

# **The downfall of HPCL- (Cachar Unit): A story of a sick unit**

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## **Introduction**

Hindustan Paper Corporation Limited (HPCL) (Cachar Unit) popularly known as *Cachar Paper Mill* is a unit of HPCL, a public sector undertaking in the Cachar district of the Indian state of Assam under the Govt. of India. It had glorious days in the past but its initial suspension of operation in 2015 & later shutdown brought it to the headlines of many newspapers and become political agenda for many parties. Closure of this unit leading to thousands of its employees jobless and are under severe financial crisis due to non-receipt of salaries for the last three years. It was also alleged that some of them ended their life due to the severe financial crisis. Salaries were due to the factory employees are around Rs. 500 crores but nothing paid to date. Top management of the organization had claimed the lack of working capital as the reason for its shutdown. The organization which was profitable in the past and had a glorious history achieving high-profit benchmarks has raised many questions on its shutdown due to lack of working capital. An attempt has been made in this study to highlight the probable causes of its failure and its impact on society.

## **Background Note**

It was set up in 1988 at Panchgram a sub-urban area under Hailakandi district which is around 25 km from Silchar the business hub of Southern Assam (India). It had created promising employment opportunities for the local people as there was no such manufacturing unit in the area. It was established as a unit of Hindustan Paper Corporation Limited (HPCL), a Govt. of India undertaking manufacturing paper and pulp of different grades. It has its operation from the northeastern states (Assam) to the southernmost region (Kerala). It has two units in Assam (Silchar (Cachar district) & Jagiroad (Nagaon district). Unfortunately, both the units of Assam were suspended in 2015 & 2017 respectively & closed down thereafter. Writing and printing paper of various grades were manufactured in these two units of Assam and Newsprint is manufactured in Kerala.

Bamboo has been used in the factory as the raw materials for the manufacturing of paper. Cachar Paper Mill used to get bamboos from Assam & other neighboring states like Nagaland & Tripura. It was doing comparatively well in its initial days by producing quality papers that require educational or office purposes and served the need of the country. It was set up with an initial production capacity of 1,00,000 tonnes of the annual production of paper but it was doing extremely well up-to 2008 by producing around 1,15,000 tonnes of paper annually which was more than its installed capacity. However, this does not last for long and it started losing its business within a decade due to lack of quality raw materials and lack of adequate capital. Poor organizational policy and mismanagement of funds were allegedly responsible for its failure.

### **On the way to its Failure**

The factory stopped its manufacturing process and remained suspended for the first time on July 10 in 2015 due to a shortage of coal. Management claimed that they were not receiving coal from the neighboring state Meghalaya which was remained as the primary source of procurement for this unit. As per its standard requirement, it used to require 550-600 tonnes of coal per day for producing 1, 00,000 tonnes of paper annually. The problem was initiated after the ban on unscientific mining of coal at Meghalaya by the National Green Tribunal on May 9, 2015. Due to the suspension of production remained for many days, around a stock of 65000 tonnes of bamboo got damaged that was stocked in the factory for production. The suspension of work remained continued for a long time amidst uncertainties. On May 13, 2018, The National Company Law Tribunal (NCLT) in response to the petition filed by Alloys and Metals (India) that owed Rs. 98 lakh to HPCL (Cachar unit) had directed the initiation of the Corporate Insolvency Resolution Process (CIRP) under Insolvency and Bankruptcy Code (IBC), 2016 against HPCL (Cachar unit). Therefore, as per the provisions of the Insolvency and Bankruptcy Code, the National Company Law Tribunal had suspended the board of directors of Hindustan Paper Corporation Limited (HPCL) and a resolution has been passed for the suspension & liquidation of the unit. Order of NCTL for the liquidation of HPCL (Cachar unit & Nagaon unit) brought around 2 lakhs people in crisis who were directly and indirectly associated with the organization. In March 2020, the Central Bureau of Investigation (CBI) has booked senior officials of HPCL including its former Chairman-cum-managing director in a Rs 64 crore bamboo scam where high prices were allegedly paid to the Dima Hasao Autonomous Council

(DHAC) in Assam for the procurement of bamboo for production. Scam revealed serious irregularities in the operations of Hindustan Paper Corporation Limited (HPCL).

### **Initiatives for Revival of the unit**

A revival committee has been formed in 2018 by the employees' unions of Cachar paper mill and Nagaon paper mill to revive these units and pay the due salaries to the employees. They have appealed to the ministry of heavy & large industries finance ministry of India and even to the PMO office to revive the units and pay-off the due salaries of employees who are under severe financial crisis due to non-receipt of salaries since last 3 years but nothing worked out.

### **Conclusion**

Suspension and closure of the HPCL (a government-controlled unit) made thousands of people jobless. It had not just made the existing employees jobless but the closure of such unit had stopped employment opportunities in the area. Mis-management of funds, involvement in the scam, poor organizational policies were held responsible for the shutdown of such a profitable manufacturing unit in the area.

### **Questions**

1. How do you analyze the failure of the HPCL unit from the organizational perspective?
2. Do you think the Government should take the step for the revival of the organization? If yes, then what cautions need to be taken to prevent such irregularities in the future?