Committee on Economic Affairs in June, 2000 had approved the Company's De-inking Project, costing Rs.52.20 crore with a 30 months completion schedule. It will also help in reducing power consumption, as the process requires only about 25% - 30% of the power consumed by the conventional chemi-mechanical pulping process and is further capable of producing superior quality pulp from waste papers. Since there is an urgent need for energy conservation and environmental conservation, the Committee recommend that import of Waste Papers and White Blank News (WBN) should be allowed duty free, especially in view of the spiralling prices of wood pulp. They also

recommend that the Government should provide 100% depreciation as a financial relief in the first year of operation on the investments made on environmental friendly projects like the De-inking Project.

RECOMMENDATION NO. 3

APPOINTMENT OF DIRECTORS ON THE BOARD OF DIRECTORS

The Committee note that the present strength of the Board of Directors of Hindustan Newsprint Limited is eight against the total sanctioned strength of twelve. The Committee also note that the Company was accorded Mini-ratna Category -I status as a part of the policy of the Government in 1997. The operationalisation of this status was subject to appointment of three Non-official Part-time-Directors on the Board of Directors of the Company. The Committee have been informed that two Non-official Part-time Directors have already joined the Board and one more is yet to be appointed. The Committee find that due to non-filling of a post of Non-official Part-time Director, the Company has not been able to enjoy the Mini-ratna Status accorded to it and as such, it could not exercise the powers delegated under the Mini-ratna dispensation. The Committee, therefore, recommend that the Government should appoint a Non-Official Part-time Director immediately to enable the Company to enjoy the powers delegated under the Mini-ratna Status. The Committee also find that except Director (Marketing), there is no other Functional Director on the Board of Directors of the Company. The Committee earnestly feel that in order to have

a completely Board Managed company, there is a need to have a number of Functional Directors, especially from the Finance and Operations areas, appointed to the Board of Directors to steer the Company in the desired direction. The Committee expect immediate action in this matter. The Committee also wish to be informed of the action taken in this regard.

RECOMMENDATION NO. 4

ALLOTMENT OF LAND FOR CAPTIVE PLANTATION

The Committee note that the Hindustan Newsprint Limited is faced with the challenge of dwindling availability of raw-materials the bulk of which is sourced from the forests. The Government of Kerala has not been able to supply the committed quantity of forest raw-materials and there is a huge shortage in supply in the last five years. In order to have an assured supply of forest raw-materials, the Company needs allotment of land for forestry operations to the extent of about 10,000 hectares. But, the land allotted by the State Government so far for this purpose is only 5,600 hectares. The Committee note that the Company has taken up the matter of allotment of an additional 4,400 hectares of land for forestry operations with the Government of Kerala. The Committee recommend that the Union Government should take up the matter of allotment of additional land with the Government of Kerala at the highest political level and help the Company secure possession of the required land within the shortest possible time.

ANNEXURE - I

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

(MEMBERS ASSEMBLED AT KOCHI)

DATE & DAY	TIME	VISIT & DISCUSSION
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27.10.2001 (Saturday)	1630 hrs	Discussion with the Officers of Cochin Shipyard Ltd.
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(NIGHT HALT AT KOCHI)

28.10.2001 (Sunday)	0900 hrs	Discussion with the Officers of Fertilizers and Chemicals (Travancore) Ltd.
	1100 hrs	Discussion with the Officers of Kochi Refineries Ltd.

(NIGHT HALT AT KOCHI)

29.10.2001 hrs) (Monday)	1000 hrs	Departure for Thiruvananthapuram by IC-803 (1135
	1205 hrs	Arrival Thiruvananthapuram

(NIGHT HALT AT THIRUVANANTHAPURAM)

30.10.2001 (Tuesday)	0930 hrs	Discussion with the Officers of Hindustan Latex Ltd.
	1130 hrs	Discussion with the Officers of Hindustan Newsprint Ltd.

DISPERSAL

ANNEXURE – II

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

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

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

- | | | |
|-----|-------------------------|--|
| 1. | Shri Raji Philip | Chairman(HNL) & Chairman & Managing Director-HPC |
| 2. | Shri S. M.Rehman | Managing Director |
| 3. | Shri N. P.Prabhu | General Manager (Works) |
| 4. | Shri V. Jayamohan | Deputy General Manager (U&E) |
| 5. | Shri A Fotidar | Deputy General Manager (P&A) |
| 6. | Shri V.N.Sridharan | Deputy General Manager (Commercial) |
| 7. | Shri U Sundareshwaran | Deputy General Manager (PM/c., FH) |
| 8. | Shri K. Unnikrishnan | Deputy General Manager (Finance) |
| 9. | Shri Cherian Thomas | Sr. Manager (Vigilance) |
| 10. | Shri J Madhavan Nair | Sr. Manager (Forestry) |
| 11. | Shri B Anil Kumar | Company Secretary |
| 12. | Shri G. Ganapathy Raman | Manager (IT) |