

Terms of Reference for Evaluation of Performance of The Mysore Sugar Company Limited

1.0 Study title:

1.01 Title of the proposed study is “Evaluating the Performance of The Mysore Sugar Company Limited”.

2.0 Background Information:

2.01 The Mysore Sugar Company Limited (MSCo) was established in 1933 by the Maharaja of Mysore, in Mandya and is one of the oldest sugar mills in the country. It was established with an objective to help local farmers by utilizing the sugar cane grown in the area. Presently, the Government of Karnataka (GOK), the chief promoter of the Company, holds 94.78% of the shares of MSCo and the balance is held by the public, farmers and financial institutions. At present, MSCo's chief products are white sugar crystals and Rectified Spirit.

2.02 MSCo has the following production facilities:-

- a) Sugar Cane Mills ‘A’ and ‘B’ with combined installed capacity of 5,000 TCD
- b) A primary distillation plant with an installed capacity of 36 KLD
- c) A multi-fuel Co-generation plant with a capacity of 30 MW which is in the process of being commissioned.

2.03 MSCo initially had produced Indian Made Foreign Liquor (IMFL) and Indian Made Liquor (IML) blend with a total plant capacity of 5.58 lakhs litres and an acetic acid plant of 15 tonnes per day capacity. However, the units were closed down, since, they were uneconomical.

2.04 Initially MSCo's Command Area under cane cultivation was 1,25,000 acres. However, over the years, the Command Area has been re-allocated to other sugar factories and currently stands at around 49,000 acres out of which the effective cultivable area is 25,583 acres.

2.05 MSCo's operations suffered on account of drought situation that prevailed in its Command Area during the year 2004-05 and 2005-06 resulting in lower availability of cane. The problems of the Company were further compounded on account of old equipment and machinery, high manpower cost and high interest cost.

2.06 MSCo could not meet its debt obligations and was unable to make payments towards some of the statutory dues. Successive losses led to

erosion of its net worth. MSCO is currently in the process of rehabilitation and several measures have been undertaken in this regard

3.0 **Evaluation, scope, purpose and objectives:**

3.01 The importance of taking evaluation of this project and its objective is to study the performance of MSCO and the status of the measures undertaken to rehabilitate/modernise MSCO.

4.0 **Evaluation questions:**

4.01 Based on the objectives, the evaluation questions are framed as mentioned here under:-

- a) What are the reasons for sickness of the Company? Can this be attributed only for reduction in area under sugarcane cultivation?
- b) What are the rehabilitation/ modernisation measures undertaken by the Company?
- c) What is the status of the implementation of the above stated rehabilitation/ modernisation measures?
- d) Are there any problems in procuring the cane from the growers? What are the issues in timely distribution of inputs/payments to avoid distress sale by the farmers?
- e) What measures have been taken to increase the effective cultivable area? Whether productivity of cane is enhanced with government measures to promote cane growing?
- f) Whether the farmers who are supposed to deliver all their sugarcane to Mysugar company are really doing so or supplying part of their produce to other sugar factories?
- g) What is the average time taken by the factory to acknowledge the receipt of cane from the time farmers reach the factory gate?
- h) What is the average time taken after getting the information from farmer for crushing the cane?
- i) What is the average time taken to receive the full payment from the date farmer supply the cane?
- j) Is the time consumed in activity (g),(h)and (i) is as per the Karnataka sugarcane (Regulation of purchase and supply) Act 2013 is in great variance in a near by sugar factories for the corresponding period?
- k) What are the future prospects of the Company?

5.0 **Evaluation Methodology:**

5.01 The evaluator is required to analyse the operational and financial performance of the Company for the past 7 years. A few key areas may be visited and their performance efficiency assessed. Similarly interviews may be held with a few officers and sugarcane growing farmers to understand

their views and get some suggestions. Evaluator should examine monthly cash flows and suggest ways to match them. The evaluation is also inclusive of the following:-

- a) Analysis of the causes of Sickness;
 - b) Analysis of the status of rehabilitation/modernisation measures and implementation strategy;
 - c) Analysis of financial revival and steps taken in this regard.
- 5.02 Interview to be held with at least ten farmers each from the category mentioned below who are supplying cane regularly.
- a) Small and Marginal farmers
 - b) Medium farmers
 - c) Big farmers

6.0 **Deliverables and Time Schedule:**

- 6.01 MScO will provide the required information and data to the Consultant who is expected to adhere to the following timelines and deliverables:-
- a) Work plan submission: Within one month after the release of first instalment of the contract amount.
 - b) Primary data collection: Within two months after the work plan is approved by Karnataka Evaluation Authority (KEA).
 - c) Draft evaluation report submission: Within one month after the completion of collection of data for approval by a joint team of KEA and line department/agency officers.
 - d) Final report submission: Within one month after the draft report is approved.

Thus the evaluation study must be completed within 5 months from the date of commencement of work by the Consultant.

7.0 **Cost and schedule of budget releases:**

- 7.01 Output based budget release by MScO shall be as follows:-
- a) 30% of the contract cost will be released on signing of the Memorandum of the Understanding executed between MScO and the Consultant;
 - b) 30% will be released after the work plan is approved by KEA;
 - c) 20% will be released after the draft evaluation report is approved by KEA and MScO;
 - d) Balance 20% will be released only after the final report is submitted to MScO and at least five copies to KEA, along with soft copy.

Income tax will be deducted from each payment as per rates in force. In addition, the evaluator is expected to pay the service tax at their end.

8.0 Contact person to get further details about the evaluation study:

Sri Shankar G, the General Manager of MScCo (Mobile No. 09343828802) will be the contact person for getting information and details for this study.

9.0 Agency for evaluation:

The study is awarded to Consultant, Karnataka Evaluation Authority with the support from the department of Public Enterprises.

10.0 Other general conditions:

The evaluation report and its findings must demonstrate highest professional standards. The KEA will provide the required over site for the study.

**Approved in the 8th Technical Committee Meeting of KEA held
on 21-04-2014**