

COMMITTEE ON PUBLIC UNDERTAKINGS

(1981-82)

(SEVENTH LOK SABHA)

THIRTY-THIRD REPORT

Action taken by Government on the recom-
mendations contained in the Twentieth Report
of the Committee on Public Undertakings

(Seventh Lok Sabha)

ON

TANNERY AND FOOTWEAR CORPORATION
OF INDIA LTD.

MINISTRY OF INDUSTRY

(Department of Industrial Development)

*Presented to Lok Sabha and
Laid in Rajya Sabha on*

30 MAR 1981



सत्यमेव जयते

LOK SABHA SECRETARIAT
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 (1981-82)

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(1981-82)

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(1981-82)

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9. Shri Shrikant Verma

INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 33rd Report on Action Taken by Government on the recommendations contained in the 20th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Tannery and Footwear Corporation of India Ltd.

2. The 20th Report of the Committee on Public Undertakings was presented to Lok Sabha on 27 April, 1981. Replies of Government to all the recommendations were received by 26 November, 1981. Further information in respect of five recommendations was also called for from the Ministry and this was received by 24 February, 1982. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 5th March, 1982. The Report was finally adopted by the Committee on Public Undertakings on 9 March, 1982.

3. Analysis of Action Taken by Government on recommendations contained in the 20th Report of the Committee is given at Appendix.

NEW DELHI ;

March 12, 1982

Phalguna 21, 1903 (Saka)

BANSI LAL,

Chairman

Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the 20th Report (Seventh Lok Sabha) of the Committee on Public Undertakings on Tannery and Footwear Corporation of India Ltd. which was presented to Lok Sabha on 27th April, 1981.

2. Action Taken notes have been received from Government in respect of all the 12 recommendations contained in the Report. These have been categorised as follows:—

(i) *Recommendations/Observations that have been accepted by Government.*

Serial Nos. : 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12.

(ii) *Recommendations/Observations in respect of which final replies of Government are still awaited.*

Serial No. : 2.

The Committee will now deal with the action taken by Government on some of their recommendations.

A.—Execution of sale deeds

Recommendation (Sl. No. 2)

3. The Committee had noted that the sale deeds for the take-over of the tannery units from the British India Corporation in 1969 had not been executed. According to the Secretary, Department of Industrial Development, the pending issues could be settled only after the acquisition of the majority shares of the British India Corporation by the Government. The Committee awaited the results of the government's initiative in this regard.

4. In reply, government have intimated that by virtue of an ordinance promulgated on the 11 June 1981, government became the holder of the majority shares in the British India Corporation. According to the Ministry of Commerce, which is the administrative Ministry for the British India Corporation, the outcome of the arbitration proceedings of the claims of the BIC for materials taken over subsequent to the purchase of the tannery units, should be awaited before executing the sale deed of the property sold to the TAFCO. The matter is stated to be under consideration further by the Department of Industrial Development in consultation with TAFCO. Meanwhile, TAFCO has approached the arbitrator to expedite the arbitration proceedings.

5. As the execution of the sale deed is now a matter between the two public undertakings, the Committee expect that the matter should be settled without unnecessary further loss of time. The Committee are of the view that the execution of the sale deed need not await the outcome of the arbitration proceedings.

B—Vacancies in the senior positions

Recommendation (Sl. No. 4)

6. The Committee had *inter-alia* taken note of the fact that there were nearly 22 senior level posts lying vacant in TAFCO and desired that all the vacant posts should be filled up without delay.

7. In reply, the government have stated that against the 22 senior level posts reported as vacant, 9 were filled. 3 of the 9 posts filled up have again fallen vacant. In addition, 4 more posts have also since fallen vacant. Thus, the total number of senior level posts vacant at present is 20. Of these, 7 posts have been advertised and steps to fill the remaining posts also are being taken by TAFCO.

8. The Committee regret that although nearly a year has elapsed since the presentation of their Report, the position in regard to the filling up of vacancies in senior management level in the TAFCO is quite unsatisfactory. They accordingly desire that government should keep a close watch on the position and ensure that the TAFCO fills up all these posts without undue further delay to improve the performance of the company.

C—Diversification of products

Recommendation (Sl. No. 6)

9. While reviewing the sales performance the Committee had incidentally felt that TAFCO should go in for production of chappals, ladies and children's footwear and other leather goods catering to a variety of consumers.

10. In reply, the government have stated that TAFCO is considering the feasibility of taking up production of these items. However, at present TAFCO has adequate orders for Defence and civilian footweares and also for chrome leather. The available production capacity is, therefore, likely to be utilised in full the manufacture of these items.

11. The Committee's suggestion for diversification of the products of TAFCO was from a long-term point of view. Although TAFCO may have adequate orders for fully utilising the capacity at present, the Committee would urge for an early decision on the diversification as part of the corporate plan to make TAFCO available and a competitive unit.

*D—Settlement of prices for the past defence supplies***Recommendation (Sl. No. 9)**

12. Finding that the prices for the past defence supplies had not yet been settled fully, the Committee had urged that a settlement should be arrived at on a mutually satisfactory basis between the administrative departments concerned without further delay.

13. In reply, the government have stated that the matter was considered in a meeting held in the Ministry of Defence on 4 January 1982 and it has been decided that the Cost Accounts Branch of the Ministry of Finance (Department of Expenditure) will have a second look at the prices payable for supplies of footwear by TAFCO to Defence. The recommendations of the Cost Accounts Branch in this regard are awaited.

14. **The Committee do not consider it fair to a sick footwear unit in the public sector that the prices for its past supplies to Defence should remain unsettled for this long. They would, therefore, once again urge that the matter should be settled soon.**

*E—Revival of TAFCO***Recommendation (Sl. No. 12)**

15. Taking note of a revised corporate plan for the period 1980-85 prepared by the management, which awaited the approval of government, in order to revive the sick TAFCO, the Committee had observed that the company had undoubtedly the potentialities for revival and that the opportunity should not be lost.

16. In reply, the government have stated that the Expenditure Finance Committee considered the Corporate Plan of TAFCO in their meeting held on 22 January 1982 and have recommended taking up of Phase I of the Plan involving an investment of Rs. 385.46 lakhs. The recommendations of the Committee are under consideration of government and a final decision in this matter is likely to be available shortly.

17. **The Committee need hardly point out that the revival of the sick TAFCO hinges on the approval to the corporate plan and its implementation with a vigour. In this context, they are somewhat disappointed that the investment decision is yet to be taken by government. They would, therefore, urge that the decision in this regard should be taken without further loss of time.***

*At the time of factual verification, the TAFCO stated that the approval of the Government has since been communicated vide letter No. 12/8/79—Leather dyed 3-3-1982 of the Ministry of Industry, Department of Industrial Development.

CHAPTER II
RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY
GOVERNMENT

Recommendation (Serial No. 1)

The Tannery and Footwear Corporation of India Ltd., is an extremely sick government company. The company incorporated in 1969 took over the Cooper Allen and North West Tannery units of British India Corporation Ltd. The company has been mismanaged from the inception although there are signs of improvement after the Comptroller and Auditor General of India reported on its working and the Committee took up his report for examination. There were continuous losses, and the cumulative cash losses at the end of March 1980 stood at Rs. 154.36 lakhs which had wiped out the paid-up capital of Rs. 436.92 lakhs (raised from Rs. 95.92 lakhs in 1978).

Paragraph 'Part II'

Para 1

Reply of Government

Government have taken note of the observations. Necessary measures are being taken to increase production by better utilisation of men and machines, replacement of old and obsolete machines in critical operations, strengthening supervision and control and improving industrial relations and marketability of the Corporation's products. Steps are also being taken to strengthen the capital structure of the Corporation and improve the financial position of the Corporation. It is expected that all these measures will contribute to improvement in the working of the Corporation and help to achieve economic viability in the next few years.

(Ministry of Industry, Department of Industrial Development—

OM No. 12/22/81-Leather dated 26-11-1981.)

Recommendation (Serial No. 3)

The production and sales performance of the TAFCO present a dismal picture. The utilisation of capacity for production has been only to the extent of about a third of the capacity as re-assessed and reduced from time to time. Even the lower budget targets of production could not be achieved. For instance, the installed capacity for footwear production which was 20.10 lakh pairs per annum was derated progressively to 11.88 lakh pairs in 1978. As against this the production ranged from

3.12 to 9.21 lakh pairs including those fabricated through outside fabricators out of cut components supplied by the Corporation during 1970-80 and it touched the all time low in 1979-80. The shortfall was explained as mainly due to old-obsolete/unproductive plant and machinery and low productivity of workmen.

Paragraph 'Part II'

Para 3

Reply of Government

The observations of the Committee have been noted. Necessary remedial measures are being taken to increase production with better maintenance, acquire new machinery to replace and balance critical operations and also expand production capacity, especially in the footwear department. A new range of footwear with attractive designs has also been introduced for the civilian market.

There has been some improvement in production during the year 1980-81, as compared to the earlier years. The value of production in 1980-81 was Rs. 387.92* lakhs as against Rs. 340.48 lakhs in 1979-80 and Rs. 324.63 lakhs during 1978-79. The production of footwear which was 3.124 lakh pairs in 1979-80 has also gone up to 3.97 lakh pairs in 1980-81.

(Ministry of Industry, Department of Industrial Development—
OM No. 12|22|81-Leather dated 26-11-1981.)

Recommendation (Serial No. 4)

Although it was clearly expected at the time of take-over that the productive life of the already 30 year-old plant and machinery would not last longer than 5 years and money was not unavailable, none of the programmes for modernisation and renovation drawn up since 1969 fructified except that there was purchase of some additional equipment for specific purposes. This inaction was stated to be due to lack of continuity in top management. The Committee have taken note of the fact that there were nine incumbents of the post of Managing Director since the company came into being in 1969. There were as many as six changes in the incumbency of the Chief Executive during the last 3 years. Further, at present nearly 22 senior level posts are lying vacant. Annually on an average 15 executives were leaving the organisation during the last 4 years. The atmosphere in the company is reported to be such that officers in senior positions do not want to remain in the service of the company. The Committee desire that the work culture should be improved, a measure of continuity in top management ensured and all

*At the time of factual verification, Audit, pointed out as follows :—

"The figures of value of production for 1980-81, 1979-80 and 1978-79 in the Review of Accounts printed with the Annual Accounts work out to Rs. 507.26 lakhs, Rs. 380.11 lakhs and Rs. 400.98 lakhs respectively. As the basis of figures in the Government reply was not given, these figures could not be verified."

the vacant senior positions filled up without delay. These should be the responsibility of the administrative Department of the Government. These are the desiderata for good management especially in the context of the resolve to revive the TAFCO under a corporate plan for 1980-85.

Paragraph 'Part II'
para 4

Reply of Government

Government have noted the observation of the Committee.

Out of the 22 senior level vacant positions, the following 9 positions have since been filled in :—

1. F. A. and CAO.
2. Purchase Manager
3. Manager (Chrome Tannery)
4. Materials Manager (Raw Hide)
5. Divisional Manager (Export)
6. Manager (Vegetable Tannery)
7. Electrical Engineer.
8. Departmental Manager (Footwear)
9. Sales Manager

Necessary action has been taken in hand by the Corporation to fill the remaining vacant positions, as also the fresh vacancies that have arisen in the posts of Chief Engineer, Finance Manager and Regional Sales Manager (Delhi).

Efforts are also being made to improve the work culture and the working atmosphere in the Corporation.

(Ministry of Industry, Department of Industrial Development—
OM No. 12/22/81-Leather dated 26-11-1981).

Further information on additional points.

Point (ii)—Recommendation (S. No. 4)

The present position of filling up of the remaining senior level vacancies.

Reply of Government

As against the 22 senior level vacancies reported as vacant originally, 9 posts were filled, 3 of the 9 posts filled have again fallen vacant. In addition, the following posts have also since fallen vacant:—

- (i) Chief Engineer.
- (ii) Finance Manager.
- (iii) Manager (Management Services).
- (iv) Regional Sales Manager, New Delhi.

Thus, the total number of senior level posts vacant at present is 20. Of these, 7 posts have been advertised, and steps to fill the remaining posts also are being taken by TAFCO.

(Ministry of Industry, Department of Industrial Development—OM No. 12/22/81-Leather dated 24-2-82.)

Comments of the Committee

(Please see paragraph 8 of Chapter I of the Report).

Recommendation (Serial No. 5)

Besides low productivity, there has been substantial loss of production consequent on absenteeism and industrial unrest. The mandays lost on account of leave or absence were 1.4 lakhs and 1.24 lakhs in 1978-79 and 1979-80 and the value of loss of production was of the order of Rs. 91 lakhs. The poor performance of the work force all along was explained as due to low morale stemming primarily from low wages. However, a wage agreement has belatedly been reached in 1980 and an incentive bonus scheme has also been put through. The Committee trust that the workers will realise that it is in their own interest that the Company gets revived by their sustained cooperation. The Committee wish to place on record their appreciation of the fact that the commonality of the contents of the memoranda submitted to them by various workers unions when a Study Group visited the factory premises at Kanpur in November, 1980 was that the TAFCO having the potential to revive ought not to be allowed to languish further.

Paragraph 'Part. II'

Para 5

Reply of Government

The observations have been taken note of by Government.

(Ministry of Industry, Department of Industrial Development—O.M. No. 12/22/81-Leather dated 26-11-1981)

Recommendation (Serial No. 6)

The sales performance of the company is very discouraging. Heavy stocks of finished goods have accumulated. The value had to be written down and discount sales organised incurring losses to dispose of old stock. While the capacity of the footwear factory remained grossly underutilised, shoes were got fabricated outside and finished shoes were also procured. Lot of irregularities have been noticed in this operation. Refreshingly the company has since stopped this practice. Although it was initially expected that the TAFCO would cater to Defence and other Government requirements on 'cost' basis the customer composition shows that it did not materialise even to the extent of 50 per cent of sales of the company. The Committee feel that the matter deserves serious consideration. The sales organisation is admittedly weak. The post of Sales Manager is vacant at present. The lack of demand for civilian footwear is obviously on account of lack of variety. The Committee feel that the TAFCO should go in for production of chappals, ladies and children's footwear and other leather goods catering to a variety

*underutilised
Procured. Lot
Refreshingly the*

of consumers and adopt latest designs. The sales and marketing as well as design and development units of the company should be strengthened qualitatively

Paragraph 'Part II'

Para 6

Reply of Government

The marketing set up of the Corporation has been strengthened by appointment of a qualified Sales Manager and a publicity campaign has also been started for increasing the sales and for re-establishing the image of Flex in the internal market. The design personnel of the Corporation are being exposed to latest trends in designing of footwear, which is expected to result in production of better designed footwear in the Corporation and cater to the fashion-oriented market. Advance charges in footwear have also been imported from abroad to serve as models for future designing and keep pace with the modern trends in footwear production. A new range of footwear with attractive designs has also been introduced in the civilian market.

The Corporation has at present reasonably adequate orders in hand from Defence. It is also considering the feasibility of taking up production of chappals, ladies, and children's footwear and other leather goods to cater to a wider variety of consumers.

(Ministry of Industry, Department of Industrial Development—O.M. No. 12/22/81-Leather dated 26-11-1981).

Further information on additional points

Point (iii)—Recommendation (S. No. 6)

The decision, if any, on taking up production of chappals, ladies and children's footwear and other leather goods to cater to a wider variety of consumers.

Reply of Government

TAFCO is still considering the feasibility of taking up production of these items.

However, at present TAFCO has adequate orders for Defence and Civilian Footwears and also for Chrome Leather. The available production capacity is, therefore, likely to be utilised in full for the manufacture of these items.

(Ministry of Industry, Department of Industrial Development—O.M. No. 12/22/81-Leather dated 24-2-82).

Comments of the Committee

(Please see paragraph 11 of Chapter I of the Report)

Recommendation (Serial No. 7)

The Committee are particularly concerned about the procedure and practices of purchase of raw hides by the Company. These left a lot of scope of malpractices, and there were malpractices. In some cases the

Ministry of Industry

suppliers of raw hides and purchasers of finished leather were the same persons. This assumes significance when one observes that in many cases sale value of the finished leather did not cover even the direct costs. Obviously higher prices were paid for the raw material. The quality control and the system of weighing in regard to purchases were for from satisfactory. It is no wonder, therefore, that recently after tightening up of the procedures, the price paid for raw hides registered a fall of about 30 per cent despite a rising market

Paragraph 'Part II'

Para 7

Reply of Government

A Raw Hide Monitoring Cell has been created by TAFCO with effect from 14th November, 1980, for collecting daily raw hide prices and availability of raw hides in the local market for being utilised as a guideline in negotiating the prices. In addition, a Raw Hide Purchase Advisory Committee has also been set up in the Company with a view to exercise effective control over the raw hide purchase. These measures are expected to keep an effective check on the quality and prices of raw hide purchase.

(Ministry of Industry, Department of Industrial Development O.M. No. 12,22/81-Leather dated 26-11-1981).

Recommendation (Serial No. 8)

The magnitude of corruption and mismanagement in TAFCO was such that Government were constrained to set up a high-powered vigilance unit in the company in October, 1977. The services of a number of officials were reportedly terminated on the basis of the findings of the Director of Vigilance. The special vigilance set up has since been wound up. While the Committee agree that it could be counterproductive to continue a set-up of this kind meant for a specific purpose and duration, they expect the existing arrangements in the company to ensure honest transaction of business.

Paragraph 'Part II'

Para 8

Reply of Government

The observations of the Committee have been taken note of by Government

(Ministry of Industry—Department of Industrial Development O.M. No. 12,22/81-Leather dated 26-11-1981).

Recommendation (Serial No. 9)

Distressingly all the products of the TAFCO were sold below cost and in some cases the sale price did not recover even the direct cost (material and labour). For instance, the average net sale value per pair of footwear was Rs. 42.89 in 1979-80 as against the cost of production of Rs. 117.71 (overheads cost alone : Rs. 62.50) thereby resulting in a loss of Rs. 74.82

get pair. It does not need any imagination to realise how unbusiness like the business of TAFCO has been. Besides there being no cost control worth mentioning, the pricing of products seems unrelated to market conditions. The Committee desire that an efficient cost control system, including credit and inventory control, should be introduced taking into account the deficiencies brought out in the Report of the Comptroller & Auditor General of India. The Company should be sensitive to market conditions and revise the prices promptly. Incidentally, the Committee find that the prices for past defence supplies have yet to be settled full. The Committee would urge that this should be done on a mutually satisfactory basis between the administrative departments concerned, without further delay.

Paragraph 'Part II'

Para 9

Reply of Government

Action to implement the Integrated Cost and Financial Accounts System is being initiated by the Corporation during the current financial year the results of which would be available after the close of the year.

As regards prices for past defence supplies, the Cost Accounts Branch of the Ministry of Finance (Department of Expenditure) had gone into this matter and have computed the prices payable to the Corporation. However, as the prices computed by the Cost Accounts Branch are much below the expectations of the Corporation, efforts are being made to reach a settlement mutually acceptable to the Ministry of Defence and this Ministry. The matter has already been taken up with the Ministry of Defence and will be pursued earnestly.

(Ministry, Department of Industrial Development—OM
No 12/22/81-Leather dated 26-11-1981.

Further information on additional points.

Point (ii)—Recommendation (S. No. 9)

The Committee desired that an efficient cost control system, including credit and inventory control, should be introduced taking into account the deficiencies brought out in the Report of the Comptroller & Auditor General of India. Please state the action taken by TAFCO in regard to cost, credit and inventory control and on the deficiencies pointed out by Audit.

Reply of Government

The following action has been taken by TAFCO in regard to Cost Control System, including Credit and Inventory Control :—

(a) Cost Control :

- (i) Profitability analysis for the year 1980-81 in respect of Footwear and Tanneries Division has been prepared and is being examined by the management for remedial actions wherever necessary.
- (ii) Action for review and bringing down of the cost of input materials has been initiated.

- (iii) Steps are being taken to improve the product-mix and introduce new items of footwear.
 - (iv) Monthly reports on lime yield, finished yield and cutting results are compiled and sent to the concerned departmental heads for necessary action.
 - (v) Raw Hide Purchase Evaluation Procedure is being followed to ascertain the efficiency in Raw Hide Purchases.
 - (vi) Capacity utilisation of Footwear Department is being augmented by procurement of components from outside.
- (b) *Inventory/Credit Control*

Steps are being taken to minimise stock holding of raw materials, stores and spare parts and to dispose of the non-movable items of stock. A, B, C analysis is also being carried out for minimising the inventory levels and to avoid stock outs. So far as the excess stock of finished goods is concerned, action for disposal of finished leathers are in hand. Credits are not allowed to the customers and the sales are either being made against cash payment or through bank on collection basis. Short-term credits are however allowed to Government Departments and some Public Sector Undertakings. Outstandings on this account are being pursued regularly for ensuring quick realisation.

(Ministry of Industry—Department of Industrial Development—O.M. No. 12|22|81-Leather dt. 12-2-82).

Further information on additional points

Point (iv)—Recommendation (S. No. 9)

The outcome of the efforts made to reach a settlement of prices mutually acceptable to the Ministry of Defence and the Ministry of Industry.

Reply of Government

The matter was considered in a meeting held in the Ministry of Defence on 4-1-1982, and it has been decided that the Cost Accounts Branch of the Ministry of Finance (Department of Expenditure) will have a second look at the prices payable for supplies of footwear by TAFCO to Defence. The recommendations of the Cost Accounts Branch in this regard are awaited.

(Ministry of Industry—Department of Industrial Development—O.M. No. 12|22|81-Leather dated 24-2-82).

Comments of the Committee

(Please see paragraph 14 of chapter I of the Report)

Recommendation (Serial No. 10)

After examining the working of the TAFCO, its financial working results do not surprise the Committee. They nevertheless cause anxiety. Evidently the Board of Directors and the general body have not exercised any effective control over the management. In all the recent years, Annual General

Body meetings were called giving no notice period. There could be no meaningful participation by shareholders, especially the President's nominee, on the basis of documents circulated on the day of the meetings as it happened. The role played by administrative department and the government directors was not marked by timely initiatives. There has been virtually no directive to the corporation except the one on setting up of a Vigilance Unit. That the administrative department has undertaken no action oriented periodic review of performance of the TAFCO with a view to giving directions to the management has been conceded. Such being the attention given to a sick unit, the department cannot be said to have fully discharged its responsibilities *vis-a-vis* the public enterprises under its control. The Committee desire that these laxities should be avoided in future.

Paragraph 'Part II'

Para 10

Reply of Government

Government has taken note of the observations.

(Ministry of Industry-Department of Industrial Development—O.M No. 12/22/81-Leather dated 26-11-1981).

Recommendation (Serial No. 11)

The capital structure was unsound in that the debt equity ratio which ought to be generally 1 : 1 varied from 2.2 : 1 to 8.9 : 1 during 1976—80. This adverse ratio and the attendance heavy interest liability had pushed the company into the red more and more. A timely readjustment would have perhaps helped the management as unremitting heavy losses are utterly demoralising. The Committee, have however, been assured that the position will be corrected shortly.

Paragraph 'Part II'

Para 11

Reply of Government

Government are fully conscious of the need for achieving a healthy debt equity ratio in the case of TAFCO. Keeping this in view, Government had converted loans amounting to Rs. 3 crores into equity with effect from 1-4-1977. Since the Company continued to incur cash losses and these had to be made good by advancing fresh loans by Government the desired level of debt equity ratio of 1 : 1 could not be achieved. Government has since decided to convert further loans to the extent of Rs. 563 lakhs into equity with effect from 1-4-1981. Even with this conversion, the debt equity ratio will continue to be adverse, as on that date the loans outstanding from TAFCO to Government amounted to Rs. 20.25 crores. However, while advancing loans in future to TAFCO, especially for capital expenditure, Government will keep in view the need for increasing the equity in the Company, so that the debt equity ratio is maintained at the desirable level of 1 : 1.

(Ministry of Industry, Department of Industrial Development—OM No. 12/22/81-Leather dated 26-11-1981).

Recommendation (Serial No. 12)

In order to revive the sick TAFCO, the management has prepared recently a revised corporate plan for the period 1980—85 and the plan entails an outlay of about Rs. 5 crores. This plan, which awaits the approval of government, envisages increase in production from the present level of Rs. 4 crores to Rs. 18 crores per annum in order to break-even by the end of 1984-85. In order to come to their own assessment, the Committee undertook an on the spot study of the production units of TAFCO at Kanpur. The Committee feel that the company has a good infrastructure besides good expertise in leather and leather goods production. It has undoubtedly the potentialities for revival, if it can be placed under an efficient management. The Committee trust that the opportunity will not be lost now. The Committee suggested that the feasibility of converting the TAFCO as a fully-owned subsidiary of the Bharat Leather Corporation be considered since they feel that a unified institutional arrangement is necessary for coordinated and planned development of the leather and leather goods industry in the country.

Paragraph 'Part II'

Para 12

Reply of Government

The Corporate Plan prepared by the Corporation for modernising and expanding its production activities is in an advanced stage of scrutiny by Government, and the required investment decision would be taken without loss of time.

The question of converting TAFCO as a fully owned subsidiary of the Bharat Leather Corporation has been considered by Government. While TAFCO is a full-fledged manufacturing unit, the Bharat Leather Corporation has been set up mainly to achieve a coordinated growth of the leather and leather goods industry in the country and established necessary infrastructural facilities for this purpose, more particularly in conjunction with the State Leather Corporations. Government are of the view that the problems of TAFCO, as a production unit, need to be dealt with and overcome independently. If BLC is saddled with the responsibility of managing TAFCO, which is a sick unit at present, the developmental activities of BLC would receive a set back. In these circumstances, Government consider that TAFCO should remain an independent entity and not merged into BLC for some time to come.

(Ministry of Industry-Department of Industrial Development—O.M. No. 12/22/81-Leather dated 26-11-1981).

Further information on additional points

Point (iii)—Recommendation (S. No. 12)

The Committee were informed in December, 1980, that the Department of Industrial Development had cleared the Corporate Plan and it was being taken to the Cabinet Committee on Economic Affairs.

Please state the progress made since then in regard to approval of Corporate Plan of TAFCO.

Reply of Government

The Expenditure Finance Committee considered the Corporate Plan of TAFCO in their meeting held on 22nd January, 1982, and have recommended taking up of Phase I of the Plan involving an investment of Rs. 385.46 lakhs. The recommendations of the Committee are under consideration of Government and a final decision in this matter is likely to be available shortly.*

(Ministry of Industry—Department of Industrial Development—O.M. No. 12|22|81-Leather dated 12-2-82).

Comments of the Committee

(Please see paragraph 17 of Chapter I of the Report)

*At the time of factual verification, the TAFCO stated that the approval of the Government has since been communicated vide letter No. 12/8/79—Leather dated 3-3-1982 of the Ministry of Industry, Department of Industrial Development.

CHAPTER III

**RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE
TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES**

—NIL—

CHAPTER IV

**RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF
GOVERNMENT HAVE NOT BEEN ACCEPTED
BY THE COMMITTEE**

—NIL—

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 2)

It is incredible and yet true that the sale deeds for the take-over of the tannery units in 1969 have not been executed so far. There are discrepancies in the area of land, and disputes in regard to claims of the BIC for materials taken over subsequently. The latter are under arbitration for long. The TAFCO management went out of the way to try to keep the claims alive when the period of limitation was about to expire. The title deed is still reported to be with the bankers of the erstwhile owners. On account of the non-execution of the sale deed, patents and trade marks in regard to the products manufactured have not been transferred and registered in the name of the TAFCO. Though as early as 1971 the Registrar of Patents and Trade Marks suggested that as an alternative, the trade marks could be transferred to the TAFCO on a deed of assignment that possibility was obviously not pursued. The implication of this delay and inaction is that the Company is not in a position to take any legal action for the infringement of the trade marks, which has reportedly taken place on a large scale and with impunity. Thus of the land and buildings, machinery and trade marks of the Company none has been taken over by the TAFCO legally as yet although consideration money has been paid with promptness. It is indeed surprising that a private concern could take the government company for a ride successfully all these 12 years. The administrative Ministry became aware of the inordinate delay in completing the legal formalities of the take-over for the first time only in September, 1976, although there are government directors on the Board of the TAFCO. While deprecating this long and unsavoury tale the Committee note that according to the Secretary, Department of Industrial Development, the pending issues could be settled only after proposed acquisition of the majority shares of the BIC by the Government. That the issue has been rendered ununderstandably intractable is a matter that causes deep concern to the Committee. However, the Committee can only await the results of the Government's initiative in this regard.

paragraph 'Part II'
para 2

Reply of Government

Government have since acquired majority shares in the British India Corporation. In the light of this position, efforts are being made to acquire the title-deeds and complete further outstanding issues. The matter has already been taken up with the Ministry of Commerce, who are the administrative Ministry for the British India Corporation, to use their good offices in getting the title-deeds released.

(Ministry of Industry—Department of Industrial Development—O. M. No. 12/22/81—Leather dated 26-11-1981).

Further information on additional points**Point (i)—Recommendation (S. No. 2)**

Government are stated to have acquired majority shares in British India Corporation Ltd.

Please furnish the date on which the Government acquired the majority shares in BIC Ltd.

Reply of Government

By virtue of an Ordinance (Ordinance No. 5 of 1981) promulgated on the 11th June, 1981, the Government became the holder of majority shares in the British India Corporation. Subsequently, the Ordinance was converted into an Act (Act 29 of 1981).

(Ministry of Industry—Department of Industrial Development—O. M. No. 12/22/81-Leather dated. 12-2-1982).

Further information of additional points**Point (i)—Recommendation (S. No. 2)**

The present position of the release of title deeds and the execution of sale deeds as well as registration of patents and trade marks in the name of the TAFCO.

Reply of Government

The question of release of title deeds by the British India Corporation was taken up with the Ministry of Commerce who are the administrative Ministry for the said Corporation. In reply, the Ministry of Commerce have informed this Ministry that the Corporation is prepared to help in the verification of the Deeds by TAFCO, but that it would like to wait for the outcome of the arbitration proceedings which are pending with the arbitrator before executing the Sale Deed of the properties sold to TAFCO. The matter is being examined further in consultation with TAFCO. Meanwhile, TAFCO has approached the arbitrator to expedite the arbitration proceedings.

With regard to registration of Trade Marks, 22 out of 40 trade marks had been registered in the name of TAFCO by the Registrar of Trade Marks. Registration of the remaining 18 trade-marks is not considered necessary by TAFCO at this stage, as the manufacture of the respective brands of footwear has been replaced with new designs by TAFCO for which the required trade marks have been obtained separately. It is, therefore, not considered necessary to have the 18 trade-marks registered now in the name of TAFCO.

(Ministry of Industry—Department of Industrial Development—O. M. No. 12/22/81-Leather dated 24-2-82).

Comments of the Committee

(Please see paragraph 5 of Chapter I of the Report.)

NEW DELHI ;
March 12, 1982
Phalguna 21, 1903 (Saka)

Chairman,
BANSI LAL,
Committee on Public Undertakings.

APPENDIX

(Vide para 3 of the Introduction).

Analysis of the action taken by Government on recommendations contained in the 20th Report of the Committee on Public Undertakings (Seventh Lok Sabha) on Tannery and Footwear Corporation of India Ltd.

I. Total number of recommendations	12
II. Recommendations that have been accepted by the Government (vide recommendations at S. Nos. 1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12)	11
Percentage to total	91.67%
III. Recommendation which the Committee do not desire to pursue in view of Government's reply (vide recommendation at S. No. 2)	Nil
IV. Recommendation in respect of which replies of Government have not been accepted by the Committee	Nil
V. Recommendation in respect of which final replies of Government are still awaited	1
Percentage to total	8.33%