Final Report

REPORT ON THE OCCUPATION OF IDPL FLATS BY RETIRED EMPLOYEES etc.

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(Pranab Banerji)
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I. INTRODUCTION

BACKGROUND

The Indian Drugs & Pharmaceuticals Limited (IDPL) was incorporated as a (central) government company in April 1961. IDPL was the largest government owned company under the Ministry of Chemicals and Petrochemicals and had, at one time, over 13,000 employees on its rolls. The company played the pioneering role in the development of India's pharmaceuticals industry and contributed significantly in the country's endeavour towards achieving self-sufficiency and self-reliance in the field of drugs and pharmaceuticals. Its contributions towards research and development, assimilation of technologies, infrastructure creation and product development have been universally recognized.

Despite its commendable contribution, the company has been incurring losses since its inception except for a brief period of five years. The company accumulated losses over the years and had substantial liability. Due to its financial difficulties, the company was declared a sick company under the provisions of SICA on August 12, 1992. In February 1994 a revival package was approved by BIFR, which began to be implemented from 1994-95. In January 1996, the BIFR treated the revival package as a failure. In November 2001 the Government communicated to the BIFR that it would take measures to clean up the balance sheet of IDPL to facilitate its privatization. The measures included waiver of penal interest, conversion of government debt to equity and a voluntary retirement scheme. Following this, the BIFR appointed the IDBI as the Operating Agency (OA) in February 2002 to invite bids for privatization. In July 2002, the OA was asked by the BIFR to call for fresh bids. However, the OA in a joint meeting with stakeholders in February 2003 could not accept any of the proposals received. In September 2003, IDPL and the government were issued show cause notices as to why the company should not be wound up. After hearing various parties the BIFR came to the prima-facie conclusion that the company should be wound up and a reference was made to Punjab & Haryana High Court for initiating the appointment of a liquidator.[1]

The government began to show interest in the revival of IDPL since 2004 with an appeal against the opinion of the BIFR in AAIFR in February of that year. This resulted in halting of the liquidation process. An expert committee to suggest a revival plan was also appointed. Following the expert committee's recommendations, a revival package was drawn up and the same has received the approval of the Board for Reconstruction of Public Enterprises (BRPSE) in March 2007. The revival package consists of waiver of loans and injection of funds for revival. The package, however, does not envisage the sale of land and buildings. As of now, the government is therefore firmly committed to put IDPL on the path of revival.[2] *This study report is based on the premise that the government will be making all efforts for the revival of the company.*

The company currently has three manufacturing units at Rishikesh, Gurgaon and Hyderabad and two wholly owned subsidiary units at Muzaffarpur and Chennai. The company is asset rich and holds " 1104 acres of freehold prime land at Hyderabad (891 acres), Chennai (123 acres) and Gurgaon (90 acres) as well as 834 acres of forest reserved land at Rishikesh and 65 acres of lease hold land in Muzaffarpur. It has also 4183 quarters of different sizes at various locations." The real estate value of freehold land & buildings including quarters is substantial[3]. But despite the ownership of large assets, the company's employee strength is meager as a result of VRS packages introduced and superannuation of employees. The implementation of VRS in 2003, for example, drastically reduced the strength of employees from 6592 (as on 31.12.2002) to

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[1] IDPL Web-site
[2] Based on press reports.
[3] Executive brief on a Revival

440 as on 1.9.2004.[4] The reduction in staff strength was considered necessary as production of bulk drugs had been discontinued at Rishikesh and Hyderabad since 1996 and even formulations were discontinued in Hyderabad since March 2003. *The current staff strength is about 330 only.*

The problem of large assets and few workers has manifested itself in the tricky problem of continued occupation of IDPL quarters by ex-employees on the one hand and the existence of vacant quarters on the other. These are occasionally leased out to outsiders, who include personnel engaged in security of the IDPL, in an attempt by existing management to protect the existing assets given the constraint of inadequate staff strength.

TERMS OF REFERENCE

It is in this context, that the IDPL Board decided to commission a study on the status and issues arising out of occupation of IDPL quarters by ex-employees. The specific terms of reference of the study were as under:

1. "Location wise number of flats occupied by serving/retired persons and pattern of payment being received by them.
2. Details of the circumstances under which flats were given to retired employees on long lease basis by some of the other PSUs. Whether these circumstances are applicable to IDPL.
3. Recommendations/suggestions for payment to be recovered from serving/retired employees for rent, electricity, water, etc.
4. If employees who have not vacated quarters after retirement are allowed the facility of further retention on long terms basis, whether similar facilities can be allowed to other serving/retired officials, who are either not occupying the flats or have vacated them earlier."

The study has also to keep in mind that the IDPL is currently in a process of revival and the policy decision must be in tune with the overall revival plan.

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[4] IDPL web-site

METHODOLOGY

The study team visited four of the five plant locations indicated to it—viz. Rishikesh, Gurgaon, Hyderabad and Chennai. During the visits, the team interacted with a large number of ex-employees' representative associations, ex- and current employees, dependents of ex-employees and the existing management of the plants. The team also collected relevant data and information relating to quarters, land, maintenance and related financial aspects. The team also obtained relevant information of other PSUs and perused applicable legislations, court judgements, newspaper reports and other documents.

II STATUS OF QUARTERS/FLATS OCCUPIED

As per the first terms of reference, the team enquired into the 'location wise number of flats occupied' by serving/retired persons. The status of company quarters occupied by employees on roll as on 31.3.2007 is given below:

Table 1. Occupancy Status of IDPL Quarters (as on 31.3.2007)

(Numbers)

	Total No. of quarters	Occupants who are on roll	Allotted to retired Employees	Allotted to VRS employees(*)	Allotted to families of deceased employees	Allotted to outside agencies	Vacant quarters
IDPL Rishikesh	2696	201	213	685	64	222	1311
IDPL Hyderabad	858	4	6	163	1	68	616
IDPL Gurgaon	128	17	-	34	-	11	66
IDPL(TN) Ltd. Chennai	457	27	30	113	17	97	173
BDOCL MUZAFFARPUR	44	10	-	6	-	1	27
TOTAL	4183	259	249	1001	82	399	2193

(*) Inclusive of relieved employees under VRS 1992. No amount of these employees were retained as security

The table shows that existing employees occupy only 6.2 percent of the company quarters in the aggregate, though there are considerable inter-plant variations. Therefore, as per current occupation status, about 94 percent of the quarters can be considered as surplus.

About one-third of these 'surplus' quarters are occupied by superannuated employees (249), employees retired under the VRS (1001) and families of deceased employees (82) making a total of 1332. This implies that nearly 62 percent of the quarters are either given to outsiders or are lying vacant (52 percent are vacant). The problem is therefore partly a problem of continued occupation by ex-employees and partly a problem of surplus quarters lying vacant.

The occupation pattern also shows considerable inter-plant and category-wise variations. The percentage of quarters allotted to existing employees, i.e. those on roll, ranged from a meager 0.47 percent in Hyderabad to 22.73 percent in Muzaffarpur. The percentage of quarters vacant or given to outsiders was also the highest in Hyderabad (79.7 percent) followed by Muzaffarpur (63.6 percent.) The percentage of quarters that continue to be occupied by ex-employees and their dependents is shown below:

Table 2 : Status of Quarters Occupied by Ex-employees & Dependents

Plant	No of quarters occupied by Ex-employees and dependents	Percentage of quarters
Rishikesh	962	35.7
Hyderabad	170	19.8
Gurgaon	34	26.6
Chennai	160	35.0
Muzzaffarpur	6	13.6
Total	1332	31.8

The table shows that quantitatively the problem of occupation by ex-employees is somewhat large in Rishikesh and Chennai. The number of quarters occupied by ex-employees etc. is the least in Muzaffarpur (six only) followed by Hyderabad where less than 20 percent of the quarters are occupied by ex-employees.

The category-wise occupation of flats is analysed below to understand the categories of occupants likely to be affected by any suggested policy. The first problem that must be pointed out is that the categories of quarters/flats differ from plant to plant. The broad categories in each plant and their area are indicated below. It can be seen that the new constructions have larger area and it is desirable to club them with the next higher category—i.e. NB is best clubbed with (old) C and so on.

Table 3: Categories of Quarters at Various Locations

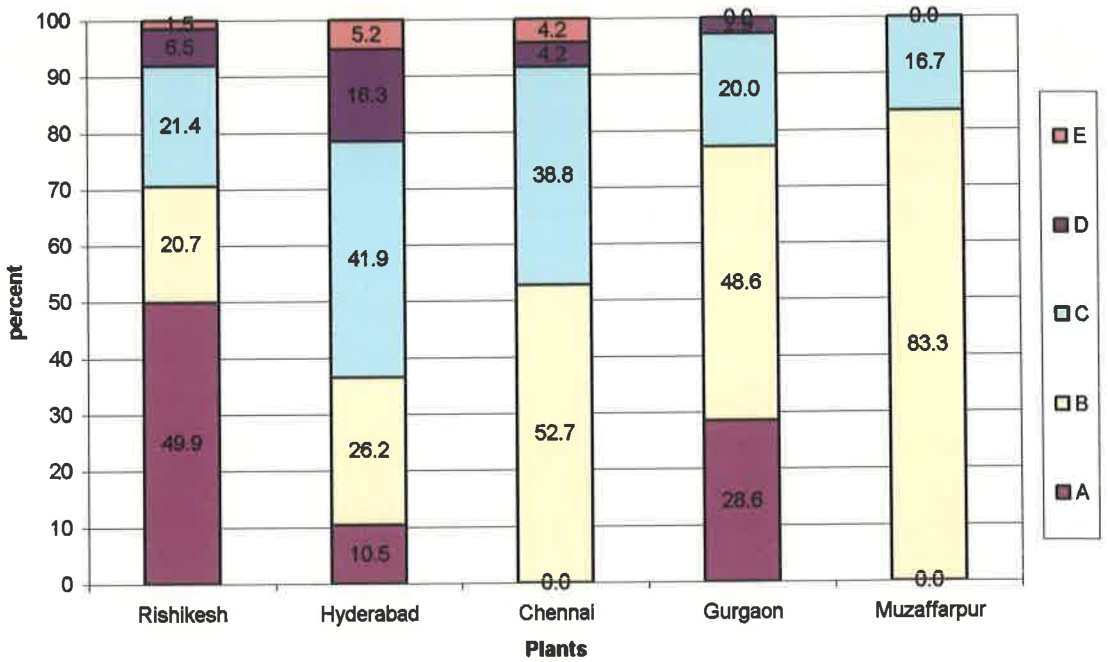
Plants/locations	Category of flats & area in sq.ft. (in brackets)
Rishikesh	A (365), NA (470), B (400), C& NB (600), D&NC (900), E(1500)
Hyderabad	A (365), NA (459), B (400), NB (658), C (600), NC (953), D(900), ND(1980), E(1700)
Gurgaon	A (365), NA (470), B (400), C (600), D (900), E(1500)
Chennai	B (400), C (600), D (900), E(1500)
Muzaffarpur	A (365), B (400), C (600), D (900), D special (1500?)

NA= New A, NB= New B, NC=New C, ND=New D type quarters.

The data relating to the category-wise occupation by ex-employees (including families of deceased employees) were collected during the field visits of the study team undertaken in January-March 2007. *The data therefore differs slightly from the data presented in Table 1, which refers to the position as on April 1, 2007.* As per the data on category-wise occupation collected by us the differences are as follows: Chennai (164 against 160), Hyderabad (172 against 170), Gurgaon (35 against 34). The figures for Rishikesh & Muzaffarpur are the same i.e. 962 and 6 respectively. Further, we have clubbed the NA, NB, NC and ND categories in Hyderabad with the (old) B,C, D and E categories respectively to allow for cross plant comparisons. In case of Rishikesh, however, the data received by us has clubbed NA with (old) A, whereas NB and NC have been clubbed with C and D categories respectively, as in the case of Hyderabad. Other plants have not reported the 'N' (new) categories. Chennai does not have any A type flat.

The category-wise occupation of flats by ex-employees is depicted in the figure below. The figure shows a divergent pattern for the larger towns of Hyderabad and Chennai with a dominance of C,D & E categories among ex-employees retaining houses. In Hyderabad 63.4 percent of the ex-employees are from the three higher categories, whereas this percentage is 47.2 for Chennai. This percentage is less than thirty percent in Rishikesh, where most ex-employees are occupants of the A category (including NA) of houses. Rishikesh also has the largest number of widows of deceased employees retaining company flats.

Figure 1: Category-wise Occupation by Ex-employees at various Locations



Another way of looking at the problem is to examine the percentage of houses in each category that continues to be occupied by ex-employees etc. in the various locations. This data is presented below:

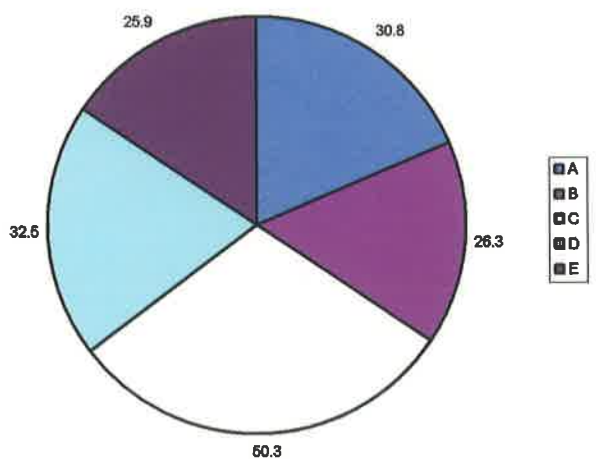
Table 4 : Percentage of Each Category of Quarters Occupied by Ex-employees etc.

(in percent)

Category	Rishikesh	Hyderabad	Chennai	Gurgaon	Muzaffarpur
A	33.0	12.5	N.A.	22.7	0.0
B	31.5	13.4	27.5	38.6	25.0
C	62.8	34.0	57.1	25.0	8.3
D	41.4	21.2	58.3	8.3	0.0
E	45.2	27.2	43.8	0.0	0.0

The figures bring out the interesting feature that the proportion of quarters in each category that continue to be occupied by ex-employees shows a distinct bias towards C,D & E categories. The percentage of A and B type quarters occupied by ex-employees, as a proportion of the number of quarters in these categories, is lower indicating that a larger proportion of employees of these two categories may have vacated the quarters after retirement/superannuation. This may be indicative of the middle-class nature of the problem. The combined position shows that half the flats in C-category are occupied by ex-employees compared to 30.8 percent of A-category and 26.2 percent of B-category flats being under their occupation. Surprisingly over 40 percent of E-category flats are being occupied by ex-employees in Rishikesh & Chennai.

Figure 2: Percentage of each Category of Flats Occupied by ex-employees (all locations)



III IMPLICATIONS OF CONTINUED OCCUPATION: FINANCIAL & OTHER

The financial implications of the continued occupation of IDPL quarters by ex-employees is a highly contentious issue. The extent of the controversy can be gauged by comparing two estimates: (a) the outstanding dues for Hyderabad given by the management is Rs. 1.17 crore whereas (b) an ex-employees' association of Rishikesh claims that the management "has already kept handsome Amt. Worth Rs. 30 cr. or more with them in advance" and the ex-employees have been asked to pay upto 40 times the standard rent. The reason for this sort of diametrically opposing views lies in differing perceptions relating to (a) rent, (b) water and electricity charges and (c) interest on amounts withheld. However, as a starting point, we may begin with the company figures relating to outstanding dues receivable from ex-employees who are in occupation of the flats. The figures for total outstanding dues plant wise are given below:

Table 5:Total outstanding dues plant- wise as on March 31, 2007

Plants/location	Recoverable amount (in Rs.)
Rishikesh	4,72,22,276.00
Hyderabad	1,17,05,023.00
Gurgaon	23,45,953.85
Chennai	16,85,251.10
Muzaffarpur	4,07,867.00
Corporate office	5,07,388.00
Total	**6,21,88,507.85**

As it can be seen from the table a substantial sum of Rs. 6.22 crore is due from the occupants of the flats in terms of rent, maintenance charges, electricity dues and water rates. This figure, of course, is contested by the ex-employees as they feel that the rental rates and charges for water, electricity etc. are higher than what they consider to be 'just'. These aspects are examined below:

(a) Rent :

The question of what rent is 'just' for the ex-employees is a matter of grave disagreement, to put it mildly. Even the nomenclature used for different types of rents differ from plant to plant and are open to various interpretations. Matters are further aggravated if we take into account that the existing rental patterns have become highly complicated overtime. The official position states that an ex-employee not vacating quarter shall pay the normal/standard rent for the first two months, double the standard rent for the next four months and a penal rent (equivalent to twice the market rent of Rs. 1/- per sq ft. to be charged from outsiders) thereafter (IDPL/R.Etc./20-16/95/7198 dated 10.11.95). The circular therefore made it clear that ex-employees would have to pay rents higher than the market rent payable by outsiders. This is the standard definition of the various types of rents-namely standard, market, penal etc.- that is followed in Rishikesh. However, in Hyderabad the term penal rent is not in vogue and what is considered penal rent in Rishikesh, is called the market rent. In Muzaffarpur a completely different set of rents have been fixed based on market survey. These rents are Rs. 600 for A type, Rs. 800 for B type and Rs. 1000 for C type quarters. In Rishikesh there are two other types of rents which are charged from outsiders. One which is charged from outside agencies/persons directly linked to the IDPL's activities has been fixed at four times the standard rent. A rent equivalent to CPWD rates is charged from other outsiders. The case of Rishikesh is presented in the table below:

Table 6 : Various Rental Rates-Example of Rishikesh (Rent in Rs/month)

Type of quarters	Year of Construction	Covered Area sq.ft.	CPWD norms rent	Penal rent	Standard rent
A/NA	1965/1980	365/470	735/1145	730/ 940	33.00
B	1965	400	790	800	35.00
C/NB	1966/1980	600	1165/ 1536	1200/ 1320	50/ 110
D/NC	1964/1980	900	1626	1800/ 2160	150
E	1964	1500	--	3000	150

Hence, there is considerable variation between plants both in regard to the rental charged as well as the basis on which rents have been decided. It is also clear from the perusal of subsequent circulars that there was considerable vacillation, possibly under pressure from ex-employees, on the part of the management as regards rent. The rents payable, which initially differed according to the city, were reduced as a result of court intervention in Chennai and management acquiescence in Hyderabad. Without going into history, the present position(i.e. prior to December, 2006) is detailed below as regards the rent payable by ex-employees with regard to comparable quarters in the major plants:

Table 7:Current Rents charged from Ex-employees etc.

(Rs. Per month)

Hyderabad		Rishikesh		Chennai		Gurgaon		Muzaffarpur	
Type	**Rent**	**Type**	**Rent**	**Type**	**Rent**	**Type**	**Rent**	**Type**	**Rent**
A	860	A	730	A	N.A	A/NA	835	A	600
B	940	B	800	B	900	B	800	B	800
C	1470	C	1200	C	1350	C	1260	C	1000
D	2205	D	1800	D	2025	D	1980	D	N.A
E	4335	E	3000	E	3375	E	3000		
NA	1080	NA	940						
NB	1610	NB	1320						
NC	2336	NC	2160						
ND	6060	ND	--						

As the table shows there has been in considerable narrowing down of rentals between cities, which is beneficial to the occupants in larger cities. But even the above rentals are felt to be high and the Hon'ble Minister had been approached to reduce the rentals to half of the prevailing rates. There is some confusion regarding the "agreement" regarding rent with the Hon'ble Minister. It is clear that the agreement was in relation to the prevailing rates and not to the market rate which, as we have seen, means different things at different places. The demand for reduction in rents is strongest in Rishikesh where quarters have been rented out to outsiders linked directly to IDPL activities for services like post office, banks etc. at much lower rates (4 times the standard rent) based on a 1997 circular. In Hyderabad and Chennai, and more so in the latter, the rents paid by outsiders is higher than the penal rents charged from ex-employees. The fact that some outsiders pay lower rents than ex-employees is a cause for the felt grievance in Rishikesh.

The level of rentals is not a major issue for the larger towns. It was not even mentioned by representatives of ex-employees in Chennai and in Hyderabad the supposed consent of the Minister to reduce rents by half was mentioned. However, the GM of Hyderabad in his communication to the IDPL headquarters (dated 5.1.2007) observed that some residents who had begun clearing their rental dues 'also stopped remitting in Dec'06 due to rumours...' The rental dues are large in Hyderabad (over Rs. 1 crore) but small in Chennai (Rs.16.85 lakh). In contrast, negligible rental payments are being made in Rishikesh and, it is feared, arrears may exceed the security deposits by the end of the current year.

(b) Electricity, Water & Maintenance

The issue of higher water and electricity rates figured during discussions mostly in Rishikesh. However, rates of water are high in Hyderabad as water supplied to the plant and the township is charged at industrial rates. In Rishikesh, flat monthly rates are charged for water which marks an enhancement from meager rates charged earlier. Also, electricity rates have been enhanced. In Gurgaon there are no meters for electricity and flat rate is being charged depending on the type of quarter. In Muzaffarpur electricity charge per month is also at a flat rate and not linked to consumption. These are Rs. 120 for type A, Rs. 150 for type B and Rs. 150 for type C quarters. Electricity meters exist in most other cases. It is true that electricity and water charges have increased in recent years but the study team did not find cases where the company was charging excessively from the occupants. The increase in rates is the result of the general increase in electricity and water charges because of the economic reforms process. The company is neither subsidizing the employees nor making a surplus on the supply of water and electricity. Nevertheless dues from a section of the occupants remains large and increasing. This is illustrated in the table below:

Table 8: Recoverable Dues from ex-employees etc. on account of Rent, Electricity and Water.

(in Rs. Lakh)

	Rent	Electricity	Service Charges/Water	Total
Chennai	15.78	0.72	0.35	16.85
Hyderabad	76.77	34.44	6.44	117.65
Rishikesh@	--	--	--	472
Gurgaon*@	--	--	--	28.53
Muzaffarpur	1.98	1.17	0.93	4.08
Total				**622**

*Including corporate office

@break- up not available

The ex-employees have been complaining about the increase in water & electricity rates and often use this and other arguments as justification for not paying for the electricity & water consumed by them. Although these are comparatively minor issues, the fact that they are considered serious by some ex-employees is an indication of the hardening of attitudes. The litany of petty issues like absence of meter cards, lack of transparency in meter readings, absence of water meters etc. are indications of both expectations and dissatisfaction with the management.

Related to this is the issue of maintenance of houses and provision of civic amenities. Due to resource constraints, expenditures on repairs and maintenance of houses is negligible and is done by the company only in cases of emergency. The occupants of the quarters bear the maintenance costs like white-washing, small repairs and replacements etc. It is pointed out that since the company is not spending on maintenance of houses, the rents should be lower.

The company on the other hand does have to bear costs of maintenance of the townships, though not of individual quarters. These include the costs of salaries to security personnel, electricity consumption of streetlights and water pumps, maintenance expenses (including salaries) related to water and electricity supply, drainage, roads, waste-disposal, fire control etc. These expenses need not be small. On the request of the study team, the Hyderabad plant worked out the maintenance cost of the township at Rs. 1,85,250 per month (excluding water bill). The details are shown below:

Table-9 : Approximate maintenance cost of IDPL township in Rs. per month

Security personnel salaries for 14 persons	52,500
Civil and electrical maintenance salaries for 8 persons	30,000
Electrical maintenance (street lights tubes etc., equipment/material)	2,000
Civil maintenance (like Cement, taps purchasing & plumbing works)	3,000
Electrical consumption for street lights & water pumps	97,750
Township maintenance **(Total)**	1,85,250

As the above table indicates, the company has to bear substantial expenses relating to maintenance of townships, which are mostly occupied by people other than present employees of the company. The cost of this maintenance also needs to be considered for deciding upon any acceptable package.

(c) Interest on Deposits

Another issue, which mainly figures in Rishikesh, is the non-payment of interest by the company on deposits kept by it as security in cases of ex-employees who have not vacated their quarters. In the case of employees who retired in 2003 as a part of the revised VRS package, the company withheld a part of the retirement dues as per the following schedule:

Table 10: Security Deposits of VRS Employees retaining quarters.

Type of Quarter	Dues withheld
A	RS. 50,000
B	RS. 75.000
C	RS.1,00,000
D	RS.1,50,000
E&F	RS.2,00,000

The VRS employees were also required to sign an affidavit, which inter alia gave away the right to claim interest on the deposits held by the company. In case of those employees who did not sign the affidavit, an additional amount of Rs. 40,000 was withheld as interest free deposit to be returned, along with the other deposit, at the time of vacation of quarters. The VRS (2003) employees argue that the interest on the deposit is due to them and this is a case of reverse subsidy where the ex-employees dues are used by the company to earn interest. The rental burden should therefore be reduced at least to the market rent level (i.e. Rs. 1 per sq. ft. of plinth area).

The issue of deposits, it must be noted, is an important one for some 2003 VRS ex-employees. In the cases of other ex-employees—i.e. those who superannuated in the normal course or those who took the earlier VRS package— the amount of deposits withheld were quantitatively smaller (though it may have been significant for the retiring employees). The rents, however, are not dependent on the mode of retirement.

It may also be noted that accounting adjustments are being made by the company with regard to outstanding dues receivable from rent, electricity and water charges from ex-employees. The table below presents an aggregate picture of the security deposits and the outstanding dues in each plant/location. As can be seen from the table, the outstanding dues have exceeded 60 percent of the security deposits in the aggregate and in the case of Gurgaon the outstanding dues are greater than the security deposits. It is likely that by the end of the financial year 2007-08 the outstanding dues may become equal, if not exceed, the security deposits.

Table 11: Security Deposits of & Outstanding Dues from Ex-employees etc.

(in Rs.)

Plants/location	Security deposits	Outstanding dues	Balance
Rishikesh	7,33,23,955	4,72,22,276	2,61,01,679
Hyderabad	1,68,69,916	1,17,05,023	51,64,893
Gurgaon	19,25,000	23,45,954	- 4,20,954
Chennai	1,13,90,227	16,85,251	97,04,976
Muzaffarpur	4,75,000	4,07,867	67,133
Corporate office	5,50,000	5,07,388	42,612
Total	**10,45,34,098**	**6,21,88,508**	**4,23,45,590**

(d) Humanitarian/Compassionate Grounds

The ex-employees also argue in favour of a compassionate/humanitarian treatment as their financial situation is difficult. The employees who retired under the 2003 VRS package state that they were forced to opt for VRS under the threat of retrenchment. There is another category who superannuated in 2001 as the retirement age was allegedly reduced to 58 from 60 years. These employees, and other superannuated employees, did not receive any separation package like the VRS employees. Further, the ex-employees were not in the receipt of any pension (with the exception of EPF pension) from the company. The financial condition of the dependents of employees who expired during service has been extremely difficult in the absence of adequate family pensions. Some of the employees who opted for the VRS had fairly long years of service left and the separation package received by them was therefore small (as they had put in fewer years of service). Finally, the last wage revision in the company is stated to have taken place in 1988, so the employees retired with meager salaries. And although ex-gratia payments (twice of basic plus DA of several months) were paid, these did not amount to large sums as the basic had remained low due to non-revision of wages. Even this ex-gratia payment was not available to non-VRS retirees and the amount was less for employees under the Central DA pattern compared to those having the benefits of Industrial DA. The ex-employees and the dependents of deceased employees repeatedly expressed their inability to bear large monthly expenses on account of rent because of the acute financial constraints felt by them.

The ex-employees have made various representations to the management, the Minister and to political leaders for reduction of rent. These representations plead the case for reduction both on grounds of justice and humanitarianism. The occupants claim that the Hon'ble Minister had assured them in August, 2004 that the rentals would be reduced. But the Management issued a circular allowing reduction for a limited period upto end March 2007 (extended till date). This has led to the continuation of stalemate with rental and other dues piling up and aggravating the confrontationist stances taken by the ex-employees and the local managements. A sense of mutual distrust is quite palpable which makes a solution more difficult. This is unfortunate as the local management have an extremely difficult task of implementing company policies, protecting large estates and buildings and performing the unpleasant tasks of collecting dues etc. with almost no resources at their disposal. Their salaries continue to be low and the option of VRS has not been given to them. Any solution must begin with a better understanding of constraints faced by all stakeholders.

IV CONTINUED OCCUPATION OR LEASE OF QUARTERS

There is a remarkable convergence of views of ex-employees and existing employees with regard to the issue of sale/long lease of quarters to them. This was well illustrated by the three near identical memoranda presented to the study team by the Employees Welfare Association, Employees' Union and Officers' Association in Chennai. Similar requests were made by all ex-employees' associations at Rishikesh and Hyderabad. The existing managements are engaged in efforts to implement the perceived company's policy and the strictly legal position as one of treating the problem as one of 'unauthorized occupation' but there are limits which the managements have found difficult to cross.

The reasons put forward by the ex-employees for giving quarters for sale/lease are the following:

(a) Humanitarian Considerations As already discussed, the ex-employees plead for a sympathetic consideration on the grounds that :

(i) they were forced to opt for VRS under the threat of retrenchment;

(ii) nil or negligible pensions;

(iii) retirement at pre-revision wages (i.e. 1988 being the last date of pay revisions). Pointing to their financial difficulties, they have appealed for the continuance in the quarters preferably on a long-term lease.

(b) Preferential Right The ex-employees point to the long years of service they have given to the company. In Rishikesh and Chennai some of them occasionally contribute to the company by providing occasional technical/other services. The BIFR's comment that the "company/GOI should take a sympathetic view of the requests of the various workmens' unions for sale of the quarters to the employees/ ex-employees in preference to outsiders" is also referred to by ex-employees. They also draw attention to section 20 (4) of SICA and section 529 (a) of the Companies Act, which refer to preference in favour of employees in case of disposal of assets of the company. However, it must be pointed out that the SICA was repealed in 2004 and the Companies Act talks about preferential treatment to existing employees with regard to the settlement of outstanding dues vis-à-vis other debtors in the case of winding up of the company. This preferential treatment is very different from what is being argued by a section of the ex-employees.

(c) Protection & Maintenance of Assets As noted earlier, more than half the quarters are not occupied by present or ex-employees of the company. Despite a number of quarters having been rented to outside agencies, 52 percent of the quarters remain vacant. Since the company has been unable to perform the tasks of maintenance and repairs due to lack of finances and manpower, a number of quarters are already in a dilapidated condition. The problem is especially acute in Rishikesh but has started also in Hyderabad and Chennai. Some buildings in Rishikesh have already become a part of the wilderness. Security is another major problem because boundary walls do not exist on all sides. Already there have been encroachments, dumping of waste, usage of company land as thoroughfare by neighboring residents and activities of anti-social elements within the township area/ complexes (and also attack by wild animals). Some of these have also been reported in the local press. There is no doubt that some of the buildings have remained vacant too long. The local managements have rented out some quarters to outsiders. But though this may be easier in larger towns, the experience of Rishikesh shows that in smaller towns there may not be adequate number of takers given the dilapidated condition of some quarters. The residents argue that if the houses had been occupied by IDPL employees—present and past—the maintenance and security problems may not have arisen.

(d) Resources for the Company The sale/ long lease of quarters to present and ex-employees is expected to generate resources for the company which can be utilized for the revival of the company. The IDPL (Tamil Nadu) Employees'

Welfare Association presented a leasing proposal to the Techno-Expert Committee constituted for the revival of IDPL units in 2004. According to this proposal, a sum of Rs. 22 crore could be mobilized from Chennai alone. But the estimate includes Rs. 17 crore that could be obtained by leasing out land and only about Rs. 5 crore from the leasing of quarters would be mobilized. The calculations put the lease value of a B type quarter at Rs. 88, 969 and of the E-type at Rs. 3, 38,000, which work out to be approximately Rs. 225 per sq. ft. of plinth area. The method of calculation, however, is debatable, as it is not based on the standard method of depreciated replacement cost method. It must, however, also be pointed out that the valuation should not only be technically appropriate but should also make adjustments for the ground realities and locational specifities.

(e) Examples of other PSUs The case of SAIL and other PSUs like HEC and FCI are quoted by the ex-employees as precedents. The study team examined the SAIL offer for quarters at Salem. The approximate one time premium is shown below:

Table 12: Premia for Long Lease-Example of SAIL (Salem)

Type	General Premium in Rs	Approx area in sq. ft.	Premium per sq ft.
A	1,50,000	508	295
B	2,20,000	742	296
C	3,70,000	1172	316
D	7,10,000	1980	359

These figures relate to the year of the scheme, i.e. 2001. The allottees were also required to bear other charges like service charges etc. The lease duration was 33 years with the option of possible renewal at the end of the period at re-negotiated rates.

The preferred mode of other PSUs is long lease and not outright sale. Part of the problem of outright sale stems from title to land. In the case of IDPL, the status of land is particularly complex. In the case of Rishikesh, the

IDPL operates on leased forest land with the lease being renewed periodically. The land at Muzaffarpur is also leased. In the cases of Hyderabad the land was given to IDPL in 1961-62 and "registered in favour (of IDPL) vide GO 21 of Jan 1994". In Chennai the land was acquired under the Land Acquisition Act in early 1960s and given to the IDPL on perennial lease. Under Section 44 A of the Act, concurrence of the state government is needed in case of land being leased out to others. Any decision relating to either sale or long lease must therefore pay due attention to the question of land rights.

V TOWARDS A SOLUTION

This section attempts to delineate the way out of the impasse. During our tour it was clear that positions have hardened and communication between the management and the ex-employees have nearly broken down. The impasse seems to have continued too long creating various paradoxes. Whereas the company has a large number of vacant quarters, it also wants to vacate the occupied ones. Though quarters are occupied, rent and other dues are not being paid. Substantial energies of the existing staff and company resources are expended not so much for production but for the unproductive task of estate management.

A solution must try to reconcile the best interests of the country, the company and of the present and past employees. It must also be sufficiently attractive to be acceptable to all concerned parties. Third, it should be within legal parameters and administratively feasible to implement. Finally, it should be a one-time settlement so that the issue does not continue as a festering sore. Keeping these broad considerations in mind the study team makes the following suggestions for consideration by the IDPL and the Government of India.

1. **Continued occupation of quarters by ex-employees:** The company has served various notices to its ex-employees asking them to vacate the quarters. Occasionally incentives have been announced in order to induce the occupants to leave the quarters. These incentives have generally been with regard to remission of rents conditional upon vacation. The company has of course never used legal/ administrative force to get its quarters vacated. But penal interest rates are a method of discouraging continued occupation. In our view, it is advisable that such attempts may be put on hold. This is not to argue that the ex-employees have any legal right to retain the quarters well after their date of retirement. In fact, in the strict legal sense, they are required to vacate the quarters. A number of court judgements in the recent

past have asked retired employees to vacate their quarters. And, if the IDPL presses for a legal solution, the quarters may perhaps get vacated as a result of court directive. This may be a reason why ex-employees prefer to use the political channel rather than the legal one. In fact, the order of the Hyderabad High Court on WP No 14969 of 2003 clearly stated that the plea raised by some IDPL ex-employees (petitioners) *"that they will not vacate the premises until all their dues are settled is totally untenable and unsustainable. We are of the clear opinion that the vacating the residential quarters in the possession by the petitioners has nothing to do with the dispute as to what quantum of rent is liable to be paid by the petitioners".*

Though the ex-employees cannot claim any legal right of continuance, it is in the best interests of proper utilization of national assets that the IDPL allows the ex-employees etc. to continue residing in the quarters on lease for sometime. It serves no one's interest if quarters and buildings lie vacant and become dilapidated due to absence of maintenance and care. The number of employees on the roll of the company are so few that they cannot occupy even a small fraction of the quarters. Attempts at large scale eviction is not a healthy administrative measure, besides being unnecessary. Of course, the IDPL can rent out quarters to outsiders, especially in the larger towns, but then this defeats the purpose for which the company was set up.

The ex-employees also deserve a more sympathetic treatment mainly on humanitarian considerations. Their income levels are negligible as they are not beneficiaries of any pension scheme and their wage levels were low on account of non-revision of wage rates prior to retirement/superannuation. If, keeping in view the humanitarian considerations, the ex-employees are allowed to continue in the houses occupied by them the problem of maintenance of existing quarters can be addressed to some extent.

2. **Long lease not advisable**: A few public sector undertakings have given houses/quarters/ flats on long lease basis to ex-employees and existing employees during lean phases of their business. The SAIL, HEC, FCI etc. have done so in the past. Normally, these long leases are for a period of 33 years with the proviso that lease could be renewed/ renegotiated after the expiry of the first period. As shown earlier, the SAIL leased out quarters in Salem at a general premium of Rs. 295 –359 per sq. ft. in 2001. This was done after a clear demarcation of the surplus quarters, which could be spared over a long period. Theoretically, it may be possible for the IDPL to follow this precedence as it has very large number of vacant quarters in addition to a number of quarters under occupation by ex-employees. There is also the added attraction of receiving a one-time inflow of resources on account of charging premia for the leased quarters.

There are, however, serious problems with giving quarters on long lease. The most important problem relates to the nature of possession of land. In Rishikesh, where the largest number of ex-employees are in occupation of flats, the land belongs to the forest department and the present lease period expires in less than 20 years (as per information available to us the current lease period expires in 2022, i.e. in only 15 years). Given the fact that the houses are on the forest land, it will be very difficult to give on sub lease houses to parties other than the IDPL. Long lease carries with it some association of limited ownership rights. This is reflected in the fact that it is not easy to evict the occupants who have received rights of occupation under long lease. Further, the lease hold right at the expiry of the lease period needs to be acquired back. In other locations, where the land has been obtained through land acquisition acts, prior permission of the state government is necessary for sub- leasing to parties other than the company. This has been pointed out in the reports of the C &AG with regard to the SAIL. Long lease will also bring the lease agreements within the perview of the Rent Control Acts of various state governments. The problem of land in Muzaffarpur is that it is also on lease from the state government and therefore sub leasing will definitely require the consent of the state government. Therefore, long lease is not advisable mainly because of the legal complications that it may give rise to. It may also be noted here that the practice of giving state property on long lease is no longer practised by other public sector undertakings. The study team interacted with retired officials of the Department of Defence Estates who categorically advised against giving public property on long lease basis. In fact, the Ministry of Defence land policy does not have any provision for long lease except for educational and (regimental) religious purposes.

Further, long lease is likely to increase the financial burden on the ex-employees who are already facing a difficult financial situation. This can be illustrated by taking the example of a B category flat of covered area of 400 sq. ft. The premium amount is likely to be around Rs. 300 per sq. ft. at present prices. This would mean that the ex-employee would have to pay Rs. 1,20,000 as premium. This may involve a loan of Rs. 1,00,000. At current rates of interest, enquiries from banks revealed, the EMI would work out to be in the range of Rs. 900-1100 for a period of about 20 years. Compared to the rents currently paid by them this would mark a steep increase in their financial burden.

Finally, it must be kept in mind that the company is embarking upon a turnaround/revival strategy. In the present economic context, it is considered desirable that moderating influences on drug prices are strengthened. If proper policies are pursued, it is possible that the IDPL may be called upon to play a significant role in future. Hence, there may be requirement for company quarters for new recruits. This is of course an estimation that the present company management needs to make. The revival plan requires that the vacant quarters are not given out on long lease.

In view of humanitarian, legal and revival considerations it would be better that instead of giving the quarters on long lease, the incumbent occupants/ex-employees are allowed to occupy the quarters against the payment of reasonable rents.

3. **Reasonable Rent :** The rents to be paid by the ex-employees and dependents of deceased employees needs to be formulated in a manner which is acceptable to all parties and keeps the humanitarian considerations at the top of the agenda. At present, based on the Hon'ble Minister's desire, the company has agreed to charge 50 percent of the existing rents from the ex-employees. Since the existing rents differ between different locations, there is still some discussion relating to the level of rents. There is also a feeling that the rent should be half of the so called market rents. However, as discussed earlier, the terminology differs from place to place. It is therefore, recommended that a uniform rent should be charged for all the locations from the ex-employees. This is because the financial position of the ex-employees are very similar irrespective of the location at which they are residing. Special considerations needs to be shown to the families of deceased employees as their financial situation is extremely difficult. It is therefore proposed that the following rents may be charged according to the category of houses from ex-employees and from widows of deceased employees.

Table- 13: Proposed Rental Rates for Ex-employees & Widows of Deceased Employees.

Category	Rent per sq. ft. from ex-employees (Rs)	Rent per sq. ft. from widows of deceased employees. (Rs)
A	1.00	0.25
B	1.00	0.25
C	1.00	0.25
D	1.25	0.30
E	1.50	0.40

The implications of the proposed rents for the occupants is summarized in the table below:

Table 14: Financial Implications of proposed rents on ex-employees and widows

Category & covered Area in sq.ft.	Present Rent in the range of Rs @	Proposed rent for ex-employees Rs *	Proposed rents for widows (Rs)	CPWD norms rent (Rishikesh) (Rs)
A 365	600-860	365	91.25	735/1145
B 400	800-940	400	100	790
C 600	1000-1470	600	150	1165/1536
D 900	1800-2205	1125	270	1626
E 1500	3000-4335	2250	600	--

**There is some variation in covered area in different locations as flats were constructed at different times. It is proposed that rents be calculated as per actual covered area.*
@ Rents vary from place to place

As can be seen from the table, there is likely to be substantial reduction of the financial burdens of the ex-employees. This is being suggested keeping in mind the difficult financial position of the ex-employees, and particularly of the widows of the deceased employees. *This measure, it is hoped, will not only reduce the financial burden of the ex-employees but will also lead to the timely payment of rents and other dues by them to the company. If the existing stalemate regarding non payment of dues is resolved, this will benefit the company also both financially and in terms of improved relations.*

The financial implication of this for the company would not be large. The reasons for charging slightly higher rental rates from D & E categories arises from the fact that the area they enjoy is usually larger than the covered area and because their ability to pay is slightly better than the occupants of other categories. Based on the above rentals, the financial implications per month for the company is indicated below:

Table-15: Financial Implications of proposed rents on IDPL

Proposal	Rs. Lakh per month
Implication of charging lower rents (indicated in column 2 of Table 13 from all ex-employees and dependents)	7.5
Implication on account of further concessional rents from widows of deceased employees	0.25

The plant –wise financial implications of the proposed rents from all ex-employees have been presented in **Annexure I.** The table below presents a summary of the implications. The implications for giving further concessions to widows (25 percent of the rents to be paid by ex-employees) have to be added to these figures. These implications have been calculated assuming that the widows are occupying categories A,B or C only. A representative area of 400 sq.ft. has been used for calculation. (Further financial implication = Rs. 0.75 x 400 sq.ft. x 82 flats occupied by widows).

Table 16: Plant-wise monthly Financial Implications of the proposed rents from ex-employees

Financial Implications (Rs. Per month)	
Rishikesh	**480085**
Hyderabad	**149228**
Chennai	**104550**
Muzaffarpur	**2400**
Gurgaon	**16445**
Total	**752708**

4. **Duration and Date of Implementation:** The above rents could be made applicable for a period of five years. The existing occupants, i.e. ex-employees etc., could be given the houses they are presently occupying at the new rents for a period of five years. At the end of five years, the agreement should be freshly drawn up and the rentals, if necessary, could be renegotiated. The scheme should not be implemented with retrospective effect as many ex-employees have vacated the quarters in the past few years and they may have paid different rents for the earlier periods. The rents paid by present occupants will also have to be adjusted in case the scheme is implemented with retrospective effect. The table below presents the occupancy pattern of ex-employees in the past few years.

Table-17: Plant-wise occupancy pattern of ex-employees from 2003-2007

Unit	Total No. of Quarters	2003 (1.4.03)	2004 (1.4.04)	2005 (1.04.05)	2006 (1.04.06)	2007 (31.3.07)
Rishikesh	2696	1800	1396	1190	971	962
Hyderabad	858	141	219	187	178	170
Gurgaon	128	52	36	34	34	34
Chennai	457	--	159	160	161	164*
Muzaffarpur	44	6	6	6	6	6

**Relates to 31.1.07*

The new rents may therefore be charged from December 1, 2006. The Hon'ble Minister had directed that 50 percent of earlier rent be charged from ex-employees with effect from December 7, 2006. Since present rent varies from place to place, the above proposal would rationalize the rents. If we try to give this benefit from earlier date, it would open a new set of problems since large numbers of employees have vacated quarters from time to time. For example, on 1.4.2004, number of ex-employees in occupation of IDPL flats was 1816, as compared to 1332 on 1.4.2007. Many to them had also availed of different packages offered from time to time to encourage vacation of quarters.

5. **Eligibility:** The eligibility criteria should include only those ex-employees who clear the rental, electricity and water dues. Also, those occupants whose outstanding dues exceed the security deposits should first clear the negative balance in order to be eligible for the scheme. Those occupants who have large positive balance after adjusting for past dues, may adjust their future dues for the duration of the lease period, against the security deposits. The balance, if any, should be returned by the company. Those occupants who do not have adequate balance after adjusting their outstanding dues may be asked to make the rental payments through post-dated cheques for the period for which the flat is being taken on rent. Relaxation of this condition may be done in the case of widows of deceased employees.

6. **Interest on Deposits** : As to what should be the level of outstanding dues critically hinges on the question of rent and, for some employees, on the interest on deposits also. Although it is our opinion that interest ought to be paid on any deposits kept by the company, in this case it must be pointed out the company is also not charging interest on the dues outstanding from occupants of quarters. Parity requires that if interest is paid on deposits, then interest should also be charged on dues. This of course will open a Pandora's box of calculations and controversies. Given the fact that considerable time has elapsed and settlements have been made at various times in the past, it is best that the issue be settled and the status quo maintained.

7. **Self Management :** The study team also feels that the public sector enterprise maintaining large townships/colonies may have been necessary in the early years of development, but is no longer necessary now. In fact, maintaining townships uses up precious financial and human resources

without any commensurate benefit. It also puts the company in the uncomfortable position of a 'landlord' generally at loggerheads with 'tenants' who can be controlled only when they are in service or financially dependent on the company for pension etc. There is also expectation of high standards of civic services delivery. In the present context of development, the townships should be made directly responsible to civic agencies like the municipalities for water, sewerage and waste disposal; to the electricity suppliers for electricity to houses and for common lighting; and also have structures of self-governance like Residents' Associations/Cooperatives for Security, Common services and maintenance of parks, streets etc. This is implementable as the plants for production can easily be segregated from the townships in all the locations and can be self-managed. It will help reduce implicit or hidden subsidies, utilize the manpower and resources of the residents and free the meager manpower of the company for more productive work. It could also lead to lowering of electricity and water tariff rates as the domestic rates will become applicable as against industrial rates, which applies when IDPL is the consumer. The self-management bodies may exclude commercial units like shops etc. which may continue to be governed by the company. This suggestion is different from the pattern followed by SAIL where a fixed service fee is charged and the company provides the services. Instead, it may be better for the company to lay down the parameters for self-governing township bodies through a contract/MOU document. In case direct interface between residents and electricity and civic authorities is not immediately possible, separate meters for the township could be installed as interim arrangement.

The policy of self management is being successfully followed by most of the Residents Welfare Associations (RWAs) now-a-days. It is expected that this will lead to win-win situation for all stakeholders as the time and energy presently being spent by a handful of serving IDPL employees would be used towards more productive work and ex-employees, who presently live in an environment of confrontation, will live peacefully in an atmosphere of collaboration and reconciliation.

Finally, any solution depends on the various stakeholders for its success. A spirit of reconciliation and not of confrontation is expected from all mature stakeholders.

Annexure I: Calculation of Financial Implications

Rishikesh							
Category	Number of quarters	Penal rent Average	Area Average	Rate	Current rents	Proposed rents	Financial Implications
1	2	3	4	5	6	7	8
					Col 2x col 3	Col 2x col 4x col 5	Col 6-col 7
A/NA	480	835	418	1	400800	200640	200160
B	199	800	400	1	159200	79600	79600
C/NB	206	1260	600	1	259560	123600	135960
D/NC	63	1980	900	1.25	124740	70875	53865
E	14	3000	1500	1.5	42000	31500	10500
Total	**962**				**986300**	**506215**	**480085**

Hyderabad							
Category	Number	Penal rent Average	Area Average	Rate	Current rents	Proposed rents	Financial Implications
1	2	3	4	5	6	7	8
					Col 2x col 3	Col 2x col 4x col 5	Col 6-col 7
A	18	860	365	1	15480	6570	8910
B	44	940	400	1	41360	17600	23760
C	70	1470	600	1	102900	42000	60900
D	28	2206	900	1.25	61768	31500	30268
E	5	4335	1700	1.5	21675	12750	8925
NA	1	1080	459	1	1080	459	621
NB	2	1610	858	1	3220	1716	1504
NC	0	2336	953	1	0	0	0
ND	4	6060	1980	1.25	24240	9900	14340
Total	**172**				**271723**	**122495**	**149228**

Chennai							
Category	Number	Penal rent Average	Area Average	Rate	Current rents	Proposed rents	Financial Implications
1	2	3	4	5	6	7	8
					Col 2x col 3	Col 2x col 4x col 5	Col 6-col 7
A	0	0	0	1	0	0	0
B	87	900	400	1	78300	34800	43500
C	64	1350	600	1	86400	38400	48000
D	7	2025	900	1.25	14175	7875	6300
E	6	3375	1500	1.5	20250	13500	6750
Total	**164**				**199125**	**94575**	**104550**

Muzaffarpur							
Category	Number	Penal rent Average	Area Average	Rate	Current rents	Proposed rents	Financial Implications
1	2	3	4	5	6	7	8
					Col 2x col 3	Col 2x col 4x col 5	Col 6-col 7
A	0	600	365	1	0	0	0
B	5	800	400	1	4000	2000	2000
C	1	1000	600	1	1000	600	400
D	0	0	0	1.25	0	0	0
Total	**6**				**5000**	**2600**	**2400**

Gurgaon							
Category	Number	Penal rent Average	Area Average	Rate	Current rents	Proposed rents	Financial Implications
1	2	3	4	5	6	7	8
					Col 2x col 3	Col 2x col 4x col 5	Col 6-col 7
A	10	835	418	1	8350	4180	4170
B	17	800	400	1	13600	6800	6800
C	7	1260	600	1	8820	4200	4620
D	1	1980	900	1.25	1980	1125	855
E	0	3000	1500	1.5	0	0	0
Total	**35**				**32750**	**16305**	**16445**

Category = Type of Quarter/Flat

Number of Quarters= Numbers

Penal Rent=Existing rents (i.e. upto December, 2006) in Rs. Per month

Area= Covered area in sq.ft. (for Rishikesh average area of A &NA, C & NB and D & NC have been used)

Rent= Proposed rent in Rs. Per sq. ft.

Current rents= Rs. Per month for quarters occupied by ex-employees

Proposed rents= Rs. Per month from quarters occupied by ex-employees

Financial Implication= Rs per month difference between current rents & proposed rents.